MASONITE INTERNATIONAL CORP

FORM 10-K
(Annual Report)

Filed 02/28/23 for the Period Ending 01/01/23

Address	1242 EAST 5TH AVENUE TAMPA, FL, 33605
Telephone	813-877-2726
CIK	0000893691
Symbol	DOOR
SIC Code	2430 - Millwood, Veneer, Plywood, and Structural Wood Members
Industry	Construction Supplies & Fixtures
Sector	Consumer Cyclicals
Fiscal Year	12/31

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 1, 2023

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. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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 3, 2022, 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 3, 2022, was $1.7 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 22,179,074 shares of Common Stock, no par value, as of February 24, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement for its 2023 Annual General Meeting of Shareholders scheduled to be held on May 11, 2023, to be filed with the Securities and Exchange Commission not later than 120 days after January 1, 2023, 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 1, 2023

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 from weather and climate change;
- our ability to successfully consummate and integrate acquisitions;
- changes 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 and to meet our debt service obligations, including our obligations under our senior notes, our term loan credit agreement (the "Term Loan Facility") and our asset-based revolving credit facility (the "ABL Facility");
- limitations on operating our business as a result of covenant restrictions under our existing and future indebtedness, including our senior notes, the Term Loan Facility and the ABL Facility;
- fluctuating foreign exchange and interest rates;
- the continuous operation of our information technology and enterprise resource planning systems and management of potential cyber security threats and attacks and data privacy requirements;
- political, economic and other risks that arise from operating a multinational business;
- retention of key management personnel;
- environmental and other government regulations, including the United States Foreign Corrupt Practices Act ("FCPA"), and any changes in such regulations;
- the scale and scope of public health issues and their impact on our operations, customer demand and supply chain; and
- our ability to replace our expiring patents and to innovate and keep pace with technological developments.

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. Because this report relates to a period ending prior to the consummation of our acquisition of the holding company, EPI Holdings, Inc., of Endura Products ("Endura"), except as expressly noted, this report, including the discussion of our business below, does not give effect to the Endura acquisition.

Item 1. Business

Overview

We are a leading global designer, manufacturer, marketer and distributor of interior and exterior doors and door systems 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. Today, we believe we hold either the number one or two market position 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 door core. We operate 59 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 committed to delivering growth for our customers, partners, shareholders and employees through our Doors That Do More™ strategy, which has three pillars: (1) Drive Product Leadership, (2) Win the Sale and (3) Deliver Reliable Supply. Drive Product Leadership emphasizes offering innovative door solutions that address human needs for comfort, safety, convenience and style. Win the Sale focuses on making Masonite the brand that customers never substitute by providing a better door-buying experience. Deliver Reliable Supply is our commitment to consistently deliver high-quality products and services for our customers and partners.

In addition, we have implemented a disciplined acquisition strategy that solidified our presence in the markets we serve. In 2022, we announced our intent to acquire Endura Products, a leading innovator and manufacturer of high-performance door frames and door system components. Endura has a long history of product innovation and holds more than 100 patents on its door system components. This acquisition accelerates ours Doors That Do More™ strategy by unlocking the value of fully integrated door solutions.

Segment Overview

The Company has an integrated business model with three reportable segments: North American Residential, Europe and Architectural.

North American Residential

Our North American Residential segment is our largest segment, focused on providing high-quality interior doors from wood and recycled wood fibers and energy-efficient, durable exterior doors in a wide array of designs, materials and sizes. As of the end of 2022, the residential repair, renovation and remodeling end market accounted for over half of the net sales for the segment.

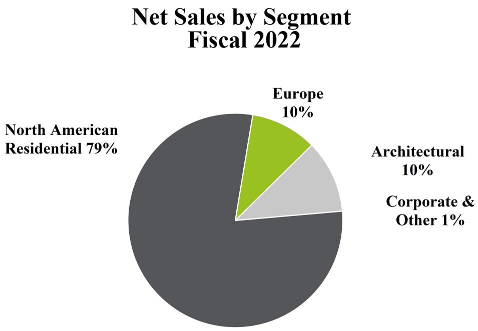
Europe

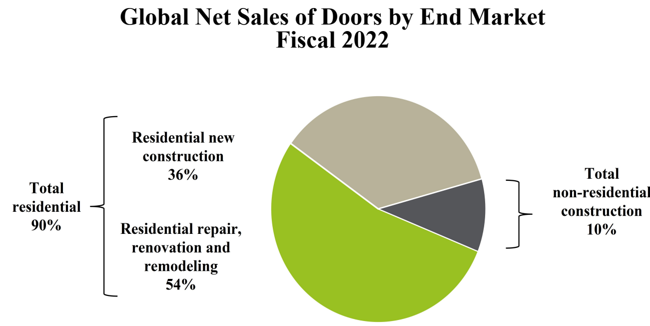
Our Europe segment is a leading provider of interior doors from recycled wood fibers and energy-efficient, durable exterior doors to the United Kingdom market. We also sell door skins (facings) into Western Europe from our manufacturing facility in Ireland. Our European segment has a balanced portfolio of consumers across our exterior and interior residential business.

Architectural

Our Architectural segment provides highly specified products that are designed, constructed and tested in accordance with regulatory compliance and environmental certifications such as Forest Stewardship Council and LEED certifications. For example, 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 and attack-resistant options and include lifetime warranties.

In the fiscal year ended January 1, 2023, we sold approximately 31 million doors to approximately 6,500 customers globally. Our fiscal year 2022 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 in this Annual Report for additional information about our segments.

Our Products

We aim to be the brand that customers request for the innovation and value we create. Our door solutions address the dynamic nature of compliance, technical specifications and developing market needs.

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 focus on consumer driven innovation led us to think broadly about the entire door system and the value it can bring when integrated. This approach combined with Masonite's business relationships in the industry led to the development of award winning products such as the M-Pwr™ Smart Doors and the Masonite Performance Door System. Masonite's M-Pwr™ Smart Doors are the first residential exterior doors to integrate power, lights, a video doorbell and smart lock into the door system. They employ patent-pending, Underwriters Laboratories ("UL") certified technology to connect residential front doors to a home's electrical system and wireless internet network. The Masonite Performance Door System features the company's industry-leading 4-Point Performance Seal, which includes Premium Square Edge Fiberglass Doors, Endura Products' Z-Articulating Cap Sill™, PE650 Weatherstripping, Simple Solution® Corner Pads and FrameSaver® rot-proof door frame.

Residential Doors

Interior Doors

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 Classic 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. 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.

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.

Exterior Doors

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 pre-hung 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.

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 pre-finished 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.

Stile and rail doors are made from wood or MDF with individual 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 offer a number of glass designs for use in this purpose. 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, stile and rail doors are used as entry doors often including decorative glass inserts.

Architectural Doors

Architectural doors are typically highly specified products designed, constructed and tested to ensure that regulatory compliance such as fire codes and environmental certifications such as Forest Stewardship Council are met. These doors are sold into institutional (schools, healthcare and government) and commercial (hotels, offices and retail) end markets. These end markets require doors that provide fire safety, security, acoustic comfort and sustainability. Our architectural portfolio is represented by two series, Aspiro™ and Cendura™ which are comprised of stile and rail, flush wood veneer, painted and laminate doors. The Aspiro™ series offers premium and custom aesthetic options along with high performance options in acoustic, fire-rated, lead-lined, attack- and bullet-resistance and sustainability. The Cendura™ series provides a balance of performance and value and is available with our standard aesthetic options with acoustic and fire-rated options. Our portfolio allows us to provide a wide range of solutions to cover the varied needs of commercial and institutional end markets.

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 mat of wood fibers, which is then pressed between steel die 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 or longer, the door core typically consists of an inert mineral core or similar compounds.

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. 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 Masonite's Doors That Do More™ strategy, we have invested in innovation activities with a significant focus on the development of new, differentiated products such as our M-Pwr™ Smart Doors, 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 fire-resistant products.

As an integrated manufacturer focused on the door industry, we have technical depth and expertise from material science to components and full door system testing and development that parallels our vertical integration. These capabilities have been instrumental in our ability to thoroughly qualify alternative materials and components to address supply challenges over the past few years. We leverage our deep knowledge and experience in door construction and assembly as well as our ability to manufacture dies for use in our facilities. We believe this provides us with a unique ability to offer a combination of high value door solutions to meet the needs of a variety of end users and customers. This capability also enables us to develop and implement product and production process improvements which increase average unit price, enhance production efficiency and/or reduce costs.

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 2022, our materials cost accounted for approximately 53% 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.

Manufacturing Process

Our manufacturing process is designed to deliver reliable supply of high-quality products and outstanding service. Over the past several years, we have invested in advanced manufacturing technologies to increase quality and shorten lead times. Launched in 2015, we leverage the Mvantage operating system within our manufacturing processes to systemically focus on the elimination of waste and non-value-added activities throughout the organization. In 2022, we continued to progress our deployment of Mvantage throughout the entire enterprise to drive improvements in manufacturing efficiency. Our newest European plant, Stoke-on-Trent, has been optimized to improve material flow and to reduce the need for forklift trucks to enhance safety and reduce emissions and utilizes advanced manufacturing automation to improve production and efficiency, product quality and the work experience for our employees. Our newest North American interior door facility in Fort Mill, South Carolina, was designed to incorporate all of our best Mvantage practices as well as incorporate the latest manufacturing technology to optimize the door manufacturing process.

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.

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 addition, fiberglass doors are predominantly manufactured in our highly automated facility in Dickson, Tennessee, which has led to improved reliability and quality of these products.

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.

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. To support our Doors That Do More™ strategy, we continue to leverage Mvantage as our operational performance driver and have expanded the use of our Mvantage operating system throughout the enterprise and are focused on driving improvement throughout the value stream. Our focus on training has expanded to not only include our traditional kaizen facilitator training but also training that focuses on making improvements in our business process areas. We have launched Six Sigma training and are now certifying Masonite trained Green and Black Belts. At Masonite, kaizen is ingrained into our continuous improvement culture. Through this structured approach, we are driving improvements in quality and productivity while remaining focused on reliable service to our customers.

Sales and Marketing

We focus on making Masonite the brand that customers never substitute. Our curated product portfolio aligns with our customers' needs and positions us for future growth.

Multi-Level/Segment Distribution Strategy

Our sales and marketing efforts are concentrated on key initiatives designed to build a strong brand preference through creative end-user and channel marketing and a seamless purchasing experience. The targeted approach is driven by our consumer-centric research which uncovered unmet needs around the home for style, comfort, safety, and convenience.

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 portfolio of brands includes Masonite®, Premdor®, Solidor®, Residor®, Nicedor®, Door-Stop International™, Harring Doors™, National Hickman™, Masonite Architectural™, Graham-Maiman™, Baillargeon™, USA Wood Door™, Florida Made Door, Louisiana Millwork, and BWI℠ Distribution. These are among the most recognized brands in the door industry and are respected for the innovation, quality and value they provide.

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. Regardless of channel, our marketing approach is to drive demand for our doors and door systems for the solutions they provide for the people who pass through them every day.

Our proprietary web-based tools provide our channel customers with direct access to a wide range of information and materials to make it easier for them to sell our products. Within our North American Residential business, these tools include Mconnect®, an online service portal providing 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 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.

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, our cloud-based door configurator, DoorBuilder™ Live, enables customers to select and order the right door easily and intuitively. Additionally, our DoorUniversity training program helps architects select solutions to meet their project and client goals while earning American Institute of Architect continuing education units.

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®, Livingston®, AquaSeal®, Cheyenne®, Riverside®, Fast-Fit®, Megantic®, 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 297 design patents and design patent applications and 126 utility patents and patent applications. We currently have 201 foreign design patents and patent applications and 187 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.

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.

Customers

During fiscal year 2022, we sold our products worldwide to approximately 6,500 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 22% of our total net sales in fiscal year 2022. 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.

