MASONITE®

DOORS THAT DO MORE™

2021
ANNUAL REPORT

OUR MISSION

We make life and living better by designing and producing doors that address human needs for comfort, safety, security and convenience.

m·pwr™ Smart Doors

Always Connected. Always Protected.

Masonite® M-Pwr™ Smart Doors are the first residential exterior door solution offering integrated motion-sensing LED welcome lighting, a Ring® Video Doorbell, a Yale® Home Smart Lock, a door state sensor, and an emergency battery backup, so you can always stay connected wherever you are.

LETTER TO OUR SHAREHOLDERS

TO OUR SHAREHOLDERS, CUSTOMERS, SUPPLIER PARTNERS AND COLLEAGUES:

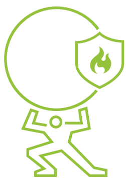
2021 was a year of challenge, resilience and continued growth for Masonite.

Throughout the year, our teams were faced with a variety of macro-economic headwinds, including inflation, widespread labor shortages and supply chain disruptions for key raw materials. At the same time, demand for our products remained strong, driven in part by an increased focus on the home and the continued blurring of lines between work life and home life. This had a positive impact on new home construction as well as the repair and renovation market, and our customers were counting on us to deliver.

The resilience of the Masonite team was never more evident than in 2021. Every time we ran into a new challenge, we stayed true to our cultural pillar of **Flexibility in Every Fiber** and found a way to move forward. This included exceptional efforts by our global sourcing team, which kept raw materials flowing to the plants, by our human resources team, which developed strategies for attracting and retaining talent, by our operational teams, which worked tirelessly to satisfy demand and by many others who played an important role in our success. Through this hard work and dedication, we were able to maintain our strong position in the market and realize excellent financial results while making progress on our long-term strategic initiatives.

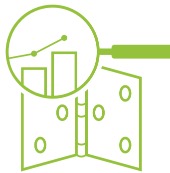
OUR CULTURAL PILLARS

The six pillars that define Masonite's culture both unite us and help drive our success.

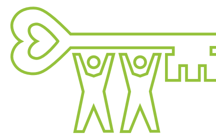


INTEGRITY UNDER PRESSURE

HOLD THE **DOOR OPEN**



RESULTS HINGE ON **ACCOUNTABILITY**



PEOPLE ARE KEY

FLEXIBILITY IN EVERY FIBER

CROSSING THE **THRESHOLD**

Masonite's new production facility in Fort Mill, South Carolina

I'm very proud Masonite was able to deliver double digit growth in sales and profitability this year. The team's execution of our Doors That Do More™ Strategy, with a focus on delivering reliable supply, driving specified demand and winning at the point of sale, resulted in both volume and average unit price growth, a $340 million year-on-year increase in net sales and a $49 million year-on-year increase in Adjusted EBITDA[1]. Through the continued strategic deployment of capital and disciplined management of our assets, we grew Return on Invested Capital (ROIC)[2] by 500 basis points this year and Adjusted EPS[2] by 33%. In addition, we were able to improve our safety metrics and employee engagement scores and add great new talent to our management team.

Masonite's new production facility in Stoke-on-Trent, England

We are also very excited about the momentum we gained this year on the longer-term initiatives that we believe will help us continue to deliver consistent revenue and earnings growth into the future. Our commitment to invest in the Masonite Innovation Center located outside of Chicago, Illinois, resulted in the game-changing product launch of M-Pwr™ Smart Doors, the first residential exterior doors to integrate power, lights, a video doorbell and a smart lock into a complete door system that can be controlled by our proprietary mobile app. We have also made investments in new door plants in North America and the United Kingdom, as well as targeted enhancements to our solid core, fiberglass and steel door capacity.

[1] See Note 17 to our consolidated financial statements beginning on page 80 of this annual report on Form 10-K for the definition of Adjusted EBITDA, a non-GAAP measure, and a reconciliation of net income attributable to Masonite.
[2] Non-GAAP financial measure. See "Non-GAAP Financial Measures" at the end of this annual report for definitions, other information and reconciliations.

We believe these investments in production capacity and new products will enable us to capitalize on opportunities that are developing in the market now. Since the onset of the pandemic, people are spending more time in their homes and realizing that doors can help improve their quality of life and the value of their homes. Technology, privacy, light, safety, performance and style have all become increasingly desirable characteristics. As our customers' needs have evolved, Masonite has responded with a broad portfolio of doors that do more.

MORE TECHNOLOGY

M-PWR™ SMART DOORS

The first-ever* powered and fully integrated smart door.

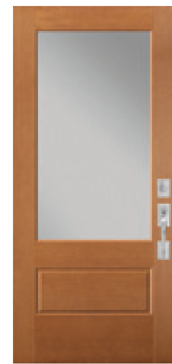
MORE PRIVACY

INTERIOR SOLID CORE DOORS

70% more sound dampening material than our hollow core doors.

MORE LIGHT

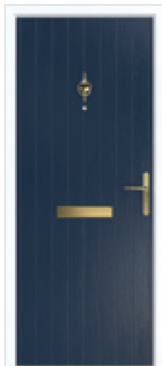
VISTAGRANDE® FIBERGLASS DOORS



A modern look with up to 18% more light than standard glass frames.

MORE SAFETY

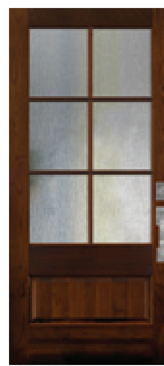
DOOR-STOP® FIRE DOORSETS



Tested and certified for both fire and security performance for our United Kingdom customers.

MORE PERFORMANCE

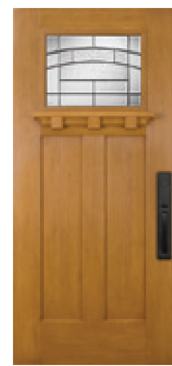
DURASTYLE™ WOOD DOORS WITH AQUASEAL™ TECHNOLOGY



22x more resistant to water penetration than wood doors without AquaSeal™ Technology.

MORE STYLE

HERITAGE SERIES® FIBERGLASS DOORS



Feature historic-inspired details to complement a variety of homes.

*M-Pwr is the first residential exterior door to integrate power, lights and a video doorbell into the door system. Patent pending.

Since I joined Masonite in mid-2019, we have been on a mission to transform our company from a manufacturer of commoditized building products where innovation was primarily focused on door style, into a consumer durables manufacturer and marketer of doors and door systems focused on innovations that improve life and living in the home and workplace. We want architects, builders, building owners, and homeowners to request our products by name across the relevant sales channels. We aspire to expand our addressable markets and position ourselves to grow in every macro environment. Our strategy is aimed at doing just that – creating a foundation of reliable supply while developing differentiated products with digital-first marketing that enable Masonite to win at the point of sale.

NET SALES
+19%
vs. 2019

ADJ. EBITDA[1]
+46%
vs. 2019

ADJ. EPS[2]
+123%
vs. 2019

ADJ. EBITDA MARGIN[2]
+290BPS
vs. 2019

ROIC[2]
+560BPS
vs. 2019

At our April 2021 Investor Day, we shared both our Doors That Do More™ Strategy and our 2025 Centennial Plan[3] financial goals. These goals are ambitious and include roughly doubling our net revenues to $4 billion in 2025, while achieving Adjusted EBITDA Margin[2] in excess of 20% and generating sector leading ROIC[2]. By maintaining focus on our strategic initiatives regardless of the inevitable challenges, by taking advantage of continued strength in the housing market and by realizing upon the value customers perceive in their doors, we believe we can continue to make strong progress towards our Centennial Plan[3] goals in 2022.

2025
Centennial Plan[3] Financial Goals

$4B
Grow Net Sales to $4B

+20%
Achieve Adjusted EBITDA Margin[2] in Excess of 20%

Realize Sector Leading Return on Invested Capital[2]

[1] See Note 17 to our consolidated financial statements beginning on page 80 of this annual report on Form 10-K for the definition of Adjusted EBITDA, a non-GAAP measure, and a reconciliation of net income attributable to Masonite.
[2] Non-GAAP financial measure. See “Non-GAAP Financial Measures” at the end of this annual report for definitions, other information and reconciliations.
[3] The Company’s 2025 Centennial Plan is a forward-looking statement and subject to risks and uncertainties. See “Forward-looking Statements” at the end of this annual report.

In addition to our focus on financial performance, we continue to expand our Environmental, Social and Governance (ESG) efforts across the company. In 2021, we published an updated ESG report, added the role of Chief Sustainability Officer, completed our first carbon footprint analysis and introduced diversity training for our employees. Safety, environmental awareness and management accountability have always been at the heart of Masonite's culture, and I am pleased to see the company continuing to adopt many of the most relevant ESG best practices.

With a 95 year history of leadership, we understand our responsibilities to pursue innovation and operational excellence, to keep our employees safe, to listen to the evolving needs of our customers and to invest wisely for the future to maximize returns for our shareholders. We have learned a great deal from our journey so far, and in the last two years in particular. We now look forward with excitement and enthusiasm to the opportunities that lie ahead of us and to sharing our success with you, our colleagues, customers, investors and all who continue to support us.

Howard C. Heckes
President and Chief Executive Officer
Masonite International Corporation
March 25, 2022

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended January 2, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number: 001-11796

Masonite International Corporation
(Exact name of registrant as specified in its charter)

British Columbia, Canada	**98-0377314**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2771 Rutherford Road
Concord, Ontario L4K 2N6 Canada
(Address of principal executive offices, zip code)

(800) 895-2723
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock (no par value)	**DOOR**	**New York Stock Exchange**
(Title of class)	(Trading symbol)	(Name of exchange on which registered)

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to management's assessment of the effectiveness of its internal control financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 4, 2021, the last business day of the registrant’s most recently completed second fiscal quarter, the aggregate market value of the shares of voting common stock held by non-affiliates of the registrant, computed by reference to the closing sales price of such shares on the New York Stock Exchange on July 4, 2021, was $2.7 billion.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of the securities under a plan confirmed by a court. Yes ☒ No ☐

The registrant had outstanding 23,246,727 shares of Common Stock, no par value, as of February 22, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement for its 2022 Annual General Meeting of Shareholders scheduled to be held on May 12, 2022, to be filed with the Securities and Exchange Commission not later than 120 days after January 2, 2022, are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

MASONITE INTERNATIONAL CORPORATION
INDEX TO ANNUAL REPORT ON FORM 10-K
January 2, 2022

		Page No.
PART I		
Item 1	Business	1
Item 1A	Risk Factors	10
Item 1B	Unresolved Staff Comments	23
Item 2	Properties	24
Item 3	Legal Proceedings	24
Item 4	Mine Safety Disclosures	24
PART II		
Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	25
Item 6	[Reserved]	27
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 7A	Quantitative and Qualitative Disclosures About Market Risk	44
Item 8	Financial Statements and Supplementary Data	46
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	94
Item 9A	Controls and Procedures	94
Item 9B	Other Information	96
Item 9C	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	96
PART III		
Item 10	Directors, Executive Officers and Corporate Governance	97
Item 11	Executive Compensation	98
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	98
Item 13	Certain Relationships and Related Transactions, and Director Independence	98
Item 14	Principal Accountant Fees and Services	98
PART IV		
Item 15	Exhibit and Financial Statement Schedules	99
Item 16	Form 10-K Summary	102

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of the federal securities laws, including, without limitation, statements concerning the conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business and growth strategy and product development efforts under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements include all statements that do not relate solely to historical or current facts and can be identified by the use of words such as "may," "might," "could," "will," "would," "should," "expect," "believes," "outlook," "predict," "forecast," "objective," "remain," "anticipate," "estimate," "potential," "continue," "plan," "project," "targeting," and other similar expressions. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based on estimates and assumptions by our management that, although we believe to be reasonable, are inherently uncertain and subject to a number of risks and uncertainties. These risks and uncertainties include, without limitation, those identified under "Risk Factors" and elsewhere in this Annual Report.

The following list represents some, but not necessarily all, of the factors that could cause actual results to differ from historical results or those anticipated or predicted by these forward-looking statements:

- downward trends in our end markets and in economic conditions;
- reduced levels of residential new construction; residential repair, renovation and remodeling; and non-residential building construction activity due to increases in mortgage rates, changes in mortgage interest deductions and related tax changes and reduced availability of financing;
- competition;
- the continued success of, and our ability to maintain relationships with, certain key customers in light of customer concentration and consolidation;
- our ability to accurately anticipate demand for our products;
- impacts on our business including seasonality, weather and climate change;
- scale and scope of the ongoing coronavirus ("COVID-19") pandemic and its impact on our operations, customer demand and supply chain;
- increases in prices of raw materials and fuel;
- tariffs and evolving trade policy and friction between the United States and other countries, including China, and the impact of anti-dumping and countervailing duties;
- increases in labor costs, the availability of labor, or labor relations (i.e., disruptions, strikes or work stoppages);
- our ability to manage our operations including potential disruptions, manufacturing realignments (including related restructuring charges) and customer credit risk;
- product liability claims and product recalls;
- our ability to generate sufficient cash flows to fund our capital expenditure requirements, to meet our pension obligations, and to meet our debt service obligations, including our obligations under our senior notes and our asset-based revolving credit facility ("ABL Facility");
- limitations on operating our business as a result of covenant restrictions under our existing and future indebtedness, including our senior notes and ABL Facility;
- fluctuating foreign exchange and interest rates;
- our ability to replace our expiring patents and to innovate, keep pace with technological developments and successfully integrate acquisitions;
- the continuous operation of our information technology and enterprise resource planning systems and management of potential cyber security threats and attacks;
- political, economic and other risks that arise from operating a multinational business;
- uncertainty relating to the United Kingdom's exit from the European Union;
- retention of key management personnel; and
- environmental and other government regulations, including the United States Foreign Corrupt Practices Act ("FCPA"), and any changes in such regulations.

We caution you that the foregoing list of important factors is not all-inclusive. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Annual Report may not in fact occur. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

The Company may use its website and/or social media outlets, such as LinkedIn, as distribution channels of material company information. Financial and other important information regarding the Company is routinely posted on and accessible through the Company’s website at http://investor.masonite.com and its LinkedIn page at https://www.linkedin.com/company/masonitedoors/mycompany/. In addition, you may automatically receive email alerts and other information about the Company when you enroll your email address by visiting the "Email Alerts" section at http://investor.masonite.com.

PART I

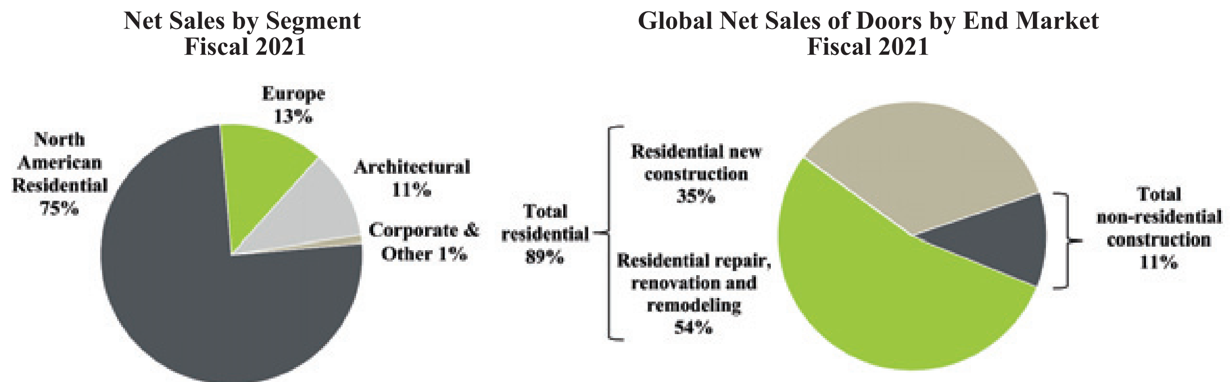
Unless we state otherwise or the context otherwise requires, in this Annual Report, all references to "Masonite," "we," "us," "our" and the "Company" refer to Masonite International Corporation and its subsidiaries.

Item 1. Business

Overview

We are a leading global designer, manufacturer, marketer and distributor of interior and exterior doors for the new construction and repair, renovation and remodeling sectors of the residential and non-residential building construction markets. Since 1925, we have provided our customers with innovative products and superior service at compelling values. Through innovative door solutions, a better door buying experience for our customers and partners and advanced manufacturing and service delivery, we deliver a commitment of Doors That Do More™. Today, we believe we hold either the number one or two market positions in the seven product categories we target in North America: interior molded residential doors; interior stile and rail residential doors; exterior fiberglass residential doors; exterior steel residential doors; interior architectural wood doors; wood veneers and molded door facings; and door core.

We market and sell our products to remodeling contractors, builders, homeowners, retailers, dealers, lumberyards, commercial and general contractors and architects through well-established wholesale, retail and direct distribution channels as part of our cross-merchandising strategy. Our broad portfolio of brands, including Masonite®, Premdor®, Masonite Architectural™, Marshfield-Algoma™, USA Wood Door™, Solidor®, Residor®, Nicedor®, Door-Stop International™, Harring Doors™, National Hickman™, Graham-Maiman™, Louisiana Millwork, Baillargeon™ and BWI℠, are among the most recognized in the door industry and are associated with innovation, quality and value. In the fiscal year ended January 2, 2022, we sold approximately 32 million doors to over 7,000 customers globally. Our fiscal year 2021 net sales by segment and estimated global net sales of doors by end market are set forth below:



See Note 17 to our consolidated financial statements for additional information about our segments.

Over the past several years, we have invested in advanced manufacturing technologies to increase quality and shorten lead times and introduced targeted e-commerce and other consumer and channel marketing initiatives to improve our sales and marketing efforts and customer experience. In addition, we implemented a disciplined acquisition strategy that solidified our presence in the United Kingdom's interior and exterior residential door industry, the North American residential molded and stile and rail interior door industry and created leadership positions in the North American commercial and architectural interior wood door, door core and wood veneer industry.

We operate 58 manufacturing and distribution facilities in seven countries in North America, Europe, South America and Asia, which are strategically located to serve our customers. We are one of the few vertically integrated door manufacturers in the world and one of only two in the North American residential molded interior door industry as well as the only vertically integrated door manufacturer in the North American architectural interior wood door industry. Our vertical integration extends to all steps of the production process from initial design, development and production of steel press plates to produce interior molded and exterior fiberglass door facings to the manufacturing of door components, such as door cores, wood veneers and molded facings, to door assembly. We also offer incremental value by pre-machining doors for hardware, hanging doors in frames with glass and hardware and pre-finishing doors

with paint or stain. We believe that our vertical integration and automation enhance our ability to develop new and proprietary products, provide greater value and improved customer service and create high barriers to entry. We also believe vertical integration enhances our ability to be more cost efficient, although our cost structure is subject to certain factors beyond our control, such as global commodity shocks.

Product Lines

Residential Doors

We sell an extensive range of interior and exterior doors in a wide array of designs, materials and sizes. Our interior doors are made with wood and related materials such as hardboard (including wood composite molded and flat door facings). Our exterior doors are made primarily of steel, fiberglass or composite materials. Our residential doors are molded panel, flush, stile and rail, steel or fiberglass.

Molded panel doors are interior doors available either with a hollow or solid core and are made by assembling two molded door skin panels around a wood or medium-density fiberboard ("MDF") frame. Molded panel doors are routinely used for closets, bedrooms, bathrooms and hallways. Our molded panel product line is subdivided into several distinct product groups: our original Molded Panel series is a combination of classic styling, period and architectural style-specific designs, durable construction and a variety of profiles preferred by our customers when price sensitivity is a critical component in the product selection; the West End™ Collection strengthens our tradition of design innovation by introducing the clean and simple aesthetics found in modern linear designs to the molded panel interior door category; the Heritage® Series, which features recessed, flat panels and sharp, Shaker-style profiles which speak to a clean, modern aesthetic while retaining comfortable familiarity found in today's interiors; and the Livingston door, which features versatile and timeless design for any style of home and was introduced in 2019. Our doors can be upgraded to our environmentally friendly Emerald™ door construction which enables homeowners, builders and architects to meet specific product requirements and "green" specifications to attain Leadership in Energy and Environmental Design ("LEED") certification for a building or dwelling.

Flush interior doors are available either with a hollow or solid core and are made by assembling two facings of plywood, MDF, composite wood or hardboard over a wood or MDF frame. These doors can either have a wood veneer surface suitable for paint or staining or a composite wood surface suitable for paint. Our flush doors range from base residential flush doors consisting of unfinished composite wood to the ultra high-end exotic wood veneer doors.

Stile and rail doors are made from wood or MDF with individual vertical stiles, horizontal rails and panels, which have been cut, milled, veneered and assembled from lumber such as clear pine, knotty pine, oak and cherry. Within our stile and rail line, glass panels can be inserted to create what is commonly referred to as a French door and we have over 50 glass designs for use in making French doors. Where horizontal slats are inserted between the stiles and rails, the resulting door is referred to as a louver door. For interior purposes, stile and rail doors are primarily used for hallways, room dividers, closets and bathrooms. For exterior purposes, these doors are used as entry doors with decorative glass inserts (known as lites) often inserted into them.

Steel doors are exterior doors made by assembling two interlocking steel facings (paneled or flat) or attaching two steel facings to a wood or steel frame and injecting the core with polyurethane insulation. With our functional Utility Steel series, the design centric High Definition family and the prefinished Sta-Tru® HD, we offer customers the freedom to select the right combination of design, protection and compliance required for essentially any paint grade exterior door application. In addition, our product offering is significantly increased through our variety of compatible clear or decorative glass designs.

Fiberglass doors are considered premier exterior doors and are made by assembling two fiberglass door facings to a wood frame or composite material and injecting the core with polyurethane insulation. Fiberglass is strong, durable, lightweight and impervious to many caustics and to extreme temperatures. These attributes make fiberglass an ideal material for an exterior door that may face extremes in temperature, exposure to the elements and general wear and tear. In the United Kingdom, Door-Stop™ branded fiberglass doors are manufactured into prehung door sets and shipped to our customers with industry-leading lead times. We believe our innovative designs, construction and finishes will help our fiberglass door collections retain a distinct role in the exterior product category in the future.

Our Solidor® exterior doors are composite doors that provide the appearance of timber, but with the benefits of modern, low maintenance materials. A solid timber core is complemented by a variety of innovative design and color choices that has led Solidor to become one of the United Kingdom's most recognized manufacturers and suppliers of composite doors.

Architectural Doors

Architectural doors are typically highly specified products designed, constructed and tested to ensure that regulatory compliance and environmental certifications such as Forest Stewardship Council and LEED certifications are met. These doors are sold into institutional (schools, healthcare and government facilities) and commercial projects (hotels, offices and retail facilities). We believe the architectural door industry is shifting focus from transactional, component sales to selling total opening solutions in key performance areas such as fire, security, acoustics and technology. Our two primary product series for the architectural business, Aspiro™ and Cendura™, are comprised of four product categories: stile and rail, flush wood veneer, painted and laminate doors. The Aspiro™ series offers high-end aesthetic and performance qualities, and its doors are available in exotic and domestic veneers, with acoustic, fire-rated, lead-lined, attack- and bullet-resistant options and include lifetime warranties. The Cendura™ series provides a balance of performance and value and its doors are available with domestic veneers, with acoustic and fire-rated options and include limited warranties. These product offerings provide a wide range of solutions to cover the needs of commercial and institutional projects.

Components

In addition to residential and architectural doors, we also sell several door components to the building materials industry. Within the residential new construction market, we provide interior door facings, agri-fiber and particleboard door cores, MDF and wood cut stock components to multiple manufacturers. Within the architectural building construction market, we are a leading component supplier of various critical door components. Additionally, we are one of the leading providers of mineral and particleboard door cores to the North American architectural door industry.

Molded door facings are thin sheets of molded hardboard produced by grinding or defibrating wood chips, adding resin and other ingredients, creating a thick fibrous mat composed of dry wood fibers and pressing the mat between two steel press plates to form a molded sheet, the surface of which may be smooth or may contain a wood grain pattern. Following pressing, molded door facings are trimmed, primed and shipped to door manufacturing plants where they are mounted on frames to produce molded doors.

Door framing materials, commonly referred to as cut stock, are wood or MDF components that constitute the frame on which interior and exterior door facings are attached. Door cores are pressed fiber mats of refined wood chips or agri-fiber used in the construction of solid core doors. For doors that must achieve a fire rating higher than 45 minutes, the door core consists of an inert mineral core or inorganic intumescent compounds.

Sales and Marketing

Our sales and marketing efforts are focused around key initiatives designed to drive organic growth, influence the mix sold and strengthen our customer relationships.

Multi-Level/Segment Distribution Strategy

We market our products to and through distributors, dealers, retail stores, online marketplaces, builders, remodelers, architects and general contractors.

In the residential market, we utilize an "All Products" merchandising strategy which provides our retail and wholesale customers access to our entire product range and the ability to leverage our branding, marketing and selling strategies. We service our big box retail customers directly from our own door fabrication facilities which provide value added services and logistics, including store direct delivery of doors and entry systems and a full complement of in-store merchandising, displays and field service. Our residential wholesale sales professionals focus on down channel initiatives designed to ensure our products are "pulled" through our North American wholesale distribution network.

Our North American architectural customers are serviced by a dedicated sales and marketing team providing architects, door and hardware distributors, general contractors and project owners a wide range of product application advice, technical specifications, and applicable compliance and regulatory certifications.

Service Innovation

We leverage our marketing, sales and customer service activities to ensure our products are strategically pulled through our multiple distribution channels rather than deploying a more common, tactical "push" strategy. Our marketing approach is designed to increase the value of each and every door opening we fill with our doors and entry systems, regardless of the channel being used to access our products.

Our proprietary web-based tools accessible on our website also provide our customers with a direct link to our information systems to allow for accelerated and easy access to a wide variety of information and selling aids designed to increase customer satisfaction. Within our North American Residential business, our web-based tools include Mconnect®, an online service portal allowing our customers access to several other e-commerce tools designed to enhance the manufacturer-customer relationship. Once connected to our system, customers have secure access to various product configurators to quote and order Masonite products; the Product Corner, a section advising customers of the features and benefits of our newest products; the Media Library, a comprehensive supply of marketing materials and self-service resources; and Order Tracker, which allows customers to follow their purchase orders through the production process and confirm delivery dates.

In Europe, our Solidor and Door-Stop International websites are fully functional configuration and order platforms that support our entry door customers in the United Kingdom. The dynamic integration of Solidor's and Door-Stop's enterprise resource planning systems and their websites ensure that the products customers view, configure and order are available, which ensures that we are able to deliver on our promise of dependable lead-times.

In our Architectural business, we continue to roll out our new door configurator, DoorBuilder™ Live, for mill direct customers that makes selecting and ordering the right door easier and more intuitive. DoorBuilder™ Live is a cloud-based software that streamlines the door ordering process for fast, accurate results. Additionally, we enhanced our DoorUniversity training program and developed a suite of American Institute of Architects continuing education units designed to educate architects to help them select the right solutions to meet their project and client goals.

Customers

During fiscal year 2021, we sold our products worldwide to over 7,000 customers. We have developed strong relationships with these customers through our "All Products" cross merchandising strategy. Our vertical integration facilitates our "All Products" strategy with our door fabrication facilities in particular providing value-added fabrication and logistical services to our customers, including store delivery of pre-hung interior and exterior doors to our customers in North America. All of our top 20 customers have purchased doors from us for at least 10 years.

Although we have a large number of customers worldwide, our largest customer, The Home Depot, accounted for approximately 19% of our total net sales in fiscal year 2021. Due to the depth and breadth of the relationship with this customer, which operates in multiple North American geographic regions and which sells a variety of our products, our management believes that this relationship is likely to continue.

Distribution

Residential doors are primarily sold through wholesale and retail distribution channels.

- *Wholesale*. In the wholesale channel, door manufacturers sell their products to homebuilders, contractors, lumberyards, dealers and building products retailers in two steps or one step. Two-step distributors typically purchase doors from manufacturers in bulk and customize them by installing windows, or "lites", and pre-hanging them. One-step distributors sell doors directly to homebuilders and remodeling contractors who install the doors.

- *Retail*. The retail channel generally targets consumers and smaller remodeling contractors who purchase doors through retail home centers, both in store and online, and smaller specialty retailers. Retail home centers offer large, warehouse size retail space with large selections, while specialty retailers are niche players that focus on certain styles and types of doors.

Architectural doors are primarily sold through specialized one-step wholesale distribution channels where distributors sell to general contractors and end-use clients.

Research and Development

We believe we are a global leader in end user focused innovation and development of doors, door components and full door solutions as well as the manufacturing processes involved in making such products. We believe that research and development is a competitive advantage for us, and we intend to capitalize on our leadership in this area through focus on end user problems that lead to the development of more new and innovative products. As part of Masonite's Doors That Do More™ strategy, our end user experience, research and development and engineering capabilities enable us to organically create and solicit external innovative ideas; methodically validate commercial and technical viability; use cross functional teams to develop business case hypotheses for promising concepts; and implement new to world products and manufacturing process improvements. The result of this rigorous approach enables us to launch new innovative, proprietary end user valued solutions, enhance the manufacturing efficiency of our products, improve quality and reduce costs. As part of our North American Investment Plan announced in late 2019, we have invested in innovation activities with a significant focus on the development of new, differentiated products as well as focusing on process and material improvements to improve quality. In the Architectural wood door market, we have directed research and development to address the growing need for specified door systems in critical areas of safety and security, including our first attack resistant door system and expanded offerings of sound-dampening and fire-resistant products.

As an integrated manufacturer focused on the door industry, we believe we are well positioned to take advantage of the growing demand for new, innovative door designs, components and solutions. We leverage our deep knowledge and experience in door construction and assembly as well as our ability to manufacture our own molds for use in our own facilities. We believe this provides us with a unique ability to offer a combination of sought after high value door solutions as well as the breadth of line to meet the needs of a variety of end users and customers. This capability also enables us to develop and implement product and process improvements with respect to the production of door solutions and components which increase average unit price, enhance production efficiency and/or reduce costs.

Manufacturing Process

Our manufacturing operations consist of three major manufacturing processes: (1) component manufacturing, (2) door assembly and (3) value-added ready to install door fabrication.

We have a leading position in the manufacturing of door components, including internal framing components (stile and rails), glass inserts (lites), door core, interior door facings (molded and veneer) and exterior door facings. The manufacturing of interior molded door facings is the most complex of these processes requiring a significant investment in large scale wood fiber processing equipment. Interior molded door facings are produced by combining fine wood particles, synthetic resins and other additives under heat and pressure in large multi-opening automated presses utilizing Masonite proprietary steel plates. The facings are then primed, cut and inspected in a second highly automated continuous operation prior to being packed for shipping to our door assembly plants. We operate five interior molded door facing plants around the world, two in North America and one in each of South America, Europe and Asia. Our plant in Laurel, Mississippi, is one of the largest door facing plants in the world and we believe one of the most technologically advanced in the industry.

Interior residential hollow and solid core door manufacturing is an assembly operation that is primarily accomplished through the use of semi-skilled manual labor. The construction process for a standard flush or molded interior door is based on assembly of door facings and various internal framing and support components, followed by the doors being trimmed to their final specifications.

The assembly process varies by type of door, from a relatively simple process for flush and molded doors, where the door facings are glued to a wood frame, to more complex processes where many pieces of solid and engineered wood are converted to louver or stile and rail doors. Architectural interior doors require another level of customization and sophistication employing the use of solid cores with varying degrees of sound dampening and fire retarding attributes, furniture quality wood veneer facings, as well as secondary machining operations to incorporate more sophisticated commercial hardware, openers and locks. Additionally, architectural doors are typically pre-finished prior to sale.

The manufacturing of steel and fiberglass exterior doors is a semi-automated process that entails combining laminated wood or rot free composite framing components between two door facings and then injecting the resulting hollow core structure with insulating polyurethane expanding foam core materials. We invested in fiberglass manufacturing technology, including the vertical integration of our own fiberglass sheet molding compound plant at our

Laurel, Mississippi, facility in 2006. In 2008, we consolidated fiberglass door manufacturing throughout North America to predominantly being made in our highly automated facility in Dickson, Tennessee, significantly improving the reliability and quality of these products while simultaneously lowering cost and reducing lead times.

Short set-up times, proper production scheduling and coordinated material movement are essential to achieve a flexible process capable of producing a wide range of door types, sizes, materials and styles. We make use of our vertically integrated and flexible manufacturing operations together with scalable logistics primarily through the use of common carriers to fill customers' orders and to minimize our investment in finished goods inventory.

Finally, doors manufactured at our door assembly plants are either sold directly to our customers or transferred to our door fabrication facilities where value added services are performed. These value added services include machining doors for hinges and locksets, installing the doors into ready to install frames, installing hardware, adding glass inserts and side lites, painting and staining, packaging and logistical services to our customers.

Within our manufacturing processes, we leverage the Mvantage operating system to systemically focus on the elimination of waste and non-value-added activities within the organization. In 2021, we continued to progress our deployment of Mvantage throughout our enterprise. Despite the challenges of COVID-19, we continued to drive operational performance through our three-prong strategy, at times using a virtual approach, which includes the Model Plant Transformation Process, Process Improvement Teams and the focus on global standards and training. Our Model Plant Transformation Process is designed to improve the throughput and the efficiency of our factories using multiple approaches such as reconfiguring equipment to enhance safety and material flow, optimizing inventory levels and implementing and tracking sustaining performance metrics. Our Process Improvements Teams work closely with manufacturing sites to utilize Mvantage to diagnose operational inefficiencies and apply corrective actions in specific areas of the factory. Our focus on training, through our Internal Training and Certification programs, and implementing global standards has allowed us to drive continuous improvement through an increased number of Kaizen events that are being led by our trained facilitators. Through this structured approach, we realized improvements in certain key performance indicators in 2021.

Raw Materials

While Masonite is vertically integrated, we require a regular supply of raw materials, such as wood chips, some cut stock components, various composites, steel, glass, paint, stain and primer as well as petroleum-based products such as binders, resins and plastic injection frames to manufacture and assemble our products. In 2021, our materials cost accounted for approximately 51% of the total cost of the finished product. In certain instances, we depend on a single or limited number of suppliers for these supplies. Wood chips, logs, resins, binders and other additives utilized in the manufacturing of interior molded facings, exterior fiberglass door facings and door cores are purchased from global, regional and local suppliers taking into consideration the relative freight cost of these materials. Internal framing components, MDF, cut stock and internal door cores are manufactured internally at our facilities and supplemented from suppliers located throughout the world. We utilize a network of suppliers based in North America, Europe, South America and Asia to purchase other components including steel coils for the stamping of steel door facings, MDF, plywood and hardboard facings, door jambs and frames and glass frames and inserts.

Environmental and Other Regulatory Matters

We strive to minimize any adverse environmental impact our operations might have to our employees, the general public and the communities of which we are a part. We are subject to extensive environmental laws and regulations. The geographic breadth of our facilities subjects us to environmental laws, regulations and guidelines in a number of jurisdictions, including, among others, the United States, Canada, Mexico, the United Kingdom, the Republic of Ireland, Chile and Malaysia. Such laws, regulations and guidelines relate to, among other things, the discharge of contaminants into water and air and onto land, the storage and handling of certain regulated materials used in the manufacturing process, waste minimization, the disposal of wastes and the remediation of contaminated sites. Many of our products are also subject to various regulations such as building and construction codes, product safety regulations, health and safety laws and regulations and mandates related to energy efficiency.

Our efforts to ensure environmental compliance include the review of our operations on an ongoing basis utilizing in-house staff and on a selective basis by specialized environmental consultants. The Environmental, Health and Safety team participates in industry groups to monitor developing regulatory actions and actively develop comments on specific issues. Furthermore, for our prospective acquisition targets, environmental assessments are conducted as part of our due diligence review process. Based on recent experience and current projections,

environmental protection requirements and liabilities are not expected to have a material effect on our business, capital expenditures, operations or financial position.

In addition to the various environmental laws and regulations, our operations are subject to numerous foreign, federal, state and local laws and regulations, including those relating to the presence of hazardous materials and protection of worker health and safety, consumer protection, trade, labor and employment, tax and others. We believe we are in compliance in all material respects with existing applicable laws and regulations affecting our operations.

Intellectual Property

In North America, our doors are marketed primarily under the Masonite® brand. Other North American brands include: Premdor®, Masonite Architectural®, Barrington®, Oakcraft®, Sta-Tru® HD, Vistagrande®, Flagstaff®, Hollister®, Sierra®, Fast-Frame®, Safe 'N Sound®, Heritage Series®, Livingston®, AquaSeal™, Cheyenne®, Glenview®, Riverside®, Saddlebrook®, Fast-Fit®, Megantic®, Vignette®, Lemieux Doors®, Harring Doors®, FyreWerks® and Marshfield-Algoma®. In Europe, doors are marketed under the Masonite®, Premdor®, Premdor Speed Set®, Door-Stop International®, National Hickman®, Defining Spaces®, Solidor®, Residor® and Nicedor® brands. We consider the use of trademarks and trade names to be important in the development of product awareness, and for differentiating products from competitors and between customers.

We protect the intellectual property that we develop through, among other things, filing for patents in the United States and various foreign countries. In the United States, we currently have 294 design patents and design patent applications and 174 utility patents and patent applications. We currently have 199 foreign design patents and patent applications and 183 foreign utility patents and patent applications. Our United States utility patents are generally applicable for 20 years from the earliest filing date, our United States design patents for 15 years and our United States registered trademarks and tradenames are generally applicable for 10 years and are renewable. Our foreign patents and trademarks have terms as set by the particular country, although trademarks generally are renewable.

Competition

The North American door industry is highly competitive and includes a number of global and local participants. In the North American residential interior door industry, the primary participants are Masonite and JELD-WEN, which are the only vertically integrated manufacturers of molded door facings. There are also a number of smaller competitors in the residential interior door industry, including Steves and Sons Inc. and Lynden Door, Inc., that primarily source door facings from third party suppliers. In the North American residential exterior door industry, the primary participants are Masonite, JELD-WEN, Plastpro, Therma-Tru, Feather River and Steves and Sons Inc. In the North American non-residential building construction door industry, the primary participants are Masonite and VT Industries with the remainder supplied by multiple regional manufacturers. Our primary market in Europe is the United Kingdom. The United Kingdom door industry is similarly competitive, including a number of global and local participants. The primary participants in the United Kingdom are our subsidiary Premdor, JELD-WEN, Vicaima and Distinction Doors. Competition in these markets is primarily based on product quality, design characteristics, brand awareness, serviceability, distribution capabilities and value. We also face competition in the other countries in which we operate.

A large portion of our products are sold through large home centers and other large retailers. The consolidation of our customers and our reliance on fewer larger customers has increased the competitive pressures as some of our largest customers, such as The Home Depot, perform periodic product line reviews to assess their product offerings and suppliers.

We are one of the largest manufacturers of molded door facings in the world. The rest of the industry consists of one other large, integrated door manufacturer and a number of smaller regional manufacturers. Competition in the molded door facing business is based on quality, price, product design, logistics and customer service. We produce molded door facings to meet our own requirements, and outside of North America we serve as an important supplier to the door industry at large.

Human Capital Resources

As of January 2, 2022, we employed approximately 10,300 employees and contract personnel. This includes approximately 2,700 unionized employees, approximately 80% of whom are located in North America with the

remainder in various foreign locations. Nine of our North American facilities have individual collective bargaining agreements, which are negotiated locally and the terms of which vary by location.

Our Company's Purpose: We Help People Walk Through Walls, is reflected in our talent strategy that is focused on attracting and selecting exceptional talent, helping them develop and grow professionally, and providing opportunities to recognize and reward their performance, in order to engage and retain our skilled, diverse and motivated workforce. We focus on the employee experience, removing barriers to inclusion, in an effort for our people to realize their full potential and highest levels of performance. We aspire to be the employer of choice within our markets we serve and seek to grow and develop the different capabilities and skills we need for the future, while maintaining a robust pipeline of available talent throughout the organization.

We embrace the diversity of our employees and our customers, including their unique backgrounds, experiences and talents. In 2021, we furthered our progress towards a more equitable and inclusive workforce by forming a corporate Diversity Council and five regional Diversity, Equity and Inclusion ("DEI") councils representing Canada, the United States, Chile, Mexico and the United Kingdom/Ireland regions. These councils are comprised of cross-functional individuals and leaders from across their respective regions that represent various diversity demographics and assist in driving forward DEI initiatives and programming. Everyone is valued and appreciated for their unique contributions to the growth and sustainability of our business. We strive to cultivate a culture that supports and enhances our ability to recruit, develop, engage and retain diverse talent at every level. We monitor engagement in part through a voluntary turnover metric as our goal is to retain a highly engaged team, thereby reducing voluntary turnover year over year. The COVID-19 pandemic has continued to impact our employee population, including increased worker attrition throughout the last year, which has affected many companies across various industries. During fiscal year 2021, our voluntary employee turnover rate for employees in the United States, Canada and the United Kingdom was approximately 24%. These locations collectively make up 82% of our global workforce. We also track 12-month retention rates, which have improved over time. At the end of 2021, our retention rate in the United States and Canada was nearly 84% across all locations. 2021 yielded an extremely challenging labor market with significant turnover and employee migration, driving increases in competitive wages and salaries. In addition to voluntary turnover, we monitor engagement through an annual voluntary Employee Engagement Survey, for which we had an exceptional 85% response rate in 2021.

We believe that safety is as important to our success as productivity and quality. This is reflected in our goal of Target Zero injuries and our continued effort to create an injury-free workplace. We also believe that incidents can be prevented through proper management, employee involvement, standardized operations and equipment and attention to detail. Safety programs and training are provided throughout the company to ensure employees and managers have effective tools to help identify and address both unsafe conditions and at-risk behaviors.

Through a continued commitment to improve our safety performance, we have historically been successful in reducing the number of injuries sustained by our employees. In 2021, the total incident rate, the annual number of injuries per 100 full time equivalent employees, was 1.78 representing a 6% improvement on a comparable basis. Our exit rate safety performance in 2021 was positive and suggests a continuation of our improvements in 2022.

History and Reporting Status

Masonite was founded in 1925 in Laurel, Mississippi, by William H. Mason, to utilize vastly available quantities of sawmill waste to manufacture a usable end product. Masonite was acquired by Premdor from International Paper Company in August 2001.

Prior to 2005, Masonite was a public company with shares of our predecessor's common stock listed on both the New York and Toronto Stock Exchanges. In March 2005, we were acquired by an affiliate of Kohlberg Kravis Roberts & Co. L.P.

On March 16, 2009, Masonite International Corporation and several affiliated companies, voluntarily filed to reorganize under the Company's Creditors Arrangement Act (the "CCAA") in Canada in the Ontario Superior Court of Justice. Additionally, Masonite International Corporation and Masonite Inc. (the former parent of the Company) and all of its U.S. subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court in the District of Delaware. On June 9, 2009, we emerged from reorganization proceedings under the CCAA in Canada and under Chapter 11 of the U.S. Bankruptcy Code in the United States.

Effective July 4, 2011, pursuant to an amalgamation under the Business Corporations Act (British Columbia), Masonite Inc. amalgamated with Masonite International Corporation to form an amalgamated corporation named Masonite Inc., which then changed its name to Masonite International Corporation.

On September 9, 2013, our shares commenced listing on the New York Stock Exchange under the symbol "DOOR" and we became subject to periodic reporting requirements under the United States federal securities laws. We are currently not a reporting issuer, or the equivalent, in any province or territory of Canada and our shares are not listed on any recognized Canadian stock exchange.

Our United States executive offices are located at 1242 E. 5th Avenue, Tampa, Florida 33605 and our Canadian executive offices are located at 2771 Rutherford Road, Concord, Ontario L4K 2N6.

Available Information

We make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 available through our website, free of charge, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Our website is www.masonite.com. Information on our website does not constitute part of this Annual Report on Form 10-K.

Item 1A. Risk Factors

You should carefully consider the following factors in addition to the other information set forth in this Annual Report before investing in our common shares. The risks and uncertainties described below are not the only ones facing us. If any of the following risks actually occur, our business, financial condition or results of operations would likely suffer. In such case, the trading price of our common shares could fall, and you may lose all or part of your investment.

Uncertain Economic Conditions

Downward trends in our end markets or in economic conditions could negatively impact our business and financial performance.

Our business may be adversely impacted by changes in United States, Canadian, European, Asian, South American or global economic conditions, including inflation, deflation, interest rates, foreign exchange rate fluctuation, availability and cost of capital, consumer spending rates, energy availability and costs, and the effects of governmental initiatives to manage economic conditions. Volatility in the financial markets in the regions in which we operate and the deterioration of national and global economic conditions have in the past and could in the future materially adversely impact our operations, financial results and liquidity.

Trends in our primary end markets (residential new construction, repair, renovation and remodeling and non-residential building construction) directly impact our financial performance because they are directly correlated to the demand for doors and door components. Accordingly, the following factors may have a direct impact on our business in the countries and regions in which our products are sold:

- the strength of the economy;
- the amount and type of residential and non-residential construction;
- housing sales and home values;
- the age of existing home stock, home vacancy rates and foreclosures;
- non-residential building occupancy rates;
- increases in the cost of raw materials or wages, or any shortage in supplies or labor;
- the availability and cost of credit;
- employment rates and consumer confidence; and
- demographic factors such as immigration and migration of the population and trends in household formation.

In the United States, the housing market crisis and financial downturn that began in 2006 had a negative impact on residential housing construction and related product suppliers. Although the United States housing market has recovered from the lows experienced as a result of the financial downturn, single family housing starts have not yet returned to the levels seen prior to the downturn. The current housing market is volatile with elongated build cycles due to labor and supply chain constraints and an increased number of multi-family new construction starts, which generally use fewer of our products and may generate less net sales at a lower margin than typical single family homes.

Many of our non-North American markets were acutely affected by the 2006 housing downturn and future downturns could cause excess capacity in housing and building products, including doors and door products, which may make it difficult for us to raise prices. Due in part to both market and operating conditions, we exited certain markets over the past several years, including the Czech Republic, India, Ukraine, Turkey, Romania, Hungary, Poland, Israel, France and South Africa.

Our relatively narrow focus within the building products industry amplifies the risks inherent in a prolonged global market downturn. The impact of this weakness on our net sales, net income and margins will be determined by many factors, including industry capacity, industry pricing, and our ability to implement our business plan.

Market Conditions

Increases in mortgage rates, changes in mortgage interest deductions and related tax changes and the reduced availability of financing for the purchase of new homes and home construction and improvements could have a material adverse impact on our sales and profitability.

In general, demand for new homes and home improvement products may be adversely affected by increases in mortgage rates and the reduced availability of consumer financing. Mortgage rates remain near historic lows and will likely increase in the future. If mortgage rates increase and, consequently, the ability of prospective buyers to finance

purchases of new homes or home improvement products is adversely affected, our business, financial condition and results of operations may be materially and adversely affected.

In addition, the Tax Cuts and Jobs Act in the United States placed a cap on the amount of mortgage debt on which interest can be deducted and also made interest on home equity debt non-deductible. These changes and future changes in policies set to encourage home ownership and improvement may adversely impact demand for our products and have a material adverse impact on us.

The ability of consumers to finance these purchases is affected by such factors as new and existing home prices, homeowners' equity values, interest rates and home foreclosures. Adverse developments affecting any of these factors could result in a tightening of lending standards by financial institutions and reduce the ability of some consumers to finance home purchases or repair and remodeling expenditures. The global financial downturn that began in the United States in 2006, included declining home and other building values, increased home foreclosures and tightening of credit standards by lending institutions, negatively impacted the home and other building new construction and repair and remodeling sectors. While these credit market trends have improved in recent years, if they were to reoccur or worsen, our net sales and net income may be adversely affected.

We operate in a competitive business environment. If we are unable to compete successfully, we could lose customers and our sales could decline.

The building products industry is highly competitive. Some of our principal competitors may have greater financial, marketing and distribution resources than we do and may be less leveraged than we are, providing them with more flexibility to respond to new technology or shifting consumer demand. Accordingly, these competitors may be better able to withstand changes in conditions within the industry in which we operate and may have significantly greater operating and financial flexibility than we do. Also, certain of our competitors may have excess production capacity, which may lead to pressure to decrease prices in order for us to remain competitive and may limit our ability to raise prices even in markets where economic and market conditions have improved. For these and other reasons, these competitors could take a greater share of sales and cause us to lose business from our customers or hurt our margins.

As a result of this competitive environment, we face pressure on the sales prices of our products. Because of these pricing pressures, we may in the future experience limited growth and reductions in our profit margins, sales or cash flows, and may be unable to pass on future raw material price, labor cost and other input cost increases to our customers which would also reduce profit margins.

Because we depend on a core group of significant customers, our sales, cash flows from operations, results of operations and our ability to implement price increases for our products may be negatively affected if our key customers reduce the amount of products they purchase from us.

Our customers consist mainly of wholesalers, retail home centers and contractors. Our top ten customers together accounted for approximately 48% of our net sales in fiscal year 2021, while our largest customer, The Home Depot, accounted for approximately 19% of our net sales in fiscal year 2021. We expect that a small number of customers will continue to account for a substantial portion of our net sales for the foreseeable future. However, net sales from customers that have accounted for a significant portion of our net sales in past periods, individually or as a group, may not continue to do so in future periods, or if continued, may not reach or exceed historical levels in any period. For example, many of our largest customers, including The Home Depot, perform periodic line reviews to assess their product offerings, which have, on past occasions, led to loss of business and pricing pressures. In addition, as a result of competitive bidding processes, we may not be able to increase or maintain the margins at which we sell our products to our most significant customers. Moreover, if any of these customers fails to remain competitive in the respective markets or encounters financial or operational problems, our net sales and profitability may decline. We generally do not enter into long-term contracts with our customers and they generally do not have an obligation to purchase products from us. Therefore, we could lose a significant customer with little or no notice. The loss of, or a significant adverse change in, our relationships with The Home Depot or any other major customer could cause a material decrease in our net sales. The loss of, or a reduction in orders from, any significant customers, losses arising from customer disputes regarding shipments, fees, merchandise condition or related matters, or our inability to collect accounts receivable from any major customer, could have a material adverse effect on us. Also, we have no operational or financial control over these customers and have limited influence over how they conduct their businesses.

Consolidation of our customers and their increasing size could adversely affect our results of operations.

In many of the countries in which we operate, an increasingly large number of building products are sold through large retail home centers and other large retailers. In addition, we have experienced consolidation of distributors in our wholesale distribution channel and among businesses operating in different geographic regions resulting in more customers operating nationally and internationally. If the consolidation of our customers and distributors were to continue, leading to the further increase of their size and purchasing power, we may be challenged to continue to provide consistently high customer service levels for increasing sales volumes, while still offering a broad portfolio of innovative products and on-time and complete deliveries. If we fail to provide high levels of service, broad product offerings, competitive prices and timely and complete deliveries, we could lose a substantial amount of our customer base and our profitability, margins and net sales could decrease. Consolidation of our customers could also result in the loss of a customer or a substantial portion of a customer's business.

If we are unable to accurately predict future demand preferences for our products, our business and results of operations could be materially affected.

A key element to our continued success is the ability to maintain accurate forecasting of future demand preferences for our products. Our business in general is subject to changing consumer and industry trends, demands and preferences. Changes to consumer shopping habits and potential trends towards "online" purchases could also impact our ability to compete as we currently sell our products mainly through our distribution channels. Our continued success depends largely on the introduction and acceptance by our customers of new product lines and improvements to existing product lines that respond to such trends, demands and preferences. Trends within the industry change often and our failure to anticipate, identify or quickly react to changes in these trends could lead to, among other things, rejection of a new product line, increased substitution of our products and reduced demand and price reductions for our products, and could materially adversely affect us. In addition, we are subject to the risk that new products or product pricing could be introduced that would replace or reduce demand for our products. Furthermore, new proprietary designs and/or changes in manufacturing technologies may render our products obsolete or we may not be able to manufacture products or designs at prices that would be competitive in the marketplace. We may not have sufficient resources to make necessary investments or we may be unable to make the investments or acquire the intellectual property rights necessary to develop new products or improve our existing products.

Our business is seasonal and subject to climate change and related extreme weather events which may affect our net sales, cash flows from operations and results of operations.

Our business is moderately seasonal and our sales vary from quarter to quarter based upon the timing of the building season in our markets. Severe weather conditions in any quarter, such as unusually prolonged warm or cold conditions, rain, blizzards or hurricanes, could accelerate, delay or halt construction and renovation activity. Ongoing climate change has increased the frequency and severity of these events and the related risk of an extreme weather event affecting one of our manufacturing plants, or a plant owned by one of our customers or suppliers. The impact of these types of events on our business may adversely impact our sales, cash flows from operations and results of operations. Concern over global climate change has led to significant federal, state and international regulatory efforts to limit greenhouse gas emissions and could impose substantial costs on us. In addition, new laws or future regulations could directly and indirectly affect our customers and suppliers and our business. We cannot predict the effects on our business that may result from global climate change.

Risks Related to COVID-19

The ultimate scale and scope of the ongoing coronavirus ("COVID-19") outbreak and resulting pandemic is unknown and is expected to impact our business at least for the near term. The overall impact on our business, operating results, cash flows and/or financial condition could be material.

Demand for our product is dependent on a variety of macroeconomic factors, such as employment levels, interest rates, changes in stock market valuations, consumer confidence, housing demand and availability of financing for home buyers. These factors, in particular consumer confidence, can be significantly adversely affected by a variety of factors beyond our control. The spread of COVID-19 has caused significant volatility in U.S. and international debt and equity markets, which can negatively impact consumer confidence. There is significant uncertainty around the breadth and duration of business disruptions related to the pandemic, as well as its impact on the global economy and consumer confidence. The extent to which the ongoing pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including developments with respect to the

continued evolution and severity of COVID-19 (including its existing and future variants) and the resulting actions taken to contain it or treat its impact. For example, at various times in 2020, we temporarily closed certain locations as a result of government orders and furloughed employees, as well as significantly altered our operations, thereby reducing production. The impact of these actions resulted in a decrease in net sales of approximately $100 million in the second quarter of fiscal year 2020. The impacts of COVID-19 related absenteeism, labor constraints and supply chain disruptions have continued to result in lost production at our facilities and are expected to continue in future periods. If the pandemic continues to cause significant negative impacts to our operations, economic conditions or consumer confidence, our results of operations, financial condition and cash flows may be materially adversely impacted and it may lead to higher than normal inventory levels, higher sales-related reserves, impairment of goodwill and other long-lived assets, a volatile effective tax rate driven by changes in the mix and earnings across our jurisdictions and an impact on the effectiveness of our internal controls over financial reporting.

Manufacturing and Operations

Increased prices for raw materials or finished goods used in our products or interruptions in deliveries of raw materials or finished goods could adversely affect our profitability, margins and net sales.

Our profitability is affected by the prices of raw materials and finished goods used in the manufacture of our products. These prices have fluctuated and may continue to fluctuate based on a number of factors beyond our control, including world oil prices, changes in supply and demand, weather, general economic or environmental conditions, labor costs, competition, import duties, tariffs, currency exchange rates and, in some cases, government regulation. The commodities we use may undergo major price fluctuations and there is no certainty that we will be able to pass these costs through to our customers. For example, in addition to extraordinary inflationary pressure across markets in 2021, we experienced rapidly increasing inflation in resin due to the impact of severe weather events in the Gulf of Mexico and Texas in February 2021. Significant increases in the prices of raw materials or finished goods are more difficult to pass through to customers in a short period of time and may negatively impact our short-term profitability, margins and net sales. We may not be able to pass on these cost increases to our customers.

We require a regular supply of raw materials, such as wood, wood composites, cut stock, steel, glass, core material, paint, stain and primer as well as petroleum-based products such as binders, resins and frames. In certain instances, we depend on a single or limited number of suppliers for these supplies. We typically do not have long-term contracts with our suppliers. If we are not able to accurately forecast our supply needs, the limited number of suppliers may make it difficult to obtain additional raw materials to respond to shifting or increased demand. Our dependency upon regular deliveries from particular suppliers means that interruptions or stoppages in such deliveries could adversely affect our operations until arrangements with alternate suppliers could be made. Furthermore, because our products and the components of some of our products are subject to regulation, such alternative suppliers, even if available, may not be substituted until regulatory approvals for such substitution are received, thereby delaying our ability to respond to supply changes. Moreover, some of our raw materials, especially those that are petroleum or chemical based, interact with other raw materials used in the manufacture of our products and therefore significant lead time may be required to procure a compatible substitute. Substitute materials may also not be of the same quality as our original materials.

If any of our suppliers were unable to deliver materials to us for an extended period of time (including as a result of delays in land or sea shipping), or if we were unable to negotiate acceptable terms for the supply of materials with these or alternative suppliers, our business could suffer. For example, throughout 2021 supply chain disruptions caused delays at major ports, led to distribution labor shortages and increased shipping costs. In the future, we may not be able to find acceptable supply alternatives, and any such alternatives could result in elongated build cycles and our net sales and profitability may decline. Even if acceptable alternatives are found, the process of locating and securing such alternatives might be disruptive to our business.

Furthermore, raw material prices could increase, and supply could decrease, if other industries compete with us for such materials. For example, we are highly dependent upon our supply of wood chips used for the production of our door facings and wood composite materials. Failure to obtain significant supply may disrupt our operations and even if we are able to obtain sufficient supply, we may not be able to pass increased supply costs on to our customers in the form of price increases, thereby resulting in reduced margins and profits.

A rapid and prolonged increase in fuel prices may significantly increase our costs and have an adverse impact on our results of operations.

Fuel prices may be volatile and are significantly influenced by international, political and economic circumstances, such as the current situation involving Russia and Ukraine. While fuel prices have fallen from historical highs over the last several years, lower fuel prices may not be permanent as evidenced by recent price increases. If fuel prices were to rise for any reason, including fuel supply shortages or unusual price volatility, the resulting higher fuel prices could materially increase our shipping costs, adversely affecting our results of operations. In addition, competitive pressures in our industry may have the effect of inhibiting our ability to reflect these increased costs in the prices of our products.

Tariffs and evolving trade policy between the United States and other countries, including China, and the impact of anti-dumping and countervailing duties on our business and results of operations.

Steps taken by the United States government to apply tariffs on certain products and materials could potentially disrupt our existing supply chains and impose additional costs on our business, including costs with respect to raw materials upon which our business depends. The increased costs may negatively impact our margins as we may not be able to pass on the additional costs by increasing the prices of our products. For example, anti-dumping and countervailing duty trade cases, such as the January 8, 2020, Coalition of American Millwork Producers anti-dumping and countervailing duty petitions against Wood Mouldings and Millwork Products from Brazil and China, has had and could continue to have an adverse effect on our business and results of operations. In order to reduce the impact on our business and results of operations, we have qualified alternate suppliers and are in the process of attempting to qualify additional alternate suppliers in other jurisdictions as a result of these duties.

Increases in labor costs, availability of labor, or potential labor disputes and work stoppages at our facilities or the facilities of our suppliers could materially adversely affect our financial performance.

Our financial performance is affected by the availability of qualified personnel and the cost of labor as it impacts our direct labor, overhead, distribution and selling, general and administration costs. Increased costs of wages and benefits and the lack of qualified labor available has had and could continue to have an adverse effect on our results of operations.

Additionally, we have approximately 10,300 employees and contract personnel worldwide, including approximately 2,700 unionized workers. Employees represented by these unions are subject to collective bargaining agreements that are subject to periodic negotiation and renewal, including our agreements with employees and their respective work councils in Chile, Mexico and the United Kingdom, which are subject to annual negotiation. If we are unable to enter into new, satisfactory labor agreements with our unionized employees upon expiration of their agreements, we could experience a significant disruption of our operations, which could cause us to be unable to deliver products to customers on a timely basis. If our workers were to engage in strikes, a work stoppage or other slowdowns, we could also experience disruptions of our operations. Such disruptions could result in a loss of business and an increase in our operating expenses, which could reduce our net sales and profit margins.

We believe many of our direct and indirect suppliers and customers also have unionized workforces. Strikes, work stoppages or slowdowns experienced by these suppliers and customers could result in slowdowns or closures of facilities where components of our products are manufactured or delivered. Any interruption in the production or delivery of these components could reduce sales, increase costs and have a material adverse effect on us.

A disruption in our operations could materially affect our operating results.

We operate facilities worldwide. Many of our facilities are located in areas that are vulnerable to hurricanes, earthquakes and other natural disasters. In the event that a hurricane, earthquake, natural disaster, fire or other catastrophic event were to interrupt our operations for any extended period of time, it could delay shipment of merchandise to our customers, damage our reputation or otherwise have a material adverse effect on our financial condition and results of operations. Closure of one of our door facing facilities, which are our most capital intensive and least replaceable production facilities, could have a substantial negative effect on our earnings. We maintain insurance coverage to protect us against losses under our property, casualty and umbrella insurance policies, but that coverage may not be adequate to cover all claims that may arise or we may not be able to maintain adequate insurance coverage in the future at an acceptable cost. Any liability not covered by insurance could materially and adversely impact our financial condition and results of operations.

In addition, our operations may be interrupted by terrorist attacks, other acts of violence or war. These events may directly impact our suppliers' or customers' physical facilities. Furthermore, these events may make travel and the transportation of our supplies and products more difficult and more expensive and ultimately affect our operating results. The United States has entered into, and may enter into, additional armed conflicts which could have a further impact on our sales and our ability to deliver product to our customers in the United States and elsewhere. Political and economic instability in some regions of the world, including instabilities in the Middle East and North Korea, may also negatively impact our business. The consequences of any of these armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business or your investment. More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. They could also result in economic recession in the United States or abroad. Any of these occurrences could have a significant impact on our operating results.

Manufacturing realignments may result in a decrease in our short-term earnings, until the expected cost reductions are achieved, as well as reduce our flexibility to respond quickly to improved market conditions.

We continually review our manufacturing operations and sourcing capabilities. Effects of periodic manufacturing realignments and cost savings programs have in the past and could in the future result in a decrease in our short-term earnings, including the impacts of restructuring charges and related impairments and other expenses, until the expected cost reductions are achieved. We also cannot assure you we will achieve all of our cost savings. Such programs may include the consolidation, integration and upgrading of facilities, functions, systems and procedures. The success of these efforts will depend in part on market conditions, and such actions may not be accomplished as quickly as anticipated and the expected cost reductions may not be achieved or sustained.

In connection with our manufacturing realignment and cost savings programs, we have closed or consolidated a substantial portion of our global operations and reduced our personnel, which may reduce our flexibility to respond quickly to improved market conditions. In addition, we have in the past and may again in the future, restructure portions of our global workforce to simplify and streamline our organization, improve our cost structure and strengthen our overall business. These changes could affect employee morale and productivity and be disruptive to our business and financial performance. For example, in 2020 we closed our St. Romauld, Quebec, facility and Lac Megantic, Quebec, components facility and in 2021 we closed our Springfield, Missouri, stile and rail facility in order to improve our cost structure and enhance operational efficiencies. Further, a failure to anticipate a sharp increase in levels of residential new construction, residential repair, renovation and remodeling and non-residential building construction activity could result in operational difficulties, adversely impacting our ability to provide our products to our customers. This may result in the loss of business to our competitors in the event they are better able to forecast or respond to market demand. There can be no assurance that we will be able to accurately forecast the level of market demand or react in a timely manner to such changes, which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to the credit risk of our customers.

We provide credit to our customers in the normal course of business. We generally do not require collateral in extending such credit. An increase in the exposure, coupled with material instances of default, could have a material adverse effect on our business, financial condition, results of operations and cash flow.

We may be the subject of product liability claims or product recalls, we may not accurately estimate costs related to such claims or recalls, and we may not have sufficient insurance coverage available to cover potential liabilities.

Our products are used and have been used in a wide variety of residential and architectural applications. We face an inherent business risk of exposure to product liability or other claims, including class action lawsuits, in the event our products are alleged to be defective or that the use of our products is alleged to have resulted in harm to others or to property. Because we manufacture a significant portion of our products based on the specific requirements of our customers, failure to provide our customers the products and services they specify could result in product-related claims and reduced or cancelled orders and delays in the collection of accounts receivable. We may in the future incur expenses if product liability lawsuits against us are successful. Moreover, any such lawsuits, whether or not successful, could result in adverse publicity to us, which could cause our sales to decline materially. In addition, it may be necessary for us to recall defective products, which would also result in adverse publicity, as well as resulting in costs connected to the recall and loss of net sales. We maintain insurance coverage to protect us against product liability claims, but that coverage may not be adequate to cover all claims that may arise or we may not be able to maintain

adequate insurance coverage in the future at an acceptable cost. Any liability not covered by insurance or that exceeds our established reserves could materially and adversely impact our financial condition and results of operations.

In addition, consistent with industry practice, we provide warranties on many of our products and we may experience costs of warranty or breach of contract claims if our products have defects in manufacture or design or they do not meet contractual specifications. We estimate our future warranty costs based on historical trends and product sales, but we may fail to accurately estimate those costs and thereby fail to establish adequate warranty reserves for them.

Financial Risks

To service our consolidated indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt service obligations could harm our business, financial condition and results of operations.

Our estimated annual payment obligation for 2022 with respect to our consolidated indebtedness is $40.0 million of interest payments. If we draw funds under the ABL Facility, we incur additional interest expense. Our ability to pay interest on and principal of the senior notes and our ability to satisfy our other debt obligations will principally depend upon our future operating performance. As a result, prevailing economic conditions and financial, business and other factors, many of which are beyond our control, will affect our ability to make these payments.

If we do not generate sufficient cash flow from operations to satisfy our consolidated debt service obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Our ability to restructure or refinance our debt will depend on the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt instruments, including the ABL Facility and the indenture governing the senior notes, may restrict us from adopting some of these alternatives. If we are unable to generate sufficient cash flow to satisfy our debt service obligations, or to refinance our obligations on commercially reasonable terms, it would have an adverse effect, which could be material, on our business, financial condition and results of operations.

Under such circumstances, we may be unable to comply with the provisions of our debt instruments, including the financial covenants in the ABL Facility. If we are unable to satisfy such covenants or other provisions at any future time, we would need to seek an amendment or waiver of such financial covenants or other provisions. The lenders under the ABL Facility may not consent to any amendment or waiver requests that we may make in the future, and, if they do consent, they may not do so on terms which are favorable to us. The lenders will also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If we are unable to obtain any such waiver or amendment, our inability to meet the financial covenants or other provisions of the ABL Facility would constitute an event of default thereunder, which would permit the lenders to accelerate repayment of borrowings under the ABL Facility, which in turn would constitute an event of the default under the indenture governing the senior notes, permitting the holders of the senior notes to accelerate payment thereon. Our assets and/or cash flow, and/or that of our subsidiaries, may not be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default, and the secured lenders under the ABL Facility could proceed against the collateral securing that indebtedness. Such events would have a material adverse effect on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations in respect of the senior notes.

The terms of the ABL Facility and the indenture governing the senior notes may restrict our current and future operations, particularly our ability to respond to changes in our business or to take certain actions.

The credit agreement governing the ABL Facility and the indentures governing the senior notes contain, and the terms of any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to engage in acts that may be in our best long-term interests. The indentures governing the senior notes and the credit agreements governing the ABL Facility include covenants that, among other things, restrict our and our subsidiaries' ability to:

- incur additional indebtedness and issue disqualified or preferred stock;
- make restricted payments;
- sell assets;

- create restrictions on the ability of their restricted subsidiaries to pay dividends or distributions;
- create or incur liens;
- enter into sale and lease-back transactions;
- merge or consolidate with other entities; and
- enter into transactions with affiliates.

The operating and financial restrictions and covenants in the debt agreements entered into in connection with the ABL Facility and any future financing agreements may adversely affect our ability to finance future operations or capital needs or to engage in other business activities.

Fluctuating exchange and interest rates could adversely affect our financial results.

Our financial results may be adversely affected by fluctuating exchange rates. Net sales generated outside of the United States were approximately 32% for the year ended January 2, 2022. In addition, a significant percentage of our costs during the same period were not denominated in U.S. dollars. For example, for most of our manufacturing facilities, the prices for a significant portion of our raw materials are quoted in the domestic currency of the country where the facility is located or other currencies that are not U.S. dollars. We also have substantial assets outside the United States. As a result, the volatility in the price of the U.S. dollar has exposed, and in the future may continue to expose, us to currency exchange risks. For example, we are subject to currency exchange rate risk to the extent that some of our costs will be denominated in currencies other than those in which we earn revenues. Also, since our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on many aspects of our financial results. Changes in currency exchange rates for any country in which we operate may require us to raise the prices of our products in that country and may result in the loss of business to our competitors that sell their products at lower prices in that country.

Moreover, as our current indebtedness is denominated in a currency that is different from the currencies in which we derive a portion of our net sales, we are also exposed to currency exchange rate risk with respect to those financial obligations. When the outstanding indebtedness is repaid, we may be subject to taxes on any corresponding foreign currency gain.

Borrowings under our current ABL Facility are incurred at variable rates of interest, which exposes us to interest rate fluctuation risk. If interest rates increase, the payments we are required to make on any variable rate indebtedness will increase.

We may have to make significant cash payments to our pension plans, which would reduce the cash available for our business.

As of January 2, 2022, the fair value of plan assets under our United Kingdom defined benefit pension plan exceeded our accumulated benefit obligations by $0.4 million. Our United States defined benefit pension plan was liquidated during the fourth quarter of 2021, resulting in no accumulated benefit obligations as of January 2, 2022. During the years ended January 2, 2022, January 3, 2021 and December 29, 2019, we contributed $5.6 million, $1.3 million and $5.0 million, respectively, to the United States pension plan and $1.4 million, $0.8 million and $1.3 million, respectively, to the United Kingdom pension plan. We currently anticipate making $2.2 million of contributions to our United Kingdom pension plan in 2022. Additional contributions will be required in future years for the United Kingdom pension plan. If the performance of the assets in our pension plan does not meet our expectations or other actuarial assumptions are modified, our contributions to our pension plan could be materially higher than we expect, which would reduce the cash available for our businesses.

Strategic Performance Risks

We may face claims that we infringe third party intellectual property rights, or be unable to protect our intellectual property from infringement by others except by incurring substantial costs as a result of litigation or other proceedings relating to patent or trademark rights, any of which could cause our net sales or profitability to decline.

We rely on a combination of United States, Canadian and, to a lesser extent, European patent, trademark, copyright and trade secret laws as well as licenses, nondisclosure, confidentiality and other contractual restrictions to protect certain aspects of our business. We have registered trademarks, copyrights and our patent and trademark applications may not be allowed by the applicable governmental authorities to issue as patents or register as trademarks at all, or in a form that will be advantageous to us. In addition, we have selectively pursued patent and trademark

protection, and in some instances we may not have registered important patent and trademark rights in these and other countries. Furthermore, the laws of foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. The failure to obtain worldwide patent and trademark protection may result in other companies copying and marketing products based upon our technologies or under our brand or tradenames outside the jurisdictions in which we are protected. This could impede our growth in existing regions and into new regions, create confusion among consumers and result in a greater supply of similar products that could erode prices for our protected products.

Our success depends in part on our ability to protect our patents, trademarks, copyrights, trade secrets and licensed intellectual property from unauthorized use by others. We cannot be sure that the patents we have obtained, or other protections such as confidentiality, trade secrets and copyrights, will be adequate to prevent imitation of our products by others. If we are unable to protect our products through the enforcement of intellectual property rights, our ability to compete based on our current advantages may be harmed. If we fail to prevent substantial unauthorized use of our trade secrets, we risk the loss of those intellectual property rights and whatever competitive advantage they embody.