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 significant portion of our net sales are sold to 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. 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

Our Company culture is based upon a strong set of values. Our Cultural Pillars define how we act and interact, both as individuals and as an organization. They reflect the environment we create where people are empowered, collaborative and focused on doing the right thing for our customers, teammates, shareholders, suppliers and communities in which we work.

Our workforce includes over 10,000 employees and contract personnel located in nine different countries. This includes approximately 2,600 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^{SM}, 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 operate 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. In 2022, our diversity strategy was further enhanced with the establishment of employee affinity groups that provide a place of belonging, support and allyship for employees. At Masonite, 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. During fiscal year 2022, our voluntary employee turnover rate for employees in the United States, Canada and the United Kingdom was approximately 21%, a reduction of approximately 300 bps from 2021. These locations collectively make up 83% of our global workforce. We also track 12-month retention rates, which have improved over time. At the end of 2022, our combined hourly employee retention rate in the United States, Canada and the United Kingdom was over 85% across all locations.

We use a variety of methods to listen to our employees and capture their feedback. These methods include all-employee calls, focus groups, employee and manager forums, town hall meetings and an annual company-wide employee engagement survey. Our annual employee engagement survey is conducted by an external analytics and advisory firm. In 2022, the employee response rate increased by 5% to our highest-ever rate of 90% with six facilities having a 100% response rate. Since we initially administered the survey in 2017, our mean results have increased each year, reaching 3.75 out of 5.00 in 2022.

In support of our Company's purpose, in 2021 we launched a quarterly grant program to provide funding to assist individuals, organizations and causes in the communities where we live and work. Our We Help People Walk Through Walls Community Grant Program provides funding for the organizations our employees care about most in their local communities. To date, the program has awarded over $180,000 in community grants to 50 different causes.

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 2022 our total incident rate, or the annual number of injuries per 100 full time equivalent employees, increased nominally. While our total incident rate remains well below the industry average, our ambition is to advance workplace safety by striving toward our ultimate goal of zero harm operations or Target Zero.

Environmental and Other Regulatory Matters

Under our sustainability approach, we plan to set a carbon reduction target aligned to the latest climate science by the end of fiscal year 2024 and responsibly source 100% of our wood by 2030. In 2022 we continued to develop a comprehensive carbon reduction strategy to reduce our Scope 1 and 2 greenhouse gas emissions. This strategy is centered on reducing our reliance on fossil fuels, increasing our renewable energy supply and improving overall operational efficiencies. We released a Global Wood Sourcing Policy that reinforces our commitment to sourcing products and materials responsibly, and outlines expectations of our responsibly sourced wood goal.

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. Reducing waste and conserving resources is core to our business. We continually look for opportunities to divert our manufacturing waste from landfills by recycling material back into the process or for beneficial use as a byproduct. We evaluate our entire manufacturing process, from supply sourcing to shipping, to identify ways to conserve natural resources and reduce solid waste, wastewater and air emissions.

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.

The Mvantage lean operating system is rooted in the lean principle of waste elimination and teaches employees throughout Masonite the skills to help identify and eliminate sources of waste including defects, over-processing and transportation. By identifying and eliminating waste, we are creating a safer, more efficient and productive operation.

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. Environmental laws have changed rapidly in recent years, and we may be subject to more stringent environmental laws in the future. It is possible our operations may result in noncompliance with, or liability for remediation pursuant to, environmental laws. Should such eventualities occur, we would record liabilities for remediation costs when remediation costs are probable and can be reasonably estimated. See Item 1A. Risk Factors: "*Environmental requirements and other government regulation may impose significant environmental and legal compliance costs and liabilities on us."*

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.

After a series of transformational corporate activity, on March 16, 2009, Masonite International Corporation and several affiliated companies, voluntarily filed to reorganize. 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.

Economic and Market Risks

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 global economic conditions, including inflation, deflation, interest rate fluctuations, foreign exchange rate fluctuation, availability and cost of capital, supply chain constraints, 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, energy 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, for example, the housing market has occasionally experienced significant volatility. For example, the current and continued macro-economic conditions of high inflation and rising interest rates, especially the steep increases in mortgage rates during 2022, is one of the primary drivers behind the overall decrease in demand for new single family homes. Market conditions and/or government actions could cause mortgage rates to increase even further in the future. The current housing market is volatile with rising interest rates resulting in more expensive mortgages, 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 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.

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.

Demand for new homes and home improvement products may be adversely affected by increases in mortgage rates and the reduced access to consumer financing. If mortgage rates continue to 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. Interest rates have recently experienced significant volatility; for example, in response to increasing inflation, the U.S. Federal Reserve began to raise interest rates in March 2022 for the first time in over three years, ultimately increasing interest rates by over 4%, and has signaled it expects to make additional rate increases. A worsening in credit markets could adversely impact our net sales and net income.

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 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, our 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 or demand lower prices.

Our customers consist mainly of wholesalers, retail home centers and contractors. Our top ten customers together accounted for approximately 50% of our net sales in fiscal year 2022, while our largest customer, The Home Depot, accounted for approximately 22% of our net sales in fiscal year 2022. 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. Alternatively, our customers could expect that we lower the prices of our products should the cost of raw materials decrease; our failure to do so could cause such customers to seek similar products from our competitors. 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, it could impact our margin growth and profitability as larger customers may realize certain operational and other benefits of scale. 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 subject to climate change and related extreme weather events that may affect our net sales, cash flows from operations and results of operations.

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 may affect our corporate headquarters, our manufacturing plants or plants owned by one of our customers or suppliers. An increase in average global temperatures could result in more frequent and severe weather events that disrupt supply of inbound raw materials, outbound finished products or our ability to run our plants and could reduce the quality and volume of wood available to our manufacturing locations due to an increase in pest infestation, disease or prolonged drought or flooding. 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 increase climate-related reporting and disclosures, which could impose substantial compliance costs. 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.

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

Laws or regulations aimed at addressing climate change, including local building codes, greenhouse gas emissions, laws or regulations impacting energy supply, and other laws or regulations, may materially impact demand for our products or our cost of doing business. For example, in December 2022, the European Union reached an agreement to introduce a carbon tax under the European Union Carbon Border Adjustment Mechanism and there are several United States federal carbon tax proposals that would introduce an economy-wide carbon tax. These proposals include a fee on each unit of carbon dioxide released into the atmosphere thus making carbon-intensive goods and services more expensive, which then provides a financial incentive to use less of these products or shift to lower-carbon alternatives. Currently the use of biomass for energy is considered carbon neutral. A carbon tax scheme might not include this assumption and thus tax our bio-mass emissions at an equal rate as our fossil fuel emissions. These carbon taxes could adversely affect our business, financial condition, results of operations and cash flows.

Acquisition-related Risks

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 to vertically integrate and expand our operations. In January 2023, we completed our acquisition of Endura, which further enhances our product offerings and capabilities. 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, acquisitions may involve product categories beyond what we currently sell, such as the acquisition of Endura in January 2023. 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.

Rising interest rates could impair or prohibit our ability to finance acquisitions. 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.

Manufacturing and Operations

Changing prices for and diminished availability of 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 and availability of raw materials and finished goods used in the manufacturing 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. 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. Alternatively, should the prices of raw materials or finished goods decrease, our customers may seek corollary reductions in the pricing of our products.

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 raw materials. 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 substitutions 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. Substituted materials may also not be of the same quality as our original materials.

If any of our suppliers were unable to deliver raw 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 raw materials with these or alternative suppliers, our business could suffer. 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 ongoing war between Russia and Ukraine. Fuel prices rose significantly during extended portions of 2022. Although such price increases appear to have leveled off, if fuel prices continue 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 and continue to evaluate additional alternate suppliers 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 10,000 employees and contract personnel worldwide, including approximately 2,600 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 the United States, Canada, Mexico and Chile. 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 our 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. Some 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 an 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. Romuald, 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. In December 2022, we approved a restructuring plan intended to (i) better align our operational structure and long-term business strategy and (ii) continue to drive cost efficiencies through an optimized manufacturing footprint. 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 flows.

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 or costs 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 2023 with respect to our consolidated indebtedness is $60.0 million of interest payments, which gives effect to our increased indebtedness in 2023 in connection with our acquisition of Endura. To finance such acquisition, we entered into a new five-year $250.0 million delayed-draw term loan facility (the "Term Loan Facility") and an amendment to the ABL Facility increasing the borrowing capacity to $350.0 million. The loans under the Term Loan Facility are repayable in equal quarterly installments for an annual aggregate amortization payment equal to 15% of the aggregate principal amount, with the balance of the principal being due on the term loan maturity date. 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, Term Loan Facility and ABL Facility along with 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 flows 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 Term Loan Facility, the ABL Facility and the indentures governing the senior notes, may restrict us from adopting some of these alternatives. If we are unable to generate sufficient cash flows 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 Term Loan Facility and 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 Term Loan Facility and 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 Term Loan Facility and the ABL Facility would constitute an event of default thereunder, which would permit the lenders to accelerate repayment of borrowings under the Term Loan Facility and 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 flows, 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 Term Loan Facility and 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 Term Loan Facility, the ABL Facility and the indentures 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 agreements governing the Term Loan Facility and the ABL Facility as well as 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 Term Loan Facility and 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 Term Loan Facility, 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 26% for the year ended January 1, 2023. 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 non-U.S. 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 Term Loan Facility and ABL Facility are incurred at variable rates of interest, which exposes us to interest rate fluctuation risk. As described above, interest rates rose significantly in 2022 and such rates may continue to increase in the future.

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 segment. 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 and data privacy requirements could disrupt our information security systems and cause damage to our business and our reputation.

Our internal information security systems and those of our current and any future partners, acquisitions, contractors and consultants are vulnerable to damage from cyber-attacks, computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. 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 continue to expand data privacy and data security requirements, as well as increased fines for non-compliance of security and data breach obligations, specifically in the European Union and United Kingdom under their separate General Data Protection Regulations, in Canada under the Personal Information Protection and Electronic Documents Act and additional provincial data privacy laws, in the United States under the California Consumer Privacy Act and California Privacy Rights and Enforcement Act and other state data privacy laws. Failure to comply with these current and future data privacy 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 (including a private right of action), fines, penalties and statutory damages, as well as adverse publicity that may cause our customers to lose trust in us, which could have a material adverse effect on our business and results of operations. In addition, the SEC issued a proposed rule intended to enhance and standardize disclosures regarding cybersecurity risk management, strategy, governance and cybersecurity incident reporting, which if approved, will require us to develop additional policies and procedures to comply with these new rules.

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 1, 2023, approximately 74% of our net sales were in the United States, 14% in Canada and 9% 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."*

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 to retain 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.

We analyze environmental-related risks in two separate categories: transition risks and physical risks. Transition risks are those risks relating to the transition of the global economy to a focus on more climate-friendly technologies. Physical risks from climate change that could affect our business include acute weather events such as floods, tornadoes or other severe weather and ongoing changes such as rising temperatures or extreme variability in weather patterns. For a discussion on physical risks, please see the risk factor "*—Our business is subject to climate change and related extreme weather events that may affect our net sales, cash flows from operations and results of operations.*"

In respect to transition risks, 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, public reporting and disclosure related to climate change, 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. We have incurred costs relating to compliance with Maximum Achievable Control Technology standard and future expenditures may be 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. Accordingly, we might incur increased operating and maintenance costs and capital expenditures and other costs to comply with such laws as well as increasingly stringent air emission control laws or other future requirements, which may decrease our cash flows. 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.

General Risks

Public health issues such as a major epidemic or pandemic could adversely affect our business or results of operations.

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. Since 2019, the ongoing spread of COVID-19 caused significant volatility in U.S. and international debt and equity markets, which negatively impacted consumer confidence, and caused business disruptions. 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 resulted in lost production at our facilities and may continue in future periods.

While government restrictions have eased throughout 2022 and people have largely resumed pre-pandemic activities, the effects of COVID-19 continue to linger in the global economy and our supply chains. There is continuing uncertainty regarding how long the impacts of COVID-19 will affect the U.S. economy and our supply chain and operations. Future disruptions and governmental actions, due to COVID-19 or a different epidemic or pandemic, combined with any associated economic and/or social instability or distress, may have an adverse impact on our results of operations, financial condition and cash flows, and 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.

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 our intellectual property portfolio. We have registered trademarks, and 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. Additionally, the processes by which we clear our intellectual property or obtain "freedom to operate" opinions could fail. 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 ability to protect our intellectual property, including our patents, trademarks, copyrights, trade secrets and licensed intellectual property, from unauthorized use by others is critical to our success. There is no guarantee 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. Our ability to compete based on our advantageous intellectual property may be harmed if we are unable to protect our products through enforcing or prosecuting our intellectual property rights. If we fail to protect our intellectual property from unauthorized use, we risk the loss of these rights and any associated competitive advantage.

Moreover, we may be accused of misappropriating or infringing on third-party intellectual property. Our trademarks and branding practices could also be challenged. In the event of a challenge, we may be required to defend the Company in litigation, or we may be required to institute litigation to enforce such intellectual property rights from unauthorized use by others. Regardless of the outcome, the enforcement or defense of such rights could result in substantial costs and diversion of resources, and could negatively affect our competitive position, sales, profitability and reputation. Further, if we are found to have infringed on a patent in litigation, we may be liable for monetary damages as well as injunctive relief, which would prevent us from selling the infringing product unless we obtain a license or are able to redesign our product to avoid infringement. Such 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 infringement, which could adversely affect our operations.

Our intellectual property rights may be subject to various attacks claiming such rights are valid or unenforceable. These attacks might invalidate, render unenforceable or otherwise limit the scope of the protection that our patents and trademarks afford. In the event we lose the use of a product name, our efforts building such brand would be lost and we would have to devote management resources to rebuilding a brand for such product, which we may do to varying degrees of success. Even if we do prevail in a patent infringement litigation, third parties may still 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 important to remain competitive. 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.

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 1, 2023, 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	20	16	2	38
Europe	3	5	1	9
Architectural	6	7	—	13
Corporate & Other	1	—	4	5
Total leased properties	30	28	7	65
Total owned and leased properties	59	33	8	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 1, 2023, total floor space at our manufacturing facilities was 12.4 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 28, 2023, we had one record holder of our common shares, Cede & Co., the nominee of the Depository Trust Corporation.

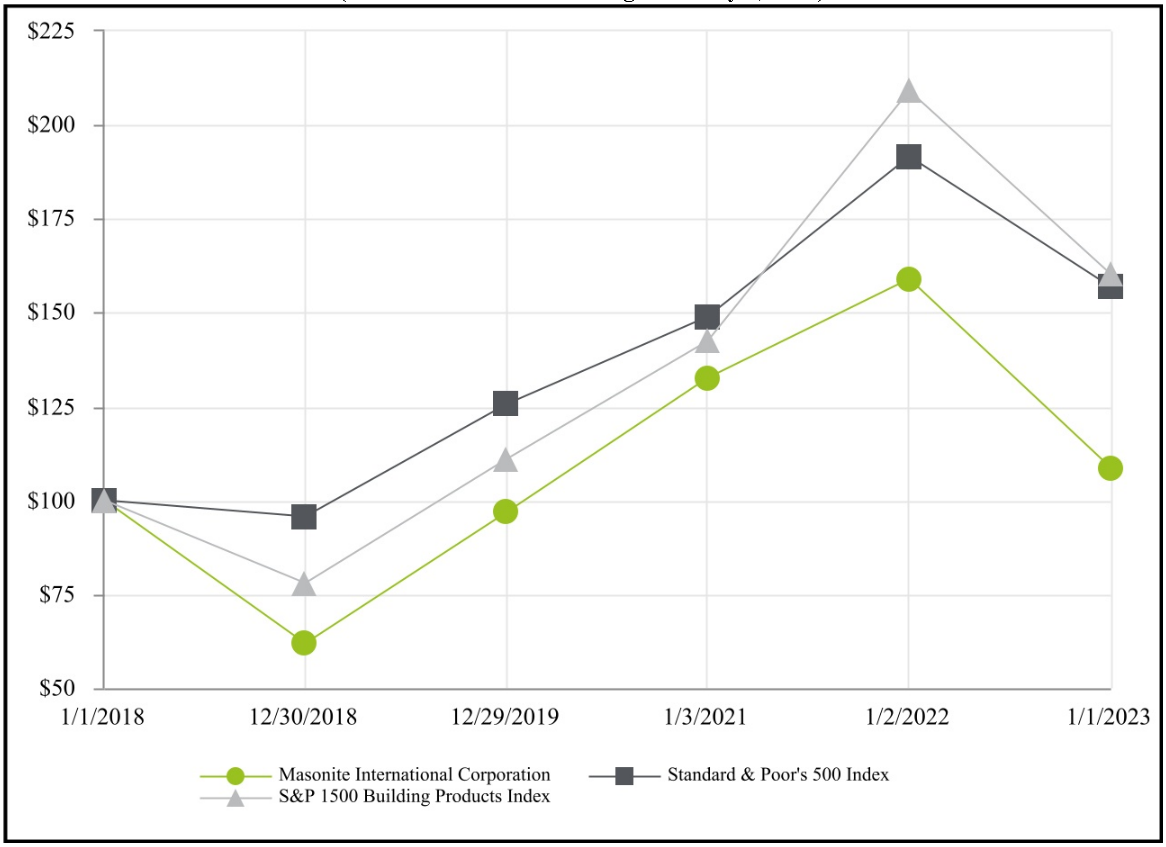
Dividends

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 Term Loan Facility, 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, 2018, through January 1, 2023, 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, 2018, 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 1, 2023)



	January 1, 2018	December 30, 2018	December 29, 2019	January 3, 2021	January 2, 2022	January 1, 2023
Masonite International Corporation	$ 100.00	$ 61.92	$ 96.90	$ 132.62	$ 159.07	$ 108.71
Standard & Poor's 500 Index	100.00	95.62	125.72	148.85	191.58	156.89
Standard & Poor's 1500 Building Products Index	100.00	78.05	110.97	142.42	208.97	160.15

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 1, 2023, we repurchased 123,911 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 3, 2022 through October 30, 2022	—	—	—	$ 256,393,264
October 31, 2022 through November 27, 2022	—	—	—	$ 256,393,264
November 28, 2022 through January 1, 2023	123,911	$ 76.58	123,911	$ 246,904,280
Total	123,911	$ 76.58	123,911	

The Company's Board of Directors has approved five share repurchase authorizations, the most recent being an incremental $200.0 million share repurchase program approved on February 21, 2022. 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. 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 first quarter of 2022, the Company entered into an ASR transaction with a third-party financial institution for the repurchase of $100.0 million of its outstanding common shares. At inception, pursuant to the agreement, the Company paid $100.0 million to the financial institution using cash on hand and received an initial delivery of 848,087 common shares on the same day. The final delivery of 319,678 common shares were delivered in the second quarter. The $100.0 million ASR transaction was completed in the second quarter with a total delivery of 1,167,765 common shares at a volume-weighted average price ("VWAP") per share minus an agreed upon discount totaling $85.63 per share. The cash paid was reflected as a reduction of equity at the initial delivery of shares and the number of shares outstanding were reduced at the dates of physical delivery.

As of January 1, 2023, since inception of the repurchase programs we have repurchased $763.1 million of our common shares and have $246.9 million available for repurchase in accordance with our share repurchase programs.

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 1, 2023, and January 2, 2022. For further discussion of our results of operations for the years ended January 2, 2022, and January 3, 2021, 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 2, 2022, which was filed with the SEC on February 24, 2022, 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 and does not include the Endura acquisition.

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 and door systems 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™.

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 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.

We operate 59 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 1, 2023, we generated net sales of $2,283.6 million or 79.0%, $280.8 million or 9.7% and $307.0 million or 10.6% in our North American Residential, Europe and Architectural segments, respectively. See "Segment Information" below for a description of our reportable segments.

During 2022, we were negatively impacted by rising energy and fuel costs, partly attributable to the war between Russia and Ukraine, as well as rising costs for raw materials. In addition, production challenges in some of our facilities impacted our ability to service customers, particularly in our Architectural segment. Consumer sentiment, inflationary pressures and strengthening of the U.S. dollar negatively impacted our Europe segment. During the second half of the year, base volumes decreased in our North American Residential segment due to new housing weakness and wholesale inventory destocking with the residential repair, renovation and remodeling channel remaining resilient until late in the fourth quarter. The extent to which labor and logistics constraints, supply chain disruptions, rising energy and fuel costs, material inflation, consumer sentiment, interest rates and global economic pressures impact our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.

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 global economic conditions, including inflation, deflation, interest rates, availability of capital, supply chain constraints, 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 2022, our top ten customers together accounted for approximately 50% of our net sales and our top customer, The Home Depot, Inc. accounted for approximately 22% of our net sales in fiscal year 2022. 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 December 2022, we began implementing a plan to improve overall business performance that includes the optimization of our manufacturing capacity and reduction of our overhead and selling, general and administration workforce primarily in our North American Residential reportable segment as well as actions in the Architectural reportable segment and in our head offices (collectively, the "2022 Plan"). The optimization of our manufacturing capacity involves specific plants in the North American Residential segment and costs associated with the closure of these plants and related headcount reductions. Costs associated with the 2022 Plan include severance and closure charges and will continue through 2023. The actions taken as part of the 2022 Plan are expected to increase our annual earnings and cash flows by approximately $15 million to $20 million.

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 substantially complete and the annual earnings and cash flow savings realized were materially in line with expectations.

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 substantially complete and the annual earnings and cash flow savings realized were materially in line with expectations.

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.

Inflation

In 2021 and 2022, we realized higher costs across the various materials we purchase as a result of macroeconomic factors as well as increased logistics costs, wages, anti-dumping and countervailing duties and energy and fuel costs. Additionally, rising interest rates may impact the ability of end consumers to purchase our products. Our profitability, margins and net sales could be adversely affected if we are not able to pass these costs on to our customers or otherwise mitigate the impact of these inflationary pressures.

Acquisitions and Divestitures

We are pursuing a strategic initiative of optimizing our global business portfolio. On a continual basis, we evaluate and consider strategic acquisitions, divestitures and joint ventures to create shareholder value and enhance financial performance.

Acquisitions

- On January 3, 2023, we completed the acquisition of Endura Products for approximately $375.0 million in cash using a combination of cash on hand and borrowings under our Term Loan Facility and ABL Facility. In connection with the acquisition, we borrowed $250.0 million under our Term Loan Facility and $100.0 million under our ABL Facility. Endura is a leading innovator and manufacturer of high-performance door frames and door system components in the United States.
- 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.

Divestitures

- During the fourth quarter of 2022, we completed the liquidation of our legal entity in Turkey. As a result, we recognized $0.9 million in loss on disposal of subsidiaries.
- 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.

Results of Operations

(In thousands)	Year Ended January 1, 2023	Year Ended January 2, 2022
Net sales	$ 2,891,687	$ 2,596,920
Cost of goods sold	2,217,792	1,985,141
Gross profit	673,895	611,779
Gross profit as a % of net sales	*23.3 %*	*23.6 %*
Selling, general and administration expenses	344,614	308,430
Selling, general and administration expenses as a % of net sales	*11.9 %*	*11.9 %*
Restructuring costs	1,904	5,567
Asset impairment	—	69,900
Loss on disposal of subsidiaries	850	8,590
Operating income	326,527	219,292
Interest expense, net	41,331	46,123
Loss on extinguishment of debt	—	13,583
Other (income) expense, net	(5,001)	15,620
Income before income tax expense	290,197	143,966
Income tax expense	71,753	44,772
Net income	218,444	99,194
Less: net income attributable to non-controlling interests	4,211	4,693
Net income attributable to Masonite	$ 214,233	$ 94,501

Year Ended January 1, 2023, Compared with Year Ended January 2, 2022

Net Sales

Net sales in the year ended January 1, 2023, were $2,891.7 million, an increase of $294.8 million or 11.4% from $2,596.9 million in the year ended January 2, 2022. Net sales in 2022 were negatively impacted by $46.8 million as a result of foreign exchange rate fluctuations. Excluding this exchange rate impact, net sales would have increased by $341.6 million or 13.2% due to changes in volume, average unit price, impact of divestitures and sales of components. Average unit price in 2022 increased net sales by $464.7 million or 17.9% compared to 2021. Lower volumes excluding the incremental impact of acquisitions or divestitures ("base volume") decreased net sales by $99.5 million or 3.8% in 2022 compared to 2021. Net sales of components to external customers decreased $11.9 million or 0.5% in 2022 compared to 2021. Our 2021 divestiture decreased net sales by $11.7 million or 0.5% of net sales in 2022.