Although we are not aware that any of our products or intellectual property rights materially infringe upon the proprietary rights of third parties, third parties may accuse us of infringing or misappropriating their patents, trademarks, copyrights or trade secrets. Third parties may also challenge our trademark rights and branding practices in the future. We may be required to institute or defend litigation to defend ourselves from such accusations or to enforce our patent, trademark and copyright rights from unauthorized use by others, which, regardless of the outcome, could result in substantial costs and diversion of resources and could negatively affect our competitive position, sales, profitability and reputation. If we lose a patent infringement suit, we may be liable for money damages and be enjoined from selling the infringing product unless we can obtain a license or are able to redesign our product to avoid infringement. A license may not be available at all or on terms acceptable to us, and we may not be able to redesign our products to avoid any infringement, which could negatively affect our profitability. In addition, our patents, trademarks and other proprietary rights may be subject to various attacks claiming they are invalid or unenforceable. These attacks might invalidate, render unenforceable or otherwise limit the scope of the protection that our patents and trademarks afford. If we lose the use of a product name, our efforts spent building that brand may be lost and we will have to rebuild a brand for that product, which we may or may not be able to do. Even if we prevail in a patent infringement suit, there is no assurance that third parties will not be able to design around our patents, which could harm our competitive position.

If we are unable to replace our expiring patents or fail to continue to innovate, our ability to compete both domestically and internationally will be harmed. In addition, our products face the risk of obsolescence, which, if realized, could have a material adverse effect on our business.

Our continued success depends on our ability to develop and introduce new or improved products, to improve our manufacturing and product service processes and to protect our rights to the technologies used in our products. If we fail to do so, or if existing or future competitors achieve greater success than we do in these areas, our results of operations and our profitability may decline.

We depend on our door manufacturing intellectual property and products to generate revenue. Some of our patents will begin to expire in the next several years. While we will continue to work to add to our patent portfolio to protect the intellectual property of our products, we believe it is possible that new competitors will emerge in door manufacturing. We do not know whether we will be able to develop additional proprietary designs, processes or products. If any protection we obtain is reduced or eliminated, others could use our intellectual property without compensating us, resulting in harm to our business. Moreover, as our patents expire, competitors may utilize the information found in such patents to commercialize their own products. While we seek to offset the losses relating to important expiring patents by securing additional patents on commercially desirable improvements, and new products, designs and processes, there can be no assurance that we will be successful in securing such additional patents, or that such additional patents will adequately offset the effect of the expiring patents.

Further, we face the risk that third parties will succeed in developing or marketing products that would render our products obsolete or noncompetitive. New, less expensive methods could be developed that replace or reduce the demand for our products or may cause our customers to delay or defer purchasing our products. Accordingly, our success depends in part upon our ability to respond quickly to market changes through the development and introduction of new products. The relative speed with which we can develop products, complete regulatory clearance or approval processes and supply commercial quantities of the products to the market are expected to be important

competitive factors. Any delays could result in a loss of market acceptance and market share. We cannot provide assurance that our new product development efforts will result in any commercially successful products.

Our recent acquisitions and any future acquisitions, if available, could be difficult to integrate and could adversely affect our operating results.

In the past several years we completed several strategic acquisitions of door and door component manufacturers in North America and the United Kingdom. Historically, we have made acquisitions to vertically integrate and expand our operations, such as our acquisitions of a Lowe's Companies, Inc. door fabrication facility and intellectual property and other assets related to an interior door technology in 2020, the operating assets of Bridgewater Wholesalers Inc. ("BWI"), the operating assets of Graham Manufacturing Corporation and The Maiman Company (collectively, "Graham & Maiman") and DW3 Products Holdings Limited ("DW3") in 2018. From time to time, we have evaluated and we continue to evaluate possible acquisition transactions on an on-going basis. Our acquisitions may not be immediately accretive. At any time we may be engaged in discussions or negotiations with respect to possible acquisitions or may have entered into non-binding letters of intent. As part of our strategy, we expect to continue to pursue complementary acquisitions and investments and may expand into product lines or businesses with which we have little or no operating experience. For example, future acquisitions may involve product categories beyond what we currently sell. We may also engage in further vertical integration. However, we may face competition for attractive targets and we may not be able to source appropriate acquisition targets at prices acceptable to us, or at all. In addition, in order to pursue our acquisition strategy, we will need significant liquidity, which, as a result of the other factors described herein, may not be available on terms favorable to us, or at all.

Our recent and any future acquisitions involve a number of risks, including:

- our inability to integrate the acquired business, including their information technology systems;
- our inability to manage acquired businesses or control integration and other costs relating to acquisitions;
- our lack of experience with a particular business should we invest in a new product line;
- diversion of management attention;
- our failure to achieve projected synergies or cost savings;
- impairment of goodwill affecting our reported net income;
- our inability to retain the management or other key employees of the acquired business;
- our inability to establish uniform standards, controls, procedures and policies;
- our inability to retain customers of our acquired companies;
- risks associated with the internal controls of acquired companies;
- exposure to legal claims for activities of the acquired business prior to the acquisition;
- our due diligence procedures could fail to detect material issues related to the acquired business;
- unforeseen management and operational difficulties, particularly if we acquire assets or businesses in new foreign jurisdictions where we have little or no operational experience;
- damage to our reputation as a result of performance or customer satisfaction problems relating to any acquired business;
- the performance of any acquired business could be lower than we anticipated; and
- our inability to enforce indemnifications and non-compete agreements.

The integration of any future acquisition into our business will likely require substantial time, effort, attention and dedication of management resources and may distract our management in unpredictable ways from our ordinary operations. The integration may also result in consolidation of certain existing operations. If we cannot successfully execute on our investments on a timely basis, we may be unable to generate sufficient net sales to offset acquisition, integration or expansion costs, we may incur costs in excess of what we anticipate, and our expectations of future results of operations, including cost savings and synergies, may not be achieved. If we are not able to effectively manage recent or future acquisitions or realize their anticipated benefits, it may harm our results of operations.

Data Security and Privacy

We rely on the continuous operation of our information technology systems. Failure to maintain or prevent damage to such information technology systems or implement contemporary technology systems may adversely affect our business, results of operations and customer relationships.

Our information technology systems allow us to accurately maintain books and records, record transactions, provide information to management and prepare our consolidated financial statements. We may not have sufficient

redundant operations to cover a loss or failure in a timely manner. Our operations depend on our network of information technology systems, which are vulnerable to damage from hardware failure, fire, power loss, telecommunications failure, impacts of terrorism, cyber security vulnerabilities (such as threats and attacks), computer viruses, natural disasters (including those related to climate change) or other disasters. Any damage to our information technology systems could cause interruptions to our operations that materially adversely affect our ability to meet customers' requirements, resulting in an adverse impact to our business, financial condition and results of operations. Periodically, these systems need to be expanded, updated or upgraded as our business needs change. For example, we are in the process of implementing a new enterprise resource planning system in our Europe business. In addition, we are increasingly using cloud-based technology to enable our customers a secure link to our systems in ways that enhance our customer relationships. We may not be able to successfully implement changes in our information technology systems without experiencing difficulties, which could require significant financial and human resources and impact our ability to efficiently service our customers. Moreover, our recent technological initiatives and increasing dependence on technology may exacerbate this risk.

Potential cyber threats and attacks could disrupt our information security systems and cause damage to our business and our reputation.

Information security threats, which pose a risk to the security of our network of systems and the confidentiality and integrity of our data, are increasing in frequency and sophistication as evidenced by significant ransomware attacks and foreign attacks on prominent computer software systems that has had an impact on a wide variety of companies and industries. We have established policies, processes and multiple layers of defenses designed to help identify and protect against intentional and unintentional misappropriation or corruption of our network of systems, including third party vendors' systems. Should damage to our network of systems occur, it could lead to the compromise of confidential information, manipulation and destruction of data and product specifications, production downtimes, disruption in the availability of financial data, or misrepresentation of information via digital media. While we have not experienced any material breaches in information security, the occurrence of any of these events could adversely affect our reputation and could result in litigation, regulatory action, financial loss, project delay claims and increased costs and operational consequences of implementing further data protection systems. Further, regulators are imposing new data privacy and security requirements, including new and greater monetary fines for privacy violations. For example, the European Union's General Data Protection Regulation established regulations regarding the handling of personal data and provides an enforcement authority and imposes large penalties for noncompliance. New United States data privacy and security laws, such as the California Consumer Privacy Act ("CCPA"), the California Privacy Rights and Enforcement Act of 2020 ("CPRA") and others that may be passed by the federal government or other states, similarly introduce requirements with respect to personal information. Non-compliance with the CCPA may result in liability through private actions (subject to statutorily defined damages in the event of certain data breaches) and enforcement. Failure to comply with these current and future laws, policies, industry standards or legal obligations or any security incident resulting in the unauthorized access to, or acquisition, release or transfer of personal information may result in governmental enforcement actions, litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have a material adverse effect on our business and results of operations.

Geopolitical Uncertainties

We are exposed to political, economic and other risks that arise from operating a multinational business.

We have operations in the United States, Canada, Europe and, to a lesser extent, other foreign jurisdictions. In the year ended January 2, 2022, approximately 68% of our net sales were in the United States, 14% in Canada and 12% in the United Kingdom. Further, certain of our businesses obtain raw materials and finished goods from foreign suppliers. Accordingly, our business is subject to political, economic and other risks that are inherent in operating in numerous countries.

These risks include:

- the difficulty of enforcing agreements and collecting receivables through foreign legal systems;
- trade protection measures and import or export licensing requirements;
- tax rates in foreign countries and the imposition of withholding requirements on foreign earnings;
- the imposition of tariffs, such as those recently adopted by the United States and other jurisdictions, or other restrictions;
- difficulty in staffing and managing widespread operations and the application of foreign labor regulations;

- required compliance with a variety of foreign laws and regulations; and
- changes in general economic and political conditions in countries where we operate.

Our business success depends in part on our ability to anticipate and effectively manage these and other risks. We cannot assure you that these and other factors will not have a material adverse effect on our international operations or on our business as a whole. See also *"Tariffs and evolving trade policy between the United States and other countries, including China, and the impact of anti-dumping and countervailing duties on our business and results of operations."*

Uncertainty relating to the United Kingdom's exit from the European Union could adversely affect our financial results.

We have operations in the United Kingdom that may be negatively impacted by the United Kingdom's exit from the European Union ("Brexit"). In December 2020, the European Union and the United Kingdom reached an agreement on a new trade and cooperation agreement that became effective on January 31, 2021. The trade and cooperation agreement covers the general objectives and framework of the relationship between the United Kingdom and the European Union, including as it relates to trade, transport and visas. We have experienced nominal disruption to supply from additional administration born by our freight carriers. The emerging risk relates to labor shortages driven by future uncertainty around access to foreign workers. This may continue to impact our ability to employ short-term foreign labor. If there are significant impacts to supply chains or the European markets in which we operate as a result of this agreement, the adverse impact to our results of operations, financial condition, and cash flows could be material.

Human Capital Risks

The loss of certain members of our management may have an adverse effect on our operating results.

Our success will depend, in part, on the efforts of our senior management and other key employees. These individuals possess sales, marketing, engineering, manufacturing, financial and administrative skills and know-how that are critical to the operation of our business. If we lose or suffer an extended interruption in the services of one or more of our senior officers or other key employees, our financial condition and results of operations may be negatively affected. Moreover, the pool of qualified individuals may be highly competitive and we may not be able to attract and retain qualified personnel to replace or succeed members of our senior management or other key employees, should the need arise. The loss of the services of any key personnel or our inability to hire new personnel with the requisite skills, could impair our ability to develop new products or enhance existing products, sell products to our customers or manage our business effectively.

Legal and Regulatory Risks

Environmental requirements and other government regulation may impose significant environmental and legal compliance costs and liabilities on us.

Our operations are subject to numerous Canadian (federal, provincial and local), United States (federal, state and local), European (European Union, national and local) and other laws and regulations relating to pollution and the protection of human health and the environment, including, without limitation, those governing emissions to air, discharges to water, storage, treatment and disposal of waste, releases of contaminants or hazardous or toxic substances, remediation of contaminated sites and protection of worker health and safety. From time to time, our facilities are subject to investigation by governmental regulators. Despite our efforts to comply with environmental requirements, we are at risk of being subject to civil, administrative or criminal enforcement actions, of being held liable, of being subject to an order or of incurring costs, fines or penalties for, among other things, releases of contaminants or hazardous or toxic substances occurring on or emanating from currently or formerly owned or operated properties or any associated offsite disposal location, or for contamination discovered at any of our properties from activities conducted by us or by previous occupants. Although, with the exception of costs incurred relating to compliance with Maximum Achievable Control Technology requirements (as described below), we have not incurred significant costs for environmental matters in recent years, future expenditures required to comply with any changes in environmental requirements are anticipated to be undertaken as part of our ongoing capital investment program, which is primarily designed to improve the efficiency of our various manufacturing processes. The amount of any resulting liabilities, costs, fines or penalties may be material.

In addition, the requirements of such laws and enforcement policies have generally become more stringent over time. Changes in environmental laws and regulations or in their enforcement or the discovery of previously

unknown or unanticipated contamination or non-compliance with environmental laws or regulations relating to our properties or operations could result in significant environmental liabilities or costs which could adversely affect our business. In addition, we might incur increased operating and maintenance costs and capital expenditures and other costs to comply with increasingly stringent air emission control laws or other future requirements (such as, in the United States, those relating to compliance with Maximum Achievable Control Technology requirements under the Clean Air Act, for which we made capital expenditures totaling approximately $49 million from 2008 through 2010), which may decrease our cash flow. Also, discovery of currently unknown or unanticipated conditions could require responses that would result in significant liabilities and costs. Accordingly, we are unable to predict the ultimate costs of compliance with or liability under environmental laws, which may be larger than current projections.

Lack of transparency, threat of fraud, public sector corruption and other forms of criminal activity involving government officials increases risk for potential liability under anti-bribery or anti-fraud legislation, including the United States Foreign Corrupt Practices Act.

We operate facilities in seven countries and sell our products around the world. As a result of these international operations, we may enter from time to time into negotiations and contractual arrangements with parties affiliated with foreign governments and their officials. In connection with these activities, we are subject to the FCPA, the United Kingdom Bribery Act and other anti-bribery laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by United States and other business entities for the purpose of obtaining or retaining business, or otherwise receiving discretionary favorable treatment of any kind and requires the maintenance of internal controls to prevent such payments. In particular, we may be held liable for actions taken by our local partners and agents in foreign countries where we operate, even though such parties are not always subject to our control. As part of our Masonite Values Operating Guide, we have established FCPA and other anti-bribery policies and procedures and offer several channels for raising concerns in an effort to comply with applicable United States and international laws and regulations. However, there can be no assurance that our policies and procedures will effectively prevent us from violating these laws and regulations in every transaction in which we may engage. Any determination that we have violated the FCPA or other anti-bribery laws (whether directly or through acts of others, intentionally or through inadvertence) could result in sanctions that could have a material adverse effect on our results of operations and financial condition.

If we expand our business globally, we may have difficulty anticipating and effectively managing these and other risks that our international operations may face, which may adversely impact our business outside of North America and our financial condition and results of operations. In addition, any acquisition of businesses with operations outside of North America may exacerbate this risk.

Changes in government regulation may have a material effect on our results of operations.

Our manufacturing facilities and components of our products are subject to numerous foreign, federal, state and local laws and regulations, including those relating to the presence of hazardous materials and protection of worker health and safety. Liability under these laws involves inherent uncertainties. Changes in such laws and regulations or in their enforcement could significantly increase our costs of operations which could adversely affect our business. Violations of health and safety laws are subject to civil, and, in some cases, criminal sanctions. As a result of these uncertainties, we may incur unexpected interruptions to operations, fines, penalties or other reductions in income which could adversely impact our business, financial condition and results of operations.

Further, in order for our products to obtain the energy efficient "ENERGYSTAR" label, they must meet certain requirements set by the Environmental Protection Agency ("EPA"). Changes in the energy efficiency requirements established by the EPA for the ENERGYSTAR label could increase our costs, and, if there is a lapse in our ability to label our products as such or we are not able to comply with the new standards at all, negatively affect our net sales and results of operations.

Moreover, many of our products are regulated by building codes and require specific fire, penetration or wind resistance characteristics. A change in the building codes could have a material impact on the manufacturing cost for these products, which we may not be able to pass on to our customers.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act, the Dodd-Frank Act and related regulations implemented by the Securities and Exchange Commission ("SEC"), and the stock exchanges are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. Further, new regulations or

interpretations of existing laws may result in enhanced disclosure obligations, including with respect to climate change or other Environmental, Social and Governance matters, which could negatively affect us or materially increase our regulatory burden. Increased regulations generally increase our costs, and we could continue to experience higher costs if new laws require us to spend more time, hire additional personnel or purchase new technology to comply effectively. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and attract and retain qualified executive officers.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our United States executive headquarters are located in Tampa, Florida, and consist of approximately 88,000 square feet of leased office space at two sites. Our Canadian executive offices are located in a single leased site in Concord, Ontario. As of January 2, 2022, we owned and leased the following number of properties, by reportable segment:

	Manufacturing and Distribution	Warehouse	Support	Total
Owned properties:				
North American Residential	19	5	—	24
Europe	4	—	—	4
Architectural	6	—	—	6
Corporate & Other	—	—	1	1
Total owned properties	29	5	1	35
Leased properties:				
North American Residential	19	14	1	34
Europe	3	7	1	11
Architectural	6	7	2	15
Corporate & Other	1	—	4	5
Total leased properties	29	28	8	65
Total owned and leased properties	58	33	9	100

Our properties in the North American Residential and Architectural segments are distributed across 28 states in the United States and four provinces in Canada, as well as two manufacturing facilities in Mexico and three manufacturing facilities in Chile. Our properties in the Europe segment are distributed across the United Kingdom, as well as one manufacturing facility in Ireland. Our material properties in the Corporate and Other category include one manufacturing facility in Malaysia and four support facilities in the United States. As of January 2, 2022, total floor space at our manufacturing facilities was 11.9 million square feet, including 3.2 million square feet in our five molded door facings facilities. In addition to the properties outlined above, we lease one idle manufacturing facility in the United States and own 17,000 acres of forestland in Costa Rica.

We believe that our facilities are suitable to our respective businesses and have production capacity adequate to support our current level of production to meet our customers’ demand. Additional investments in manufacturing facilities are made as appropriate to balance our capacity with our customers’ demand.

Item 3. Legal Proceedings

The information required with respect to this item can be found under "Commitments and Contingencies" in Note 10 to the consolidated financial statements in this Annual Report and is incorporated by reference into this Item 3.

Item 4. Mine Safety Disclosures

Not applicable.

Information about our Executive Officers

Information about the Company's executive officers is incorporated herein by reference from Part III, Item 10 hereof.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common shares are listed on the New York Stock Exchange ("NYSE") under the symbol "DOOR".

Holders

As of February 24, 2022, we had one record holder of our common shares, Cede & Co., the nominee of the Depository Trust Corporation.

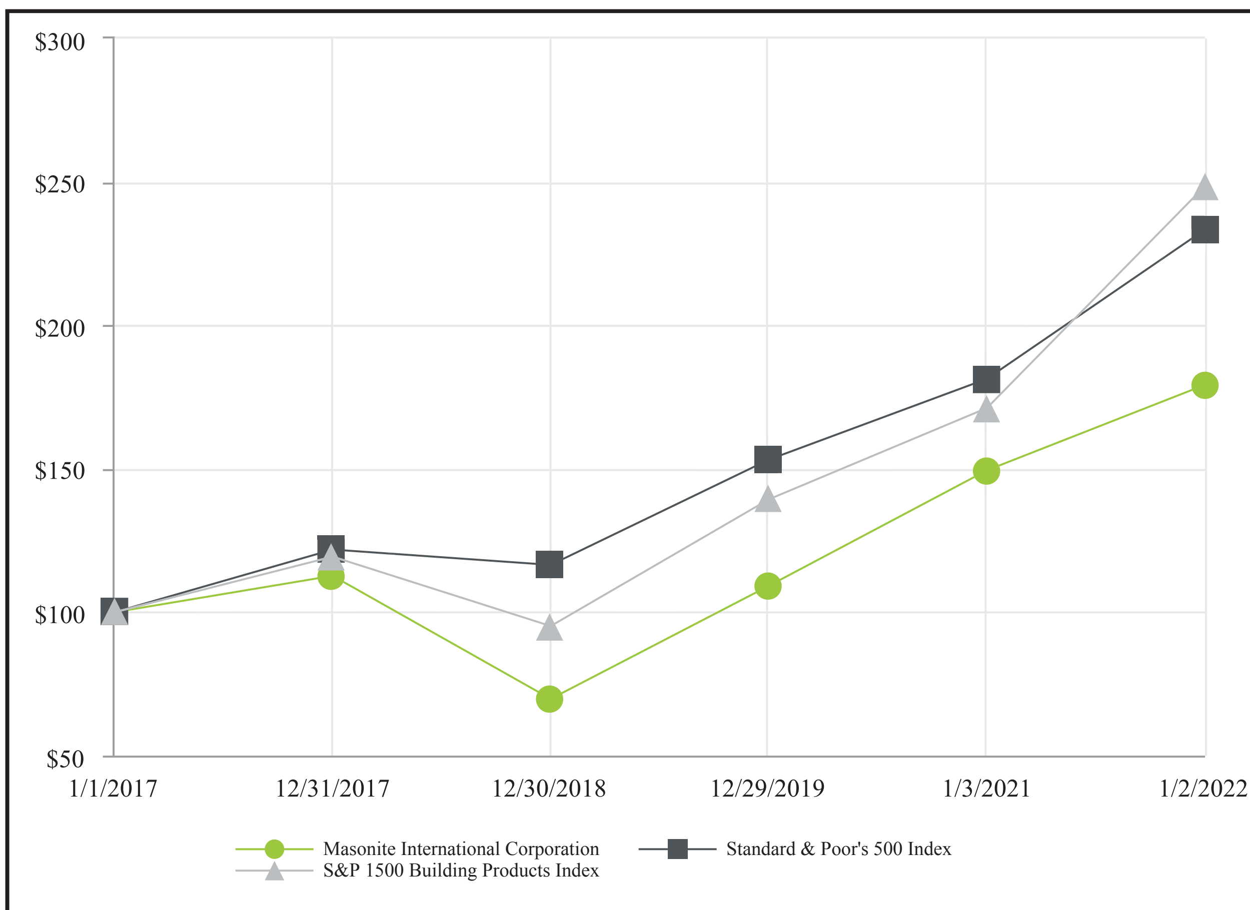
Dividends

We do not intend to pay any cash dividends on our common shares for the foreseeable future and instead may retain earnings, if any, for future operations and expansion, share repurchases or debt repayments, among other things. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, liquidity requirements, financial condition, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends is limited by covenants in our ABL Facility and in the indenture governing our senior notes. Future agreements may also limit our ability to pay dividends. See Note 9 to our audited consolidated financial statements contained elsewhere in this Annual Report for restrictions on our ability to pay dividends.

Stock Performance Graph

The following graph depicts the total return to shareholders from January 1, 2017, through January 2, 2022, relative to the performance of the Standard & Poor's 500 Index and the Standard & Poor's 1500 Building Products Index. The graph assumes an investment of $100 in our common stock and each index on January 1, 2017, and the reinvestment of dividends paid since that date. The stock performance shown in the graph is not necessarily indicative of future price performance.

Comparison of Cumulative Total Stockholder Return
Masonite International Corporation, Standard & Poor's 500 Index and
Standard & Poor's 1500 Building Products Index
(Performance Results through January 2, 2022)



	January 1, 2017	December 31, 2017	December 30, 2018	December 29, 2019	January 3, 2021	January 2, 2022
Masonite International Corporation	$ 100.00	$ 112.69	$ 69.77	$ 109.19	$ 149.45	$ 179.26
Standard & Poor's 500 Index	100.00	121.83	116.49	153.17	181.35	233.41
Standard & Poor's 1500 Building Products Index	100.00	119.36	95.17	139.34	171.17	248.59

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None.

Repurchases of Equity Securities by the Issuer and Affiliated Purchasers

During the three months ended January 2, 2022, we repurchased 276,160 of our common shares in the open market.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
October 4, 2021, through October 31, 2021	117,803	$ 108.65	117,803	$ 214,387,458
November 1, 2021, through November 28, 2021	95,673	$ 116.58	95,673	$ 203,233,906
November 29, 2021, through January 2, 2022	62,684	$ 109.13	62,684	$ 196,393,255
Total	276,160	$ 111.51	276,160	

The Company's Board of Directors has approved four share repurchase authorizations, the most recent being an incremental $210.0 million share repurchase program approved on August 9, 2021. The share repurchase programs have no specified end date and the timing and amount of any share repurchases will be determined by management based on our evaluation of market conditions and other factors. Any repurchases under the share repurchase programs may be made in the open market, in privately negotiated transactions or otherwise, subject to market conditions, applicable legal requirements and other relevant factors. The share repurchase programs do not obligate us to acquire any particular amount of common shares, and they may be suspended or terminated at any time at our discretion. During the first quarter of 2020, we implemented several actions to reduce our spending and more closely manage cash during the uncertain period relating to the COVID-19 pandemic, including temporarily suspending our share repurchase programs. The temporary suspension was lifted during the third quarter of 2020. Repurchases under the share repurchase programs are permitted to be made under one or more Rule 10b5-1 plans, which would permit shares to be repurchased when we might otherwise be precluded from doing so under applicable insider trading laws. As of January 2, 2022, $196.4 million was available for repurchase in accordance with the share repurchase programs.

On February 21, 2022, the Company's Board of Directors approved an incremental $200.0 million share repurchase program. The new $200.0 million authorization is in addition to the previously authorized share repurchase programs, which as of February 21, 2022, had approximately $156.4 million remaining. Since inception of the programs, we have repurchased $653.6 million of our common shares. In addition, the Company announced that its Board of Directors has authorized it to enter into an accelerated share repurchase ("ASR") transaction as part of the new share repurchase program. The Company intends to enter into an ASR transaction during the first quarter of 2022 for the repurchase of $100.0 million of its outstanding common shares.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is based upon accounting principles generally accepted in the United States of America and discusses the financial condition and results of operations for Masonite International Corporation for the years ended January 2, 2022, and January 3, 2021. For further discussion of our results of operations for the years ended January 3, 2021, and December 29, 2019, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended January 3, 2021, which was filed with the SEC on February 25, 2021, and which is incorporated herein by reference. In this MD&A, "Masonite," "we," "us," "our" and the "Company" refer to Masonite International Corporation and its subsidiaries.

This discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The following discussion should also be read in conjunction with the disclosure under "Special Note Regarding Forward Looking Statements" and Part I, Item 1A, "Risk Factors" elsewhere in this Annual Report on Form 10-K. Our actual results could differ materially from the forward-looking statements as a result of these risks and uncertainties.

Overview

We are a leading global designer, manufacturer, marketer and distributor of interior and exterior doors for the new construction and repair, renovation and remodeling sectors of the residential and non-residential building construction markets. Since 1925, we have provided our customers with innovative products and superior service at compelling values. In order to better serve our customers and create sustainable competitive advantages, we focus on developing innovative products, advanced manufacturing capabilities and technology-driven sales and service solutions.

We market and sell our products to remodeling contractors, builders, homeowners, retailers, dealers, lumberyards, commercial and general contractors and architects through well-established wholesale, retail and direct distribution channels as part of our cross-merchandising strategy. Customers are provided a broad product offering of interior and exterior doors and entry systems at various price points. We manufacture a broad line of interior doors, including residential molded, flush, stile and rail, louver and specially-ordered commercial and architectural doors; door components for internal use and sale to other door manufacturers; and exterior residential steel, fiberglass and wood doors and entry systems.

We operate 58 manufacturing and distribution facilities in seven countries in North America, South America, Europe and Asia, which are strategically located to serve our customers through multiple distribution channels. These distribution channels include: (i) direct distribution to retail home center customers; (ii) one-step distribution that sells directly to homebuilders and contractors; and (iii) two-step distribution through wholesale distributors. For retail home center customers, numerous door fabrication facilities provide value-added fabrication and logistical services, including pre-finishing and store delivery of pre-hung interior and exterior doors. We believe our ability to provide: (i) a broad product range; (ii) frequent, rapid, on-time and complete delivery; (iii) consistency in products and merchandising; (iv) national service; and (v) special order programs enables retail customers to increase comparable store sales and helps to differentiate us from our competitors. We believe investments in innovative new product manufacturing and distribution capabilities, coupled with an ongoing commitment to operational excellence, provide a strong platform for future growth.

Our reportable segments are currently organized and managed principally by end market: North American Residential, Europe and Architectural. In the year ended January 2, 2022, we generated net sales of $1,952.9 million or 75.2%, $334.5 million or 12.9% and $289.5 million or 11.1% in our North American Residential, Europe and Architectural segments, respectively. See "Segment Information" below for a description of our reportable segments.

During the second half of 2021, labor and logistics constraints as well as supply chain disruptions impacted our ability to service customers and reduced production in our facilities, which we expect will continue in future periods. The COVID-19 pandemic impacted our business operations and financial results beginning in the second quarter of fiscal year 2020 leading to an estimated $100 million of lost revenue in the second quarter of 2020, and continued to impact us in fiscal year 2021. Our United Kingdom facilities closed on March 27, 2020, for approximately half the quarter and subsequently operated at a reduced capacity for the remainder of the second quarter of 2020. The extent to which the pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted. These impacts include, but are not limited to, the duration, spread, severity and impact of the pandemic, the effects of the pandemic on our employees, operations, customers, suppliers and supply

chain, the remedial actions and stimulus measures adopted by federal, state and local governments and the extent to which normal economic and operating conditions can resume.

Key Factors Affecting Our Results of Operations

Product Demand

There are numerous factors that influence overall market demand for our products. Demand for new homes, home improvement products and other building construction products have a direct impact on our financial condition and results of operations. Demand for our products may be impacted by changes in United States, Canadian, European, Asian or other global economic conditions, including inflation, deflation, interest rates, availability of capital, consumer spending rates, energy availability and costs, and the effects of governmental initiatives to manage economic conditions. Additionally, trends in residential new construction, repair, renovation and remodeling and architectural building construction may directly impact our financial performance. Accordingly, the following factors may have a direct impact on our business in the countries and regions in which our products are sold:

- the strength of the economy;
- the amount and type of residential and commercial construction;
- housing sales and home values;
- the age of existing home stock, home vacancy rates and foreclosures;
- non-residential building occupancy rates;
- increases in the cost of raw materials or wages or any shortage in supplies or labor;
- the availability and cost of credit;
- employment rates and consumer confidence; and
- demographic factors such as immigration and migration of the population and trends in household formation.

Product Pricing and Mix

The building products industry is highly competitive and we therefore face pressure on sales prices of our products. In addition, our competitors may adopt more aggressive sales policies and devote greater resources to the development, promotion and sale of their products than we do, which could result in a loss of customers. Our business in general is subject to changing consumer and industry trends, demands and preferences. Trends within the industry change often and our failure to anticipate, identify or quickly react to changes in these trends could lead to, among other things, rejection of a new product line and reduced demand and price reductions for our products, which could materially adversely affect us. Changes in consumer preferences may also lead to increased demand for our lower margin products relative to our higher margin products, which could reduce our future profitability.

Business Wins and Losses

Our customers consist mainly of wholesalers and retail home centers. In fiscal year 2021, our top ten customers together accounted for approximately 48% of our net sales and our top customer, The Home Depot, Inc. accounted for approximately 19% of our net sales in fiscal year 2021. Net sales from customers that have accounted for a significant portion of our net sales in past periods, individually or as a group, may not continue in future periods, or if continued, may not reach or exceed historical levels in any period. Certain customers perform periodic product line reviews to assess their product offerings, which have, on past occasions, led to business wins and losses. In addition, as a result of competitive bidding processes, we may not be able to increase or maintain the margins at which we sell our products to our customers.

Organizational Restructuring

Over the past several years, we have engaged in a series of restructuring programs related to exiting certain geographies and non-core businesses, consolidating certain internal support functions and engaging in other actions designed to reduce our cost structure and improve productivity. These initiatives primarily consist of severance actions and lease termination costs. Management continues to evaluate our business; therefore, in future years, there may be additional provisions for new plan initiatives, as well as changes in previously recorded estimates, as payments are made

or actions are completed. Asset impairment charges were also incurred in connection with these restructuring actions for those assets sold, abandoned or made obsolete as a result of these programs.

In May 2021, we initiated further actions to improve overall business performance including the reorganization of our specialty door manufacturing capacity in our Architectural reportable segment. The reorganization of our manufacturing capacity involves specific facilities in the Architectural segment and costs associated with the reorganization of these facilities, which resulted in the closure of one existing stile and rail facility and related headcount reductions beginning in the second quarter of 2021 (collectively, the "2021 Plan"). Costs associated with the 2021 Plan include severance and closure charges and continued through 2021. The actions taken as part of the 2021 Plan are expected to increase our annual earnings and cash flows by approximately $2 million.

In November 2020, we began implementing a plan to improve overall business performance that includes the reorganization of our manufacturing capacity and a reduction of our overhead and selling, general and administration workforce primarily in our Architectural reportable segment as well as limited actions in the North American Residential reportable segment. The reorganization of our manufacturing capacity involves specific facilities in the Architectural segment and costs associated with the closure of these facilities and related headcount reductions began taking place in the fourth quarter of 2020 (collectively, the "2020 Plan"). Costs associated with the 2020 Plan include severance and closure charges and continued through 2021. The actions taken as part of the 2020 Plan are expected to increase our annual earnings and cash flows by approximately $3 million.

In February 2019, we began implementing a plan to improve overall business performance that includes the reorganization of our manufacturing capacity and a reduction of our overhead and selling, general and administration workforce across all of our reportable segments and in our head offices. The reorganization of our manufacturing capacity involves specific plants in the North American Residential and Architectural segments and costs associated with the closure of these plants and related headcount reductions began taking place in the first quarter of 2019 (collectively, the "2019 Plan"). Costs associated with the 2019 Plan include severance, retention and closure charges and continued through 2021. Additionally, the plan to divest non-core assets was determined to be a triggering event requiring a test of the carrying value of the definite-lived assets relating to the divestitures, as further described in Note 14. In the fourth quarter of 2019, we initiated additional restructuring actions related to both manufacturing capacity and reduction of our overhead and selling, general and administration workforce. The actions taken as part of the 2019 Plan are substantially complete and the annual earnings and cash flow savings realized were materially in line with expectations.

During the fourth quarter of 2018, we began implementing a plan to reorganize and consolidate certain aspects of our United Kingdom head office function and optimize our portfolio by divesting non-core assets to enable more effective and consistent business processes in the Europe segment. In addition, in the North American Residential segment we announced a new facility that will optimize and expand capacity through increased automation, which resulted in the closure of one existing facility and related headcount reductions beginning in the second quarter of 2019 (collectively, the "2018 Plan"). Costs associated with the 2018 Plan included severance, retention and closure charges and continued throughout 2019. The actions taken as part of the 2018 Plan are substantially complete and the annual earnings and cash flow savings realized were materially in line with expectations.

Inflation

In 2021, we realized higher costs in the wood, resins, metals and packaging product categories as a result of macroeconomic factors as well as increased logistics costs and wages. Additionally, we continued to incur higher costs as a result of tight supply chains as well as from previously disclosed anti-dumping and countervailing duties. We expect the macroeconomic pressures on wood, resins and other certain key product categories and supply chain disruptions will continue into 2022. Our profitability, margins and net sales could be adversely affected if we are not able to pass these costs on to our customers or mitigate the impact of these inflationary pressures.

Seasonality

Our business is moderately seasonal and our net sales vary from quarter to quarter based upon the timing of the building season in our markets. Severe weather conditions in any quarter, such as unusually prolonged warm or cold conditions, rain, blizzards or hurricanes, could accelerate, delay or halt construction and renovation activity.

Acquisitions and Divestitures

We are pursuing a strategic initiative of optimizing our global business portfolio. As part of this strategy, in the last several years we have pursued strategic acquisitions targeting companies who produce components for our existing operations, manufacture niche products and provide value-added services. Additionally, we target companies with strong brands, complementary technologies, attractive geographic footprints and opportunities for cost and distribution synergies. We also continuously analyze our operations to determine which businesses, market channels and products create the most value for our customers and acceptable returns for our shareholders.