Net Sales and Percentage of Net Sales by Reportable Segment

(In thousands)	Year Ended January 1, 2023: North American Residential	Europe	Architectural	Corporate & Other	Total
Sales	$ 2,286,098	$ 282,989	$ 323,175	$ 20,293	$ 2,912,555
Intersegment sales	(2,456)	(2,220)	(16,192)	—	(20,868)
Net sales to external customers	$ 2,283,642	$ 280,769	$ 306,983	$ 20,293	$ 2,891,687
Percentage of consolidated external net sales	*79.0 %*	*9.7 %*	*10.6 %*		

	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 %*		

North American Residential

Net sales to external customers from facilities in the North American Residential segment in the year ended January 1, 2023, were $2,283.6 million, an increase of $330.7 million or 16.9% from $1,952.9 million in the year ended January 2, 2022. Net sales in 2022 were negatively impacted by $13.2 million as a result of foreign exchange rate fluctuations. Excluding this exchange rate impact, net sales would have increased by $343.9 million or 17.6% due to changes in volume, average unit price and sales of components. Average unit price increased net sales in 2022 by $373.1 million or 19.1% compared to 2021. Lower base volume decreased net sales by $24.4 million or 1.2% in 2022 compared to 2021. Net sales of components to external customers were $4.8 million lower in 2022 compared to 2021.

Europe

Net sales to external customers from facilities in the Europe segment in the year ended January 1, 2023, were $280.8 million, a decrease of $53.7 million or 16.1% from $334.5 million in the year ended January 2, 2022. Net sales in 2022 were negatively impacted by $31.9 million as a result of foreign exchange fluctuations. Excluding this exchange rate impact, net sales would have decreased by $21.8 million or 6.5% due to changes in volume, average unit price, divestitures and sales of components. Lower base volume decreased net sales by $53.8 million or 16.1% compared to 2021 due to weakening consumer confidence in the United Kingdom that affected demand in the repair and remodel market and unexpected material supply constraints late in the year. The 2021 divestiture of our Czech business decreased net sales by $11.7 million or 3.5% in 2022. Average unit price increased net sales in 2022 by $43.6 million or 13.0% compared to 2021. Net sales of components to external customers were $0.1 million higher in 2022 compared to 2021.

Architectural

Net sales to external customers from facilities in the Architectural segment in the year ended January 1, 2023, were $307.0 million, an increase of $17.5 million or 6.0% from $289.5 million in the year ended January 2, 2022. Net sales in 2022 were negatively impacted by $1.5 million as a result of foreign exchange fluctuations. Excluding this exchange rate impact, net sales would have increased by $19.0 million or 6.6% due to changes in volume, average unit price and sales of components. Average unit price increased net sales in 2022 by $44.9 million or 15.5% compared to 2021. Lower base volume decreased net sales in 2022 by $21.3 million or 7.4% compared to 2021 resulting from production challenges. Net sales of components to external customers were $4.6 million lower in 2022 compared to 2021.

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.

Cost of goods sold as a percentage of net sales was 76.7% and 76.4% for the years ended January 1, 2023, and January 2, 2022, respectively. Material cost of sales as a percentage of net sales increased by 1.8% in 2022 compared to 2021. Direct labor, distribution, overhead and depreciation as a percentage of net sales decreased by 0.7%, 0.4%, 0.2% and 0.2%, respectively, compared to the 2021 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, partially offset by higher average unit prices and material cost savings projects. Direct labor as a percentage of net sales decreased due to higher average unit prices, partially offset by manufacturing wage and benefit inflation and startup costs. Distribution as a percentage of net sales decreased due to higher average unit prices, partially offset by increased inbound logistics and personnel costs. 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 as compared to 2021. The decrease in depreciation as a percentage of net sales was driven by higher average unit prices.

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 1, 2023, selling, general and administration expenses, as a percentage of net sales, were 11.9%, remaining flat compared to the year ended January 2, 2022.

Selling, general and administration expenses in the year ended January 1, 2023, were $344.6 million, an increase of $36.2 million from $308.4 million in the year ended January 2, 2022. The overall increase was driven by a $16.2 million increase in personnel costs primarily driven by increased incentive compensation, wage and benefit inflation and resource investments to support growth; a $9.9 million increase in professional and other fees to support growth, $6.8 million in acquisition and due diligence related costs; a $5.4 million increase in travel expense as business activities fully returned to pre-pandemic levels; a $3.2 million increase in advertising and a $0.2 million increase in non-cash items including share based compensation; deferred compensation; gain on disposal of property, plant and equipment; and depreciation and amortization. These increases were partially offset by favorable foreign exchange impacts of $4.5 million and $1.0 million of incremental SG&A savings from our 2021 divestiture.

Restructuring Costs

Restructuring costs in the year ended January 1, 2023, were $1.9 million, compared to $5.6 million in the year ended January 2, 2022. Restructuring costs in 2022 primarily related to closure costs associated with the 2022 Plan. Restructuring costs in the prior year period related to severance and closure costs associated with the 2021, 2020 and 2019 Plans.

Asset Impairment

There were no asset impairment charges in the year ended January 1, 2023, compared to $69.9 million in the year ended January 2, 2022. 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. 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 $0.9 million in the year ended January 1, 2023, compared to $8.6 million in the year ended January 2, 2022. The current year loss arose as a result of the liquidation of our legal entity in Turkey and is comprised of $0.7 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. The prior 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.

Interest Expense, Net

Interest expense, net, in the year ended January 1, 2023, was $41.3 million, compared to $46.1 million in the year ended January 2, 2022. The decrease in interest expense, net is primarily due to the refinancing of our senior notes in 2021.

Loss on Extinguishment of Debt

Loss on extinguishment of debt represents the difference between the redemption 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. There was no loss on extinguishment of debt in the year ended January 1, 2023, compared to $13.6 million in the year ended January 2, 2022. The prior year loss 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.

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 1, 2023, was $5.0 million of income, compared to $15.6 million of expense in the year ended January 2, 2022. 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 unrealized gains and losses on foreign currency remeasurements, a change in the fair value of plan assets in the deferred compensation rabbi trust and an increase in pension expense.

Income Tax Expense

Income tax expense in the year ended January 1, 2023, was $71.8 million, compared to $44.8 million in the year ended January 2, 2022. 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, primarily the increase in overall pre-tax book earnings, and (ii) an increase in income tax expense attributable to recognizing additional valuation allowance.

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 (benefit);
- 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, the 2028 Notes and the credit agreements governing the Term Loan Facility and 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 1, 2023				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
Adjusted EBITDA	$ 461,750	$ 28,774	$ (3,748)	$ (40,978)	$ 445,798
Adjusted EBITDA as a percentage of segment net sales	*20.2 %*	*10.2 %*	*(1.2)%*		*15.4 %*

	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 %*

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

	Year Ended January 1, 2023				
(In thousands)	North American Residential	Europe	Architectural	Corporate & Other	Total
Net income (loss) attributable to Masonite	$ 412,917	$ 6,851	$ (13,345)	$ (192,190)	$ 214,233
Plus:					
Depreciation	41,077	8,874	11,530	9,687	71,168
Amortization	1,881	12,187	844	2,215	17,127
Share based compensation expense	—	—	—	21,771	21,771
Loss (gain) on disposal of property, plant and equipment	2,457	(1)	(2,856)	22	(378)
Restructuring costs	1,736	—	79	89	1,904
Loss on disposal of subsidiaries	—	—	—	850	850
Interest expense, net	—	—	—	41,331	41,331
Other (income) expense, net	(791)	863	—	(5,073)	(5,001)
Income tax expense	—	—	—	71,753	71,753
Other items [1]	—	—	—	6,829	6,829
Net income attributable to non-controlling interest	2,473	—	—	1,738	4,211
Adjusted EBITDA	$ 461,750	$ 28,774	$ (3,748)	$ (40,978)	$ 445,798

(1) Other items include $6,829 in acquisition and due diligence related costs in the year ended January 1, 2023, and were recorded in selling, general and administration expenses within the consolidated statements of income and comprehensive income. Refer to Note 23. Subsequent Events in Item 8 of this Annual Report for additional information.

	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 (benefit) 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

Adjusted EBITDA in our North American Residential segment increased $87.3 million, or 23.3%, to $461.8 million in the year ended January 1, 2023, from $374.5 million in the year ended January 2, 2022. Adjusted EBITDA in the North American Residential segment included corporate allocations of shared costs of $89.5 million and $76.6 million in 2022 and 2021, 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 decreased $31.9 million, or 52.5%, to $28.8 million in the year ended January 1, 2023, from $60.6 million in the year ended January 2, 2022. Adjusted EBITDA in the Europe segment included corporate allocations of shared costs of $6.8 million and $4.1 million in 2022 and 2021, 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 $1.0 million or 38.6% to a loss of $3.7 million in the year ended January 1, 2023, from a loss of $2.7 million in the year ended January 2, 2022. Adjusted EBITDA in the Architectural segment also included corporate allocations of shared costs of $11.4 million and $11.1 million in 2022 and 2021, 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 the Endura acquisition, working capital needs, capital expenditures and share repurchases. As of January 1, 2023, we do not have any material commitments for capital expenditures. We anticipate capital expenditures in fiscal year 2023 to be approximately $100 to $115 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 our Term Loan Facility along with our ability to access the capital markets will provide adequate liquidity for the foreseeable future. As of January 1, 2023, we had $296.9 million of cash and cash equivalents, availability under our Term Loan Facility of $250.0 million earmarked for the Endura acquisition, availability under our ABL Facility of $324.9 million and availability under our AR Sales Program of $15.8 million.

Cash Flows

Year Ended January 1, 2023, Compared with Year Ended January 2, 2022

Cash provided by operating activities was $189.2 million during the year ended January 1, 2023, compared to $156.5 million during the year ended January 2, 2022. This $32.7 million increase in cash provided by operating activities was due to a $21.0 million increase in net income attributable to Masonite, adjusted for non-cash and other items, and an $11.7 million increase in working capital and other assets and liabilities in 2022 compared to 2021.

Cash used in investing activities was $111.1 million during the year ended January 1, 2023, compared to $76.1 million during the year ended January 2, 2022. This $35.0 million increase in cash used in investing activities was primarily driven by a $27.7 million increase in cash additions to property, plant and equipment, the absence of $6.9 million of net proceeds from divestitures and acquisitions and a $0.4 increase in cash used for other investing activities in 2022 compared to 2021.

Cash used in financing activities was $157.4 million during the year ended January 1, 2023, compared to $63.7 million during the year ended January 2, 2022. This $93.7 million increase in cash used in financing activities was driven by a $58.6 million decrease in cash provided by debt-related transactions, a $35.6 million increase in cash used for repurchases of common shares and a $1.2 million increase in distributions to non-controlling interests, partially offset by a $1.7 million decrease in cash used for tax withholding on share based awards in 2022 compared to 2021.

Share Repurchases

The Company's Board of Directors has approved five share repurchase authorizations, the most recent being an incremental $200.0 million share repurchase program approved on February 21, 2022. 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. 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 first quarter of 2022, the Company entered into an ASR transaction with a third-party financial institution for the repurchase of $100.0 million of its outstanding common shares. At inception, pursuant to the agreement, the Company paid $100.0 million to the financial institution using cash on hand and received an initial delivery of 848,087 common shares on the same day. The final delivery of 319,678 common shares were delivered in the second quarter. The $100.0 million ASR transaction was completed in the second quarter with a total delivery of 1,167,765 common shares at a volume-weighted average price ("VWAP") per share minus an agreed upon discount totaling $85.63 per share. The cash paid was reflected as a reduction of equity at the initial delivery of shares and the number of shares outstanding were reduced at the dates of physical delivery. During the year ended January 1, 2023, we repurchased 1,679,919 of our common shares in the open market at an aggregate cost of $149.5 million. 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.

As of January 1, 2023, since inception of the programs we have repurchased $763.1 million of our common shares and have $246.9 million available for repurchase in accordance with our share repurchase programs.

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 1, 2023, 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 the principal is 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 1, 2023, 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 the principal is 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.

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 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 1, 2023, 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 bear 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.

Term Loan Facility

On December 13, 2022, we and certain of our subsidiaries entered into a new delayed-draw term loan credit agreement (the "Term Loan Credit Agreement") maturing on December 12, 2027 (the "Term Loan Maturity Date"). The Term Loan Credit Agreement provides for a senior secured five-year delayed-draw term loan facility of $250.0 million (the "Term Loan Facility"). Loans under the Term Loan Facility (the "Term Loans") will bear interest at a rate equal to, at our option, (1) the Adjusted Term SOFR Rate (as defined in the Term Loan Credit Agreement) plus an applicable margin of 2.25% or (2) an alternate base rate equal to the greatest of (i) the "Prime Rate" in the U.S. last quoted by The Wall Street Journal, (ii) 0.50% above the greater of the federal funds rate and the rate comprised of both overnight federal funds and overnight eurodollar transactions denominated in Dollars, (iii) 1.00% above the Adjusted Term SOFR Rate for a one month interest period and (iv) 1.00%, plus, in each case, an applicable margin of 1.25%, subject to, in each of cases (1) and (2), an agreed interest rate floor. The Term Loans are repayable in equal quarterly installments for an annual aggregate amortization payment equal to 15% of the aggregate principal amount of the Term Loans, with the balance of the principal being due on the Term Loan Maturity Date.

The Term Loan Credit Agreement also includes a quarterly ticking fee of 25 basis points per annum payable to the lenders under the Term Loan Facility beginning on January 3, 2023 (the "Closing Date") in respect of the unutilized commitments thereunder. As a result of the incurrence of the Term Loans on the Closing Date such ticking fees were not (and shall not be) payable to the Lenders.

The Borrower also pays customary agency fees.

Obligations under the Term Loan Credit Agreement are fully and unconditionally guaranteed, jointly and severally, by us and by certain of our directly or indirectly wholly-owned subsidiaries organized in the United States and are secured by the equity in, and substantially all the assets of, such subsidiaries. The Term Loans were funded in an amount of $250.0 million and applied to finance a portion of the consideration payable in connection with the consummation of the Endura acquisition on January 3, 2023.

The Term Loan Credit Agreement contains restrictive covenants that, among other things, limit 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, (vi) incur additional debt and (vii) create liens. The Term Loan Credit Agreement includes certain exceptions and exemptions under the restricted payment, investment, dispositions, liens and indebtedness covenants.

The Term Loan Credit Agreement requires us to maintain at all times a total leverage ratio of no more than 4.50:1.00. The Term Loan Credit Agreement contains change of control provisions and certain customary affirmative covenants and events of default. As of January 1, 2023, we were in compliance with all such covenants and events of default and there were no amounts outstanding. As of January 1, 2023, we were in compliance with all covenants under the credit agreement governing the Term Loan Facility and there were no amounts outstanding.

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. On October 28, 2022, we and certain of our subsidiaries entered into an amendment to the "ABL Facility" which, among other things, (i) increased the revolving credit commitments available thereunder by $100.0 million to an aggregate amount of $350.0 million and (ii) replaced the LIBOR-based interest rate applicable to borrowings thereunder in U.S. dollars with an interest rate based on the sum of (x) a "Term SOFR" rate published by the CME Group Benchmark Administration Limited (CBA) plus (y) 10 basis points ("Adjusted Term SOFR"). Additionally, on December 12, 2022, we and certain of our subsidiaries entered into an amendment to the ABL Facility, which, among other things, extended the maturity of the ABL Facility from January 31, 2024 to December 12, 2027. The terms of the ABL Facility remained otherwise substantially unchanged. In connection with the acquisition of Endura on January 3, 2023, the Company borrowed $100.0 million under the ABL Facility in order to fund a portion of the cash consideration paid. On February 3, 2023, we subsequently repaid $50.0 million of the outstanding borrowings under our ABL 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 Term SOFR 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 1, 2023, 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.

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 impairment test during the fourth quarter of 2022 and determined that goodwill was not impaired.

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 2022 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 1, 2023, January 2, 2022, and January 3, 2021, approximately 26%, 32% and 29% of our net sales were generated outside of the United States, respectively. 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 1, 2023, were $35.6 million, which were primarily driven by weakening of the Pound Sterling, the Canadian dollar and the Euro in comparison to the U.S. dollar during the period.

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. 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 $68.5 million translational decrease in our net sales and an approximate $7.7 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 Term Loan Facility and ABL Facility to the extent they are drawn on and due to our other financing, investing and cash management activities. As of January 1, 2023, and January 2, 2022, there were no outstanding borrowings under our Term Loan Facility or ABL Facility. On January 3, 2023, we borrowed $250.0 million under our Term Loan Facility and $100.0 million under our ABL Facility in connection with the consummation of the Endura acquisition. On February 3, 2023, we subsequently repaid $50.0 million of the outstanding borrowings under our ABL Facility. A 100 basis point increase in the variable interest rate component of our borrowings as of February 4, 2023, would increase our annual interest expense by approximately $3.0 million.

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 $117.5 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, has had, and is expected to continue to have, an 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

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 1, 2023 and January 2, 2022, 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 1, 2023, 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 1, 2023 and January 2, 2022, and the results of its operations and its cash flows for each of the three fiscal years in the period ended January 1, 2023, 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 1, 2023, 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 28, 2023 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.

Accounting for Income Taxes

Description of the Matter	As discussed in Notes 1 and 15 to the consolidated financial statements, the Company is subject to income taxes in Canada, the U.S., and other foreign jurisdictions, which affect the Company's provision for income taxes. The provision for income taxes is based upon management's understanding of the facts, circumstances and information available as of the reporting date. For the year-ended January 1, 2023, the Company recognized consolidated income tax expense of $71.8 million. Auditing management's calculation of the provision for income taxes was complex because the Company's global structure required an assessment of the Company's interpretation and application of tax laws in multiple jurisdictions including the income tax impact of the legal entity ownership structure and intercompany transactions. The assessment of tax positions involves the evaluation and application of complex statutes, regulations, and case law which are subject to legal and factual interpretation and judgment. Our audit procedures required significant audit effort including the use of our tax professionals to assist in evaluating the audit evidence obtained from these procedures.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over management's calculation of its provision for income taxes. For example, we tested management's controls over the identification and analysis of changes to tax laws in the various jurisdictions in which it operates. To test the Company's calculation of the provision for income taxes, we performed audit procedures that included, among others, evaluating the income tax impact of the Company's structure, operations and jurisdictional tax law and considered the impact of any changes in the current year. We involved our tax professionals to evaluate the application of tax law to management's tax positions, including assessing the Company's correspondence with the relevant tax authorities and its analysis of income tax positions. Additionally, our procedures included testing the related effective tax rate reconciliation, evaluating the tax impact of permanent and temporary differences, and testing the application of new regulations, case law, and other authoritative guidance.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2016.
Tampa, Florida
February 28, 2023

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

	Year Ended		
	January 1, 2023	**January 2, 2022**	**January 3, 2021**
Net sales	$ 2,891,687	$ 2,596,920	$ 2,257,075
Cost of goods sold	2,217,792	1,985,141	1,684,571
Gross profit	673,895	611,779	572,504
Selling, general and administration expenses	344,614	308,430	366,772
Restructuring costs	1,904	5,567	8,236
Asset impairment	—	69,900	51,515
Loss on disposal of subsidiaries	850	8,590	2,091
Operating income	326,527	219,292	143,890
Interest expense, net	41,331	46,123	46,807
Loss on extinguishment of debt	—	13,583	—
Other (income) expense, net	(5,001)	15,620	(5,217)
Income before income tax expense	290,197	143,966	102,300
Income tax expense	71,753	44,772	28,611
Net income	218,444	99,194	73,689
Less: net income attributable to non-controlling interests	4,211	4,693	4,652
Net income attributable to Masonite	$ 214,233	$ 94,501	$ 69,037
Basic earnings per common share attributable to Masonite	$ 9.51	$ 3.91	$ 2.81
Diluted earnings per common share attributable to Masonite	$ 9.41	$ 3.85	$ 2.77
Comprehensive income:			
Net income	$ 218,444	$ 99,194	$ 73,689
Other comprehensive (loss) income:			
Foreign currency translation (loss) gain	(35,637)	(3,175)	19,820
Pension and other post-retirement adjustment	(4,718)	2,250	(3,163)
Pension settlement charges	—	15,654	—
Amortization of actuarial net losses	22	1,336	1,002
Income tax (expense) benefit related to other comprehensive (loss) income	(846)	(5,518)	632
Other comprehensive (loss) income, net of tax:	(41,179)	10,547	18,291
Comprehensive income	177,265	109,741	91,980
Less: comprehensive income attributable to non-controlling interests	3,674	4,759	4,837
Comprehensive income attributable to Masonite	$ 173,591	$ 104,982	$ 87,143

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 1, 2023	January 2, 2022
Current assets:		
Cash and cash equivalents	$ 296,922	$ 381,395
Restricted cash	11,999	10,110
Accounts receivable, net	375,918	343,414
Inventories, net	406,828	347,476
Prepaid expenses and other assets	55,051	50,399
Income taxes receivable	16,922	1,332
Total current assets	1,163,640	1,134,126
Property, plant and equipment, net	652,329	626,797
Operating lease right-of-use assets	160,695	176,445
Investment in equity investees	16,111	14,994
Goodwill	69,868	77,102
Intangible assets, net	136,056	150,487
Deferred income taxes	16,133	20,764
Other assets	33,346	45,903
Total assets	$ 2,248,178	$ 2,246,618
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 111,526	$ 138,788
Accrued expenses	223,046	237,300
Income taxes payable	14,361	8,551
Total current liabilities	348,933	384,639
Long-term debt	866,116	865,721
Long-term operating lease liabilities	151,242	165,670
Deferred income taxes	79,590	77,936
Other liabilities	59,515	52,874
Total liabilities	1,505,396	1,546,840
Commitments and Contingencies (Note 10)		
Equity:		
Share capital: unlimited shares authorized, no par value, 22,155,035 and 23,623,887 shares issued and outstanding as of January 1, 2023, and January 2, 2022, respectively	520,003	543,400
Additional paid-in capital	226,514	222,177
Retained earnings	127,826	24,244
Accumulated other comprehensive loss	(142,224)	(101,582)
Total equity attributable to Masonite	732,119	688,239
Equity attributable to non-controlling interests	10,663	11,539
Total equity	742,782	699,778
Total liabilities and equity	$ 2,248,178	$ 2,246,618