Acquisitions

- On December 4, 2020, we completed the acquisition of a Lowe's Companies, Inc. door fabrication facility in the United States for cash consideration of $3.9 million. During the first quarter of 2021, as a result of working capital adjustments we paid an additional $0.2 million.
- On August 31, 2020, we acquired intellectual property and other assets related to an interior door technology for cash consideration of $1.9 million.
- On August 29, 2019, we completed the acquisition of TOPDOORS, s.r.o. ("Top Doors") based in the Czech Republic for cash consideration of $1.8 million, net of cash acquired, following a post-closing adjustment.

Divestitures

- On June 14, 2021, we completed the sale of all of the capital stock of our Czech business ("Czech") for consideration of $7.0 million, net of cash disposed. The divestiture of this business resulted in a loss on sale of subsidiaries of $8.6 million, which was recognized during the second quarter of 2021 in the Europe segment.
- During the second quarter of 2020, we completed the liquidation of our legal entity in India. As a result, we recognized $2.1 million in loss on disposal of subsidiaries.
- On December 13, 2019, we completed the sale of all of the capital stock of Window Widgets Limited ("WW"), a United Kingdom provider of high quality window systems, for consideration of $1.2 million, net of cash disposed.
- On March 21, 2019, we completed the sale of all of the capital stock of Performance Doorset Solutions Limited ("PDS"), a supplier of custom doors and millwork in the United Kingdom, for nominal consideration.

Results of Operations

(In thousands)	Year Ended January 2, 2022	Year Ended January 3, 2021
Net sales	$ 2,596,920	$ 2,257,075
Cost of goods sold	1,985,141	1,684,571
Gross profit	611,779	572,504
Gross profit as a % of net sales	*23.6 %*	*25.4 %*
Selling, general and administration expenses	308,430	366,772
Selling, general and administration expenses as a % of net sales	*11.9 %*	*16.2 %*
Restructuring costs	5,567	8,236
Asset impairment	69,900	51,515
Loss on disposal of subsidiaries	8,590	2,091
Operating income	219,292	143,890
Interest expense, net	46,123	46,807
Loss on extinguishment of debt	13,583	—
Other (income) expense, net	15,620	(5,217)
Income before income tax expense	143,966	102,300
Income tax expense	44,772	28,611
Net income	99,194	73,689
Less: net income attributable to non-controlling interests	4,693	4,652
Net income attributable to Masonite	$ 94,501	$ 69,037

Year Ended January 2, 2022, Compared with Year Ended January 3, 2021

Net Sales

Net sales in the year ended January 2, 2022, were $2,596.9 million, an increase of $339.8 million or 15.1% from $2,257.1 million in the year ended January 3, 2021. Net sales in 2021 were positively impacted by $50.1 million as a result of foreign exchange rate fluctuations. Excluding this exchange rate impact, net sales would have increased by $289.7 million or 12.8% due to changes in volume, average unit price, impact of acquisitions and divestitures, and sales of components. Average unit price in 2021 increased net sales by $242.6 million or 10.7% compared to 2020. Higher volumes excluding the incremental impact of acquisitions ("base volume") increased net sales by $48.4 million or 2.1% in 2021 compared to 2020. Net sales of components to external customers were $10.8 million higher in 2021 compared to 2020. Our 2021 divestiture decreased net sales by $12.1 million or 0.5% of net sales in 2021.

Net Sales and Percentage of Net Sales by Reportable Segment

	Year Ended January 2, 2022				
(In thousands)	North American Residential	Europe	Architectural	Corporate & Other	Total
Sales	$ 1,955,424	$ 342,172	$ 303,078	$ 20,014	$ 2,620,688
Intersegment sales	(2,526)	(7,640)	(13,602)	—	(23,768)
Net sales to external customers	$ 1,952,898	$ 334,532	$ 289,476	$ 20,014	$ 2,596,920
Percentage of consolidated external net sales	*75.2 %*	*12.9 %*	*11.1 %*		

	Year Ended January 3, 2021				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
Sales	$ 1,640,323	$ 260,834	$ 358,049	$ 19,947	$ 2,279,153
Intersegment sales	(2,204)	(2,721)	(17,153)	—	(22,078)
Net sales to external customers	$ 1,638,119	$ 258,113	$ 340,896	$ 19,947	$ 2,257,075
Percentage of consolidated external net sales	*72.6 %*	*11.4 %*	*15.1 %*		

North American Residential

Net sales to external customers from facilities in the North American Residential segment in the year ended January 2, 2022, were $1,952.9 million, an increase of $314.8 million or 19.2% from $1,638.1 million in the year ended January 3, 2021. Net sales in 2021 were positively impacted by $25.0 million as a result of foreign exchange rate fluctuations. Excluding this exchange rate impact, net sales would have increased by $289.8 million or 17.7% due to changes in volume, average unit price and sales of components. Average unit price increased net sales in 2021 by $200.1 million or 12.2% compared to 2020. Higher base volume increased net sales by $78.2 million or 4.8% in 2021 compared to 2020. Net sales of components to external customers were $11.5 million higher in 2021 compared to 2020.

Europe

Net sales to external customers from facilities in the Europe segment in the year ended January 2, 2022, were $334.5 million, an increase of $76.4 million or 29.6% from $258.1 million in the year ended January 3, 2021. Net sales in 2021 were positively impacted by $22.8 million as a result of foreign exchange fluctuations. Excluding this exchange rate impact, net sales would have increased by $53.6 million or 20.8% due to changes in volume, average unit price, divestitures and sales of components. Average unit price increased net sales in 2021 by $31.2 million or 12.1% compared to 2020. Higher base volume increased net sales by $29.9 million or 11.6% compared to 2020, primarily due to our manufacturing facilities being closed approximately half of the prior year second quarter and other impacts as a result of COVID-19. Net sales of components to external customers were $4.6 million higher in 2021 compared to 2020. Our 2021 divestiture decreased net sales by $12.1 million or 4.7% in 2021.

Architectural

Net sales to external customers from facilities in the Architectural segment in the year ended January 2, 2022, were $289.5 million, a decrease of $51.4 million or 15.1% from $340.9 million in the year ended January 3, 2021. Net sales in 2021 were positively impacted by $2.2 million as a result of foreign exchange fluctuations. Excluding this exchange rate impact, net sales would have decreased by $53.6 million or 15.7% due to changes in volume, average unit price and sales of components. Lower base volume decreased net sales in 2021 by $59.7 million or 17.5% compared to 2020 primarily due to the impacts of labor constraints as a result of COVID-19, material availability and production challenges as well as lingering weakness in commercial end markets during the first six months of 2021. Net sales of components to external customers were $9.0 million lower in 2021 compared to 2020. Average unit price increased net sales in 2021 by $15.1 million or 4.4% compared to 2020.

Cost of Goods Sold

Our cost of goods sold is comprised of the cost to manufacture products for our customers and includes the cost of materials, direct labor, overhead, distribution and depreciation associated with assets used to manufacture products. Research and development costs are primarily included within cost of goods sold. We incur significant fixed and variable overhead at our global component locations that manufacture interior molded door facings. Our overall average production capacity utilization at these locations was approximately 81% for the years ended January 2, 2022, and January 3, 2021.

Cost of goods sold as a percentage of net sales was 76.4% and 74.6% for the years ended January 2, 2022, and January 3, 2021, respectively. Material cost of sales and distribution as a percentage of net sales increased by 1.5% and 1.0%, respectively, in 2021 compared to 2020. Partially offsetting these increases, overhead, direct labor and depreciation as a percentage of sales decreased by 0.3%, 0.2% and 0.2%, respectively, over the 2020 period. The

increase in material cost of sales as a percentage of net sales was driven by commodity inflation and an increase in logistics costs and tariffs, partially offset by higher average unit prices and material cost savings projects. Distribution as a percentage of net sales increased due to higher logistics costs and personnel costs including wage inflation. Overhead as a percentage of net sales decreased due to higher average unit prices, partially offset by wage inflation, increased plant maintenance and increased investment in the business in 2021 compared to 2020. Direct labor as a percentage of net sales decreased due to higher average unit prices, partially offset by manufacturing wage inflation. The decrease in depreciation as a percentage of net sales was driven by higher average unit prices in 2021 as compared to 2020.

Selling, General and Administration Expenses

Selling, general and administration ("SG&A") expenses primarily include the costs for our sales organization and support staff at various plants and corporate offices. These costs include personnel costs for payroll, related benefits and stock based compensation expense; professional fees; depreciation and amortization of our non-manufacturing equipment and assets; environmental, health and safety costs; advertising expenses and rent and utilities related to administrative office facilities. In the year ended January 2, 2022, selling, general and administration expenses, as a percentage of net sales, were 11.9% compared to 16.2% in the year ended January 3, 2021, a decrease of 430 basis points.

Selling, general and administration expenses in the year ended January 2, 2022, were $308.4 million, a decrease of $58.4 million from $366.8 million in the year ended January 3, 2021. The overall decrease was driven by the absence of a $40.6 million legal reserve related to the settlement of U.S. class action litigation in the prior year period; a $10.3 million decrease in non-cash items including depreciation and amortization, deferred compensation, loss on disposal of property, plant and equipment and share based compensation; a $9.9 million decrease in personnel costs primarily due to a $29.8 million decrease in incentive compensation, partially offset by a $19.9 million increase in personnel costs primarily due to $14.0 million of resource investments to support growth, the absence of $4.0 million of personnel cost savings in the prior year due to COVID-19, and $1.9 million of payroll taxes due to the timing of prior year incentive compensation; $1.1 million of incremental SG&A savings from our 2021 divestiture; and a $0.6 million decrease in professional and other fees. These decreases were partially offset by unfavorable foreign exchange impacts of $4.1 million.

Restructuring Costs

Restructuring costs in the year ended January 2, 2022, were $5.6 million, compared to $8.2 million in the year ended January 3, 2021. Restructuring costs in 2021 related to severance and closure charges associated with the 2021, 2020 and 2019 Plans. Restructuring costs in 2020 related to severance, retention and closure charges associated with the 2020, 2019 and 2018 Plans.

Asset Impairment

Asset impairment charges in the year ended January 2, 2022, were $69.9 million compared to $51.5 million in the year ended January 3, 2021. Asset impairment charges in 2021 resulted from a goodwill impairment charge recorded in our Architectural reporting unit and actions associated with the 2021 and 2020 Plans in our Architectural reporting unit. Asset impairment charges in 2020 resulted from a goodwill impairment charge recorded in our Architectural reporting unit. Refer to Note 14. Asset Impairment, in Item 8 of this Annual Report for additional information.

Loss on Disposal of Subsidiaries

Loss on disposal of subsidiaries represents the difference between proceeds received upon disposition and the book value of a subsidiary which has been divested and was excluded from treatment as a discontinued operation. Also included in loss on disposal of subsidiaries is recognition of the cumulative translation adjustment out of accumulated other comprehensive loss. Loss on disposal of subsidiaries was $8.6 million in the year ended January 2, 2022 compared to $2.1 million in the year ended January 3, 2021. The current year loss arose as a result of the sale of our Czech business and is comprised of $5.1 million relating to the write-off of net assets sold and other professional fees and $3.5 million relating to the recognition of the cumulative translation adjustment out of accumulated other comprehensive loss. The loss in the prior year arose as a result of the liquidation of our legal entity in India and is comprised of the recognition of the cumulative translation adjustment out of accumulated other comprehensive loss of $2.3 million and $0.2 million relating to the write-off of net assets and other professional fees.

Interest Expense, Net

Interest expense, net, in the year ended January 2, 2022, was $46.1 million, compared to $46.8 million in the year ended January 3, 2021, remaining relatively flat as compared to the 2020 period.

Loss on Extinguishment of Debt

Loss on extinguishment of debt represents the difference between the reacquisition price of debt and the net carrying amount of the extinguished debt. The net carrying amount includes the principal, unamortized premium and unamortized debt issuance costs. Loss on extinguishment of debt was $13.6 million in the year ended January 2, 2022 and related to the redemption of our senior unsecured notes due 2026. This charge represents the difference between the redemption price of our senior unsecured notes due 2026 of $310.8 million and the net carrying amount of such notes of $297.2 million. In addition to the $300.0 million of principal, the redemption price included a make-whole premium of $10.8 million and the net carrying amount included unamortized debt issuance costs of $2.8 million. There was no loss on extinguishment of debt in the year ended January 3, 2021.

Other (Income) Expense, Net

Other (income) expense, net includes profits and losses related to our non-majority owned unconsolidated subsidiaries that we recognize under the equity method of accounting, unrealized gains and losses on foreign currency remeasurements, pension settlement charges and other miscellaneous non-operating expenses. Other (income) expense, net, in the year ended January 2, 2022, was $15.6 million of expense, compared to $5.2 million of income in the year ended January 3, 2021. The change in other (income) expense, net is primarily due to a pre-tax pension settlement charge of $23.3 million recognized in the fourth quarter of 2021, partially offset by a change in our portion of the net gains and losses related to our non-majority owned unconsolidated subsidiaries that are recognized under the equity method of accounting, a change in the fair value of plan assets in the deferred compensation rabbi trust and unrealized gains and losses on foreign currency remeasurements.

Income Tax Expense

Income tax expense in the year ended January 2, 2022, was $44.8 million, compared to $28.6 million in the year ended January 3, 2021. The increase in income tax expense is primarily due to (i) the mix of income or losses within the tax jurisdictions with various tax rates in which we operate, (ii) nondeductible goodwill impairment charges related to prior stock acquisition of the Architectural reporting unit and (iii) an increase in tax rate applied to certain deferred tax assets and liabilities in the United Kingdom.

Segment Information

Our reportable segments are organized and managed principally by end market: North American Residential, Europe and Architectural. The Corporate & Other category includes unallocated corporate costs and the results of immaterial operating segments that were not aggregated into any reportable segment. In addition to similar economic characteristics we also consider the following factors in determining the reportable segments: the nature of business activities, the management structure directly accountable to our chief operating decision maker for operating and administrative activities, availability of discrete financial information and information presented to the Board of Directors and investors.

Our management reviews net sales and Adjusted EBITDA (as defined below) to evaluate segment performance and allocate resources. Net assets are not allocated to the reportable segments. Adjusted EBITDA is a non-GAAP financial measure which does not have a standardized meaning under GAAP and is unlikely to be comparable to similar measures used by other companies. Adjusted EBITDA should not be considered as an alternative to either net income or operating cash flows determined in accordance with GAAP. Adjusted EBITDA is defined as net income (loss) attributable to Masonite adjusted to exclude the following items:

- depreciation;
- amortization;
- share based compensation expense;
- loss (gain) on disposal of property, plant and equipment;
- registration and listing fees;

- restructuring costs;
- asset impairment;
- loss (gain) on disposal of subsidiaries;
- interest expense (income), net;
- loss on extinguishment of debt;
- other (income) expense, net;
- income tax expense (benefit);
- other items;
- loss (income) from discontinued operations, net of tax; and
- net income (loss) attributable to non-controlling interest.

This definition of Adjusted EBITDA differs from the definitions of EBITDA contained in the indenture governing the 2030 Notes, 2028 Notes and 2026 Notes and the credit agreement governing the ABL Facility. Adjusted EBITDA is used to evaluate and compare the performance of the segments and it is one of the primary measures used to determine employee incentive compensation. Intersegment sales are recorded using market prices.

We believe that Adjusted EBITDA, from an operations standpoint, provides an appropriate way to measure and assess segment performance. Our management team has established the practice of reviewing the performance of each segment based on the measures of net sales and Adjusted EBITDA. We believe that Adjusted EBITDA is useful to users of the consolidated financial statements because it provides the same information that we use internally to evaluate and compare the performance of the segments and it is one of the primary measures used to determine employee incentive compensation.

	Year Ended January 2, 2022				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
Adjusted EBITDA	$ 374,452	$ 60,624	$ (2,704)	$ (19,766)	$ 412,606
Adjusted EBITDA as a percentage of segment net sales	*19.2 %*	*18.1 %*	*(0.9)%*		*15.9 %*

	Year Ended January 3, 2021				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
Adjusted EBITDA	$ 347,822	$ 40,474	$ 34,201	$ (58,785)	$ 363,712
Adjusted EBITDA as a percentage of segment net sales	*21.2 %*	*15.7 %*	*10.0 %*		*16.1 %*

The following reconciles Adjusted EBITDA to net income (loss) attributable to Masonite:

	Year Ended January 2, 2022				
(In thousands)	North American Residential	Europe	Architectural	Corporate & Other	Total
Net income (loss) attributable to Masonite	$ 329,925	$ 29,519	$ (91,255)	$ (173,688)	$ 94,501
Plus:					
Depreciation	37,864	9,752	10,986	12,039	70,641
Amortization	1,640	14,073	3,634	1,994	21,341
Share based compensation expense	—	—	—	15,959	15,959
Loss (gain) on disposal of property, plant and equipment	2,209	(1)	(410)	(482)	1,316
Restructuring costs	(149)	—	5,165	551	5,567
Asset impairment	—	—	69,171	729	69,900
Loss on disposal of subsidiaries	—	8,590	—	—	8,590
Interest expense, net	—	—	—	46,123	46,123
Loss on extinguishment of debt	—	—	—	13,583	13,583
Other (income) expense, net	—	(1,309)	5	16,924	15,620
Income tax expense	—	—	—	44,772	44,772
Net income attributable to non-controlling interest	2,963	—	—	1,730	4,693
Adjusted EBITDA	$ 374,452	$ 60,624	$ (2,704)	$ (19,766)	$ 412,606

	Year Ended January 3, 2021				
(In thousands)	North American Residential	Europe	Architectural	Corporate & Other	Total
Net income (loss) attributable to Masonite	$ 298,446	$ 16,964	$ (40,869)	$ (205,504)	$ 69,037
Plus:					
Depreciation	35,868	9,838	11,651	10,993	68,350
Amortization	1,837	13,894	6,084	1,608	23,423
Share based compensation expense	—		—	19,423	19,423
Loss (gain) on disposal of property, plant and equipment	4,188	(93)	2,922	(783)	6,234
Restructuring costs	4,327	(37)	2,898	1,048	8,236
Asset impairment	—	—	51,515	—	51,515
Loss on disposal of subsidiaries	—	—	—	2,091	2,091
Interest expense, net	—	—	—	46,807	46,807
Other (income) expense, net	(31)	(92)	—	(5,094)	(5,217)
Income tax expense	—	—	—	28,611	28,611
Other items [(1)]	—	—	—	40,550	40,550
Net income attributable to non-controlling interest	3,187	—	—	1,465	4,652
Adjusted EBITDA	$ 347,822	$ 40,474	$ 34,201	$ (58,785)	$ 363,712

(1) Other items not part of our underlying business performance include $40,550 in legal reserves related to the settlement of U.S. class action litigation in the year ended January 3, 2021, and were recorded in selling, general and administration expenses within the consolidated statements of income and comprehensive income. Refer to Note 10. Commitments and Contingencies for additional information.

Adjusted EBITDA in our North American Residential segment increased $26.7 million, or 7.7%, to $374.5 million in the year ended January 2, 2022, from $347.8 million in the year ended January 3, 2021. Adjusted EBITDA in the North American Residential segment included corporate allocations of shared costs of $76.6 million and $64.7 million in 2021 and 2020, respectively. The allocations generally consist of certain costs of human resources, legal, finance, information technology, research and development, marketing and share based compensation.

Adjusted EBITDA in our Europe segment increased $20.1 million, or 49.6%, to $60.6 million in the year ended January 2, 2022, from $40.5 million in the year ended January 3, 2021. Adjusted EBITDA in the Europe segment included corporate allocations of shared costs of $4.1 million and $1.0 million in 2021 and 2020, respectively. The allocations generally consist of certain costs of human resources, legal, finance, information technology, marketing and share based compensation.

Adjusted EBITDA in our Architectural segment decreased $36.9 million or 107.9% to a loss of $2.7 million in the year ended January 2, 2022, from $34.2 million of earnings in the year ended January 3, 2021. Adjusted EBITDA in the Architectural segment also included corporate allocations of shared costs of $11.1 million and $10.8 million in 2021 and 2020, respectively. The allocations generally consist of certain costs of human resources, legal, finance, information technology, research and development, marketing and share based compensation.

Liquidity and Capital Resources

Our liquidity needs for operations vary throughout the year. Our principal sources of liquidity are cash flows from operating activities, the borrowings under our ABL Facility and an accounts receivable sales program with a third party ("AR Sales Program") and our existing cash balance. Our anticipated uses of cash in the near term include working capital needs, capital expenditures and share repurchases. As of January 2, 2022, we do not have any material commitments for capital expenditures. We anticipate capital expenditures in fiscal year 2022 to be approximately $100 to

$120 million. On a continual basis, we evaluate and consider strategic acquisitions, divestitures and joint ventures to create shareholder value and enhance financial performance.

We believe that our cash balance on hand, future cash generated from operations, the use of our AR Sales Program, our ABL Facility, and ability to access the capital markets will provide adequate liquidity for the foreseeable future. As of January 2, 2022, we had $381.4 million of cash and cash equivalents, availability under our ABL Facility of $219.5 million and availability under our AR Sales Program of $0.3 million.

Cash Flows

Year Ended January 2, 2022, Compared with Year Ended January 3, 2021

Cash provided by operating activities was $156.5 million during the year ended January 2, 2022, compared to $321.2 million during the year ended January 3, 2021. This $164.7 million decrease in cash provided by operating activities was due to changes in net working capital and a $27.5 million decrease in other assets and liabilities, partially offset by an $88.2 million increase in net income attributable to Masonite, adjusted for non-cash and non-operating items in 2021 compared to 2020.

Cash used in investing activities was $76.1 million during the year ended January 2, 2022, compared to $73.9 million cash used during the year ended January 3, 2021. This $2.2 million increase in cash used in investing activities was primarily driven by a $13.7 million increase in cash additions to property, plant and equipment and a $1.3 million decrease in proceeds from the sale of property, plant and equipment, partially offset by a $7.0 million increase in cash obtained from the sale of subsidiaries and a $5.8 million decrease in cash used in acquisitions, net of cash acquired and other investing activities in 2021 compared to 2020.

Cash used in financing activities was $63.7 million during the year ended January 2, 2022, compared to $54.1 million of cash used during the year ended January 3, 2021. This $9.6 million increase in cash used in financing activities was driven by a $70.2 million increase in cash used for repurchases of common shares and a $1.4 million increase in cash used for tax withholding on share based awards, partially offset by a net increase in cash provided by debt-related transactions of $58.6 million and a $3.3 million decrease in distributions to non-controlling interests in 2021 compared to 2020.

Share Repurchases

The Company's Board of Directors has approved four share repurchase authorizations, the most recent being an incremental $210.0 million share repurchase program approved on August 9, 2021. The share repurchase programs have no specified end date and the timing and amount of any share repurchases will be determined by management based on our evaluation of market conditions and other factors. Any repurchases under the share repurchase programs may be made in the open market, in privately negotiated transactions or otherwise, subject to market conditions, applicable legal requirements and other relevant factors. The share repurchase programs do not obligate us to acquire any particular amount of common shares, and they may be suspended or terminated at any time at our discretion. During the first quarter of 2020, we implemented several actions to reduce our spending and more closely manage cash during the uncertain period relating to the COVID-19 pandemic, including temporarily suspending our share repurchase programs. The temporary suspension was lifted during the third quarter of 2020. Repurchases under the share repurchase programs are permitted to be made under one or more Rule 10b5-1 plans, which would permit shares to be repurchased when we might otherwise be precluded from doing so under applicable insider trading laws. During the year ended January 2, 2022, we repurchased 1,014,003 of our common shares in the open market at an aggregate cost of $113.9 million. During the year ended January 3, 2021, we repurchased 672,899 of our common shares in the open market at an aggregate cost of $43.7 million. As of January 2, 2022, $196.4 million was available for repurchase in accordance with the share repurchase programs.

On February 21, 2022, the Company's Board of Directors approved an incremental $200.0 million share repurchase program. The new $200.0 million authorization is in addition to the previously authorized share repurchase programs, which as of February 21, 2022, had approximately $156.4 million remaining. In addition, the Company announced that its Board of Directors has authorized it to enter into an accelerated share repurchase ("ASR") transaction as part of the new share repurchase program. The Company intends to enter into an ASR transaction during the first quarter of 2022 for the repurchase of $100.0 million of its outstanding common shares.

Other Liquidity Matters

Our cash and cash equivalents balance includes cash held in foreign countries in which we operate. Cash held outside Canada, in which we are incorporated, is free from significant restrictions that would prevent the cash from being accessed to meet our liquidity needs including, if necessary, to fund operations and service debt obligations in Canada. However, earnings from certain jurisdictions are indefinitely reinvested in those jurisdictions. Upon the repatriation of any earnings to Canada, in the form of dividends or otherwise, we may be subject to Canadian income taxes and withholding taxes payable to the various foreign countries. As of January 2, 2022, we do not believe adverse tax consequences exist that restrict our use of cash or cash equivalents in a material manner.

We also routinely monitor the changes in the financial condition of our customers and the potential impact on our results of operations. There has not been a change in the financial condition of a customer that has had a material adverse effect on our results of operations. However, if economic conditions were to deteriorate, it is possible there could be an impact on our results of operations in a future period and this impact could be material.

Accounts Receivable Sales Program

Under the AR Sales Program, we can transfer ownership of eligible trade accounts receivable of certain customers. Receivables are sold outright to a third party who assumes the full risk of collection, without recourse to us in the event of a loss. Transfers of receivables under this program are accounted for as sales. Proceeds from the transfers reflect the face value of the accounts receivable less a discount. Receivables sold under the AR Sales Program are excluded from trade accounts receivable in the consolidated balance sheets and are included in cash flows from operating activities in the consolidated statements of cash flows. The discounts on the sales of trade accounts receivable sold under the AR Sales Program were not material for any of the periods presented and were recorded in selling, general and administration expense within the consolidated statements of income and comprehensive income.

Senior Notes

On July 26, 2021, we issued $375.0 million aggregate principal senior unsecured notes (the "2030 Notes"). The 2030 Notes were issued in a private placement for resale to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Securities Act"), and to buyers outside of the United States pursuant to Regulation S under the Securities Act. The 2030 Notes bear interest at 3.50% per annum, payable in cash semiannually in arrears on February 15 and August 15 of each year commencing on February 15, 2022, and are due February 15, 2030. The 2030 Notes were issued at par. We received net proceeds of $370.3 million after deducting $4.7 million of debt issuance costs. The debt issuance costs were capitalized as a reduction to the carrying value of debt and are being accreted to interest expense over the term of the 2030 Notes using the effective interest method. The net proceeds from the issuance of the 2030 Notes were used to redeem the remaining $300.0 million aggregate principal amount of the 2026 Notes (as described below), including the payment of related premiums, fees and expenses, with the balance of the proceeds available for general corporate purposes.

Obligations under the 2030 Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by certain of our directly or indirectly wholly-owned subsidiaries. We may redeem the 2030 Notes under certain circumstances specified therein.

The indenture governing the 2030 Notes contains limited covenants that, among other things, limit our ability and the ability of our subsidiaries to (i) incur certain secured debt, (ii) engage in certain sale and leaseback transactions and (iii) merge or consolidate with other entities. The foregoing limitations are subject to exceptions as set forth in the indenture governing the 2030 Notes. The indenture governing the 2030 Notes contains customary events of default (subject to certain cases to customary grace and cure periods). As of January 2, 2022, we were in compliance with all covenants under the indenture governing the 2030 Notes.

On July 25, 2019, we issued $500.0 million aggregate principal senior unsecured notes (the "2028 Notes"). The 2028 Notes were issued in a private placement for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to buyers outside of the United States pursuant to Regulation S under the Securities Act. The 2028 Notes were issued without registration rights and are not listed on any securities exchange. The 2028 Notes bear interest at 5.375% per annum, payable in cash semiannually in arrears on February 1 and August 1 of each year and are due February 1, 2028. The 2028 notes were issued at par. We received net proceeds of $493.3 million after deducting $6.7 million of debt issuance costs. The debt issuance costs were capitalized

as a reduction to the carrying value of debt and are being accreted to interest expense over the term of the 2028 Notes using the effective interest method. The net proceeds from issuance of the 2028 Notes, together with available cash balances, were used to redeem the remaining $500.0 million aggregate principal amount of similar senior unsecured notes, resulting in loss on extinguishment of debt of $14.5 million after paying the applicable premium of $14.1 million and writing off the unamortized premium of $3.1 million and unamortized debt issuance costs of $3.5 million

We may redeem the 2028 Notes under certain circumstances specified therein. The indenture governing the 2028 Notes contains restrictive covenants that, among other things, limit our ability and the ability of our subsidiaries to: (i) incur additional debt and issue disqualified or preferred stock, (ii) make restricted payments, (iii) sell assets, (iv) create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to the parent company, (v) create or incur certain liens, (vi) enter into sale and leaseback transactions, (vii) merge or consolidate with other entities and (viii) enter into transactions with affiliates. The foregoing limitations are subject to exceptions as set forth in the indenture governing the 2028 Notes. In addition, if in the future the 2028 Notes have an investment grade rating from at least two nationally recognized statistical rating organizations, certain of these covenants will be terminated. The indenture governing the 2028 Notes contains customary events of default (subject in certain cases to customary grace and cure periods). As of January 2, 2022, we were in compliance with all covenants under the indenture governing the 2028 Notes.

On August 27, 2018, we issued $300.0 million aggregate principal senior unsecured notes (the "2026 Notes"). The 2026 Notes were issued in a private placement for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to buyers outside of the United States pursuant to Regulation S under the Securities Act. The 2026 Notes were issued without registration rights and are not listed on any securities exchange. The 2026 Notes bore interest at 5.75% per annum, payable in cash semiannually in arrears on March 15 and September 15 of each year and were originally due September 15, 2026. The 2026 Notes were issued at par. We received net proceeds of $295.7 million after deducting $4.3 million of debt issuance costs. The debt issuance costs were capitalized as a reduction to the carrying value of debt and were accreted to interest expense over the term of the 2026 Notes using the effective interest method.

Subsequent to the closing of the 2030 Notes offering, the 2026 Notes were redeemed, and the notes were considered extinguished as of July 26, 2021. Under the terms of the indenture governing the 2026 Notes, we paid the applicable premium of $10.8 million. Additionally, the unamortized debt issuance costs of $2.8 million relating to the 2026 Notes were written off in conjunction with the extinguishment of the 2026 Notes. The resulting loss on extinguishment of debt was $13.6 million and was recorded as part of income from continuing operations before income tax expense in the consolidated statements of income and comprehensive income in the third quarter of 2021. Additionally, the cash payment of interest accrued to, but not including, the redemption date was accelerated to the redemption date.

ABL Facility

On January 31, 2019, we and certain of our subsidiaries entered into a $250.0 million asset-based revolving credit facility (the "ABL Facility") maturing on January 31, 2024, which replaced the previous facility. Borrowings under the ABL Facility bear interest at a rate equal to, at our option, (i) the United States, Canadian and United Kingdom Base Rate (each as defined in the credit agreement relating to the ABL Facility, the "Amended and Restated Credit Agreement") plus a margin ranging from 0.25% to 0.50% per annum, or (ii) the Adjusted LIBO Rate or BA Rate (each as defined in the Amended and Restated Credit Agreement), plus a margin ranging from 1.25% to 1.50% per annum. In addition to paying interest on any outstanding principal under the ABL Facility, a commitment fee is payable on the undrawn portion of the ABL Facility in an amount equal to 0.25% per annum of the average daily balance of unused commitments during each calendar quarter.

The ABL Facility contains various customary representations, warranties and covenants by us that, among other things, and subject to certain exceptions, restricts our ability and the ability of our subsidiaries to: (i) pay dividends on our common shares and make other restricted payments, (ii) make investments and acquisitions, (iii) engage in transactions with our affiliates, (iv) sell assets, (v) merge and (vi) create liens. The ABL Facility, among other things, (i) permits us to incur unlimited unsecured debt as long as such debt does not contain covenants or default provisions that are more restrictive than those contained in the ABL Facility, (ii) permits us to incur debt as long as the pro forma secured leverage ratio is less than 4.5 to 1.0, and (iii) adds certain additional exceptions and exemptions under the restricted payment, investment and indebtedness covenants (including increasing the amount of certain debt permitted to

be incurred under existing exceptions). As of January 2, 2022, we were in compliance with all covenants under the credit agreement governing the ABL Facility and there were no amounts outstanding under the ABL Facility.

Supplemental Guarantor Financial Information

Our obligations under the 2030 Notes, 2028 Notes, 2026 Notes and the ABL Facility are fully and unconditionally guaranteed, jointly and severally, by certain of our directly or indirectly wholly-owned subsidiaries. The following unaudited supplemental financial information for our non-guarantor subsidiaries is presented:

Our non-guarantor subsidiaries generated external net sales of $2.3 billion, $2.0 billion and $1.9 billion in the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively. Our non-guarantor subsidiaries generated Adjusted EBITDA of $352.1 million, $305.5 million and $241.6 million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively. Our non-guarantor subsidiaries had total assets of $2.3 billion and $2.2 billion as of January 2, 2022, and January 3, 2021; and total liabilities of $980.6 million and $935.3 million as of January 2, 2022, and January 3, 2021, respectively.

Contractual Obligations

The following table presents our contractual obligations over the periods indicated as of January 2, 2022:

	Fiscal Year Ended						
(In thousands)	**2022**	**2023**	**2024**	**2025**	**2026**	**Thereafter**	**Total**
Long-term debt maturities	$ —	$ —	$ —	$ —	$ —	$ 875,000	$ 875,000
Scheduled interest payments	40,000	40,000	40,000	40,000	40,000	86,251	286,251
Operating leases	32,546	28,344	25,829	22,622	16,105	125,751	251,197
Finance leases	1,365	1,287	1,445	1,488	1,663	49,831	57,079
Pension contributions [1]	2,201	2,262	2,324	2,387	601	—	9,775
Total [2]	$ 76,112	$ 71,893	$ 69,598	$ 66,497	$ 58,369	$1,136,833	$1,479,302

(1) Pension contributions relate to our United Kingdom pension plan.

(2) As of January 2, 2022, we have $11.3 million recorded as a long-term liability for uncertain tax positions. We are not able to reasonably estimate the timing of payments, or the amount by which our liability for these uncertain tax positions will increase or decrease over time, and accordingly, this liability has been excluded from the above table.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our significant accounting policies are fully disclosed in our annual consolidated financial statements included elsewhere in this Annual Report. We consider the following policies to be most critical in understanding the judgments that are involved in preparing our consolidated financial statements.

Business Acquisition Accounting

We use the acquisition method of accounting for all business acquisitions. We allocate the purchase price of our business acquisitions based on the fair value of identifiable tangible and intangible assets. The difference between the total cost of the acquisitions and the sum of the fair values of the acquired tangible and intangible assets less liabilities is recorded as goodwill.

Goodwill

Goodwill is not amortized but instead is tested annually for impairment on the last day of fiscal November, or more frequently if events or changes in circumstances indicate the carrying amount may not be recoverable. The test for

impairment is performed at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. Possible impairment in goodwill is first analyzed using qualitative factors such as macroeconomic and market conditions, changing costs and actual and projected performance, amongst others, to determine whether it is more likely than not that the book value of the reporting unit exceeds its fair value. If it is determined more likely than not that the book value exceeds fair value, a quantitative analysis is performed to test for impairment. When quantitative steps are determined necessary, the fair values of the reporting units are estimated through the use of discounted cash flow analyses and market multiples. If the carrying amount exceeds fair value, then goodwill is impaired. Any impairment in goodwill is measured as the excess of the carrying value of goodwill over the fair value. The inputs utilized to derive projected cash flows are subject to significant judgments and uncertainties. As such, the realized cash flows could differ significantly from those estimated. We performed our annual quantitative impairment test during the fourth quarter of 2021. We utilize a combination of methods that are subject to significant judgments and uncertainties including market valuation and discounted cash flows to measure the fair value of our reporting units and to determine if there is any impairment of goodwill. The quantitative impairment test was conducted using multiple valuation techniques, including a discounted cash flow analysis and market approach, which utilizes Level 3 fair value inputs, and resulted in a goodwill impairment charge of $59.5 million due to manufacturing constraints in the Architectural reporting unit in the current year due to COVID-19 related absenteeism, material availability and production challenges. The charge represents the amount by which the carrying value of the Architectural reporting unit exceeded its fair value and reduced the goodwill balance in the Architectural reporting unit from $59.5 million to zero.