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 1, 2023	January 2, 2022	January 3, 2021
Total equity, beginning of period	$ 699,778	$ 695,117	$ 636,862
Share capital:			
Beginning of period	543,400	552,969	558,514
Common shares issued for delivery of share based awards	13,868	12,125	8,269
Common shares issued under employee stock purchase plan	1,573	1,593	1,305
Common shares repurchased and retired	(38,838)	(23,287)	(15,119)
End of period	520,003	543,400	552,969
Additional paid-in capital:			
Beginning of period	222,177	223,666	216,584
Share based compensation expense	21,771	15,959	19,423
Common shares issued for delivery of share based awards	(13,868)	(12,125)	(8,269)
Common shares withheld to cover income taxes payable due to delivery of share based awards	(3,359)	(5,001)	(3,623)
Common shares issued under employee stock purchase plan	(207)	(322)	(449)
End of period	226,514	222,177	223,666
Retained earnings (accumulated deficit):			
Beginning of period	24,244	20,385	(20,047)
Net income attributable to Masonite	214,233	94,501	69,037
Common shares repurchased and retired	(110,651)	(90,642)	(28,605)
End of period	127,826	24,244	20,385
Accumulated other comprehensive loss:			
Beginning of period	(101,582)	(112,063)	(130,169)
Other comprehensive (loss) income attributable to Masonite, net of tax	(40,642)	10,481	18,106
End of period	(142,224)	(101,582)	(112,063)
Equity attributable to non-controlling interests:			
Beginning of period	11,539	10,160	11,980
Net income attributable to non-controlling interests	4,211	4,693	4,652
Other comprehensive (loss) income attributable to non-controlling interests, net tax	(537)	66	185
Dividends to non-controlling interests	(4,550)	(3,380)	(6,657)
End of period	10,663	11,539	10,160
Total equity, end of period	$ 742,782	$ 699,778	$ 695,117
Common shares outstanding:			
Beginning of period	23,623,887	24,422,934	24,869,921
Common shares issued for delivery of share based awards	194,500	199,865	209,407
Common shares issued under employee stock purchase plan	16,567	15,091	16,505
Common shares repurchased and retired	(1,679,919)	(1,014,003)	(672,899)
End of period	22,155,035	23,623,887	24,422,934

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 1, 2023**	**January 2, 2022**	**January 3, 2021**
Net income	$ 218,444	$ 99,194	$ 73,689
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Loss on disposal of subsidiaries	850	8,590	2,091
Loss on extinguishment of debt	—	13,583	—
Depreciation	71,168	70,641	68,350
Amortization	17,127	21,341	23,423
Share based compensation expense	21,771	15,959	19,423
Deferred income taxes	6,024	4,881	(10,085)
Unrealized foreign exchange loss (gain)	820	(1,244)	(324)
Share of income from equity investees, net of tax	(4,768)	(4,858)	(2,811)
Dividend from equity investee	4,500	4,500	4,275
Pension and post-retirement funding, net of expense	(2,342)	15,448	(4,654)
Non-cash accruals and interest	(511)	1,678	1,601
(Gain) loss on sale of property, plant and equipment	(378)	1,316	6,234
Asset impairment	—	69,900	51,515
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	(39,056)	(56,831)	(13,006)
Inventories	(66,372)	(92,641)	(15,568)
Prepaid expenses and other assets	7,266	(8,021)	(9,179)
Accounts payable and accrued expenses	(33,302)	1,473	107,129
Other assets and liabilities	(12,044)	(8,452)	19,077
Net cash flow provided by operating activities	189,197	156,457	321,180
Cash flows from investing activities:			
Additions to property, plant and equipment	(114,307)	(86,670)	(72,908)
Acquisition of businesses, net of cash acquired	—	(160)	(5,814)
Proceeds from sale of subsidiaries, net of cash disposed	(74)	7,001	—
Proceeds from sale of property, plant and equipment	6,413	6,027	7,362
Other investing activities	(3,130)	(2,340)	(2,530)
Net cash flow used in investing activities	(111,098)	(76,142)	(73,890)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	—	375,000	—
Repayments of long-term debt	—	(300,945)	(57)
Payment of debt extinguishment costs	—	(10,810)	—
Payment of debt issuance costs	—	(4,672)	—
Tax withholding on share based awards	(3,359)	(5,001)	(3,623)
Distributions to non-controlling interests	(4,550)	(3,380)	(6,657)
Repurchases of common shares	(149,489)	(113,929)	(43,724)
Net cash flow used in financing activities	(157,398)	(63,737)	(54,061)
Net foreign currency translation adjustment on cash	(3,285)	(307)	4,397
(Decrease) Increase in cash, cash equivalents and restricted cash	(82,584)	16,271	197,626
Cash, cash equivalents and restricted cash, beginning of period	391,505	375,234	177,608
Cash, cash equivalents and restricted cash, at end of period	$ 308,921	$ 391,505	$ 375,234

See accompanying notes to the consolidated financial statements.

MASONITE INTERNATIONAL CORPORATION
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 59 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 1, 2023, and January 2, 2022, and for the years ended January 1, 2023, January 2, 2022, and January 3, 2021.

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 2021, the Financial Accounting Standards Board ("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 was effective for annual periods beginning after December 15, 2021, with early adoption permitted. We have adopted the new guidance as of January 3, 2022, the beginning of fiscal year 2022, and the adoption did not have a material impact on our financial statements or disclosures.

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 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.

Other Recent Accounting Pronouncements not yet Adopted

In October 2021, the FASB issued ASU 2021-08, "Accounting for Contract Assets and Contract Liabilities from Contracts with Customers," which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with ASU 2014-09," Revenue from Contracts with Customers" as if the entity had originated the contracts. The guidance is effective for fiscal years beginning after December 15, 2022, with early application permitted. We did not early adopt and believe the adoption of this new guidance will not have a material impact 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 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 1, 2023, and January 2, 2022, we had standby letters of credit totaling $2.1 million and $2.6 million, respectively. There were no amounts drawn upon these letters of credit as of January 1, 2023, or January 2, 2022.

(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. There were no impairment charges recorded against goodwill in 2022.

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. 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.

(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:

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. Our global structure required an assessment of the Company’s interpretation and application of tax laws in multiple jurisdictions including the income tax impact of the legal entity ownership structure and intercompany transactions.

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 1, 2023**	**January 2, 2022**	**January 3, 2021**
Balance at beginning of period	$ 4,015	$ 4,635	$ 4,414
Additions charged to expense	5,085	4,646	6,807
Deductions	(5,219)	(5,266)	(6,586)
Balance at end of period	$ 3,881	$ 4,015	$ 4,635

(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 $16.9 million, $14.2 million and $10.8 million in the years ended January 1, 2023, January 2, 2022, and January 3, 2021, 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 $21.2 million, $18.4 million and $17.0 million in the years ended January 1, 2023, January 2, 2022, and January 3, 2021, 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 2022, 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 January 3, 2023, we completed the acquisition of Endura Products for approximately $375.0 million in cash using a combination of cash on hand and borrowings under our Term Loan Facility and ABL Facility. In connection with the acquisition, we borrowed $250.0 million under our Term Loan Facility and $100.0 million under our ABL Facility. Endura is a leading innovator and manufacturer of high-performance door frames and door system components in the United States. Refer to Note 23. Subsequent Events for additional information.

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.

Divestitures

During the fourth quarter of 2022, we completed the liquidation of our legal entity in Turkey. As a result, we recognized $0.9 million in loss on disposal of subsidiaries. The total charge consists of $0.7 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.

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.

3. Accounts Receivable

Our customers consist mainly of retailers, distributors and contractors. Our ten largest customers accounted for 62.3% and 56.7% of total accounts receivable as of January 1, 2023, and January 2, 2022, respectively. Our largest customer, The Home Depot, Inc. accounted for more than 10% of the consolidated gross accounts receivable balance as of January 1, 2023, and January 2, 2022. No other individual customer accounted for greater than 10% of the consolidated gross accounts receivable balance at either January 1, 2023, or January 2, 2022.

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

	Year Ended		
(In thousands)	**January 1, 2023**	**January 2, 2022**	**January 3, 2021**
Balance at beginning of period	$ 2,087	$ 2,809	$ 1,752
Additions charged to expense	1,062	242	1,443
Deductions	(669)	(964)	(386)
Balance at end of period	$ 2,480	$ 2,087	$ 2,809

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.

Certain wood moldings and millwork products being imported into the United States are subject to import tariffs. Tariff deposits are paid to the government and are recoverable through an assessment process.

4. Inventories

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

(In thousands)	**January 1, 2023**	**January 2, 2022**
Raw materials	$ 320,553	$ 275,269
Finished goods	95,005	78,324
Provision for obsolete or aged inventory	(8,730)	(6,117)
Inventories, net	$ 406,828	$ 347,476

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 1, 2023	January 2, 2022	January 3, 2021
Balance at beginning of period	$ 6,117	$ 6,305	$ 7,136
Additions charged to expense	7,692	3,402	5,150
Deductions	(5,079)	(3,590)	(5,981)
Balance at end of period	$ 8,730	$ 6,117	$ 6,305

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 1, 2023	January 2, 2022
Land	$ 21,415	$ 22,851
Buildings	222,340	216,510
Machinery and equipment	837,407	783,913
Property, plant and equipment, gross	1,081,162	1,023,274
Accumulated depreciation	(428,833)	(396,477)
Property, plant and equipment, net	$ 652,329	$ 626,797

Total depreciation expense was $71.2 million, $70.6 million and $68.4 million for the years ended January 1, 2023, January 2, 2022, and January 3, 2021, 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 1, 2023	January 2, 2022	January 3, 2021
Operating lease expense	$ 49,972	$ 47,263	$ 38,922
Finance lease expense			
Amortization of leased assets	1,123	865	882
Interest on lease liabilities	1,356	1,443	1,458
Total lease expense	$ 52,451	$ 49,571	$ 41,262

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 1, 2023	January 2, 2022
Operating lease right-of-use assets	$ 160,695	$ 176,445
Finance lease right-of-use assets [(1)]	25,409	23,931
Total lease assets, net	$ 186,104	$ 200,376
Current portion of operating lease liabilities	$ 24,372	$ 25,551
Long-term operating lease liabilities	151,242	165,670
Long-term finance lease liabilities	29,561	27,043
Total lease liabilities	$ 205,175	$ 218,264

(1) Net of accumulated amortization of $3.5 million and $2.4 million, as of January 1, 2023, and January 2, 2022, 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 1, 2023	January 2, 2022
Weighted-average remaining lease term (years)		
Operating leases	11.2	11.8
Finance leases	26.6	27.6
Weighted-average discount rate [(1)]		
Operating leases	4.3 %	4.1 %
Finance leases	4.8 %	5.4 %

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

As of January 1, 2023, the future minimum lease payments under non-cancelable leases are as follows:

(In thousands)	Operating Leases	Finance Leases
Fiscal year:		
2023	$ 31,073	$ 1,311
2024	28,862	1,471
2025	25,331	1,515
2026	18,362	1,693
2027	14,622	1,612
Thereafter	113,393	49,127
Total minimum lease payments	231,643	56,729
Less imputed interest	(56,029)	(27,168)
Present value of future lease payments	$ 175,614	$ 29,561

As of January 1, 2023, we have one undiscounted commitment for an operating lease that had not yet commenced of $25.8 million. This operating lease will commence during fiscal year 2023 with a lease term of 7.2 years.

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
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
Foreign exchange fluctuations	(19)	(7,215)	—	(7,234)
January 1, 2023	$ 9,874	$ 59,994	$ —	$ 69,868

Gross goodwill before cumulative impairment charges in the Architectural reporting unit was $111.0 million as of January 1, 2023, January 2, 2022, and January 3, 2021. 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 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 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 in 2021. 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 1, 2023			January 2, 2022		
(In thousands)	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Definite life intangible assets:						
Customer relationships	$ 165,700	$ (135,518)	$ 30,182	$ 176,779	$ (132,840)	$ 43,939
Patents	34,776	(29,665)	5,111	34,438	(28,148)	6,290
Software	37,187	(33,900)	3,287	36,354	(33,281)	3,073
Trademarks and tradenames	30,918	(15,827)	15,091	34,210	(14,063)	20,147
License rights and other	6,584	(84)	6,500	94	(94)	—
Total definite life intangible assets	275,165	(214,994)	60,171	281,875	(208,426)	73,449
Indefinite life intangible assets:						
Trademarks and tradenames	75,885	—	75,885	77,038	—	77,038
Total intangible assets	$ 351,050	$ (214,994)	$ 136,056	$ 358,913	$ (208,426)	$ 150,487

Amortization of intangible assets was $15.8 million, $20.2 million and $22.2 million for the years ended January 1, 2023, January 2, 2022, and January 3, 2021 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 1, 2023, is as follows:

(In thousands)	
Fiscal year:	
2023	$ 15,487
2024	14,054
2025	12,063
2026	8,617
2027	8,305

8. Accrued Expenses

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

(In thousands)	January 1, 2023	January 2, 2022
Accrued payroll	$ 69,224	$ 66,048
Accrued rebates	50,200	51,200
Current portion of operating lease liabilities	24,372	25,551
Accrued interest	16,480	17,125
Other accruals	62,770	77,376
Total accrued expenses	$ 223,046	$ 237,300

9. Long-Term Debt

(In thousands)	January 1, 2023	January 2, 2022
3.50% senior unsecured notes due 2030	$ 375,000	$ 375,000
5.375% senior unsecured notes due 2028	500,000	500,000
Debt issuance costs	(8,884)	(9,279)
Total long-term debt	$ 866,116	$ 865,721

Interest expense on our long-term debt was $41.3 million, $43.9 million and $45.5 million for years ended January 1, 2023, January 2, 2022, and January 3, 2021, respectively, and primarily related to our consolidated indebtedness under senior unsecured notes. Debt issuance costs incurred in connection with the 2030 Notes and the 2028 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 Term Loan Facility and ABL Facility, each as defined below, 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 and the principal is 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 1, 2023, 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 the principal is 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.

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 1, 2023, 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.

Term Loan Facility

On December 13, 2022, we and certain of our subsidiaries entered into a new delayed-draw term loan credit agreement (the "Term Loan Credit Agreement") maturing on December 12, 2027 (the "Term Loan Maturity Date"). The Term Loan Credit Agreement provides for a senior secured five-year delayed-draw term loan facility of $250.0 million (the "Term Loan Facility"). Loans under the Term Loan Facility (the "Term Loans") will bear interest at a rate equal to, at our option, (1) the Adjusted Term SOFR Rate (as defined in the Term Loan Credit Agreement) plus an applicable margin of 2.25% or (2) an alternate base rate equal to the greatest of (i) the "Prime Rate" in the U.S. last quoted by The Wall Street Journal, (ii) 0.50% above the greater of the federal funds rate and the rate comprised of both overnight federal funds and overnight eurodollar transactions denominated in Dollars, (iii) 1.00% above the Adjusted Term SOFR Rate for a one month interest period and (iv) 1.00%, plus, in each case, an applicable margin of 1.25%, subject to, in each of cases (1) and (2), an agreed interest rate floor. The Term Loans are repayable in equal quarterly installments for an annual aggregate amortization payment equal to 15% of the aggregate principal amount of the Term Loans, with the balance of the principal being due on the Term Loan Maturity Date.

The Term Loan Credit Agreement also includes a quarterly ticking fee of 25 basis points per annum payable to the lenders under the Term Loan Facility beginning on January 3, 2023 (the "Closing Date") in respect of the unutilized commitments thereunder. As a result of the incurrence of the Term Loans on the Closing Date such ticking fees were not (and shall not be) payable to the Lenders.

The Borrower also pays customary agency fees.

Obligations under the Term Loan Credit Agreement are fully and unconditionally guaranteed, jointly and severally, by us and by certain of our directly or indirectly wholly-owned subsidiaries organized in the United States and are secured by the equity in, and substantially all the assets of, such subsidiaries. The Term Loans were funded in an amount of $250.0 million and applied to finance a portion of the consideration payable in connection with the consummation of the Endura acquisition on January 3, 2023.

The Term Loan Credit Agreement contains restrictive covenants that, among other things, limit 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, (vi) incur additional debt and (vii) create liens. The Term Loan Credit Agreement includes certain exceptions and exemptions under the restricted payment, investment, dispositions, liens and indebtedness covenants.

The Term Loan Credit Agreement requires us to maintain at all times a total leverage ratio of no more than 4.50:1.00. The Term Loan Credit Agreement contains change of control provisions and certain customary affirmative covenants and events of default. As of January 1, 2023, we were in compliance with all covenants under the credit agreement governing the Term Loan Facility and there were no amounts outstanding.

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. On October 28, 2022, we and certain of our subsidiaries entered into an amendment which, among other things, (i) increased the revolving credit commitments available thereunder by $100.0 million to an aggregate amount of $350.0 million and (ii) replaced the LIBOR-based interest rate applicable to borrowings thereunder in U.S. dollars with an interest rate based on the sum of (x) a "Term SOFR" rate published by the CME Group Benchmark Administration Limited (CBA) plus (y) 10 basis points ("Adjusted Term SOFR"). Additionally, on December 12, 2022, we entered into an amendment to the ABL Facility, which, among other things, extended the maturity of the ABL Facility from January 31, 2024 to December 12, 2027. The terms of the ABL Facility remained otherwise substantially unchanged. 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 Term SOFR 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 1, 2023, we were in compliance with all covenants under the credit agreement governing the ABL Facility. We had availability of $324.9 million under our ABL Facility and there were no amounts outstanding as of January 1, 2023.

10. Commitments and Contingencies

We may become involved from time-to-time in litigation and regulatory compliance matters incidental to our business, including employment and wage and hour claims, antitrust, tax, product liability, environmental, health and safety, commercial disputes, intellectual property, contracts and other matters arising out of the normal conduct of our business. Since litigation is inherently unpredictable and unfavorable resolutions can occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review and accrue for contingencies related to litigation and regulatory compliance matters, if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on current information, in the opinion of management, the ultimate resolution of these matters, individually or in the aggregate, will not have a material adverse effect on our financial condition, results of operations or cash flows.

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 plaintiff alleges that the Masonite and JELD-WEN defendants engaged in anticompetitive conduct, including price-fixing involving interior molded doors. The intended class proceeding seeks damages, punitive damages, and other relief. On December 22, 2020, the parties filed a motion with the court seeking to stay the proceeding.

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 plaintiff alleges that the Masonite and JELD-WEN defendants engaged in anticompetitive conduct, including price-fixing involving interior molded doors. The intended class proceeding seeks damages, punitive damages, and other relief. The plaintiff served its certification record on March 31, 2021. The parties are waiting confirmation from the Federal Court of hearing dates in 2023 for a two-day certification hearing.

As of January 1, 2023, we have not accrued an expense 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. This proceeding is at an early stage. 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, results of operations or cash flow.

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 1, 2023, or January 2, 2022. 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 1, 2023, January 2, 2022, or January 3, 2021.

12. Share Based Compensation Plans

Share based compensation expense was $21.8 million, $16.0 million and $19.4 million for the years ended January 1, 2023, January 2, 2022, and January 3, 2021, respectively. As of January 1, 2023, the total remaining unrecognized compensation expense related to share based compensation amounted to $27.1 million, which will be amortized over the weighted average remaining requisite service period of 1.7 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 the 2012 Plan ("the Plans") were adopted because the Board of Directors believes that long-term incentive awards granted under the Plans 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 permit 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 1, 2023, there were 938,667 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 1, 2023, the liability and asset relating to deferred compensation had a fair value of $7.2 million and $7.0 million, respectively. 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. 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 1, 2023, participation in the DCP is limited and no restricted stock awards have been deferred into the DCP.

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, $0.8 million and $1.0 million, in the years ended January 1, 2023, January 2, 2022, and January 3, 2021, respectively.

Twelve Months Ended January 1, 2023	**Stock Appreciation Rights**	**Aggregate Intrinsic Value (in thousands)**	**Weighted Average Exercise Price**	**Average Remaining Contractual Life (Years)**
Outstanding, beginning of period	158,725	$ 7,324	$ 71.81	7.5
Granted	33,803		88.43	
Exercised	(4,580)	169	56.51	
Forfeited	(3,743)		96.15	
Outstanding, end of period	184,205	$ 2,153	$ 74.75	7.0
Exercisable, end of period	124,842	$ 2,118	$ 66.14	6.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The value of SARs granted in the year ended January 1, 2023, as determined using the Black-Scholes-Merton valuation model, was $0.9 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 based on historical employee behavior and the contractual term of the options amongst other considerations. The weighted average grant date assumptions used for the SARs granted were as follows for the periods indicated:

	2022 Grants	2021 Grants	2020 Grants
SAR value (model conclusion)	$ 26.52	$ 28.08	$ 20.56
Risk-free rate	2.0 %	0.8 %	1.2 %
Expected dividend yield	0.0 %	0.0 %	0.0 %
Expected volatility	26.5 %	25.2 %	22.6 %
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 2021 Equity Plan and the 2012 Plan. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Year Ended					
	January 1, 2023		January 2, 2022		January 3, 2021	
	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	291,925	$ 88.66	319,675	$ 68.33	318,520	$ 58.89
Granted	216,774	88.22	142,540	111.02	154,332	79.66
Delivered	(138,682)	78.51	(116,663)	66.40	(115,340)	60.30
Withheld to cover [1]	(23,319)		(24,471)		(16,234)	
Forfeited	(32,945)	95.83	(29,156)	82.85	(21,603)	58.15
Outstanding, end of period	313,753	$ 92.85	291,925	$ 88.66	319,675	$ 68.33

(1) 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.

RSUs granted during the year ended January 1, 2023, vest at specified future dates with only service requirements. The value of RSUs granted in the year ended January 1, 2023, was $19.1 million and is being recognized over the weighted average requisite service period of 1.9 years. During the year ended January 1, 2023, 162,001 RSUs vested at a fair value of $12.7 million.

Performance-based Restricted Stock Units

We have granted certain Performance-based Restricted Stock Units ("PRSUs") under the 2021 Equity Plan and the 2012 Plan. These PRSUs are settled with payouts ranging from zero to 200% of the target award value depending on performance goal achievement. The compensation expense for the PRSUs awarded is based on the fair value of the PRSUs 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 PRSUs 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.

	Year Ended					
	January 1, 2023		January 2, 2022		January 3, 2021	
	Total Performance Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value	Total Performance Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value	Total Performance Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value
Outstanding, beginning of period	150,181	$ 84.47	168,382	$ 67.80	204,687	$ 60.66
Granted	211,251	88.37	59,728	109.25	64,611	79.83
Performance adjustment [1]	25,234	57.19	14,474	63.05	(59,936)	67.50
Delivered	(52,265)	57.19	(60,252)	63.05	—	—
Withheld to cover [2]	(11,809)		(9,518)		—	
Forfeited	(11,914)	94.50	(22,633)	78.20	(40,980)	51.51
Outstanding, end of period	310,678	$ 90.15	150,181	$ 84.47	168,382	$ 67.80

(1) PRSUs 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 performance goal 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 PRSUs 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.

PRSUs granted during the year ended January 1, 2023, vest at specified future dates based on both performance and service requirements. The value of PRSUs granted in the year ended January 1, 2023, was $18.7 million and is being recognized over the weighted average requisite service period of 3.0 years. During the year ended January 1, 2023, 64,074 PRSUs vested at a fair value of $3.7 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 plant closure 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.

In December 2022, we began implementing a plan to improve overall business performance that includes the optimization of our manufacturing capacity and reduction of our overhead and selling, general and administration workforce primarily in our North American Residential reportable segment as well as actions in the Architectural reportable segment and in our head offices (collectively, the "2022 Plan"). The optimization of our manufacturing capacity involves specific plants in the North American Residential segment and costs associated with the closure of these plants and related headcount reductions. Costs associated with the 2022 Plan include severance and closure charges and will continue through 2023. As of January 1, 2023, we expect to incur approximately $13 million to $18 million of additional charges related to the 2022 Plan.

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.

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.

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.

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 1, 2023, we do not expect to incur any material future charges related to the 2021 Plan, 2020 Plan, 2019 Plan or 2018 Plan.