Intangible Assets

Intangible assets with definite lives include customer relationships, non-compete agreements, patents, supply agreements, certain acquired trademarks and system software development. Definite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortizable intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may be greater than the fair value. An impairment loss is recognized when the estimate of undiscounted future cash flows generated by such assets is less than the carrying amount. Measurement of the impairment loss is based on the fair value of the asset, determined using discounted cash flows when quoted market prices are not readily available. Indefinite-lived intangible assets are tested for impairment annually on the last day of fiscal November, or more frequently if events or circumstances indicated that the carrying value may exceed the fair value. We performed a qualitative impairment test during the fourth quarter of 2021 and determined that indefinite-lived intangible assets were not impaired.

Long-lived Assets

Long-lived assets other than goodwill and indefinite-lived intangible assets, which are separately tested for impairment, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When evaluating long-lived assets for potential impairment, we first compare the carrying value of the asset to the estimates of asset's useful lives and undiscounted future cash flows based on market participant assumptions. If the undiscounted expected future cash flows are less than the carrying amount of the asset and the carrying amount of the asset exceeds its fair value, an impairment loss is recognized.

Income Taxes

As a multinational corporation, we are subject to taxation in many jurisdictions and the calculation of our tax liabilities involves dealing with inherent uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. We assess the income tax positions and record tax liabilities for all years subject to examination based upon our evaluation of the facts, circumstances and information available as of the reporting date.

We account for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities at enacted rates. We base our estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, business plans and other expectations about future outcomes. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event that we were to determine that we would be able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment to the deferred tax assets would be a credit to income in the

period such determination was made. The consolidated financial statements include changes to the valuation allowances as a result of uncertainty regarding our ability to realize certain deferred tax assets in the future.

Our accounting for deferred tax consequences represents our best estimate of future events that can be appropriately reflected in the accounting estimates. Changes in existing tax laws, regulations, rates and future operating results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are also subject to change as a result in changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings.

Although we believe the measurement of liabilities for uncertain tax positions is reasonable, no assurance can be given that the final outcomes of these matters will not be different than what is reflected in the historical income tax provisions and accruals. If we ultimately determine that the payment of these liabilities will be unnecessary, the liability is reversed and a tax benefit is recognized in the period in which such determination is made. Conversely, additional tax charges are recorded in a period in which it is determined that a recorded tax liability is less than the ultimate assessment is expected to be. If additional taxes are assessed as a result of an audit or litigation, there could be a material effect on our income tax provision and net income in the period or periods for which that determination is made.

Inventory

We value inventories at the lower of cost or net realizable value, with expense estimates made for obsolescence or unsaleable inventory. In determining net realizable value, we consider such factors as yield, turnover and aging, expected future demand and market conditions, as well as past experience. A change in the underlying assumptions related to these factors could affect the valuation of inventory and have a corresponding effect on cost of goods sold. Historically, actual results have not significantly deviated from those determined using these estimates.

Changes in Accounting Standards and Policies

Changes in accounting standards and policies are discussed in Note 1. Business Overview and Significant Accounting Policies in the Notes to the Consolidated Financial Statements in this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in foreign currency exchange rates, interest rates and commodity prices, which can affect our operating results and overall financial condition. We manage exposure to these risks through our operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Derivative financial instruments are viewed as risk management tools and are not used for speculation or for trading purposes. Derivative financial instruments are generally contracted with a diversified group of investment grade counterparties to reduce exposure to nonperformance on such instruments.

We have in place an enterprise risk management process that involves systematic risk identification and mitigation covering the categories of enterprise, strategic, financial, operation and compliance and reporting risk. The enterprise risk management process receives Board of Directors and Management oversight, drives risk mitigation decision-making and is fully integrated into our internal audit planning and execution cycle.

Foreign Exchange Rate Risk

We have foreign currency exposures related to buying, selling and financing in currencies other than the local currencies in which we operate. In the years ended January 2, 2022, January 3, 2021, and December 29, 2019, approximately 32%, 29% and 32% of our net sales were generated outside of the United States, respectively. In addition, a significant percentage of our costs during the same period were not denominated in U.S. dollars. For example, for most of our manufacturing and distribution facilities, the prices for a significant portion of our raw materials are quoted in the domestic currency of the country where the facility is located or other currencies that are not U.S. dollars. We also have substantial assets outside the United States. As a result, the volatility in the price of the U.S. dollar has exposed, and in the future may continue to expose, us to currency exchange risks. Also, since our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on many aspects of our financial results. Changes in currency exchange rates for any country in which we operate may require us to raise the prices of our products in that country or allow our competitors to sell

their products at lower prices in that country. Unrealized exchange gains and losses arising from the translation of the financial statements of our non-U.S. functional currency operations are accumulated in the cumulative translation adjustments account in accumulated other comprehensive loss. Net losses from currency translation adjustments as a result of translating our foreign assets and liabilities into U.S. dollars and upon deconsolidation of subsidiaries during the year ended January 2, 2022, were $3.2 million, which were primarily driven by weakening of the Euro, the Pound Sterling, the Malaysian Ringgit and the Mexican Peso, partially offset by strengthening of the Canadian Dollar in comparison to the U.S. Dollar during the period, along with the sale of our Czech business.

When deemed appropriate, we enter into various derivative financial instruments to preserve the carrying amount of foreign currency-denominated assets, liabilities, commitments and certain anticipated foreign currency transactions. We held no derivative financial instruments as of January 2, 2022, or January 3, 2021. If not mitigated by derivative financial instruments, price increases or other methods, a hypothetical 10% strengthening of the U.S. Dollar against all foreign currencies in the jurisdictions in which we operate would result in an approximate $75.8 million translational decrease in our net sales and an approximate $6.9 million translational decrease in our net income.

Interest Rate Risk

We are subject to market risk from exposure to changes in interest rates with respect to borrowings under our ABL Facility to the extent it is drawn on and due to our other financing, investing and cash management activities. As of January 2, 2022, and January 3, 2021, there were no outstanding borrowings under our ABL Facility.

Impact of Inflation, Deflation and Changing Prices

We have experienced inflation and deflation related to our purchase of certain commodity products. We believe that volatile prices for commodities have impacted our net sales and results of operations. We maintain strategies to mitigate the impact of higher raw material, energy and commodity costs, which include cost reduction, sourcing and other actions, which typically offset only a portion of the adverse impact. Inflation and deflation related to our purchases of certain commodity products could have an adverse impact on our operating results in the future. A hypothetical 10% inflationary increase in our material cost of goods sold would result in approximately $101.2 million of increased consolidated cost of goods sold. Additionally, anti-dumping and countervailing duty trade cases, such as the January 8, 2020, Coalition of American Millwork Producers anti-dumping and countervailing duty petitions against Wood Mouldings and Millwork Products from Brazil and China, is expected to impact our business and results of operations.

Item 8. Financial Statements and Supplementary Data

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm (PCAOB ID 42)	47
Consolidated Statements of Income and Comprehensive Income	49
Consolidated Balance Sheets	50
Consolidated Statements of Changes in Equity	51
Consolidated Statements of Cash Flows	52
Notes to the Consolidated Financial Statements	53

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Masonite International Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Masonite International Corporation (the Company) as of January 2, 2022 and January 3, 2021, the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for each of the three fiscal years in the period ended January 2, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 2, 2022 and January 3, 2021, and the results of its operations and its cash flows for each of the three fiscal years in the period ended January 2, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 2, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Valuation of Goodwill related to the Architectural Reporting Unit

Description of the Matter	As discussed in Notes 1, 7, and 14 of the consolidated financial statements, the Company's goodwill is assigned to its reporting units as of the acquisition date and is tested for impairment at the reporting unit level at least annually or whenever changes in circumstances may indicate the carrying amounts may not be recoverable. During the fourth quarter of fiscal 2021, the Company performed its annual impairment test, concluded that the Architectural reporting unit was fully impaired, and recorded a goodwill impairment charge of $59.5 million. Auditing management's annual goodwill impairment test for the Architectural reporting unit was complex and judgmental due to the significant estimation required to determine the fair value of the reporting unit. In particular, the fair value estimate was sensitive to significant assumptions such as net sales growth rates, EBITDA margins, and the discount rate, which are affected by expectations about future market or economic conditions, including industry and company-specific factors.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process, including management's review of the significant assumptions described above and data underlying the estimate. To test the estimated fair value of the Company's Architectural reporting unit, we performed audit procedures that included, among others, assessing the valuation methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We involved our valuation specialists to assist in our evaluation of the Company's valuation methodology and significant assumptions. We compared the significant assumptions used by management to current industry and economic trends, the Company's historical results and other guideline companies within the same industry and evaluated whether changes in the Company's business would affect the significant assumptions. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of the significant assumptions to evaluate the changes in the fair value of the reporting unit that would result from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2016.
Tampa, Florida
February 24, 2022

MASONITE INTERNATIONAL CORPORATION
Consolidated Statements of Income and Comprehensive Income
(In thousands of U.S. dollars, except per share amounts)

	Year Ended		
	January 2, 2022	**January 3, 2021**	**December 29, 2019**
Net sales	$ 2,596,920	$ 2,257,075	$ 2,176,683
Cost of goods sold	1,985,141	1,684,571	1,699,000
Gross profit	611,779	572,504	477,683
Selling, general and administration expenses	308,430	366,772	310,567
Restructuring costs	5,567	8,236	9,776
Asset impairment	69,900	51,515	13,767
Loss on disposal of subsidiaries	8,590	2,091	14,260
Operating income	219,292	143,890	129,313
Interest expense, net	46,123	46,807	46,489
Loss on extinguishment of debt	13,583	—	14,523
Other (income) expense, net	15,620	(5,217)	1,953
Income before income tax expense	143,966	102,300	66,348
Income tax expense	44,772	28,611	17,309
Net income	99,194	73,689	49,039
Less: net income attributable to non-controlling interests	4,693	4,652	4,437
Net income attributable to Masonite	$ 94,501	$ 69,037	$ 44,602
Basic earnings per common share attributable to Masonite	$ 3.91	$ 2.81	$ 1.77
Diluted earnings per common share attributable to Masonite	$ 3.85	$ 2.77	$ 1.75
Comprehensive income:			
Net income	$ 99,194	$ 73,689	$ 49,039
Other comprehensive income (loss):			
Foreign currency translation (loss) gain	(3,175)	19,820	16,912
Pension and other post-retirement adjustment	2,250	(3,163)	962
Pension settlement charges	15,654	—	5,651
Amortization of actuarial net losses	1,336	1,002	1,798
Income tax (expense) benefit related to other comprehensive income (loss)	(5,518)	632	(2,230)
Other comprehensive income (loss), net of tax:	10,547	18,291	23,093
Comprehensive income	109,741	91,980	72,132
Less: comprehensive income attributable to non-controlling interests	4,759	4,837	4,780
Comprehensive income attributable to Masonite	$ 104,982	$ 87,143	$ 67,352

See accompanying notes to the consolidated financial statements.

MASONITE INTERNATIONAL CORPORATION
Consolidated Balance Sheets
(In thousands of U.S. dollars, except share amounts)

ASSETS	January 2, 2022	January 3, 2021
Current assets:		
Cash and cash equivalents	$ 381,395	$ 364,674
Restricted cash	10,110	10,560
Accounts receivable, net	343,414	290,508
Inventories, net	347,476	260,962
Prepaid expenses and other assets	50,399	42,538
Income taxes receivable	1,332	1,124
Total current assets	1,134,126	970,366
Property, plant and equipment, net	626,797	625,126
Operating lease right-of-use assets	176,445	146,806
Investment in equity investees	14,994	14,636
Goodwill	77,102	138,692
Intangible assets, net	150,487	169,392
Deferred income taxes	20,764	25,331
Other assets	45,903	47,411
Total assets	$ 2,246,618	$ 2,137,760
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 138,788	$ 97,211
Accrued expenses	237,300	277,716
Income taxes payable	8,551	11,086
Total current liabilities	384,639	386,013
Long-term debt	865,721	792,242
Long-term operating lease liabilities	165,670	136,235
Deferred income taxes	77,936	73,073
Other liabilities	52,874	55,080
Total liabilities	1,546,840	1,442,643
Commitments and Contingencies (Note 10)		
Equity:		
Share capital: unlimited shares authorized, no par value, 23,623,887 and 24,422,934 shares issued and outstanding as of January 2, 2022, and January 3, 2021, respectively	543,400	552,969
Additional paid-in capital	222,177	223,666
Retained earnings	24,244	20,385
Accumulated other comprehensive loss	(101,582)	(112,063)
Total equity attributable to Masonite	688,239	684,957
Equity attributable to non-controlling interests	11,539	10,160
Total equity	699,778	695,117
Total liabilities and equity	$ 2,246,618	$ 2,137,760

See accompanying notes to the consolidated financial statements.

MASONITE INTERNATIONAL CORPORATION
Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars, except share amounts)

	January 2, 2022	January 3, 2021	December 29, 2019
Total equity, beginning of period	$ 695,117	$ 636,862	$ 622,305
Share capital:			
Beginning of period	552,969	558,514	575,207
Common shares issued for delivery of share based awards	12,125	8,269	8,396
Common shares issued under employee stock purchase plan	1,593	1,305	1,045
Common shares repurchased and retired	(23,287)	(15,119)	(26,134)
End of period	543,400	552,969	558,514
Additional paid-in capital:			
Beginning of period	223,666	216,584	218,988
Share based compensation expense	15,959	19,423	10,023
Common shares issued for delivery of share based awards	(12,125)	(8,269)	(8,396)
Common shares withheld to cover income taxes payable due to delivery of share based awards	(5,001)	(3,623)	(3,852)
Common shares issued under employee stock purchase plan	(322)	(449)	(179)
End of period	222,177	223,666	216,584
Retained earnings (accumulated deficit):			
Beginning of period	20,385	(20,047)	(30,836)
Net income attributable to Masonite	94,501	69,037	44,602
Common shares repurchased and retired	(90,642)	(28,605)	(33,813)
End of period	24,244	20,385	(20,047)
Accumulated other comprehensive loss:			
Beginning of period	(112,063)	(130,169)	(152,919)
Other comprehensive income attributable to Masonite, net of tax	10,481	18,106	22,750
End of period	(101,582)	(112,063)	(130,169)
Equity attributable to non-controlling interests:			
Beginning of period	10,160	11,980	11,865
Net income attributable to non-controlling interests	4,693	4,652	4,437
Other comprehensive income (loss) attributable to non-controlling interests, net tax	66	185	343
Dividends to non-controlling interests	(3,380)	(6,657)	(4,665)
End of period	11,539	10,160	11,980
Total equity, end of period	$ 699,778	$ 695,117	$ 636,862
Common shares outstanding:			
Beginning of period	24,422,934	24,869,921	25,835,664
Common shares issued for delivery of share based awards	199,865	209,407	186,242
Common shares issued under employee stock purchase plan	15,091	16,505	18,940
Common shares repurchased and retired	(1,014,003)	(672,899)	(1,170,925)
End of period	23,623,887	24,422,934	24,869,921

See accompanying notes to the consolidated financial statements.

MASONITE INTERNATIONAL CORPORATION
Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	Year Ended		
Cash flows from operating activities:	**January 2, 2022**	**January 3, 2021**	**December 29, 2019**
Net income	$ 99,194	$ 73,689	$ 49,039
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Loss on disposal of subsidiaries	8,590	2,091	14,260
Loss on extinguishment of debt	13,583	—	14,523
Depreciation	70,641	68,350	70,736
Amortization	21,341	23,423	29,113
Share based compensation expense	15,959	19,423	10,023
Deferred income taxes	4,881	(10,085)	3,292
Unrealized foreign exchange (gain) loss	(1,244)	(324)	320
Share of income from equity investees, net of tax	(4,858)	(2,811)	(2,626)
Dividend from equity investee	4,500	4,275	—
Pension and post-retirement funding, net of expense	15,448	(4,654)	(827)
Non-cash accruals and interest	1,678	1,601	57
Loss on sale of property, plant and equipment	1,316	6,234	6,396
Asset impairment	69,900	51,515	13,767
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	(56,831)	(13,006)	6,723
Inventories	(92,641)	(15,568)	5,735
Prepaid expenses and other assets	(8,021)	(9,179)	(332)
Accounts payable and accrued expenses	1,473	107,129	4,742
Other assets and liabilities	(8,452)	19,077	(3,285)
Net cash flow provided by operating activities	156,457	321,180	221,656
Cash flows from investing activities:			
Additions to property, plant and equipment	(86,670)	(72,908)	(82,720)
Acquisition of businesses, net of cash acquired	(160)	(5,814)	(2,029)
Proceeds from sale of subsidiaries, net of cash disposed	7,001	—	1,001
Proceeds from sale of property, plant and equipment	6,027	7,362	3,640
Other investing activities	(2,340)	(2,530)	(2,018)
Net cash flow used in investing activities	(76,142)	(73,890)	(82,126)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	375,000	—	500,000
Repayments of long-term debt	(300,945)	(57)	(500,177)
Payment of debt extinguishment costs	(10,810)	—	(14,065)
Payment of debt issuance costs	(4,672)	—	(6,701)
Tax withholding on share based awards	(5,001)	(3,623)	(3,852)
Distributions to non-controlling interests	(3,380)	(6,657)	(4,665)
Repurchases of common shares	(113,929)	(43,724)	(59,947)
Net cash flow used in financing activities	(63,737)	(54,061)	(89,407)
Net foreign currency translation adjustment on cash	(307)	4,397	1,344
Increase in cash, cash equivalents and restricted cash	16,271	197,626	51,467
Cash, cash equivalents and restricted cash, beginning of period	375,234	177,608	126,141
Cash, cash equivalents and restricted cash, at end of period	$ 391,505	$ 375,234	$ 177,608

See accompanying notes to the consolidated financial statements.

1. Business Overview and Significant Accounting Policies

Unless we state otherwise or the context otherwise requires, references to "Masonite," "we," "our," "us" and the "Company" in these notes to the consolidated financial statements refer to Masonite International Corporation and its subsidiaries.

Description of Business

Masonite International Corporation is one of the largest manufacturers of doors in the world, with significant market share in both interior and exterior door products. Masonite operates 58 manufacturing locations in seven countries and sells doors to customers throughout the world, including the United States, Canada and the United Kingdom.

Basis of Presentation

We prepare these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These consolidated financial statements include the accounts of Masonite International Corporation, a company incorporated under the laws of British Columbia, and its subsidiaries, as of January 2, 2022, and January 3, 2021, and for the years ended January 2, 2022, January 3, 2021, and December 29, 2019.

Our fiscal year is the 52- or 53-week period ending on the Sunday closest to December 31. In a 52-week year, each fiscal quarter consists of 13 weeks. For ease of disclosure, the 13-week periods are referred to as three-month periods and the 52- or 53-week periods are referred to as years. Our 2020 fiscal year, which ended on January 3, 2021, contained 53 weeks of operating results, with the additional week occurring in the fourth quarter.

Changes in Accounting Standards and Policies

Adoption of Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes," as part of its Simplification Initiative to reduce the cost and complexity in accounting for income taxes. This standard removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. We have adopted the new guidance prospectively as of January 4, 2021, the beginning of fiscal year 2021, and the adoption did not have a material impact on our financial statements.

In August 2018, the FASB issued ASU 2018-14, "Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans," which amended ASC 715, "Compensation—Retirement Benefits." This standard is applicable for employers that sponsor defined benefit pension or other postretirement plans, and eliminates disclosures no longer considered cost beneficial, clarifies specific disclosure requirements for entities that provide aggregate disclosures for two or more plans and adds requirements for explanations for significant gains and losses related to changes in benefit obligations. The guidance is effective for annual periods ending after December 15, 2020; early adoption is permitted and retrospective application is required. We adopted the new guidance using a retrospective approach as of January 3, 2021, the end of fiscal year 2020, and the adoption did not have a material impact on our financial statements or disclosures.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326)," which replaces the incurred loss methodology for recognizing credit losses with a current expected credit losses model. This standard applies to all financial assets, including trade receivables. Our current accounts receivable policy is described in detail in Note 1 and uses historical, current and forecasted information to estimate all expected credit losses in our existing account receivable balances. The guidance is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years; early adoption is permitted and modified retrospective application is required. We adopted the new guidance using a modified retrospective approach as of December 31, 2019, the beginning of fiscal year 2020, and the adoption did not have a material impact on our financial statements and no adjustment was necessary to retained earnings on December 31, 2019.

Other Recent Accounting Pronouncements not yet Adopted

In December 2021, the FASB issued ASU 2021-10, "Government Assistance," which requires annual disclosures that increase the transparency of transactions involving government grants, including (1) the types of transactions, (2) the accounting for those transactions and (3) the effect of those transactions on an entity's financial statements. The guidance is effective for annual periods beginning after December 15, 2021, with early adoption permitted. We are in the process of evaluating this guidance to determine the impact it may have on our financial statements.

Summary of Significant Accounting Policies

(a) Principles of consolidation:

These consolidated financial statements include the accounts of Masonite and our subsidiaries and the accounts of any variable interest entities for which we are the primary beneficiary. Intercompany accounts and transactions have been eliminated upon consolidation. The results of subsidiaries acquired during the periods presented are consolidated from their respective dates of acquisition using the acquisition method. Subsidiaries are prospectively deconsolidated as of the date when we no longer have effective control of the entity.

(b) Translation of consolidated financial statements into U.S. dollars:

These consolidated financial statements are expressed in U.S. dollars. The accounts of the majority of our self-sustaining foreign operations are maintained in functional currencies other than the U.S. dollar. Assets and liabilities for these subsidiaries have been translated into U.S. dollars at the exchange rates prevailing at the end of the period and results of operations at the average exchange rates for the period. Unrealized exchange gains and losses arising from the translation of the financial statements of our non-U.S. functional currency operations are accumulated in the cumulative translation adjustments account in accumulated other comprehensive loss. For our foreign subsidiaries where the U.S. dollar is the functional currency, all foreign currency-denominated accounts are remeasured into U.S. dollars. Unrealized exchange gains and losses arising from remeasurements of foreign currency-denominated assets and liabilities are included within other (income) expense, net in the consolidated statements of income and comprehensive income. Gains and losses arising from international intercompany transactions that are of a long-term investment nature are reported in the same manner as translation gains and losses. Realized exchange gains and losses are included in net income for the periods presented.

(c) Cash and cash equivalents:

Cash includes cash equivalents which are short-term highly liquid investments with original maturities of three months or less.

(d) Restricted cash:

Restricted cash includes cash we have placed as collateral for standby letters of credit. The letters of credit guarantee payment to third parties in the event the company is in breach of contract terms as detailed in each letter of credit. As of January 2, 2022, and January 3, 2021, we had standby letters of credit totaling $2.6 million and $2.5 million, respectively. There were no amounts drawn upon these letters of credit as of January 2, 2022, or January 3, 2021.

(e) Accounts receivable:

Our customers are primarily retailers, distributors and contractors. We record an allowance for credit losses at the time that accounts receivable are initially recorded based on the historical write-off experience and the current economic environment as well as our expectations of future economic conditions. We reassess the allowance at each reporting date. When it becomes apparent, based on age or customer circumstances, that such amounts will not be collected, they are charged to the allowance. Payments subsequently received are credited to the credit loss expense account included within selling, general and administration expenses in the consolidated statements of income and comprehensive income. Generally, we do not require collateral for our accounts receivable.

(f) Inventories:

Raw materials and finished goods are valued at the lower of cost or net realizable value. Cost is determined on a first in, first out basis. In determining the net realizable value, we consider factors such as yield, turnover, expected future demand and past experience.

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include costs directly related to the units of production, such as direct labor. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting raw materials into finished goods. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production, such as depreciation and maintenance of factory buildings and equipment, and the cost of factory management and administration. Variable production overheads are those indirect costs of production that vary directly, or nearly directly, with the volume of production, such as indirect materials and indirect labor.

To determine the cost of inventory, we allocate fixed expenses to the cost of production based on the normal capacity, which refers to a range of production levels and is considered the production expected to be achieved over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. Fixed overhead costs allocated to each unit of production are not increased due to abnormally low production. Those excess costs are recognized as a current period expense. When a production facility is completely shut down temporarily, it is considered idle, and all related expenses are charged to cost of goods sold.

(g) Property, plant and equipment:

Property, plant and equipment are stated at cost. Depreciation is recorded based on the carrying values of buildings, machinery and equipment using the straight-line method over the estimated useful lives set forth as follows:

	Useful Life (Years)
Buildings	20 - 40
Machinery and equipment	
Tooling	10 - 25
Machinery and equipment	5 - 25
Molds and dies	12 - 25
Office equipment, fixtures and fittings	3 - 12
Information technology systems	5 - 15

Improvements and major maintenance that extend the life of an asset are capitalized; other repairs and maintenance are expensed as incurred. When assets are retired or otherwise disposed, their carrying values and accumulated depreciation are removed from the accounts.

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. An impairment loss is recognized when the carrying amount of an asset or asset group being tested for recoverability exceeds the sum of the undiscounted cash flows expected from its use and disposal. Impairments are measured as the amount by which the carrying amount of the asset or asset group exceeds its fair value, as determined using a discounted cash flows approach when quoted market prices are not available.

(h) Leases:

We determine if a contract is a lease at inception or upon acquisition and reevaluate each time a lease contract is amended or otherwise modified. A lease will be classified as an operating lease if it does not meet any of the criteria for a finance lease. Those criteria include the transfer of ownership of the underlying asset by the end of the lease term; an option to purchase the underlying asset that we would be reasonably certain to exercise; the lease term is for the major part of the remaining economic life of the underlying asset; the present value of the sum of the lease payments and any

residual value guaranteed by us that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset or if the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

The assets and liabilities relating to operating leases are included in operating lease right-of-use assets, accrued expenses, and long-term operating lease liabilities in our consolidated balance sheets. The assets and liabilities relating to finance leases are included in property, plant and equipment, net and other liabilities in our consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the respective lease commencement date based on the present value of lease payments over the expected lease term. Since our leases do not specify implicit discount rates, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any initial direct costs and is adjusted for lease incentives and prepaid or accrued rent. The lease term begins on the date when the lessor makes the underlying asset available for use to us, and our expected lease terms include options to extend the lease when it is reasonably certain that we will exercise those options. Lease payments are recognized in the consolidated statements of income and comprehensive income on a straight-line basis over the expected lease term.

Leases with an initial term of 12 months or less are not recorded on the balance sheet, with the related lease expense recognized on a straight-line basis over the lease term. Lease and non-lease components of a contract are combined into a single lease component for accounting purposes.

Our operating leases include leases for real estate (including manufacturing sites, warehouses and offices) and machinery and equipment and our finance leases include leases for real estate. We have no material subleases. Certain of our operating leases contain provisions for renewal ranging from one to four options of one to ten years each.

(i) Goodwill:

We use the acquisition method of accounting for all business combinations, and we evaluate all business combinations for intangible assets that should be recognized apart from goodwill. Goodwill adjustments are recorded for the effect on goodwill of changes to net assets acquired during the measurement period (up to one year from the date of acquisition) for new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date.

Goodwill is not amortized, but instead is tested annually for impairment on the last day of fiscal November, or more frequently if events or changes in circumstances indicate the carrying amount may not be recoverable. The test for impairment is performed at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. Possible impairment in goodwill is first analyzed using qualitative factors such as macroeconomic and market conditions, changing costs and actual and projected performance, amongst others, to determine whether it is more likely than not that the book value of the reporting unit exceeds its fair value. If it is determined more likely than not that the book value exceeds fair value, a quantitative analysis is performed to test for impairment. When quantitative steps are determined necessary, the fair values of the reporting units are estimated through the use of discounted cash flow analysis and market multiples. If the carrying amount exceeds fair value, then goodwill is impaired. Any impairment in goodwill is measured as the excess of the carrying value of goodwill over the fair value. In 2021 and 2020, we recorded $59.5 million and $51.5 million, respectively, in impairment charges related to the Architectural reporting unit. See Note 14 for further information. There were no impairment charges recorded against goodwill in 2019.

When developing our discounted cash flow analyses, a number of assumptions and estimates are involved to forecast operating cash flows, including future net sales growth, EBITDA margin growth, benefits from restructuring initiatives, income tax rates, capital spending, business initiatives and working capital changes. These assumptions may vary significantly among the reporting units. Operating cash flow forecasts are based on operating plans for the early years and historical relationships and long-term economic outlooks for our industry in later years. The discount rate is estimated for each specific reporting unit. Due to the many variables inherent in the estimation of a reporting unit's fair value and the relative size of our recorded goodwill, differences in assumptions may have a material effect on the results of our impairment analyses.

(j) Intangible assets:

Intangible assets with definite lives include customer relationships, patents, system software development and acquired trademarks and tradenames. Definite lived intangible assets are amortized over their estimated useful lives. Information pertaining to the estimated useful lives of intangible assets is as follows:

	Estimated Useful Life
Customer relationships	Over expected relationship period
Patents	Over expected useful life
System software development	Over expected useful life
Acquired trademarks and tradenames	Straight-line over expected useful life

Amortizable intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may be greater than fair value. An impairment loss is recognized when the estimate of undiscounted future cash flows generated by such assets is less than the carrying amount. Measurement of the impairment loss is based on the fair value of the asset. Fair value is measured using discounted cash flows.

Indefinite lived intangible assets are not amortized, but instead are tested for impairment annually on the last day of fiscal November, or more frequently if events or circumstances indicate the carrying value may exceed the fair value.

(k) Income taxes:

We use the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the date of enactment. A valuation allowance is recorded to reduce deferred tax assets to an amount that is anticipated to be realized on a more likely than not basis.

We account for uncertain taxes in accordance with ASC 740, "Income Taxes." The initial benefit recognition model follows a two-step approach. First, we evaluate if the tax position is more likely than not of being sustained if audited based solely on the technical merits of the position. Second, we measure the appropriate amount of benefit to recognize. This is calculated as the largest amount of tax benefit that has a greater than 50% likelihood of ultimately being realized upon settlement. Subsequently at each reporting date, the largest amount that has a greater than 50% likelihood of ultimately being realized, based on information available at that date, will be measured and recognized.

We recognize interest and penalties related to unrecognized tax benefits within the income tax expense line in the consolidated statements of income and comprehensive income. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheets.

(l) Employee future benefits:

We maintain defined benefit pension plans. Benefits under the plans were frozen or curtailed at various times in the past. Earnings are charged with the cost of benefits earned by employees as services are rendered. The cost reflects management's best estimates of the pension plans' expected investment yields, wage and salary escalation, mortality of members, terminations and the ages at which members will retire. Changes in these assumptions could impact future pension expense. Service cost components are recognized within cost of goods sold and non-service cost components are recognized within other (income) expense, net in the consolidated statements of income and comprehensive income. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation or fair value of plan assets at the beginning of the year is amortized over the average remaining service lives of the members.

Assets are valued at fair value for the purpose of calculating the expected return on plan assets. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement. Curtailment gains are offset against unrecognized losses and any excess gains and all curtailment losses are recorded in the period in which the curtailment occurs.

(m) Restructuring costs:

Restructuring costs include all salary-related severance benefits that are accrued and expensed when a restructuring plan has been put into place, the plan has received approval from the appropriate level of management and the benefit is probable and reasonably estimable. In addition to salary-related costs, we incur other restructuring costs when facilities are closed or capacity is realigned within the organization. Upon termination of a contract we record liabilities and expenses pursuant to the terms of the relevant agreement. For non-contractual restructuring activities, liabilities and expenses are measured and recorded at fair value in the period in which they are incurred.

Restructuring-related costs are presented separately in the consolidated statements of income and comprehensive income whereas non-restructuring severance benefits are charged to cost of goods sold or selling, general and administration expense depending on the nature of the job responsibilities.

(n) Financial instruments:

We have applied a framework consistent with ASC 820, "Fair Value Measurement and Disclosure," and have disclosed all financial assets and liabilities measured at fair value and non-financial assets and liabilities measured at fair value on a non-recurring basis (at least annually).

We classify and disclose assets and liabilities carried at fair value in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. These estimates, although based on the relevant market information about the financial instrument, are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(o) Share based compensation expense:

We have a share based compensation plan, which is described in detail in Note 12. We apply the fair value method of accounting using comprehensive valuation models, including the Black-Scholes-Merton option pricing model, to determine the compensation expense.

(p) Revenue recognition:

Revenue from the sale of products is recognized when control of the promised goods is transferred to our customers based on the agreed-upon shipping terms, in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Volume rebates, expected returns, discounts and other incentives to customers are considered variable consideration and we estimate these amounts based on the expected amount to be provided to customers and reduce the revenues we recognize accordingly. Sales taxes and value added taxes assessed by governmental entities are excluded from the measurement of consideration expected to be received. Shipping and handling costs incurred after a customer has taken possession of our goods are treated as a fulfillment cost and are not considered a separate performance obligation. Shipping and other transportation costs charged to customers are recorded in both revenues and cost of goods sold in the consolidated statements of income and comprehensive income.

(q) Product warranties:

We warrant certain qualitative attributes of our door products. We have recorded provisions for estimated warranty and related costs within accrued expenses on the consolidated balance sheets, based on historical experience and we periodically adjust these provisions to reflect actual experience. The rollforward of our warranty provision is as follows for the periods indicated:

	Year Ended		
(In thousands)	**January 2, 2022**	**January 3, 2021**	**December 29, 2019**
Balance at beginning of period	$ 4,635	$ 4,414	$ 4,270
Additions charged to expense	4,646	6,807	7,142
Deductions	(5,266)	(6,586)	(6,998)
Balance at end of period	$ 4,015	$ 4,635	$ 4,414

(r) Vendor rebates:

We account for cash consideration received from a vendor as a reduction of cost of goods sold and inventory, in the consolidated statements of income and comprehensive income and consolidated balance sheets, respectively. The cash consideration received represents agreed-upon vendor rebates that are earned in the normal course of operations.

(s) Advertising costs:

We recognize advertising costs as they are incurred. Advertising costs incurred primarily relate to tradeshows and are included within selling, general and administration expense in the consolidated statements of income and comprehensive income. Advertising costs were $14.2 million, $10.8 million and $14.2 million in the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively.

(t) Research and development costs:

We recognize research and development costs as they are incurred. Research and development costs incurred primarily relate to the development of new products and the improvement of manufacturing processes, and are primarily included within cost of goods sold in the consolidated statements of income and comprehensive income. These costs exclude the significant investments in other areas such as advanced automation. Research and development costs were $18.4 million, $17.0 million and $7.2 million in the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively.

(u) Insurance losses and proceeds:

All involuntary conversions of property, plant and equipment are recorded as losses within loss (gain) on disposal of property, plant and equipment, which is included within selling, general and administration expense in the consolidated statements of income and comprehensive income and as reductions to property, plant and equipment in the consolidated balance sheets. Any subsequent proceeds received for insured losses of property, plant and equipment are also recorded as gains within loss (gain) on disposal of property, plant and equipment, and are classified as cash flows from investing activities in the consolidated statements of cash flows in the period in which the cash is received. Proceeds received for business interruption recoveries are recorded as a reduction to selling, general and administration expense in the consolidated statements of income and comprehensive income and are classified as cash flows from operating activities in the consolidated statements of cash flows in the period in which an acknowledgment from the insurance carrier of settlement or partial settlement of a non-refundable nature has been presented to us.

(v) Equity investments:

We account for investments in affiliates of between 20% and 50% ownership, over which we have significant influence, using the equity method. We record our share of earnings of the affiliate within other income, net of expense, in the consolidated statements of income and comprehensive income and dividends as a reduction of the investment in the affiliate in the consolidated balance sheets when declared.

(w) Segment reporting:

Our reportable segments are organized and managed principally by end market: North American Residential, Europe and Architectural. The Corporate & Other category includes unallocated corporate costs and the results of immaterial operating segments that were not aggregated into any reportable segment. In addition to similar economic characteristics we also consider the following factors in determining the reportable segments: the nature of business activities, the management structure directly accountable to our chief operating decision maker for operating and administrative activities, availability of discrete financial information and information presented to the Board of Directors and investors.

(x) Use of estimates:

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of net sales and expenses during the reporting periods. During 2021, there were no material changes in the methods or policies used to establish estimates and assumptions. Actual results may differ from our estimates.

2. Acquisitions and Divestitures

Acquisitions

On December 4, 2020, we completed the acquisition of a Lowe's Companies, Inc. door fabrication facility in the United States for cash consideration of $3.9 million. During the first quarter of 2021, as a result of the working capital adjustments we paid an additional $0.2 million. The purchase price allocation, net sales, net income (loss) attributable to Masonite and pro forma information for the acquisition are not presented as they were not material for any period presented.

On August 31, 2020, we acquired intellectual property and other assets related to an interior door technology for cash consideration of $1.9 million. The purchase price allocation, net sales, net income (loss) attributable to Masonite and pro forma information for the acquisition are not presented as they were not material for any period presented.

On August 29, 2019, we completed the acquisition of TOPDOORS, s.r.o. ("Top Doors") based in the Czech Republic for cash consideration of $1.6 million, net of cash acquired. The purchase price allocation, net sales, net income (loss) attributable to Masonite and pro forma information for Top Doors are not presented as they were not material for any period presented.

Divestitures

On June 14, 2021, we completed the sale of all the capital stock of our Czech business ("Czech") for consideration of $7.0 million, net of cash disposed. The divestiture of this business resulted in a loss on disposal of subsidiaries of $8.6 million, which was recognized in the second quarter of 2021 in the Europe segment. The total charge consisted of $5.1 million relating to the write-off of the net assets sold and other professional fees and $3.5 million relating to the recognition of the cumulative translation adjustment out of accumulated other comprehensive loss.

During the second quarter of 2020, we completed the liquidation of our legal entity in India. As a result, we recognized $2.1 million in loss on disposal of subsidiaries. The total charge consists of $2.3 million relating to the recognition of cumulative translation adjustment out of accumulated other comprehensive loss and $0.2 million relating to the write-off of net assets and other professional fees.

On December 13, 2019, we completed the sale of all of the capital stock of Window Widgets Limited ("WW") for consideration of $1.2 million, net of cash disposed. We have had and will continue to have no continuing involvement with WW subsequent to the sale. The disposition of this business resulted in a loss on disposal of subsidiaries of $9.7 million, which was recognized in 2019 in the Europe segment. The total charge consists of $8.3 million relating to the write-off of the assets sold and other professional fees and $1.4 million relating to the recognition of the cumulative translation adjustment out of accumulated other comprehensive loss.

On March 21, 2019, we completed the sale of all the capital stock of Performance Doorset Solutions Limited ("PDS") for nominal consideration. We have had and will continue to have no continuing involvement with PDS subsequent to the sale, and the purchasers are not considered to be a related party. The disposition of this business resulted in a loss on disposal of subsidiaries of $4.6 million, which was recognized in 2019 in the Europe segment. The total charge consists of $3.6 million relating to the write-off of the assets sold and other professional fees and $1.0 million relating to the recognition of the cumulative translation adjustment out of accumulated other comprehensive loss.

3. Accounts Receivable

Our customers consist mainly of retailers, distributors and contractors. Our ten largest customers accounted for 56.7% and 53.1% of total accounts receivable as of January 2, 2022, and January 3, 2021, respectively. Our largest customer, The Home Depot, Inc. accounted for more than 10% of the consolidated gross accounts receivable balance as of January 2, 2022, and January 3, 2021. No other individual customer accounted for greater than 10% of the consolidated gross accounts receivable balance at either January 2, 2022, or January 3, 2021.

The changes in the allowance for doubtful accounts were as follows for the periods indicated:

	Year Ended		
(In thousands)	**January 2, 2022**	**January 3, 2021**	**December 29, 2019**
Balance at beginning of period	$ 2,809	$ 1,752	$ 2,109
Additions charged to expense	242	1,443	78
Deductions	(964)	(386)	(435)
Balance at end of period	$ 2,087	$ 2,809	$ 1,752

We maintain an accounts receivable sales program with a third party (the "AR Sales Program"). Under the AR Sales Program, we can transfer ownership of eligible trade accounts receivable of certain customers. Receivables are sold outright to a third party who assumes the full risk of collection, without recourse to us in the event of a loss. Transfers of receivables under this program are accounted for as sales. Proceeds from the transfers reflect the face value of the accounts receivable less a discount. Receivables sold under the AR Sales Program are excluded from trade accounts receivable in the consolidated balance sheets and are included in cash flows from operating activities in the consolidated statements of cash flows. The discounts on the sales of trade accounts receivable sold under the AR Sales Program were not material for any of the periods presented and were recorded in selling, general and administration expense within the consolidated statements of income and comprehensive income.

In most countries we pay and collect Value Added Tax ("VAT") when procuring goods and services within the normal course of business. VAT receivables are established in jurisdictions where VAT paid exceeds VAT collected and are recoverable through the filing of refund claims.

4. Inventories

The amounts of inventory on hand were as follows as of the dates indicated:

(In thousands)	**January 2, 2022**	**January 3, 2021**
Raw materials	$ 275,269	$ 191,784
Finished goods	78,324	75,483
Provision for obsolete or aged inventory	(6,117)	(6,305)
Inventories, net	$ 347,476	$ 260,962

We carry an inventory provision which is the result of obsolete or aged inventory. The rollforward of our inventory provision is as follows for the periods indicated:

	Year Ended		
(In thousands)	**January 2, 2022**	**January 3, 2021**	**December 29, 2019**
Balance at beginning of period	$ 6,305	$ 7,136	$ 7,764
Additions charged to expense	3,402	5,150	4,159
Deductions	(3,590)	(5,981)	(4,787)
Balance at end of period	$ 6,117	$ 6,305	$ 7,136

5. Property, Plant and Equipment

The carrying amounts of our property, plant and equipment and accumulated depreciation were as follows as of the dates indicated:

(In thousands)	**January 2, 2022**	**January 3, 2021**
Land	$ 22,851	$ 25,572
Buildings	216,510	215,600
Machinery and equipment	783,913	757,289
Property, plant and equipment, gross	1,023,274	998,461
Accumulated depreciation	(396,477)	(373,335)
Property, plant and equipment, net	$ 626,797	$ 625,126

Total depreciation expense was $70.6 million, $68.4 million, and $70.7 million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively. Depreciation expense is included primarily within cost of goods sold in the consolidated statements of income and comprehensive income.

6. Leases

The following table summarizes the components of lease expense recorded in the consolidated statements of income and comprehensive income for the periods indicated:

	Year Ended		
(In thousands)	**January 2, 2022**	**January 3, 2021**	**December 29, 2019**
Operating lease expense	$ 47,263	$ 38,922	$ 39,025
Finance lease expense			
Amortization of leased assets	865	882	649
Interest on lease liabilities	1,443	1,458	1,063
Total lease expense	$ 49,571	$ 41,262	$ 40,737

The following table includes a detail of lease assets and liabilities included in the consolidated balance sheet as of the period indicated:

(In thousands)	January 2, 2022		January 3, 2021	
Operating lease right-of-use assets	$	176,445	$	146,806
Finance lease right-of-use assets [1]		23,931		24,796
Total lease assets, net	$	200,376	$	171,602
Current portion of operating lease liabilities	$	25,551	$	22,667
Long-term operating lease liabilities		165,670		136,235
Long-term finance lease liabilities		27,043		26,926
Total lease liabilities	$	218,264	$	185,828

(1) Net of accumulated amortization of $2.4 million and $1.5 million, as of January 2, 2022, and January 3, 2021, respectively.

The following table is a summary of the weighted-average remaining lease terms and weighted-average discount rates of the Company's leases as of the period indicated:

	January 2, 2022	January 3, 2021
Weighted-average remaining lease term (years)		
Operating leases	11.8	10.4
Finance leases	27.6	28.6
Weighted-average discount rate [1]		
Operating leases	4.1 %	4.4 %
Finance leases	5.4 %	5.4 %

(1) Based on the Company's incremental borrowing rate at lease commencement or modification.

As of January 2, 2022, the future minimum lease payments under non-cancelable leases are as follows:

(In thousands)	Operating Leases		Finance Leases	
Fiscal year:				
2022	$	32,546	$	1,365
2023		28,344		1,287
2024		25,829		1,445
2025		22,622		1,488
2026		16,105		1,663
Thereafter		125,751		49,831
Total minimum lease payments		251,197		57,079
Less imputed interest		(59,976)		(30,036)
Present value of future lease payments	$	191,221	$	27,043

As of January 2, 2022, we had no additional undiscounted commitments for operating leases that had not yet commenced.

7. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill were as follows as of the dates indicated:

(In thousands)	North American Residential	Europe	Architectural	Total
December 29, 2019	$ 6,590	$ 66,602	$ 111,000	$ 184,192
Goodwill from 2020 acquisitions	3,132	—	—	3,132
Goodwill impairment	—	—	(51,515)	(51,515)
Foreign exchange fluctuations	8	2,837	38	2,883
January 3, 2021	9,730	69,439	59,523	138,692
Measurement period adjustment	160	—	—	160
Goodwill related to 2021 divestiture	—	(1,395)	—	(1,395)
Goodwill impairment	—	—	(59,526)	(59,526)
Foreign exchange fluctuations	3	(835)	3	(829)
January 2, 2022	$ 9,893	$ 67,209	$ —	$ 77,102

Gross goodwill before cumulative impairment charges in the Architectural reporting unit was $111.0 million as of January 2, 2022, January 3, 2021, and December 29, 2019. In the third quarter of 2020, we determined the continued decreased demand in the Architectural door market due to the impact of COVID-19 in the current year, along with the uncertainty of the duration and intensity of the pandemic on the Architectural door market for future periods were indicators that goodwill impairment was present in the Architectural reporting unit. A goodwill impairment charge of $51.5 million was recorded to selling, general and administration expenses. The charge represents the amount by which the carrying value of the Architectural reporting unit exceeded its fair value and reduced the goodwill balance in the Architectural reporting unit from $111.0 million to $59.5 million. See Note 14 for further information.

We performed an annual qualitative impairment test of each of our reporting units during the fourth quarter of 2021. As a result of manufacturing constraints in the Architectural reporting unit in the current year due to COVID-19 related absenteeism, material availability and production challenges, a goodwill impairment charge of $59.5 million was recorded to selling, general and administration expenses. The charge represents the amount by which the carrying value of the Architectural reporting unit exceeded its fair value and reduced the goodwill balance in the Architectural reporting unit from $59.5 million to zero. See Note 14 for further information.

The cost and accumulated amortization values of our intangible assets were as follows as of the dates indicated:

	January 2, 2022			January 3, 2021		
(In thousands)	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:						
Customer relationships	$ 176,779	$ (132,840)	$ 43,939	$ 178,078	$ (119,689)	$ 58,389
Patents	34,438	(28,148)	6,290	33,573	(26,211)	7,362
Software	36,354	(33,281)	3,073	35,620	(33,041)	2,579
Trademarks and tradenames	34,210	(14,063)	20,147	34,604	(10,862)	23,742
Other	94	(94)	—	966	(964)	2
Total definite life intangible assets	281,875	(208,426)	73,449	282,841	(190,767)	92,074
Indefinite life intangible assets:						
Trademarks and tradenames	77,038	—	77,038	77,318	—	77,318
Total intangible assets	$ 358,913	$ (208,426)	$ 150,487	$ 360,159	$ (190,767)	$ 169,392

Amortization of intangible assets was $20.2 million, $22.2 million and $28.2 million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019 respectively. Amortization expense is classified within selling, general and administration expenses in the consolidated statements of income and comprehensive income.

The estimated future amortization of intangible assets with definite lives as of January 2, 2022, is as follows:

(In thousands)	
Fiscal year:	
2022	$ 16,594
2023	15,099
2024	13,521
2025	11,318
2026	7,957

8. Accrued Expenses

The details of our accrued expenses were as follows as of the dates indicated:

(In thousands)	January 2, 2022	January 3, 2021
Accrued payroll	$ 66,048	$ 86,517
Accrued rebates	51,200	49,531
Current portion of operating lease liabilities	25,551	22,667
Accrued interest	17,125	16,435
Accrued legal settlement	—	40,000
Other accruals	77,376	62,566
Total accrued expenses	$ 237,300	$ 277,716

9. Long-Term Debt

(In thousands)	January 2, 2022	January 3, 2021
3.50% senior unsecured notes due 2030	$ 375,000	$ —
5.375% senior unsecured notes due 2028	500,000	500,000
5.750% senior unsecured notes due 2026	—	300,000
Debt issuance costs	(9,279)	(8,694)
Other long-term debt	—	936
Total long-term debt	$ 865,721	$ 792,242

Interest expense on our long-term debt was $43.9 million, $45.5 million and $46.1 million for years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively, and primarily related to our consolidated indebtedness under senior unsecured notes. Debt issuance costs incurred in connection with the 2028 Notes and the 2026 Notes were capitalized as a reduction to the carrying value of debt and are being accreted to interest expense over their respective terms. Additionally, we pay interest on any outstanding principal under our ABL Facility and we are required to pay a commitment fee for unutilized commitments under the ABL Facility, both of which are recorded in interest expense as incurred.

3.50% Senior Notes due 2030

On July 26, 2021, we issued $375.0 million aggregate principal senior unsecured notes (the "2030 Notes"). The 2030 Notes were issued in a private placement for resale to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Securities Act"), and to buyers outside of the United States pursuant to Regulation S under the Securities Act. The 2030 Notes bear interest at 3.50% per annum, payable in cash semiannually in arrears on February 15 and August 15 of each year commencing on February 15, 2022, and are due February 15, 2030. The 2030 Notes were issued at par. We received net proceeds of $370.3 million after deducting $4.7 million of debt issuance costs. The debt issuance costs were capitalized as a reduction to the carrying value of debt and are being accreted to interest expense over the term of the 2030 Notes using the effective interest method. The net proceeds from the issuance of the 2030 Notes were used to redeem the remaining $300.0 million aggregate principal amount of the 2026 Notes (as described below), including the payment of related premiums, fees and expenses, with the balance of the proceeds available for general corporate purposes.

Obligations under the 2030 Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by certain of our directly or indirectly wholly-owned subsidiaries. We may redeem the 2030 Notes, in whole or in part, at any time, at the applicable redemption prices specified under the indenture governing the 2030 Notes, plus accrued and unpaid interest, if any, to the date of redemption. If we experience certain changes of control, we must offer to repurchase all of the 2030 Notes at a purchase price of 101.00% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

The indenture governing the 2030 Notes contains limited covenants that, among other things, limit our ability and the ability of our subsidiaries to (i) incur certain secured debt, (ii) engage in certain sale and leaseback transactions and (iii) merge or consolidate with other entities. The foregoing limitations are subject to exceptions as set forth in the indenture governing the 2030 Notes. The indenture governing the 2030 Notes contains customary events of default (subject to certain cases to customary grace and cure periods). As of January 2, 2022, we were in compliance with all covenants under the indenture governing the 2030 Notes.

5.375% Senior Notes due 2028

On July 25, 2019, we issued $500.0 million aggregate principal senior unsecured notes (the "2028 Notes"). The 2028 Notes were issued in a private placement for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to buyers outside of the United States pursuant to Regulation S under the Securities Act. The 2028 Notes were issued without registration rights and are not listed on any securities exchange. The 2028 Notes bear interest at 5.375% per annum, payable in cash semiannually in arrears on February 1 and August 1 of each year and are due February 1, 2028. The 2028 notes were issued at par. We received net proceeds of $493.3 million after deducting

$6.7 million of debt issuance costs. The debt issuance costs were capitalized as a reduction to the carrying value of debt and are being accreted to interest expense over the term of the 2028 Notes using the effective interest method. The net proceeds from issuance of the 2028 Notes, together with available cash balances, were used to redeem the remaining $500.0 million aggregate principal amount of similar senior unsecured notes, resulting in loss on extinguishment of debt of $14.5 million after paying the applicable premium of $14.1 million and writing off the unamortized premium of $3.1 million and unamortized debt issuance costs of $3.5 million.

Obligations under the 2028 Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by certain of our directly or indirectly wholly-owned subsidiaries. We may redeem the 2028 Notes, in whole or in part, at any time on or after February 1, 2023, at the applicable redemption prices specified under the indenture governing the 2028 Notes, plus accrued and unpaid interest, if any, to the date of redemption. If we experience certain changes of control or consummate certain asset sales and do not reinvest the net proceeds, we must offer to repurchase all of the 2028 Notes at a purchase price of 101.00% (in the case of changes in control) or 100.00% (in the case of asset sales) of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

The indenture governing the 2028 Notes contains restrictive covenants that, among other things, limit our ability and the ability of our subsidiaries to: (i) incur additional debt and issue disqualified or preferred stock, (ii) make restricted payments, (iii) sell assets, (iv) create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to the parent company, (v) create or incur certain liens, (vi) enter into sale and leaseback transactions, (vii) merge or consolidate with other entities and (viii) enter into transactions with affiliates. The foregoing limitations are subject to exceptions as set forth in the indenture governing the 2028 Notes. In addition, if in the future the 2028 Notes have an investment grade rating from at least two nationally recognized statistical rating organizations, certain of these covenants will be terminated. The indenture governing the 2028 Notes contains customary events of default (subject in certain cases to customary grace and cure periods). As of January 2, 2022, we were in compliance with all covenants under the indenture governing the 2028 Notes.

5.750% Senior Notes due 2026

On August 27, 2018, we issued $300.0 million aggregate principal senior unsecured notes (the "2026 Notes"). The 2026 Notes were issued in a private placement for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to buyers outside of the United States pursuant to Regulation S under the Securities Act. The 2026 Notes were issued without registration rights and are not listed on any securities exchange. The 2026 Notes bore interest at 5.75% per annum, payable in cash semiannually in arrears on March 15 and September 15 of each year and were originally due September 15, 2026. The 2026 notes were issued at par. We received net proceeds of $295.7 million after deducting $4.3 million of debt issuance costs. The debt issuance costs were capitalized as a reduction to the carrying value of debt and were accreted to interest expense over the term of the 2026 Notes using the effective interest method.

Subsequent to the closing of the 2030 Notes offering, the 2026 Notes were redeemed, and the notes were considered extinguished as of July 26, 2021. Under the terms of the indenture governing the 2026 Notes, we paid the applicable premium of $10.8 million. Additionally, the unamortized debt issuance costs of $2.8 million relating to the 2026 Notes were written off in conjunction with the extinguishment of the 2026 Notes. The resulting loss on extinguishment of debt was $13.6 million and was recorded as part of income from continuing operations before income tax expense in the condensed consolidated statements of income and comprehensive income in 2021. Additionally, the cash payment of interest accrued to, but not including, the redemption date was accelerated to the redemption date.

ABL Facility

On January 31, 2019, we and certain of our subsidiaries entered into a $250.0 million asset-based revolving credit facility (the "ABL Facility") maturing on January 31, 2024, which replaced the previous facility. Obligations under the ABL Facility are secured by a first priority security interest in such accounts receivable, inventory and other related assets of Masonite and our subsidiaries. In addition, obligations under the ABL Facility are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis, by certain of our directly or indirectly wholly-owned subsidiaries. Borrowings under the ABL Facility bear interest at a rate equal to, at our option, (i) the United States, Canadian or United Kingdom Base Rate (each as defined in the credit agreement relating to the ABL Facility, the

"Amended and Restated Credit Agreement") plus a margin ranging from 0.25% to 0.50% per annum, or (ii) the Adjusted LIBO Rate or BA Rate (each as defined in the Amended and Restated Credit Agreement), plus a margin ranging from 1.25% to 1.50% per annum. In addition to paying interest on any outstanding principal under the ABL Facility, a commitment fee is payable on the undrawn portion of the ABL Facility in an amount equal to 0.25% per annum of the average daily balance of unused commitments during each calendar quarter.

The ABL Facility contains various customary representations, warranties and covenants by us that, among other things, and subject to certain exceptions, restrict Masonite's ability and the ability of our subsidiaries to: (i) pay dividends on our common shares and make other restricted payments, (ii) make investments and acquisitions, (iii) engage in transactions with our affiliates, (iv) sell assets, (v) merge and (vi) create liens. The ABL Facility, among other things, (i) permits us to incur unlimited unsecured debt as long as such debt does not contain covenants or default provisions that are more restrictive than those contained in the ABL Facility, (ii) permits us to incur debt as long as the pro forma secured leverage ratio is less than 4.5 to 1.0, and (iii) adds certain additional exceptions and exemptions under the restricted payment, investment and indebtedness covenants (including increasing the amount of certain debt permitted to be incurred under an existing exception). As of January 2, 2022, we were in compliance with all covenants under the credit agreement governing the ABL Facility. We had availability of $219.5 million under our ABL Facility and there were no amounts outstanding as of January 2, 2022.

10. Commitments and Contingencies

Indemnifications

We have provided customary indemnifications to our landlords under certain property lease agreements for claims by third parties in connection with their use of the premises. We also have provided routine indemnifications against adverse effects related to changes in tax laws and patent infringements by third parties. The maximum amount of these indemnifications cannot be reasonably estimated due to their nature. In some cases, we have recourse against other parties to mitigate the risk of loss from these indemnifications. Historically, we have not made any significant payments relating to such indemnifications.

Antitrust Class Action Proceedings - United States

During the year ended January 3, 2021, we recorded a legal reserve of $40.55 million in selling, general and administration expenses within the consolidated statements of income and comprehensive income related to the settlement of two putative class action antitrust cases pending in the Eastern District of Virginia. The settlements were paid and the cases were dismissed in 2021.

Antitrust Class Action Proceedings - Canada

On May 19, 2020, an intended class proceeding was commenced in the Province of Québec, Canada naming as defendants Masonite Corporation, Corporation Internationale Masonite, JELD-WEN, Inc., JELD-WEN Holding, Inc. and JELD-WEN of Canada, Ltd. The intended class proceeding seeks damages, punitive damages, and other relief. The plaintiff alleges that the Masonite and JELD-WEN defendants engaged in anticompetitive conduct, including price-fixing involving interior molded doors. On December 22, 2020, the parties filed a motion with the court seeking to stay the proceeding.

Also, on October 2, 2020, an intended class proceeding was commenced in the Federal Court of Canada naming as defendants Masonite International Corporation, Masonite Corporation, JELD-WEN, Inc., JELD-WEN Holding, Inc. and JELD-WEN of Canada, Ltd. The intended class proceeding seeks damages, punitive damages, and other relief. The plaintiff alleges that the Masonite and JELD-WEN defendants engaged in anticompetitive conduct, including price-fixing involving interior molded doors. On January 15, 2021, the plaintiff advised that they would be filing a motion to amend the complaint seeking to replace the named representative plaintiff and to amend the alleged conspiracy period, which was subsequently granted by the Federal Court on February 12, 2021. This proceeding is at an early stage. The plaintiff served its certification record on March 31, 2021. The parties are conferring regarding a narrowing of issues and with respect to a mutually agreeable timeline of steps leading up to the plaintiff's certification motion. The parties have written to the Federal Court advising that the parties do not yet propose to set a timetable of steps leading to the certification motion and requesting that the parties be permitted to provide a further update to the Federal Court by May

30, 2022. We have not recognized an expense related to damages in connection with this matter because, although an adverse outcome is reasonably possible, the amount or range of any potential loss cannot be reasonably estimated.

While we intend to defend against these claims vigorously, there can be no assurance that the ultimate resolution of this litigation will not have a material, adverse effect on our consolidated financial condition or results of operations.

General

In addition to the above, from time to time, we are involved in various claims and legal actions, including but not limited to wage and hour and labor lawsuits. In the opinion of management, the ultimate disposition of these matters, individually and in the aggregate, will not have a material adverse effect on our financial condition, results of operations or cash flows.

11. Revenues

We derive our revenues primarily from the manufacture and delivery of doors and door components as performance obligations that arise from our contracts with customers are satisfied. Materially all of our revenues are generated from contracts with customers and the nature, timing and any uncertainty in the recognition of revenues are not affected by the type of good, customer or geographical region to which the performance obligation relates. Our contracts with our customers are generally in the form of purchase orders and the performance obligation arises upon receipt of the purchase order and agreement upon the transaction price. The performance obligations are satisfied at a point in time when control of the promised goods is transferred to the customer and payment terms vary from customer to customer. Payment terms are short-term, are customary for our industry and in some cases, early payment incentives are offered.

The transaction price recognized as revenue and accounts receivable is determined based upon a number of estimates, including:

- Incentive-based volume rebates, which are based on individual rebate agreements with our customers, as well as historical and expected performance of each individual customer,
- Estimated sales returns, which are based on historical returns as a percentage of revenues, and
- Adjustments for early payment discounts offered by us.

Contract assets are represented by our trade accounts receivable balances on the consolidated balance sheets, and are described in Note 3. Accounts Receivable. There were no other material contract assets or liabilities as of January 2, 2022, or January 3, 2021. Our warranties are assurance-type warranties and do not represent separate performance obligations to our customers. There were no material impairment losses related to contract assets during the years ended January 2, 2022, January 3, 2021, or December 29, 2019.

12. Share Based Compensation Plans

Share-based compensation expense was $16.0 million, $19.4 million and $10.0 million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively. As of January 2, 2022, the total remaining unrecognized compensation expense related to share based compensation amounted to $16.8 million, which will be amortized over the weighted average remaining requisite service period of 1.3 years. Share based compensation expense is recognized using a graded-method approach, or to a lesser extent a straight-line approach, depending on the terms of the individual award, and is classified within selling, general and administration expenses in the consolidated statements of income and comprehensive income. All forfeitures are accounted for as they occur. All share based awards are settled through issuance of new shares of our common stock. The share based award agreements contain restrictions on sale or transfer other than in limited circumstances. All other transfers would cause the share based awards to become null and void.

Equity Incentive Plan

On March 10, 2021, the Board of Directors adopted the Masonite International Corporation 2021 Omnibus Incentive Equity Plan (the "2021 Equity Plan"), which was approved by our shareholders at the Annual General Meeting of Shareholders on May 13, 2021. The 2021 Equity Plan is effective for ten years from the date of approval. The

aggregate number of common shares that can be issued with respect to equity awards under the 2021 Equity Plan cannot exceed 880,000 shares; plus the number of shares reserved for the 2012 Plan that is in excess of the number of shares related to outstanding grants; plus the number of shares subject to existing grants under the 2012 Plan that may expire or be forfeited or cancelled.

On July 12, 2012, the Board of Directors adopted the Masonite International Corporation 2012 Equity Incentive Plan, which was amended on June 21, 2013, by our Board of Directors, further amended and restated by our Board of Directors on February 23, 2015, and approved by our shareholders on May 12, 2015 (as amended and restated, the "2012 Plan").

The 2021 Equity Plan and 2012 Plan ("the Plans") were adopted because the Board of Directors believes awards granted will help to attract, motivate and retain employees and non-employee directors, align employee and stockholder interests and encourage a performance-based culture built on employee stock ownership. The Plans permits us to offer eligible directors, employees and consultants cash and share-based incentives, including stock options, stock appreciation rights, restricted stock, other share-based awards (including restricted stock units) and cash-based awards. The Plans are effective for ten years from the date of its adoption. Awards granted under the Plans are at the discretion of the Human Resources and Compensation Committee of the Board of Directors. The Human Resources and Compensation Committee may grant any award under the Plans in the form of a performance award. The Plans may be amended, suspended or terminated by the Board at any time; provided, that any amendment, suspension or termination which impairs the rights of a participant is subject to such participant's consent and; provided further, that certain material amendments are subject to shareholder approval. As of January 2, 2022, there were 1,543,781 shares of common stock available for future issuance under the 2021 Equity Plan.

Deferred Compensation Plan

We offer to certain of our employees and directors a Deferred Compensation Plan ("DCP"). The DCP is an unfunded non-qualified deferred compensation plan that permits those certain employees and directors to defer a portion of their compensation to a future time. Eligible employees may elect to defer a portion of their base salary, bonus and/or restricted stock units and eligible directors may defer a portion of their director fees or restricted stock units. All contributions to the DCP on behalf of the participant are fully vested (other than restricted stock unit deferrals which remain subject to the vesting terms of the applicable equity incentive plan) and placed into a grantor trust, commonly referred to as a "rabbi trust." Although we are permitted to make matching contributions under the terms of the DCP, we have not elected to do so. The DCP invests the contributions in diversified securities from a selection of investments and the participants choose their investments and may periodically reallocate the assets in their respective accounts. Participants are entitled to receive the benefits in their accounts upon separation of service or upon a specified date, with benefits payable as a single lump sum or in annual installments. All plan investments are categorized as having Level 1 valuation inputs as established by the FASB’s Fair Value Framework.

Assets of the rabbi trust, other than Company stock, are recorded at fair value and included in other assets in the consolidated balance sheets. These assets in the rabbi trust are classified as trading securities and changes in their fair values are recorded in other (income) expense, net in the consolidated statements of income and comprehensive income. The liability relating to deferred compensation represents our obligation to distribute funds to the participants in the future and is included in other liabilities in the consolidated balance sheets. As of January 2, 2022, the liability and asset relating to deferred compensation had a fair value of $8.9 million and $9.0 million, respectively. As of January 3, 2021, the liability and asset relating to deferred compensation had a fair value of $6.9 million and $6.7 million, respectively. Any gain or loss relating to changes in the fair value of the deferred compensation liability is recognized in selling, general and administration expense in the consolidated statements of income and comprehensive income.

As of January 2, 2022, participation in the deferred compensation plan is limited and no restricted stock awards have been deferred into the deferred compensation plan.

Stock Appreciation Rights

We have granted Stock Appreciation Rights ("SARs") to certain employees, which entitle the recipient to the appreciation in value of a number of common shares over the exercise price over a period of time, each as specified in the applicable award agreement. The exercise price of any SAR granted may not be less than the fair market value of our

common shares on the date of grant. The compensation expense for the SARs is measured based on the fair value of the SARs at the date of grant and is recognized over the requisite service period. The SARs vest over a maximum of four years, have a life of ten years and settle in common shares. It is assumed that all time-based SARs will vest.

The total fair value of SARs vested was $0.8 million, $1.0 million and $1.1 million, in the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively.

Twelve Months Ended January 2, 2022	Stock Appreciation Rights	Aggregate Intrinsic Value (in thousands)	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)
Outstanding, beginning of period	207,094	$ 7,409	$ 62.56	7.5
Granted	28,707		107.68	
Exercised	(69,223)	4,305	57.79	
Forfeited	(7,853)		82.76	
Outstanding, end of period	158,725	$ 7,324	$ 71.81	7.5
Exercisable, end of period	81,474	$ 4,451	$ 63.32	6.9

Twelve Months Ended January 3, 2021	Stock Appreciation Rights	Aggregate Intrinsic Value (in thousands)	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)
Outstanding, beginning of period	404,447	$ 7,615	$ 53.62	4.7
Granted	32,435		83.39	
Exercised	(209,793)	7,033	48.59	
Forfeited	(19,995)		62.10	
Outstanding, end of period	207,094	$ 7,409	$ 62.56	7.5
Exercisable, end of period	94,883	$ 3,736	$ 58.97	6.4

Twelve Months Ended December 29, 2019	Stock Appreciation Rights	Aggregate Intrinsic Value (in thousands)	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)
Outstanding, beginning of period	514,313	$ 7,254	$ 39.01	4.6
Granted	111,230		57.29	
Exercised	(212,767)	9,379	19.68	
Forfeited	(8,329)		67.24	
Outstanding, end of period	404,447	$ 7,615	$ 53.62	4.7
Exercisable, end of period	230,440	$ 5,675	$ 47.92	2.5

The value of SARs granted in the year ended January 2, 2022, as determined using the Black-Scholes-Merton valuation model, was $0.8 million and is expected to be recognized over the average requisite service period of 2.0 years. Expected volatility is based upon the historical volatility of our common shares amongst other considerations. The expected term is calculated using the simplified method, due to insufficient exercise activity during recent years as a basis from which to estimate future exercise patterns. The weighted average grant date assumptions used for the SARs granted were as follows for the periods indicated:

	2021 Grants	2020 Grants	2019 Grants
SAR value (model conclusion)	$ 28.08	$ 20.56	$ 12.26
Risk-free rate	0.8 %	1.2 %	2.2 %
Expected dividend yield	0.0 %	0.0 %	0.0 %
Expected volatility	25.2 %	22.6 %	21.9 %
Expected term (years)	6.0	6.0	6.0

Restricted Stock Units

We have granted Restricted Stock Units ("RSUs") to directors and certain employees under the 2012 and 2021 Plans. The RSUs confer the right to receive shares of our common stock at a specified future date or when certain conditions are met. The compensation expense for the RSUs awarded is based on the fair value of the RSUs at the date of grant, which is equal to the stock price on the date of grant, and is recognized over the requisite service period. The RSUs vest over a maximum of three years and call for the underlying shares to be delivered no later than 30 days following the vesting date unless the participant is subject to a blackout period. In such case, the shares are to be delivered once the blackout restriction has been lifted. It is assumed that all time-based RSUs will vest.

	Year Ended					
	January 2, 2022		January 3, 2021		December 29, 2019	
	Total Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value	Total Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value	Total Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value
Outstanding, beginning of period	488,057	$ 68.15	523,207	$ 59.58	429,027	$ 66.03
Granted	202,268	110.50	218,943	79.71	303,740	56.31
Performance adjustment [1]	14,474	63.05	(59,936)	67.50	(21,953)	57.51
Delivered	(176,915)	66.40	(115,340)	60.30	(120,982)	62.03
Withheld to cover [2]	(33,989)		(16,234)		(20,024)	
Forfeited	(51,789)	80.81	(62,583)	53.80	(46,601)	63.62
Outstanding, end of period	442,106	$ 87.24	488,057	$ 68.15	523,207	$ 59.58

(1) Performance-based RSUs are presented as outstanding, granted and forfeited in the table above assuming targets are met and the awards pay out at 100%. These awards are settled with payouts ranging from zero to 200% of the target award value depending on achievement. The performance adjustment represents the difference in shares ultimately awarded due to performance attainment above or below target.

(2) A portion of the vested RSUs delivered were net share settled to cover statutory requirements for income and other employment taxes. We remit the equivalent cash to the appropriate taxing authorities. These net share settlements had the effect of share repurchases by us as we reduced and retired the number of shares that would have otherwise been issued as a result of the vesting.

Approximately two-thirds of the RSUs granted during the year ended January 2, 2022, vest at specified future dates with only service requirements, while the remaining portion of the RSUs vest based on both performance and service requirements. The value of RSUs granted in the year ended January 2, 2022, was $22.4 million and is being recognized over the weighted average requisite service period of 2.2 years. During the year ended January 2, 2022, there were 210,904 RSUs vested at a fair value of $13.8 million.

13. Restructuring Costs

Over the past several years, we have engaged in a series of restructuring programs related to exiting certain geographies and non-core businesses, consolidating certain internal support functions and engaging in other actions designed to reduce our cost structure and improve productivity. These initiatives primarily consist of severance actions and lease termination costs. Management continues to evaluate our business; therefore, in future years, there may be

additional provisions for new plan initiatives, as well as changes in previously recorded estimates, as payments are made or actions are completed. Asset impairment charges were also incurred in connection with these restructuring actions for certain assets sold, abandoned or made obsolete as a result of these programs.

Restructuring costs include all salary-related severance benefits that are accrued and expensed when a restructuring plan has been put into place, the plan has received approval from the appropriate level of management and the benefit is probable and reasonably estimable. In addition to salary-related costs, we incur other restructuring costs when facilities are closed or capacity is realigned within the organization. Upon termination of a contract we record liabilities and expenses pursuant to the terms of the relevant agreement. For non-contractual restructuring activities, liabilities and expenses are measured and recorded at fair value in the period in which they are incurred.

In May 2021, we initiated further actions to improve overall business performance including the reorganization of our specialty door manufacturing capacity in our Architectural reportable segment. The reorganization of our manufacturing capacity involves specific facilities in the Architectural segment and costs associated with the reorganization of these facilities, which resulted in the closure of one existing stile and rail facility and related headcount reductions beginning in the second quarter of 2021 (collectively, the "2021 Plan"). Costs associated with the 2021 Plan include severance and closure charges and continued through 2021. As of January 2, 2022, we do not expect to incur any material future charges related to the 2021 Plan.

In November 2020, we began implementing a plan to improve overall business performance that includes the reorganization of our manufacturing capacity and a reduction of our overhead and selling, general and administration workforce primarily in our Architectural reportable segment as well as limited actions in the North American Residential reportable segment. The reorganization of our manufacturing capacity involves specific facilities in the Architectural segment and costs associated with the closure of these facilities and related headcount reductions began taking place in the fourth quarter of 2020 (collectively, the "2020 Plan"). Costs associated with the 2020 Plan include severance and closure charges and continued through 2021. As of January 2, 2022, we do not expect to incur any material future charges related to the 2020 Plan.

In February 2019, we began implementing a plan to improve overall business performance that includes the reorganization of our manufacturing capacity and a reduction of our overhead and selling, general and administration workforce across all of our reportable segments and in our head offices. The reorganization of our manufacturing capacity involves specific plants in the North American Residential and Architectural segments and costs associated with the closure of these plants and related headcount reductions began taking place in the first quarter of 2019 (collectively, the "2019 Plan"). Costs associated with the 2019 Plan include severance, retention and closure charges and continued through 2021. Additionally, the plan to divest non-core assets was determined to be a triggering event requiring a test of the carrying value of the definite-lived assets relating to the divestitures, as further described in Note 14. In the fourth quarter of 2019, we initiated additional restructuring actions related to both manufacturing capacity and reduction of our overhead and selling, general and administration workforce. As of January 2, 2022, we do not expect to incur any material future charges related to the 2019 Plan.

During the fourth quarter of 2018, we began implementing a plan to reorganize and consolidate certain aspects of our United Kingdom head office function and optimize our portfolio by divesting non-core assets to enable more effective and consistent business processes in the Europe segment. In addition, in the North American Residential segment we announced a new facility that will optimize and expand capacity through increased automation, which resulted in the closure of one existing facility and related headcount reductions beginning in the second quarter of 2019 (collectively, the "2018 Plan"). Costs associated with the 2018 Plan included severance, retention and closure charges and continued throughout 2019. As of January 2, 2022, we do not expect to incur any material future charges related to the 2018 Plan.

The following table summarizes the restructuring charges recorded for the periods indicated:

	Year Ended January 2, 2022				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
2021 Plan	$ —	$ —	$ 1,666	$ —	$ 1,666
2020 Plan	23	—	3,499	23	3,545
2019 Plan	(172)	—	—	528	356
Total Restructuring Costs	$ (149)	$ —	$ 5,165	$ 551	$ 5,567

	Year Ended January 3, 2021				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
2020 Plan	$ 29	$ —	$ 1,733	$ —	$ 1,762
2019 Plan	3,863	(37)	1,165	1,048	6,039
2018 Plan	435	—	—	—	435
Total Restructuring Costs	$ 4,327	$ (37)	$ 2,898	$ 1,048	$ 8,236

	Year Ended December 29, 2019				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
2019 Plan	$ 5,459	$ 396	$ 506	$ 1,019	$ 7,380
2018 Plan	1,470	926	—	—	2,396
Total Restructuring Costs	$ 6,929	$ 1,322	$ 506	$ 1,019	$ 9,776

	Cumulative Amount Incurred Through January 2, 2022				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
2021 Plan	$ —	$ —	$ 1,666	$ —	$ 1,666
2020 Plan	52	—	5,232	23	5,307
2019 Plan	9,150	359	1,671	2,595	13,775
2018 Plan	2,180	2,275	—	—	4,455
Total Restructuring Costs	$ 11,382	$ 2,634	$ 8,569	$ 2,618	$ 25,203

The changes in the accrual for restructuring by activity were as follows for the periods indicated:

(In thousands)	**January 3, 2021**	**Severance**	**Closure Costs**	**Cash Payments**	**January 2, 2022**
2021 Plan	$ —	$ 513	$ 1,153	$ (1,641)	$ 25
2020 Plan	1,492	264	3,281	(5,015)	22
2019 Plan	291	175	181	(645)	2
Total	$ 1,783	$ 952	$ 4,615	$ (7,301)	$ 49

(In thousands)	December 29, 2019	Severance	Closure Costs	Cash Payments	January 3, 2021
2020 Plan	$ —	$ 1,506	$ 256	$ (270)	$ 1,492
2019 Plan	1,535	1,752	4,287	(7,283)	291
2018 Plan	—	163	272	(435)	—
Total	$ 1,535	$ 3,421	$ 4,815	$ (7,988)	$ 1,783

(In thousands)	December 30, 2018	Severance	Closure Costs	Cash Payments	December 29, 2019
2019 Plan	$ —	$ 5,100	$ 2,280	$ (5,845)	$ 1,535
2018 Plan	596	1,995	401	(2,992)	—
Other	58	—	—	(58)	—
Total	$ 654	$ 7,095	$ 2,681	$ (8,895)	$ 1,535

14. Asset Impairment

During the year ended January 2, 2022, we recognized asset impairment charges of $69.9 million, of which $59.5 million related to a goodwill impairment charge in the Architectural reporting unit as a result of manufacturing constraints in the current year due to COVID-19 related absenteeism, material availability and production challenges and $10.4 million related to assets in the Architectural segment and an asset in the Corporate & Other category as a result of announced plant closures under the 2021 and 2020 Plans. The quantitative impairment test was conducted using multiple valuation techniques, including a discounted cash flow analysis and market approach, which utilizes Level 3 fair value inputs, and resulted in a goodwill impairment charge of $59.5 million. The charge represents the amount by which the carrying value of the Architectural reporting unit exceeded its fair value and reduced the goodwill balance in the Architectural reporting unit from $59.5 million to zero. The $10.4 million asset impairment charge was determined based upon the excess of the carrying values of property, plant and equipment over the respective fair values of such assets, determined using a discounted cash flows approach for each asset group. Each of these valuations was performed on a non-recurring basis and is categorized as having Level 3 valuation inputs as established by the FASB's Fair Value Framework. The Level 3 unobservable inputs include an estimate of future cash flows and the salvage value for each of the assets. The fair value of the assets was determined to be $6.3 million, compared to a book value of $16.7 million, with the difference representing the asset impairment charges recorded in the consolidated statements of income and comprehensive income.

During the year ended January 3, 2021, we recognized asset impairment charges of $51.5 million related to the Architectural reporting unit, as a result of continued decreased demand in the Architectural door market due to the impact of COVID-19 in the current year, along with the uncertainty of the duration and intensity of the pandemic on the Architectural door market for future periods were indicators that goodwill impairment was present in the Architectural unit. The quantitative impairment test was conducted using multiple valuation techniques, including a discounted cash flow analysis and market approach, which utilizes Level 3 fair value inputs, and resulted in a goodwill impairment charge of $51.5 million. The charge represents the amount by which the carrying value of the Architectural reporting unit exceeded its fair value. The fair value of the reporting unit was determined to be $59.5 million, compared to a book value of $111.0 million, with the difference representing the asset impairment charge recorded in the consolidated statements of income and comprehensive income.

During the year ended December 29, 2019, we recognized asset impairment charges of $13.8 million related to two asset groups in the North American Residential segment, as a result of announced plant closures under the 2019 Plan. This amount was determined based upon the excess of the asset groups' carrying values of property, plant and equipment and operating lease right-of-use assets over the respective fair values of such assets, determined using a discounted cash flows approach for each asset group. Each of these valuations was performed on a non-recurring basis and is categorized as having Level 3 valuation inputs as established by the FASB's Fair Value Framework. The Level 3 unobservable inputs include an estimate of future cash flows and the salvage value for each of the asset groups. The fair value of the asset group was determined to be $9.4 million, solely based upon the market value of the property, plant and

equipment, compared to a book value of $23.2 million, with the difference representing the asset impairment charge recorded in the consolidated statements of income and comprehensive income.

15. Income Taxes

For financial reporting purposes, income before income taxes includes the following components:

	Year Ended		
(In thousands)	**January 2, 2022**	**January 3, 2021**	**December 29, 2019**
Income before income tax expense:			
Canada	$ 44,935	$ 54,355	$ 21,345
Foreign	99,031	47,945	45,003
Total income before income tax expense	$ 143,966	$ 102,300	$ 66,348

Income tax expense for income taxes consists of the following:

	Year Ended		
(In thousands)	**January 2, 2022**	**January 3, 2021**	**December 29, 2019**
Current income tax expense:			
Canada	$ 9,392	$ 8,283	$ 7,600
Foreign	30,499	30,413	6,417
Total current income tax expense:	39,891	38,696	14,017
Deferred income tax (benefit) expense:			
Canada	3,626	(235)	1,497
Foreign	1,255	(9,850)	1,795
Total deferred income tax (benefit) expense:	4,881	(10,085)	3,292
Income tax expense	$ 44,772	$ 28,611	$ 17,309

The Canadian statutory rate is 26.5%, 26.5% and 26.7% for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively. A summary of the differences between expected income tax expense calculated at the Canadian statutory rate and the reported consolidated income tax expense (benefit) is as follows:

	Year Ended		
(In thousands)	**January 2, 2022**	**January 3, 2021**	**December 29, 2019**
Income tax expense computed at statutory income tax rate	$ 38,137	$ 27,130	$ 17,702
Foreign rate differential	(12,370)	(4,900)	(4,503)
Permanent differences	3,843	(1,286)	1,195
Disposal of subsidiaries	1,651	493	2,751
Income attributable to a permanent establishment	2,608	2,253	148
Change in valuation allowance	1,569	(9,271)	(1,463)
Tax exempt income	—	—	(2,451)
Income tax credits	(5,591)	(1,831)	(1,869)
Change in tax rate [1]	2,706	883	267
Goodwill impairment	11,296	7,965	—
Limitation on executive compensation	1,904	2,209	773
Withholding and other taxes	1,761	2,435	2,006
Nondeductible interest	—	1,714	4,814
Other [1]	(2,742)	817	(2,061)
Income tax expense	$ 44,772	$ 28,611	$ 17,309

(1) Prior year amounts have been reclassified to conform to the current year presentation. There were no impacts at the consolidated level.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	Year Ended	
(In thousands)	January 2, 2022	January 3, 2021
Deferred tax assets:		
Non-capital loss carryforwards	$ 11,142	$ 13,860
Capital loss carryforwards	6,740	9,375
Deferred interest expense	12,518	6,845
Pension and post-retirement liability	177	679
Accruals and reserves currently not deductible for tax purposes	18,208	31,378
Share based compensation	4,456	4,630
Income tax credits	5,466	5,083
Lease right-of-use assets	57,735	48,467
Other	1,142	668
Total deferred tax assets	117,584	120,985
Valuation allowance	(10,286)	(5,970)
Total deferred tax assets, net of valuation allowance	107,298	115,015
Deferred tax liabilities:		
Plant and equipment	(77,807)	(79,208)
Intangibles	(23,147)	(26,866)
Basis difference in subsidiaries	(7,488)	(7,354)
Unrealized foreign exchange gain	(287)	(1,534)
Lease liabilities	(52,955)	(44,673)
Other	(2,786)	(3,122)
Total deferred tax liabilities	(164,470)	(162,757)
Net deferred tax liability	$ (57,172)	$ (47,742)

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets.

As of January 2, 2022, and January 3, 2021, a valuation allowance of $10.3 million and $6.0 million, respectively, has been established to reduce the deferred tax assets to an amount that is more likely than not to be realized. We have established valuation allowances on certain deferred tax assets resulting from net operating loss carryforwards and other assets in Costa Rica and the United Kingdom.

The following is a rollforward of the valuation allowance for deferred tax assets:

	Year Ended		
(In thousands)	January 2, 2022	January 3, 2021	December 29, 2019
Balance at beginning of period	$ 5,970	$ 15,569	$ 16,373
Additions charged to expense and other	4,473	851	2,863
Deductions	(157)	(10,450)	(3,667)
Balance at end of period	$ 10,286	$ 5,970	$ 15,569

The losses carried forward for tax purposes are available to reduce future taxable income by $33.7 million. We can apply these losses against future taxable income based on the period of expiration as follows:

(In thousands)	Canada	Other Foreign	Total
2022-2027	$ —	$ 3,213	$ 3,213
2028-2042	21,520	—	21,520
Indefinitely	—	8,988	8,988
Total tax losses carried forward	$ 21,520	$ 12,201	$ 33,721

We believe that it is more likely than not that the benefit from certain net operating loss carryforwards will not be realized. In recognition of this risk, we have provided valuation allowances of $1.3 million on these gross net operating loss carryforwards. If or when recognized, the tax benefit related to any reversal of the valuation allowance on deferred tax assets as of January 2, 2022, will be accounted for as a reduction of income tax expense.

We have outside basis differences, including undistributed earnings in our foreign subsidiaries. For those subsidiaries in which we are considered to be indefinitely reinvested, no provision for Canadian income or local country withholding taxes has been recorded. Upon reversal of the outside basis difference and/or repatriation of those earnings, in the form of dividends or otherwise, we may be subject to both Canadian income taxes and withholding taxes payable to the various foreign countries. For those subsidiaries where the earnings are not considered indefinitely reinvested, taxes have been accrued. The determination of the unrecorded deferred tax liability for temporary differences related to investments in foreign subsidiaries that are considered to be indefinitely reinvested is not considered practicable.

As of January 2, 2022, and January 3, 2021, our unrecognized tax benefits were $7.6 million and $8.1 million, respectively, excluding interest and penalties. The unrecognized tax benefits would favorably impact the effective tax rate if the tax benefits were recognized. The unrecognized tax benefits are recorded in other long-term liabilities and as a reduction to related long-term deferred income taxes in the consolidated balance sheets. The changes to our unrecognized tax benefits were as follows:

	Year Ended		
(In thousands)	January 2, 2022	January 3, 2021	December 29, 2019
Unrecognized tax benefit at beginning of period	$ 8,108	$ 8,156	$ 9,084
Gross increases in tax positions in current period	103	62	46
Gross decreases in tax positions in prior period	(108)	(110)	(973)
Gross increases in tax positions in prior period	—	1	—
Lapse of statute of limitations	(511)	(1)	(1)
Unrecognized tax benefit at end of period	$ 7,592	$ 8,108	$ 8,156

We recognize interest and penalties accrued related to unrecognized tax benefits as income tax expense. During the years ended January 2, 2022, January 3, 2021, and December 29, 2019, we recorded accrued interest of $0.4 million, $0.6 million and $0.3 million, respectively. Additionally, we have recognized a liability for accumulated penalties of $0.3 million, $0.3 million and $0.4 million, and accumulated interest of $2.8 million, $3.1 million and $2.9 million, respectively. The interest and penalties accrued related to unrecognized tax benefits would also favorably impact the effective tax rate if those benefits were recognized.

We estimate that the amount of unrecognized tax benefits will not significantly increase or decrease within the 12 months following the reporting date.

We are subject to taxation in Canada, the United States and other foreign jurisdictions. As of January 2, 2022, the 2016 and 2017 tax years are subject to Canadian income tax examination. We are no longer subject to U.S. federal tax examinations for years prior to 2018. To the extent that income tax attributes such as net operating losses and tax credits have been carried forward from years prior to 2018, those attributes can still be audited when utilized on returns subject to audit. In state and local jurisdictions, we are no longer subject to income tax examination for years prior to 2015.

16. Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing earnings attributable to Masonite by the weighted average number of our common shares outstanding during the period. Diluted EPS is calculated by dividing earnings attributable to Masonite by the weighted average number of common shares plus the incremental number of shares issuable from non-vested and vested RSUs and SARs outstanding during the period.

	Year Ended		
(In thousands, except share and per share information)	January 2, 2022	January 3, 2021	December 29, 2019
Net income attributable to Masonite	$ 94,501	$ 69,037	$ 44,602
Shares used in computing basic earnings per share	24,176,846	24,569,727	25,130,027
Effect of dilutive securities:			
Incremental shares issuable under share compensation plans	385,687	373,451	322,695
Shares used in computing diluted earnings per share	24,562,533	24,943,178	25,452,722
Basic earnings per common share attributable to Masonite	$ 3.91	$ 2.81	$ 1.77
Diluted earnings per common share attributable to Masonite	$ 3.85	$ 2.77	$ 1.75
Anti-dilutive instruments excluded from diluted earnings per common share	28,707	215,563	295,879

The weighted average number of shares outstanding utilized for the diluted EPS calculation contemplates the exercise of all currently outstanding SARs and the conversion of all RSUs. The dilutive effect of such equity awards is calculated based on the weighted average share price for each fiscal period using the treasury stock method.

17. Segment Information

Our management reviews net sales and Adjusted EBITDA (as defined below) to evaluate segment performance and allocate resources. Net assets are not allocated to the reportable segments. Adjusted EBITDA is a non-GAAP financial measure which does not have a standardized meaning under GAAP and is unlikely to be comparable to similar measures used by other companies. Adjusted EBITDA should not be considered as an alternative to either net income or operating cash flows determined in accordance with GAAP. Adjusted EBITDA is defined as net income (loss) attributable to Masonite adjusted to exclude the following items:

- depreciation;
- amortization;
- share based compensation expense;
- loss (gain) on disposal of property, plant and equipment;
- registration and listing fees;
- restructuring costs;
- asset impairment;
- loss (gain) on disposal of subsidiaries;
- interest expense (income), net;
- loss on extinguishment of debt;
- other (income) expense, net;
- income tax expense (benefit);
- other items;
- loss (income) from discontinued operations, net of tax; and
- net income (loss) attributable to non-controlling interest.

The definition of Adjusted EBITDA differs from the definitions of EBITDA contained in the indenture governing the 2030 Notes, 2028 Notes and 2026 Notes and the credit agreement governing the ABL Facility. Although Adjusted EBITDA is not a measure of financial condition or performance determined in accordance with GAAP, it is used to evaluate and compare the operating performance of the segments and it is one of the primary measures used to determine employee incentive compensation. Intersegment sales are recorded using market prices.

Certain information with respect to reportable segments is as follows for the periods indicated:

	Year Ended January 2, 2022				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
Sales	$ 1,955,424	$ 342,172	$ 303,078	$ 20,014	$ 2,620,688
Intersegment sales	(2,526)	(7,640)	(13,602)	—	(23,768)
Net sales to external customers	$ 1,952,898	$ 334,532	$ 289,476	$ 20,014	$ 2,596,920
Adjusted EBITDA	$ 374,452	$ 60,624	$ (2,704)	$ (19,766)	$ 412,606
Depreciation and amortization	39,504	23,825	14,620	14,033	91,982
Interest expense, net	—	—	—	46,123	46,123
Income tax expense	—	—	—	44,772	44,772

	Year Ended January 3, 2021				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
Sales	$ 1,640,323	$ 260,834	$ 358,049	$ 19,947	$ 2,279,153
Intersegment sales	(2,204)	(2,721)	(17,153)	—	(22,078)
Net sales to external customers	$ 1,638,119	$ 258,113	$ 340,896	$ 19,947	$ 2,257,075
Adjusted EBITDA	$ 347,822	$ 40,474	$ 34,201	$ (58,785)	$ 363,712
Depreciation and amortization	37,705	23,732	17,735	12,601	91,773
Interest expense, net	—	—	—	46,807	46,807
Income tax expense	—	—	—	28,611	28,611

	Year Ended December 29, 2019				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
Sales	$ 1,469,194	$ 323,137	$ 380,300	$ 23,941	$ 2,196,572
Intersegment sales	(3,386)	(1,506)	(14,997)	—	(19,889)
Net sales to external customers	$ 1,465,808	$ 321,631	$ 365,303	$ 23,941	$ 2,176,683
Adjusted EBITDA	$ 232,512	$ 46,219	$ 40,470	$ (35,817)	$ 283,384
Depreciation and amortization	37,689	26,257	19,705	16,198	99,849
Interest expense, net	—	—	—	46,489	46,489
Income tax benefit	—	—	—	17,309	17,309

A reconciliation of our consolidated Adjusted EBITDA to net income attributable to Masonite is set forth as follows for the periods indicated:

	Year Ended		
(In thousands)	January 2, 2022	January 3, 2021	December 29, 2019
Net income attributable to Masonite	$ 94,501	$ 69,037	$ 44,602
Plus:			
Depreciation	70,641	68,350	70,736
Amortization	21,341	23,423	29,113
Share based compensation expense	15,959	19,423	10,023
Loss on disposal of property, plant and equipment	1,316	6,234	6,396
Restructuring costs	5,567	8,236	9,776
Asset impairment	69,900	51,515	13,767
Loss on disposal of subsidiaries	8,590	2,091	14,260
Interest expense, net	46,123	46,807	46,489
Loss on extinguishment of debt	13,583	—	14,523
Other (income) expense, net	15,620	(5,217)	1,953
Income tax expense	44,772	28,611	17,309
Other items [(1)]	—	40,550	—
Net income attributable to non-controlling interest	4,693	4,652	4,437
Adjusted EBITDA	$ 412,606	$ 363,712	$ 283,384

(1) Other items not part of our underlying business performance include $40,550 in legal reserves related to the settlement of U.S. class action litigation in the year ended January 3, 2021, and were recorded in selling, general and administration expenses within the consolidated statements of income and comprehensive income. Refer to Note 10. Commitments and Contingencies for additional information.

We derive revenues from two major product lines: interior and exterior products. We do not review or analyze our two major product lines below net sales. Additionally, we sell door components to external customers which are not otherwise consumed in our vertical operations. Sales for the product lines are summarized as follows for the periods indicated:

	Year Ended		
(In thousands)	January 2, 2022	January 3, 2021	December 29, 2019
Net sales to external customers:			
Interior products	$ 1,654,379	$ 1,479,196	$ 1,427,459
Exterior products	813,605	647,241	628,301
Components	128,936	130,638	120,923
Total	$ 2,596,920	$ 2,257,075	$ 2,176,683

Net sales information with respect to geographic areas exceeding 10% of consolidated net sales is as follows for the periods indicated:

	Year Ended		
(In thousands)	**January 2, 2022**	**January 3, 2021**	**December 29, 2019**
Net sales to external customers from facilities in:			
United States	$ 1,776,180	$ 1,595,398	$ 1,483,697
Canada	364,179	319,937	304,497
United Kingdom	300,008	218,382	281,888
Other	156,553	123,358	106,601
Total	$ 2,596,920	$ 2,257,075	$ 2,176,683

In the years ended January 2, 2022, January 3, 2021, and December 29, 2019, net sales to The Home Depot, Inc., were $491.5 million, $411.1 million and $372.4 million, respectively, which are included in the North American Residential segment. No other individual customer's net sales exceeded 10% of consolidated net sales for any of the periods presented.

Geographic information regarding property, plant and equipment which exceed 10% of consolidated property, plant and equipment is as follows as of the dates indicated:

(In thousands)	**January 2, 2022**	**January 3, 2021**
United States	$ 413,289	$ 403,126
Canada	50,187	61,201
Other	163,321	160,799
Total	$ 626,797	$ 625,126

18. Employee Future Benefits

United States Defined Benefit Pension Plan

We have a defined benefit pension plan covering certain active and former employees in the United States ("U.S."). Benefits under the plan were frozen at various times in the past. On December 9, 2020, the Board of Directors approved a resolution to terminate the defined benefit pension plan and we initiated the process to terminate and annuitize the plan, which continued into 2021. During the fourth quarter of 2021, we completed balance sheet risk mitigation actions related to the U.S. pension plan and terminated the plan. In connection with the plan termination, we settled all future obligations under the U.S. defined benefit pension plan through a combination of lump-sum payments to eligible participants who elected to receive them, and the transfer of any remaining benefit obligations to a third-party insurance company under a group annuity contract, which resulted in the settlement of liabilities to affected participants. As a result of these actions, we recognized a pre-tax pension settlement charge of $23.3 million in the fourth quarter of 2021, primarily comprised of the recognition of past actuarial losses. This charge is recorded within other (income) expense, net in the consolidated statements of income and comprehensive income. The measurement date used for the accounting valuation of the defined benefit pension plan was January 2, 2022. Information about the U.S. defined benefit pension plan is as follows for the periods indicated:

	Year Ended		
(In thousands)	January 2, 2022	January 3, 2021	December 29, 2019
Components of net periodic benefit cost:			
Service cost	$ 331	$ 309	$ 548
Interest cost	1,516	2,183	3,423
Expected return on assets	(2,953)	(5,328)	(5,723)
Amortization of actuarial net losses	1,047	662	1,521
Settlement loss	23,343	—	5,651
Net pension expense (benefit)	$ 23,284	$ (2,174)	$ 5,420

During the fourth quarter of 2019, the plan purchased annuity contracts to settle liabilities for certain fully vested participants associated with benefits arising under the plan. Payments related to this offer were made from existing plan assets to settle the liabilities. As a result, total lump sum payments exceeded annual service and interest costs in 2019, and we recognized a pre-tax pension settlement charge of $5.7 million in the fourth quarter of 2019. This charge is recorded within other (income) expense, net in the consolidated statements of income and comprehensive income.

Information with respect to the assets, liabilities and net plan assets of the U.S. defined benefit pension plan is set forth as follows for the periods indicated:

	Year Ended	
(In thousands)	January 2, 2022	January 3, 2021
Pension assets:		
Fair value of plan assets, beginning of year	$ 86,464	$ 79,422
Company contributions	5,550	1,250
Actual return on plan assets	(2,347)	10,113
Plan settlements	(84,573)	—
Benefits paid	(3,711)	(3,965)
Administrative expenses paid	(1,383)	(356)
Fair value of plan assets, end of year	—	86,464
Pension liability:		
Accrued benefit obligation, beginning of year	85,330	78,557
Current service cost	331	309
Interest cost	1,516	2,183
Plan settlements	(84,573)	—
Actuarial loss	2,490	8,602
Benefits paid	(3,711)	(3,965)
Administrative expenses paid	(1,383)	(356)
Accrued benefit obligation, end of year	—	85,330
Net plan assets, end of year	$ —	$ 1,134

Amounts deferred in accumulated other comprehensive loss ("AOCL") is set forth for the periods indicated:

(In thousands)	Year Ended January 2, 2022	Year Ended January 3, 2021
Net actuarial loss	$ —	$ 16,585
Prior service cost	—	15
Total amount recognized in AOCL, pre-tax	$ —	$ 16,600

A reconciliation of the change in AOCL is set forth as follows for the periods indicated:

(In thousands)	Year Ended January 2, 2022	Year Ended January 3, 2021
Net actuarial loss (gain)	$ 7,790	$ 3,817
Amortization of:		
Curtailment recognition of prior service cost	(15)	(9)
Settlement recognition of net loss	(24,375)	(653)
Change in AOCL, pre-tax	$ (16,600)	$ 3,155

The net plan assets were recorded within other assets in the consolidated balance sheets. Pension fund assets were invested primarily in equity and debt securities. Asset allocation between equity and debt securities and cash was adjusted based on the expected life of the plan and the expected retirement age of the plan participants. Information with respect to the amounts and types of securities that are held in the U.S. defined benefit pension plan is set forth as follows for the periods indicated:

	Year Ended			
	January 2, 2022		January 3, 2021	
(In thousands)	Amount	% of Total Plan	Amount	% of Total Plan
Equity securities	$ —	— %	$ —	— %
Debt securities	—	— %	86,464	100.0 %
Other	—	— %	—	— %
	$ —	— %	$ 86,464	100.0 %

Under the Plan's investment policy statement, plan assets are invested to achieve a fully-funded status based on actuarial calculations, maintain a level of liquidity that is sufficient to pay benefit and expense obligations when due, maintain flexibility in determining the future level of contributions and maximize returns within the limits of risk. As a result of recent market gains and the U.S. defined benefit pension plan's funded status, the investment strategy was changed in 2020 to match expected outflows. Our pension funds were not invested directly in the debt or equity of Masonite, but may have been invested indirectly as a result of inclusion of Masonite in certain market or investment funds.

The weighted average actuarial assumptions adopted in measuring our U.S. accrued benefit obligations and costs prior to termination were as follows for the periods indicated:

	Year Ended		
	January 2, 2022	January 3, 2021	December 29, 2019
Discount rate applied for:			
Accrued benefit obligation	2.4 %	2.4 %	3.3 %
Net periodic pension cost	2.4 %	3.3 %	4.3 %
Expected long-term rate of return on plan assets	3.5 %	3.5 %	6.8 %

The rate of compensation increase for the accrued benefit obligation and net periodic pension costs for the U.S. defined benefit pension plan is not applicable, as benefits under the plan are not affected by compensation increases.

The expected long-term rate of return on plan assets assumption is derived by taking into consideration the target plan asset allocation, historical rates of return on those assets, projected future asset class returns and net outperformance of the market by active investment managers. An asset return model is used to develop an expected range of returns on the plan investments over a 30-year period, with the expected rate of return selected from a best estimate range within the total range of projected results.

United Kingdom Defined Benefit Pension Plan

We also have a defined benefit pension plan in the United Kingdom ("U.K."), which has been curtailed in prior years. The measurement date used for the accounting valuation of the U.K. defined benefit pension plan was January 2, 2022. Information about the U.K. defined benefit pension plan is as follows for the periods indicated:

	Year Ended		
(In thousands)	January 2, 2022	January 3, 2021	December 29, 2019
Components of net periodic benefit cost:			
Interest cost	$ 366	$ 536	$ 685
Expected return on assets	(1,292)	(1,021)	(948)
Amortization of actuarial net losses	289	340	246
Settlement loss	—	127	—
Net pension benefit	$ (637)	$ (18)	$ (17)

Information with respect to the assets, liabilities and net plan assets (accrued benefit obligation) of the U.K. defined benefit pension plan is as follows for the periods indicated:

(In thousands)	Year Ended January 2, 2022	Year Ended January 3, 2021
Pension assets:		
Fair value of plan assets, beginning of year	$ 31,222	$ 26,748
Company contributions	1,376	769
Actual return on plan assets	2,159	4,132
Benefits paid	(919)	(915)
Plan settlements	—	(838)
Translation adjustment	(449)	1,326
Fair value of plan assets, end of year	33,389	31,222
Pension liability		
Accrued benefit obligation, beginning of year	35,394	32,601
Interest cost	366	536
Actuarial (gain) loss	(1,431)	2,553
Benefits paid	(919)	(915)
Plan settlements	—	(838)
Translation adjustment	(408)	1,457
Accrued benefit obligation, end of year	33,002	35,394
Net plan assets (accrued benefit obligation), end of year	$ 387	$ (4,172)

There were $1.4 million of actuarial gains during fiscal year 2021 primarily as a result of a change in the discount rate from 1.27% to 1.83%. There were no material changes to any other key assumptions nor was there a significant demographic gain or loss.

Amounts deferred in AOCL is set forth for the periods indicated:

(In thousands)	Year Ended January 2, 2022	Year Ended January 3, 2021
Net actuarial loss	$ 2,794	$ 5,372
Prior service cost	518	549
Total amount recognized in AOCL, pre-tax	$ 3,312	$ 5,921

A reconciliation of the change in AOCL is set forth as follows for the periods indicated:

(In thousands)	Year Ended January 2, 2022	Year Ended January 3, 2021
Net actuarial (gain) loss	$ (2,298)	$ (557)
Amortization of:		
Prior service cost	(25)	(23)
Net actuarial loss from prior years	(264)	(444)
Translation adjustment	(22)	218
Change in AOCL, pre-tax	$ (2,609)	$ (806)

The net plan assets are recorded within other assets in the consolidated balance sheets. Pension fund assets are invested primarily in equity and debt securities. Asset allocation between equity and debt securities and cash is adjusted

based on the expected life of the plan and the expected retirement age of the plan participants. Information with respect to the amounts and types of securities that are held in the U.K. defined benefit pension plan is set forth as follows for the periods indicated:

	Year Ended			
	January 2, 2022		January 3, 2021	
(In thousands)	Amount	% of Total Plan	Amount	% of Total Plan
Equity securities	$ 8,327	24.9 %	$ 11,905	38.1 %
Debt securities	—	— %	—	— %
Other	25,062	75.1 %	19,317	61.9 %
	$ 33,389	100.0 %	$ 31,222	100.0 %

Under the Plan's investment policy and strategy, plan assets are invested to achieve a fully funded status based on actuarial calculations, maintain a level of liquidity that is sufficient to pay benefit and expense obligations when due, maintain flexibility in determining the future level of contributions and maximize returns within the limits of risk. The target asset allocation for plan assets in the U.K. defined benefit pension plan for 2021 is 75% other securities and 25% equity securities. Other securities represent investments that are primarily invested in a mixture of debt and equity securities.

The weighted average actuarial assumptions adopted in measuring our U.K. accrued benefit obligations and costs were as follows for the periods indicated:

	Year Ended		
	January 2, 2022	January 3, 2021	December 29, 2019
Discount rate applied for:			
Accrued benefit obligation	1.8 %	1.3 %	1.9 %
Net periodic pension cost	1.0 %	1.0 %	1.7 %
Expected long-term rate of return on plan assets	4.1 %	4.1 %	3.9 %

The rate of compensation increase for the accrued benefit obligation and net pension cost for the U.K. defined benefit pension plan is not applicable, as the plan was curtailed in prior years and benefits under the plan are not affected by compensation increases.

The expected long-term rate of return on plan assets assumption is derived by taking into consideration the target plan asset allocation, historical rates of return on those assets, projected future asset class returns and net outperformance of the market by active investment managers. An asset return model is used to develop an expected range of returns on the plan investments over a 10-year period, with the expected rate of return selected from a best estimate range within the total range of projected results.

As of January 2, 2022, the estimated future benefit payments from the U.K. defined benefit pension plans for the following future periods are set forth as follows:

(In thousands)	**Expected Future Benefit Payments**
Fiscal year:	
2022	$ 1,111
2023	1,076
2024	1,178
2025	1,264
2026	1,219
2027 through 2031	7,025
Total estimated future benefit payments	$ 12,873

Expected contributions to the U.K. defined benefit pension plan during 2022 are $2.2 million.

Overall Pension Obligation

For all periods presented, the U.S. and U.K. defined benefit pension plans were invested in equity securities, equity funds, bonds, bond funds and cash and cash equivalents. All investments are publicly traded and possess a high level of marketability or liquidity. All plan investments are categorized as having Level 1 valuation inputs as established by the FASB’s Fair Value Framework.

The change in the net difference between the pension plan assets and projected benefit obligation that is not attributed to our recognition of pension expense or funding of the plan is recognized in other comprehensive income (loss) within the consolidated statements of income and comprehensive income and the balance of such changes is included in AOCL in the consolidated balance sheets.

Defined Contribution Benefit Plans

We have defined contribution benefit plans covering certain U.S. and foreign subsidiary employees subject to eligibility requirements set up in accordance with local statutory requirements. Contributions made to these plans were $15.6 million, $13.7 million and $12.4 million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively.

19. Accumulated Other Comprehensive Loss and Other Comprehensive Income

A rollforward of the components of accumulated other comprehensive loss is as follows for the periods indicated:

	Year Ended		
(In thousands)	January 2, 2022	January 3, 2021	December 29, 2019
Accumulated foreign exchange losses, beginning of period	$ (93,684)	$ (113,336)	$ (129,930)
Foreign currency translation (loss) gain	(6,719)	17,566	14,544
Income tax benefit on foreign currency translation (loss) gain	6	17	25
Cumulative translation adjustment recognized upon deconsolidation of subsidiaries	3,544	2,254	2,368
Less: foreign exchange gain attributable to non-controlling interest	66	185	343
Accumulated foreign exchange losses, end of period	(96,919)	(93,684)	(113,336)
Accumulated pension and other post-retirement adjustments, beginning of period	(18,379)	(16,833)	(22,989)
Pension and other post-retirement adjustments	2,250	(3,163)	962
Income tax (expense) benefit on pension and other post-retirement adjustments	(437)	851	(347)
Amortization of actuarial net losses	1,336	1,002	1,798
Income tax expense on amortization of actuarial net losses	(258)	(236)	(442)
Pension settlement charges	15,654	—	5,651
Income tax expense on pension settlement charges	(4,829)	—	(1,466)
Accumulated pension and other post-retirement adjustments, end of period	(4,663)	(18,379)	(16,833)
Accumulated other comprehensive loss	$ (101,582)	$ (112,063)	$ (130,169)
Other comprehensive income, net of tax:	$ 10,547	$ 18,291	$ 23,093
Less: other comprehensive income attributable to non-controlling interest	66	185	343
Other comprehensive income attributable to Masonite	$ 10,481	$ 18,106	$ 22,750

Cumulative translation adjustments are reclassified out of accumulated other comprehensive loss into loss on disposal of subsidiaries in the years ended January 2, 2022, and January 3, 2021, in the consolidated statements of income and comprehensive income. Actuarial net losses are reclassified out of accumulated other comprehensive loss into cost of goods sold in the consolidated statements of income and comprehensive income. Pension settlement charges are reclassified out of accumulated other comprehensive loss into other (income) expense, net, in the consolidated statements of income and comprehensive income.

Foreign currency translation losses as a result of translating our foreign assets and liabilities into U.S. dollars during the year ended January 2, 2022, were $6.7 million, primarily driven by weakening of the Euro, the Pound Sterling, the Malaysian Ringgit and the Mexican Peso, partially offset by strengthening of the Canadian Dollar in comparison to the U.S. Dollar during the period.

20. Supplemental Cash Flow Information

Certain cash and non-cash transactions were as follows for the periods indicated:

	Year Ended		
(In thousands)	January 2, 2022	January 3, 2021	December 29, 2019
Transactions involving cash:			
Interest paid	$ 42,703	$ 45,380	$ 44,388
Interest received	250	1,110	2,064
Income taxes paid	40,506	24,336	14,809
Income tax refunds	875	805	1,713
Cash paid for operating lease liabilities	29,886	29,943	24,522
Cash paid for finance lease liabilities	1,470	1,393	528
Non-cash transactions from operating activities:			
Right-of-use assets acquired under operating leases	49,703	51,381	36,774
Non-cash transactions from investing and financing activities:			
Right-of-use assets acquired under finance leases	—	—	26,326

The following reconciles total cash, cash equivalents and restricted cash as of the dates indicated:

	January 2, 2022	January 3, 2021
Cash and cash equivalents	$ 381,395	$ 364,674
Restricted cash	10,110	10,560
Total cash, cash equivalents and restricted cash	$ 391,505	$ 375,234

Property, plant and equipment additions in accounts payable were $10.7 million and $5.6 million as of January 2, 2022, and January 3, 2021, respectively.

During the fourth quarter of 2018, we provided debt financing to a distribution company via an interest-bearing note that is scheduled to mature in 2028. The interest-bearing note receivable is carried at amortized cost, with the interest payable in kind at the election of the borrower. This transaction is recorded as a component of other assets on the consolidated balance sheets.

21. Variable Interest Entity

As of January 2, 2022, and January 3, 2021, we held an interest in one variable interest entity ("VIE"), Magna Foremost Sdn Bhd, which is located in Bintulu, Malaysia. The VIE is integrated into our supply chain and manufactures door facings. We are the primary beneficiary of the VIE based on the terms of the existing supply agreement with the VIE. As primary beneficiary via the supply agreement, we receive a disproportionate amount of earnings on sales to third parties in relation to our voting interest, and as a result, receive a majority of the VIE's residual returns. Sales to third parties did not have a material impact on our consolidated financial statements. We also have the power to direct activities of the VIE that most significantly impact the entity's economic performance. As its primary beneficiary, we have consolidated the results of the VIE. Our net cumulative investment in the VIE was comprised of the following as of the dates indicated:

(In thousands)	January 2, 2022	January 3, 2021
Current assets	$ 9,057	$ 6,411
Property, plant and equipment, net	8,573	8,295
Long-term deferred income taxes	1,023	2,431
Other assets	4,202	3,973
Current liabilities	(3,895)	(3,139)
Other long-term liabilities	(139)	(393)
Non-controlling interest	(3,803)	(2,073)
Net assets of the VIE consolidated by Masonite	$ 15,018	$ 15,505

Current assets include $4.9 million and $2.4 million of cash and cash equivalents as of January 2, 2022, and January 3, 2021, respectively. Assets recognized as a result of consolidating this VIE do not represent additional assets that could be used to satisfy claims against our general assets. Furthermore, liabilities recognized as a result of consolidating these entities do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIE.

22. Fair Value of Financial Instruments

The carrying amounts of our cash and cash equivalents, restricted cash, accounts receivable, income taxes receivable, accounts payable, accrued expenses and income taxes payable approximate fair value because of the short-term maturity of those instruments. The estimated fair values and carrying values of our long-term debt instruments were as follows for the periods indicated:

	January 2, 2022		January 3, 2021	
(In millions)	Fair Value	Carrying Value	Fair Value	Carrying Value
3.50% senior unsecured notes due 2030	$ 373,238	$ 370,593	$ —	$ —
5.375% senior unsecured notes due 2028	526,730	495,128	536	494
5.750% senior unsecured notes due 2026	—	—	316	297

These estimates are based on market quotes and calculations based on current market rates available to us and are categorized as having Level 2 valuation inputs as established by the FASB's Fair Value Framework. Market quotes used in these calculations are based on bid prices for our debt instruments and are obtained from and corroborated with multiple independent sources. The market quotes obtained from independent sources are within the range of management's expectations.

23. Subsequent Events

On February 21, 2022, the Company's Board of Directors approved a new share repurchase program allowing the Company to repurchase up to an additional $200.0 million of its outstanding common shares. The new $200.0 million authorization is in addition to the four previously authorized share repurchase authorizations. In addition, the Company announced that its Board of Directors has authorized it to enter into an accelerated share repurchase ("ASR") transaction as part of the new share repurchase program. The Company intends to enter into an ASR transaction during the first quarter of 2022 for the repurchase of $100.0 million of its outstanding common shares.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of our internal control over financial reporting as of January 2, 2022, based on the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based upon our evaluation, management concluded that our internal control over financial reporting was effective as of January 2, 2022.

The effectiveness of our internal control over financial reporting as of January 2, 2022, has been audited by Ernst & Young, an independent registered public accounting firm, as stated in their report which is included below, and which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of January 2, 2022. See "Report of Independent Registered Public Accounting Firm" below.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the most recently completed quarter covered by this Annual Report that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Masonite International Corporation

Opinion on Internal Control Over Financial Reporting

We have audited Masonite International Corporation's internal control over financial reporting as of January 2, 2022, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Masonite International Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 2, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Masonite International Corporation as of January 2, 2022 and January 3, 2021, the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for each of the three fiscal years in the period ended January 2, 2022, and the related notes and our report dated February 24, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tampa, Florida
February 24, 2022

Item 9B. Other Information

Annual Meeting and Record Date. The Board of Directors has set the date of the 2022 Annual General Meeting of Shareholders and the related record date. The Annual General Meeting will be held on May 12, 2022, and the shareholders entitled to receive notice of and vote at the meeting will be the shareholders of record at the close of business on March 14, 2022.

Departure of Officer. On February 23, 2022, it was decided that Robert E. Lewis, Senior Vice President, General Counsel and Corporate Secretary of the Company, would leave the Company's employment effective on April 7, 2022.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Some of the information required in response to this item with regard to directors is incorporated by reference into this Annual Report on Form 10-K from our definitive Proxy Statement for our 2022 Annual General Meeting of Shareholders (the "2022 Proxy Statement"). Such information will be included under the captions "Election of Directors," "Corporate Governance; Delinquent Section 16(a) Reports," "Corporate Governance; Board and Committee Matters—Corporate Governance Guidelines and Code of Ethics," "Corporate Governance; Board and Committee Matters—Board Structure and Director Independence" and "Corporate Governance; Board and Committee Matters—Board Committees; Membership—Audit Committee."

The following table sets forth information as of February 24, 2022, regarding each of our executive officers:

Name	Age	Positions
Howard C. Heckes	57	President and Chief Executive Officer and Director
Russell T. Tiejema	53	Executive Vice President and Chief Financial Officer
Randal A. White	51	Senior Vice President, Global Operations and Supply Chain
Christopher O. Ball	44	President, Global Residential
Robert E. Lewis	61	Senior Vice President, General Counsel and Corporate Secretary
Robert A. Paxton	48	Senior Vice President, Human Resources

Biographies

The present principal occupations and recent employment history of each of the executive officers and directors listed above are as follows:

Howard C. Heckes, (age 57) has served as President and Chief Executive Officer of Masonite and as a Director of Masonite since June 2019. Mr. Heckes joined Masonite from Energy Management Collaborative where he served as Chief Executive Officer since 2017. From 2008 to 2017, Mr. Heckes served in a variety of operations roles at Valspar Corporation, now a subsidiary of The Sherwin-Williams Company, most recently overseeing Valspar's industrial coatings portfolio. Prior to joining Valspar, Mr. Heckes held various leadership roles at Newell Rubbermaid, including President of Sanford Brands and President of Graco Children's Products. Mr. Heckes is also a member of the Board of Directors of the AZEK Company Inc.

Russell T. Tiejema, (age 53) is Executive Vice President and Chief Financial Officer of Masonite. Mr. Tiejema joined Masonite in November 2015, from Lennox International, a global leader in the heating, ventilation, air conditioning and refrigeration industry, where he served as the Vice President of Finance and Chief Financial Officer of LII Residential, the largest reporting segment of Lennox International, since 2013. From 2011 to 2013, Mr. Tiejema served as the Vice President, Business Analysis & Planning, of Lennox International. Prior to joining Lennox in 2011, Mr. Tiejema spent 20 years with General Motors in a variety of financial leadership roles across a number of operating units and staffs, including Finance Director for GM Fleet & Commercial and Director of Financial Planning and Analysis.

Randal A. White, (age 51) joined Masonite in September 2017 as Senior Vice President, Global Operations and Supply Chain. Prior to joining Masonite, Mr. White was with Joy Global, Inc., a leading manufacturer of high productivity mining equipment now operating as Komatsu Mining, where he served in various operations and manufacturing roles since 2008, most recently serving as the Vice President Operations, Supply Chain, Quality and Operational Excellence (Lean) since 2014. Prior to joining Joy Global, Inc., Mr. White held various marketing and operational positions with Magnum Magnetics Inc. and Cooper Crouse-Hinds.

Christopher O. Ball, (age 44) joined Masonite in September 2021 as President of the Global Residential Door Business. Prior to joining Masonite, Mr. Ball was with Cooper Tire & Rubber Company, a global manufacturer and marketer of consumer and commercial products, from 2018 to 2021, most recently serving as President - Americas, where he led the North American, Latin America and Global Commercial Truck business units. Prior to joining Cooper Tire, Mr. Ball held various roles at Whirlpool Corporation from 2003 to 2018, including leadership of sales and

operations for the KitchenAid small appliance business and general management of the North America Laundry unit, Whirlpool's largest business.

Robert E. Lewis, (age 61) has served as the Senior Vice President, General Counsel and Secretary of Masonite since April 2012. Mr. Lewis joined Masonite from Gerdau Ameristeel Corporation, a mini-mill steel producer, where he served as Vice President, General Counsel and Corporate Secretary from January 2005 to May 2011. Prior to joining Gerdau, Mr. Lewis served as Senior Vice President, General Counsel and Secretary of Eckerd Corporation, a national retail drugstore chain from 1994 to January 2005. Prior to joining Eckerd, Mr. Lewis was an attorney and shareholder with the Tampa law firm of Shackleford, Farrior, Stallings & Evans, P.A.

Robert A. Paxton, (age 48) has served as Masonite's Senior Vice President, Human Resources since February 2018. Prior to joining Masonite, Mr. Paxton was with Owens Corning, a global developer and producer of insulation, roofing and fiberglass composites, where he served as Vice President, Human Resources and Vice President, Business Integration from May 2010 to February 2018. Prior to joining Owens Corning, he served as Senior Vice President, Human Resources of Broadwind Energy from 2008 to 2010. Prior to joining Broadwind, he served Whirlpool Corporation in various human resources leadership roles from 2002 to 2008, most recently serving as Vice President, Global Human Resources from 2007 to 2008. Mr. Paxton began his career with British Petroleum in 1995.

Item 11. Executive Compensation

Information required in response to this item is incorporated by reference into this Annual Report on Form 10-K from the 2022 Proxy Statement. Such information will be included in the 2022 Proxy Statement under the captions "Director Compensation", "Compensation Committee Report," "Executive Compensation" and "Corporate Governance; Board and Committee Matters—Compensation Interlocks and Insider Participation."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required in response to this item is incorporated by reference into this Annual Report on Form 10-K from the 2022 Proxy Statement. Such information will be included in the 2022 Proxy Statement under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Securities Authorized for Issuance Under Equity Compensation Plans".

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required in response to this item is incorporated by reference into this Annual Report on Form 10-K from the 2022 Proxy Statement. Such information will be included under the captions "Corporate Governance; Board and Committee Matters—Board Structure and Director Independence", "Corporate Governance; Board and Committee Matters—Board Committees; Membership" and "Certain Relationships and Related Party Transactions".

Item 14. Principal Accountant Fees and Services

Information required in response to this item is incorporated by reference into this Annual Report on Form 10-K from the 2022 Proxy Statement. Such information will be included under the caption "Appointment of Independent Registered Public Accounting Firm".

PART IV

Item 15. Exhibit and Financial Statement Schedules

			Page No.
(a)	The following documents are filed as part of this Form 10-K:		
	1.	Consolidated Financial Statements:	
		Report of Independent Registered Public Accounting Firm	47
		Consolidated Statements of Income and Comprehensive Income	49
		Consolidated Balance Sheets	50
		Consolidated Statements of Changes in Equity	51
		Consolidated Statements of Cash Flows	52
		Notes to the Consolidated Financial Statements	53
	2.	Financial Statement Schedules	
		All schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule or the required information is otherwise included.	
	3.	See "Index to Exhibits" below.	
(b)	The exhibits listed on the "Index to Exhibits" below are filed or furnished with this Form 10-K or incorporated by reference as set forth below.		
(c)	Additional Financial Statement Schedules		
	None.		

INDEX TO EXHIBITS

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit No.	Description
3.1	Amended and Restated Articles of Masonite International Corporation (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K (File No. 001-11796) filed with the Securities and Exchange Commission on February 26, 2015)
4.1	Indenture, dated as of July 26, 2021, by and among the Company, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 3.50% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-11796) filed with the Securities and Exchange Commission on July 27, 2021)
4.2	Form of 3.50% Senior Notes due 2030 (included in Exhibit 4.1)
4.3	Indenture, dated as of July 25, 2019, by and among the Company, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 5.375% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-11796) filed with the Securities and Exchange Commission on July 25, 2019)
4.4	Form of 5.375% Senior Notes due 2028 (included in Exhibit 4.3)
4.5	Transfer Agency and Registrar Services, dated July 1, 2013, between Masonite International Corporation and American Stock Transfer & Trust Company, LLC of New York (incorporated by reference to Exhibit 4.3(e) to the Company's Annual Report on Form 10-K (File No. 001-11796) filed with the Securities and Exchange Commission on February 27, 2014)
4.6	Form of Second Amended and Restated Shareholders Agreement (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-11796) filed with the Securities and Exchange Commission on May 15, 2014)
4.7	Description of Securities (incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K (File No. 011-11796) filed with the Securities and Exchange Commission on February 20, 2020)
10.1 #	Masonite International Corporation 2014 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-11796) filed with the Securities and Exchange Commission on May 15, 2014)

Exhibit No.	Description
10.2 #	Masonite International Corporation Deferred Compensation Plan, effective as of August 13, 2012 (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form 10 (File No. 001-11796) filed with the Securities and Exchange Commission on August 19, 2013)
10.3(a) #	Masonite International Corporation 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on May 18, 2021)
10.3(b) #	Form of Restricted Stock Unit Agreement pursuant to the Masonite International Corporation 2021 Omnibus Incentive Plan for United States Employees (May 2021) (incorporated by reference to Exhibit 10.2(a) to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on May 18, 2021)
10.3(c) #	Form of Performance Restricted Stock Unit Agreement pursuant to the Masonite International Corporation 2021 Omnibus Incentive Plan for United States Employees (May 2021) (incorporated by reference to Exhibit 10.2(b) to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on May 18, 2021)
10.3(d) #	Form of Stock Appreciation Rights Agreement pursuant to the Masonite International Corporation 2021 Omnibus Incentive Plan for United States Employees (May 2021) (incorporated by reference to Exhibit 10.2(c) to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on May 18, 2021)
10.3(e) #	Form of Restricted Stock Unit Agreement pursuant to the Masonite International Corporation 2021 Omnibus Incentive Plan for United States Directors (May 2021) (incorporated by reference to Exhibit 10.2(d) to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on May 18, 2021)
10.3(f) #	Masonite International Corporation Amended and Restated 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on May 18, 2015)
10.3(g) #	Form of Stock Appreciation Rights Agreement pursuant to the Masonite International Corporation 2012 Equity Incentive Plan for United States Employees (incorporated by reference to Exhibit 10.3(d) to the Company's Registration Statement on Form 10 (File No. 001-11796) filed with the Securities and Exchange Commission on August 19, 2013)
10.3(h) #	Form of Restricted Stock Unit Agreement pursuant to the Masonite International Corporation Amended and Restated 2012 Equity Incentive Plan for United States Directors (2015) (incorporated by reference to Exhibit 10.3(m) to the Company's Annual Report on Form 10-K (File No. 001-11796) filed with the Securities and Exchange Commission on March 2, 2016)
10.3(i) #	Form of Stock Appreciation Rights Agreement pursuant to the Masonite International Corporation Amended and Restated 2012 Equity Incentive Plan for United States Employees (February 2016) (incorporated by reference to Exhibit 10.3(q) to the Company's Annual Report on Form 10-K (File No. 001-11796) filed with the Securities and Exchange Commission on March 2, 2016)
10.3(j) #	Amendment No. 1 to Masonite International Corporation Amended and Restated 2012 Equity Incentive Plan dated February 7, 2017 (incorporated by reference to Exhibit 10.3(s) to the Company's Annual Report on Form 10-K (File No. 001-11796) filed with the Securities and Exchange Commission on March 1, 2017)
10.3(k) #	Form of Performance Restricted Stock Unit Agreement pursuant to the Masonite International Corporation Amended and Restated 2012 Equity Incentive Plan for United States Employees (February 2017) (incorporated by reference to Exhibit 10.3(t) to the Company's Annual Report on Form 10-K (File No. 001-11796) filed with the Securities and Exchange Commission on March 1, 2017)
10.3(l) #	Form of Stock Appreciation Rights Agreement pursuant to the Masonite International Corporation Amended and Restated 2012 Equity Incentive Plan for United States Employees (February 2017) (incorporated by reference to Exhibit 10.3(u) to the Company's Annual Report on Form 10-K (File No. 001-11796) filed with the Securities and Exchange Commission on March 1, 2017)
10.3(m) #	Form of Restricted Stock Unit Agreement pursuant to the Masonite International Corporation Amended and Restated 2012 Equity Incentive Plan for United States Employees (February 2017) (incorporated by reference to Exhibit 10.3(v) to the Company's Annual Report on Form 10-K (File No. 001-11796) filed with the Securities and Exchange Commission on March 1, 2017)
10.3(n) #	Form of Stock Appreciation Rights Agreement pursuant to the Masonite International Corporation Amended and Restated 2012 Equity Incentive Plan for United States Employees (February 2019) (incorporated by reference to Exhibit 10.3(v) to the Company's Annual Report on Form 10-K (File No. 001-11796) filed with the Securities and Exchange Commission on February 26, 2019)

Exhibit No.	Description
10.3(o) #	Form of Restricted Stock Unit Agreement pursuant to the Masonite International Corporation Amended and Restated 2012 Equity Incentive Plan for United States Employees (February 2019) (incorporated by reference to Exhibit 10.3(w) to the Company's Annual Report on Form 10-K (File No. 001-11796) filed with the Securities and Exchange Commission on February 26, 2019)
10.3(p) #	Form of Performance Restricted Stock Unit Agreement pursuant to the Masonite International Corporation Amended and Restated 2012 Equity Incentive Plan for United States Employees (February 2019) (incorporated by reference to Exhibit 10.3(x) to the Company's Annual Report on Form 10-K (File No. 001-11796) filed with the Securities and Exchange Commission on February 26, 2019)
10.3(q) #	Restricted Stock Unit Agreement pursuant to the Masonite International Corporation Amended and Restated 2012 Equity Incentive Plan, dated as of May 24, 2019, by and between Masonite International Corporation and James A. Hair (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K (File No. 001-11796) filed with the Securities and Exchange Commission on May 24, 2019)
10.4(a) #	Amended and Restated Employment Agreement, dated as of December 31, 2021, by and between Masonite International Corporation and Howard C. Heckes (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on January 4, 2022)
10.4(b) #	Amended and Restated Employment Agreement, dated as of December 31, 2021, by and between Masonite International Corporation and Russell T. Tiejema (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on January 4, 2022)
10.4(c) #	Amended and Restated Employment Agreement, dated as of December 31, 2021, by and between Masonite International Corporation and Robert E. Lewis (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on January 4, 2022)
10.4(d) #	Amended and Restated Employment Agreement, dated as of December 31, 2021, by and between Masonite International Corporation and Randal A. White (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on January 4, 2022)
10.4(e)* #	Amended and Restated Employment Agreement, dated as of December 31, 2021, by and between Masonite International Corporation and Robert A. Paxton
10.5 #	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form 10 (File No. 001-11796) filed with the Securities and Exchange Commission on August 19, 2013)
10.6(a)	Second Amended and Restated Credit Agreement, dated as of January 31, 2019, among Masonite International Corporation, as Canadian borrower and parent borrower, Masonite Corporation and the other U.S. borrowers from time to time party thereto, as U.S. borrowers, Premdor Crosby Limited and the other U.K. borrowers from time to time party thereto, as U.K. Borrowers, the lenders from time to time party thereto, Wells Fargo Bank, National Association, as administrative agent and letter of credit issuer, Bank of America, N.A., as a syndication agent, and Royal Bank of Canada, HSBC Bank USA, National Association, JPMorgan Chase Bank, N.A., PNC Bank, National Association, Regions Bank and TD Bank, N.A., as co-documentation agents, Wells Fargo Bank, National Association, Bank of America, N.A., Royal Bank of Canada, and HSBC Bank USA, National Association, as joint lead arrangers and joint lead bookrunners (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on February 6, 2019)
10.6(b)	Amended and Restated U.S. Security Agreement, dated as of January 31, 2019, among Masonite Corporation, the other U.S. Borrowers from time to time party thereto and Wells, the U.S. Guarantors from time to time party thereto, and Wells Fargo Bank, National Association, as Collateral Agent (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on February 6, 2019)
10.6(c)	Amended and Restated Canadian Security Agreement, dated as of January 31, 2019, among Masonite International Corporation, as Canadian Borrower and the Canadian Subsidiary Guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Collateral Agent (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on February 6, 2019)

Exhibit No.	Description
10.6(d)	Amended and Restated U.S. Guaranty, dated as of January 31, 2019, among Masonite Corporation, the other U.S. Borrowers from time to time party thereto, the U.S. Subsidiary Guarantors from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on February 6, 2019)
10.6(e)	Amended and Restated Canadian Guarantee, dated as of January 31, 2019, among Masonite International Corporation and the Canadian Subsidiary Guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on February 6, 2019)
10.6(f)	Guarantee and Debenture, dated as of January 31, 2019, among Premdor Crosby Limited (and others as Chargors) and Wells Fargo Bank, National Association (as Agent) (incorporated by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on February 6, 2019)
21.1*	Subsidiaries of the Registrant
23.1*	Consent of Ernst & Young LLP, an Independent Registered Public Accounting Firm
31.1*	Certification of Periodic Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Periodic Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language ("Inline XBRL"): (i) the Registrant's Consolidated Statements of Income and Comprehensive Income for the years ended January 2, 2022, January 3, 2021, and December 29, 2019; (ii) the Registrant's Consolidated Balance Sheets as of January 2, 2022, and January 3, 2021; (iii) the Registrant's Consolidated Statements of Changes in Equity for the years ended January 2, 2022, January 3, 2021, and December 29, 2019; (iv) the Registrant's Consolidated Statements of Cash Flows for the years ended January 2, 2022, and January 3, 2021; and (v) the notes to the Registrant's Consolidated Financial Statements
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

\# Denotes management contract or compensatory plan.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MASONITE INTERNATIONAL CORPORATION
(Registrant)

Date: February 24, 2022

By /s/ Russell T. Tiejema
Russell T. Tiejema
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Howard C. Heckes **Howard C. Heckes**	President and Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2022
/s/ Russell T. Tiejema **Russell T. Tiejema**	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 24, 2022
/s/ Robert J. Byrne **Robert J. Byrne**	Director and Chairman of the Board	February 24, 2022
/s/ Jody L. Bilney **Jody L. Bilney**	Director	February 24, 2022
/s/ John H. Chuang **John H. Chuang**	Director	February 24, 2022
/s/ Peter R. Dachowski **Peter R. Dachowski**	Director	February 24, 2022
/s/ Jonathan F. Foster **Jonathan F. Foster**	Director	February 24, 2022
/s/ Daphne E. Jones **Daphne E. Jones**	Director	February 24, 2022
/s/ William S. Oesterle **William S. Osterle**	Director	February 24, 2022
/s/ Barry A. Ruffalo **Barry A. Ruffalo**	Director	February 24, 2022
/s/ Francis M. Scricco **Francis M. Scricco**	Director	February 24, 2022
/s/ Jay I. Steinfeld **Jay I. Steinfeld**	Director	February 24, 2022

Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP measure. Please see Note 17 to our consolidated financial statements beginning on page 80 of Form 10-K in this annual report for the definition of Adjusted EBITDA and a reconciliation of net income attributable to Masonite. A quantitative reconciliation of Adjusted EBITDA to the corresponding GAAP information is not provided for the 2025 outlook because it is difficult to predict the GAAP measures that are excluded from Adjusted EBITDA such as restructuring costs, asset impairments, share based compensation expense and gains/losses on sales of subsidiaries and plant, property and equipment.

Adjusted EBITDA margin is defined as Adjusted EBITDA divided by Net Sales. Management believes this measure provides supplemental information on how successfully we operate our business.

Adjusted EPS is diluted earnings (loss) per common share attributable to Masonite (EPS) less restructuring costs, asset impairment charges, loss (gain) on disposal of subsidiaries, loss on extinguishment of debt and other items, if any, that do not relate to Masonite's underlying business performance (each net of related tax expense (benefit)). Management uses this measure to evaluate the overall performance of the Company and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

Return on Invested Capital (ROIC) is defined as net operating profit after tax divided by average invested capital. Management believes ROIC provides investors with an important perspective on how effectively Masonite deploys capital.

Masonite International Corporation
Reconciliation of Non-GAAP Financial Measures
To GAAP Financial Measures
(In thousands of U.S. dollars, except share and per share amounts)

	Year Ended		
(In thousands)	**January 2, 2022**	**January 3, 2021**	**December 29, 2019**
Net income (loss) attributable to Masonite	$ 94,501	$ 69,037	$ 44,602
Add: Adjustments to net income (loss) attributable to Masonite:			
Restructuring costs	5,567	8,236	9,776
Asset impairment	69,900	51,515	13,767
Loss on disposal of subsidiaries	8,590	2,091	14,260
Loss on disposal of property, plant and equipment related to divestitures	—	—	2,450
Loss on extinguishment of debt	13,583	—	14,523
Pension settlement charges	23,343	—	5,651
Income tax expense as a result of UK tax rate change	2,430	—	—
Other items [(1)]	—	40,550	—
Income tax impact of adjustments	(17,391)	(18,029)	(11,772)
Adjusted net income attributable to Masonite	$ 200,523	$ 153,400	$ 93,257
Diluted earnings per common share attributable to Masonite ("EPS")	$ 3.85	$ 2.77	$ 1.75
Diluted adjusted earnings per common share attributable to Masonite ("Adjusted EPS")	$ 8.16	$ 6.15	$ 3.66
Shares used in computing EPS and Adjusted EPS	24,562,533	24,943,178	25,452,722

(1) Other items not part of our underlying business performance include $40,550 in legal reserves related to the settlement of U.S. class action litigation in the twelve months ended January 3, 2021, and were recorded in selling, general and administration expenses within the consolidated statements of income and comprehensive income.

(In thousands)	Year Ended January 2, 2022	January 3, 2021	December 29, 2019
Operating income	$ 219,292	$ 143,890	$ 129,313
Restructuring costs	5,567	8,236	9,776
Loss on disposal of subsidiaries	8,590	2,091	14,260
Adjusted operating income	233,449	154,217	153,349
Less: Income tax at 25% tax rate	58,362	38,554	38,337
Net operating profit after tax	$ 175,087	$ 115,663	$ 115,012

	January 2, 2022	January 3, 2021	December 29, 2019	December 30, 2018
Total assets	$ 2,246,618	$ 2,137,760	$ 1,936,584	$ 1,778,465
Less: Cash and cash equivalents	381,395	364,674	166,964	115,656
Add: Normalized cash[(1)]	103,877	90,283	87,067	86,804
Normalized total assets	$ 1,969,100	$ 1,863,369	$ 1,856,687	$ 1,749,613
Total liabilities	$ 1,546,840	$ 1,442,643	$ 1,299,722	$ 1,156,160
Less: Long-term debt	865,721	792,242	790,984	796,398
Total non-debt liabilities	$ 681,119	$ 650,401	$ 508,738	$ 359,762
Average normalized total assets	$ 1,916,235	$ 1,860,028	$ 1,803,150	
Less: Average total non-debt liabilities	665,760	579,570	434,250	
Average invested capital	$ 1,250,475	$ 1,280,458	$ 1,368,900	

	January 2, 2022	January 3, 2021	December 29, 2019
Net operating profit after tax	$ 175,087	$ 115,663	$ 115,012
Average invested capital	$ 1,250,475	$ 1,280,458	$ 1,368,900
Return on invested capital	14.0%	9.0%	8.4%

(1) Assumes a normalized cash level equal to 4% of annual net sales to avoid distortions from short-term fluctuations related to items such as debt issuance or liquidity management actions

Forward-looking Statements

This annual report, including the letter to shareholders contained herein, includes "forward-looking statements" within the meaning of the federal securities laws, all of which are subject to risks and uncertainties. One can identify these forward-looking statements by their use of words such 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, downward trends in our end markets and in economic conditions; reduced levels of residential new construction; residential repair, renovation and remodeling; and non-residential building construction activity due to increases in mortgage rates, changes in mortgage interest deductions and related tax changes and reduced availability of financing; competition; the continued success of, and our ability to maintain relationships with, certain key customers in light of customer concentration and consolidation; our ability to accurately anticipate demand for our products; impacts on our business including seasonality, weather and climate change; scale and scope of the ongoing coronavirus ("COVID-19") pandemic and its impact on our operations, customer demand and supply chain; increases in prices and raw materials and fuel; tariffs and evolving trade policy and friction between the United States and other countries, including China, and the impact of anti-dumping and duties; increases in labor costs, the availability of labor, or labor relations (i.e., disruptions, strikes or work stoppages); our ability to manage our operations including potential disruptions, manufacturing realignments (including related restructuring charges) and customer credit risk; product liability claims and product recalls; our ability to generate sufficient cash flows to fund our capital expenditure requirements, to meet our pension obligations, and to meet our debt service obligations, including our obligations under our senior notes and our asset-based revolving credit facility ("ABL Facility"); limitations on operating our business as a result of covenant restrictions under our existing and future indebtedness, including our senior notes and our ABL Facility; fluctuating foreign exchange and interest rates; our ability to replace our expiring patents and to innovate, keep pace with technological developments and successfully integrate acquisitions; the continuous operation of our information technology and enterprise resource planning systems and management of potential cyber security threats and attacks; political, economic and other risks that arise from operating a multinational business; uncertainty relating to the United Kingdom's exit from the European Union; retention of key management personnel; and environmental and other government regulations, including the United States Foreign Corrupt Practices Act ("FCPA"), and any changes in such regulations; and other factors publicly disclosed by the Company from time to time (including those discussed in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q (available through the Investors section of our website at www.masonite.com) under the sections entitled "Risk Factors." We caution you that the foregoing list of important factors is not all-inclusive. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Annual Report may not in fact occur. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

CORPORATE INFORMATION

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2771 Rutherford Road
Concord, Ontario L4K 2N6 Canada

Website
www.masonite.com

Legal Counsel
Cassels Brock Lawyers
Simpson Thatcher & Bartlett LLP

Independent Auditors
Ernst & Young

Transfer Agent
American Stock Transfer and Trust Company, LLC
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Brooklyn, NY 11219
Toll Free# (800) 937-5449
Foreign Holders: (718) 921-8124
www.amstock.com

Investor Contact
Richard Leland
Vice President Finance & Treasurer

Marcus Devlin
Director of Investor Relations

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Telephone: (813) 877-2726
Email: investorrelations@masonite.com

Stock Symbol
NYSE: DOOR

Quarterly Earnings, News Summaries, Copies of News Releases and Corporate Publications
Investor.masonite.com

KEY BRANDS

MASONITE.

HARRING®
by Masonite Architectural

BAILLARGEON®
by Masonite Architectural

MARSHFIELD-ALGOMA™
by Masonite Architectural

Graham-Maiman

PREMDOR®

BOARD OF DIRECTORS

Robert J. Byrne
Chairman of the Board,
Executive Chairman of Source2, Inc.
Former Founder and President of Power Pro Tech Services, Inc.

Jody L. Bilney
Retired Chief Consumer Officer of Humana, Inc.

John H. Chuang
Co-Founder, Chairman and CEO of Aquent, LLC

Peter R. Dachowski*
Retired Chairman and Chief Executive Officer of CertainTeed Corporation

Jonathan F. Foster
Founder and Managing Director of Current Capital Partners LLC

Howard C. Heckes
President and Chief Executive Officer of Masonite International Corporation

Daphne E. Jones
Retired Senior Vice President – Digital/ Future of Work of GE Healthcare

William S. Oesterle
Founder and Executive Chairman of tMap, L.L.C.

Barry A. Ruffalo*
President & CEO of Astec Industries, Inc.

Francis M. Scricco
Retired Senior Vice President, Manufacturing, Logistics and Procurement of Avaya, Inc.
Former President and Chief Executive Officer of Arrow Electronics

Jay I. Steinfeld
Founder and Former CEO of Global Custom Commerce (Blinds.com)

**Not pictured*

OFFICERS

Howard C. Heckes
President and Chief Executive Officer

Russell T. Tiejema
Executive Vice President, Chief Financial Officer

Christopher O. Ball
President – Global Residential

Robert E. Lewis
Senior Vice President, General Counsel and Corporate Secretary

Robert A. Paxton
Senior Vice President, Human Resources

Clare R. Doyle
Senior Vice President, Chief Sustainability Officer

Cory J. Sorice
Senior Vice President, Chief Innovation Officer

Alex A. Legall
Senior Vice President, Business Leader – Architectural

Randal A. White
Senior Vice President, Global Operations and Supply Chain

Daniel J. Shirk
Senior Vice President, Chief Information Officer

Jennifer Renaud
Senior Vice President, Chief Marketing Officer

Victoria L. Philemon
Senior Vice President, Managing Director Europe Business Segment

MASONITE®

DOORS THAT DO MORE™

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