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

	Year Ended January 1, 2023				
(In thousands)	**North American Residential**	**Europe**	**Architectural**	**Corporate & Other**	**Total**
2022 Plan	$ 2,131	$ —	$ —	$ —	$ 2,131
2021 Plan	—	—	17	—	17
2020 Plan	—	—	62	16	78
2019 Plan	(395)	—	—	73	(322)
Total Restructuring Costs	$ 1,736	$ —	$ 79	$ 89	$ 1,904

	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

	Cumulative Amount Incurred Through January 1, 2023				
(In thousands)	North American Residential	Europe	Architectural	Corporate & Other	Total
2022 Plan	$ 2,131	$ —	$ —	$ —	$ 2,131
2021 Plan	—	—	1,683	—	1,683
2020 Plan	52	—	5,294	39	5,385
2019 Plan	8,755	359	1,671	2,668	13,453
Total Restructuring Costs	$ 10,938	$ 359	$ 8,648	$ 2,707	$ 22,652

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

(In thousands)	January 2, 2022	Severance	Closure Costs	Cash Payments	January 1, 2023
2022 Plan	$ —	$ 143	$ 1,988	$ (2,131)	$ —
2021 Plan	25	(26)	43	(42)	—
2020 Plan	22	(35)	113	(100)	—
2019 Plan	2	31	(353)	320	—
Total	$ 49	$ 113	$ 1,791	$ (1,953)	$ —

(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

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 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 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.

15. Income Taxes

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

	Year Ended		
(In thousands)	**January 1, 2023**	**January 2, 2022**	**January 3, 2021**
Income before income tax expense:			
Canada	$ 78,768	$ 44,935	$ 54,355
Foreign	211,429	99,031	47,945
Total income before income tax expense	$ 290,197	$ 143,966	$ 102,300

Income tax expense for income taxes consists of the following:

	Year Ended		
(In thousands)	**January 1, 2023**	**January 2, 2022**	**January 3, 2021**
Current income tax expense:			
Canada	$ 15,266	$ 9,392	$ 8,283
Foreign	50,463	30,499	30,413
Total current income tax expense:	65,729	39,891	38,696
Deferred income tax expense (benefit):			
Canada	7,931	3,626	(235)
Foreign	(1,907)	1,255	(9,850)
Total deferred income tax expense (benefit):	6,024	4,881	(10,085)
Income tax expense	$ 71,753	$ 44,772	$ 28,611

The Canadian statutory rate (inclusive of provincial rates) is 26.1%, 26.5% and 26.5% for the years ended January 1, 2023, January 2, 2022, and January 3, 2021, 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 1, 2023**	**January 2, 2022**	**January 3, 2021**
Income tax expense computed at statutory income tax rate	$ 75,829	$ 38,137	$ 27,130
Foreign rate differential	(10,045)	(12,370)	(4,900)
Permanent differences	(2,012)	3,843	(1,286)
Disposal of subsidiaries	287	1,651	493
Income attributable to a permanent establishment	(6,517)	2,608	2,253
Change in valuation allowance	5,202	1,569	(9,271)
Income tax credits	2,673	(5,591)	(1,831)
Change in tax rate	1,120	2,706	883
Goodwill impairment	—	11,296	7,965
Limitation on executive compensation	2,273	1,904	2,209
Withholding and other taxes	2,100	1,761	2,435
Nondeductible interest	1,970	—	1,714
Other	(1,127)	(2,742)	817
Income tax expense	$ 71,753	$ 44,772	$ 28,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 1, 2023**	**January 2, 2022**
Deferred tax assets:		
Non-capital loss carryforwards	$ 12,525	$ 11,142
Capital loss carryforwards	7,753	6,740
Deferred interest expense	9,052	12,518
Accruals and reserves currently not deductible for tax purposes	20,268	18,208
Share based compensation	4,887	4,456
Income tax credits	872	5,466
Lease right-of-use assets	53,985	57,735
Capitalized research and development	5,732	—
Other	2,031	1,319
Total deferred tax assets	117,105	117,584
Valuation allowance	(14,102)	(10,286)
Total deferred tax assets, net of valuation allowance	103,003	107,298
Deferred tax liabilities:		
Plant and equipment	(86,337)	(77,807)
Intangibles	(21,043)	(23,147)
Basis difference in subsidiaries	(7,469)	(7,488)
Unrealized foreign exchange loss (gain)	1,850	(287)
Lease liabilities	(48,889)	(52,955)
Other	(4,572)	(2,786)
Total deferred tax liabilities	(166,460)	(164,470)
Net deferred tax liability	$ (63,457)	$ (57,172)

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 1, 2023, and January 2, 2022, a valuation allowance of $14.1 million and $10.3 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 loss carryforwards and other assets in Canada, Costa Rica and the United Kingdom.

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

	Year Ended		
(In thousands)	**January 1, 2023**	**January 2, 2022**	**January 3, 2021**
Balance at beginning of period	$ 10,286	$ 5,970	$ 15,569
Additions charged to expense and other	10,252	4,473	851
Deductions	(6,436)	(157)	(10,450)
Balance at end of period	$ 14,102	$ 10,286	$ 5,970

The losses carried forward for tax purposes are available to reduce future taxable income by $47.2 million. We can apply these losses against future taxable income based on the period of expiration as follows:

(In thousands)	Canada	Other Foreign	Total
2023-2028	$ —	$ 3,237	$ 3,237
2029-2043	39,482	—	39,482
Indefinitely	—	4,502	4,502
Total tax losses carried forward	$ 39,482	$ 7,739	$ 47,221

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 1, 2023, and January 2, 2022, our unrecognized tax benefits were $7.7 million and $7.6 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 1, 2023	January 2, 2022	January 3, 2021
Unrecognized tax benefit at beginning of period	$ 7,592	$ 8,108	$ 8,156
Gross increases in tax positions in current period	151	103	62
Gross decreases in tax positions in prior period	(173)	(108)	(110)
Gross increases in tax positions in prior period	110	—	1
Lapse of statute of limitations	—	(511)	(1)
Unrecognized tax benefit at end of period	$ 7,680	$ 7,592	$ 8,108

We recognize interest and penalties accrued related to unrecognized tax benefits as income tax expense. During the years ended January 1, 2023, January 2, 2022, and January 3, 2021, we recorded accrued interest of $0.6 million, $0.4 million and $0.6 million, respectively. Additionally, we have recognized a liability for accumulated penalties of $0.3 million, $0.3 million and $0.3 million, and accumulated interest of $3.1 million, $2.8 million and $3.1 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 1, 2023, we are no longer subject to Canadian income tax examination for years prior to 2018. Additionally, we are no longer subject to U.S. federal tax examinations for years prior to 2019. To the extent that income tax attributes such as net operating losses and tax credits have been carried forward from years prior to 2019, 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 2016.

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 ("IRA") into law. The IRA includes several changes to existing tax law, including a minimum tax on adjusted financial statement income of applicable corporations and an excise tax on certain corporate stock buybacks. The tax provisions included in the IRA are generally effective beginning January 1, 2023, and no significant impact to the consolidated financial statements is anticipated. Management continues to review the IRA tax provisions to assess impacts to our future consolidated financial statements.

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 1, 2023**	**January 2, 2022**	**January 3, 2021**
Net income attributable to Masonite	$ 214,233	$ 94,501	$ 69,037
Shares used in computing basic earnings per share	22,532,722	24,176,846	24,569,727
Effect of dilutive securities:			
Incremental shares issuable under share compensation plans	239,743	385,687	373,451
Shares used in computing diluted earnings per share	22,772,465	24,562,533	24,943,178
Basic earnings per common share attributable to Masonite	$ 9.51	$ 3.91	$ 2.81
Diluted earnings per common share attributable to Masonite	$ 9.41	$ 3.85	$ 2.77
Anti-dilutive instruments excluded from diluted earnings per common share	223,968	28,707	215,563

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.

The Company's Board of Directors has approved five share repurchase authorizations, the most recent being an incremental $200.0 million share repurchase program approved on February 21, 2022. In addition, the Company announced that its Board of Directors authorized it to enter into an accelerated share repurchase ("ASR") transaction as part of the new share repurchase program. The Company entered into an ASR transaction during the first quarter of 2022 with a third-party financial institution for the repurchase of $100.0 million of its outstanding common shares. At inception, pursuant to the agreement, the Company paid $100.0 million to the financial institution using cash on hand and received an initial delivery of 848,087 common shares on the same day. The final delivery of 319,678 common shares occurred in the second quarter. The $100.0 million ASR transaction was therefore completed in the second quarter with a total delivery of 1,167,765 common shares at a volume-weighted average price ("VWAP") per share minus an agreed upon discount totaling 85.63 per share. The cash paid was reflected as a reduction of equity at the initial delivery of shares and the number of shares outstanding were reduced at the dates of physical delivery.

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 (benefit);
- asset impairment;
- loss (gain) on disposal of subsidiaries;
- interest expense (income), net;
- loss on extinguishment of debt;
- other expense (income), 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 and the 2028 Notes and the credit agreements governing the Term Loan Facility and 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 1, 2023				
(In thousands)	North American Residential	Europe	Architectural	Corporate & Other	Total
Sales	$ 2,286,098	$ 282,989	$ 323,175	$ 20,293	$ 2,912,555
Intersegment sales	(2,456)	(2,220)	(16,192)	—	(20,868)
Net sales to external customers	$ 2,283,642	$ 280,769	$ 306,983	$ 20,293	$ 2,891,687
Adjusted EBITDA	$ 461,750	$ 28,774	$ (3,748)	$ (40,978)	$ 445,798
Depreciation and amortization	42,958	21,061	12,374	11,902	88,295
Interest expense, net	—	—	—	41,331	41,331
Income tax expense	—	—	—	71,753	71,753

	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 benefit	—	—	—	28,611	28,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(In thousands)	Year Ended January 1, 2023	Year Ended January 2, 2022	Year Ended January 3, 2021
Net income attributable to Masonite	$ 214,233	$ 94,501	$ 69,037
Plus:			
Depreciation	71,168	70,641	68,350
Amortization	17,127	21,341	23,423
Share based compensation expense	21,771	15,959	19,423
(Gain) loss on disposal of property, plant and equipment	(378)	1,316	6,234
Restructuring costs	1,904	5,567	8,236
Asset impairment	—	69,900	51,515
Loss on disposal of subsidiaries	850	8,590	2,091
Interest expense, net	41,331	46,123	46,807
Loss on extinguishment of debt	—	13,583	—
Other (income) expense, net	(5,001)	15,620	(5,217)
Income tax expense	71,753	44,772	28,611
Other items [1]	6,829	—	40,550
Net income attributable to non-controlling interest	4,211	4,693	4,652
Adjusted EBITDA	$ 445,798	$ 412,606	$ 363,712

(1) Other items include $6,829 in acquisition and due diligence related costs in the year ended January 1, 2023, and $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.

We derive revenues from two major product lines: interior and exterior products. 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:

(In thousands)	Year Ended January 1, 2023	Year Ended January 2, 2022	Year Ended January 3, 2021
Net sales to external customers:			
Interior products	$ 1,871,103	$ 1,654,379	$ 1,479,196
Exterior products	892,945	813,605	647,241
Components	127,639	128,936	130,638
Total	$ 2,891,687	$ 2,596,920	$ 2,257,075

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

(In thousands)	Year Ended January 1, 2023	Year Ended January 2, 2022	Year Ended January 3, 2021
Net sales to external customers from facilities in:			
United States	$ 2,153,689	$ 1,776,180	$ 1,595,398
Canada	395,938	364,179	319,937
United Kingdom	259,944	300,008	218,382
Other	82,116	156,553	123,358
Total	$ 2,891,687	$ 2,596,920	$ 2,257,075

In the years ended January 1, 2023, January 2, 2022, and January 3, 2021, net sales to The Home Depot, Inc., were $630.7 million, $491.5 million and $411.1 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 1, 2023	January 2, 2022
United States	$ 443,105	$ 413,289
Other [(1)]	209,224	213,508
Total	$ 652,329	$ 626,797

(1) Except for the United States, property, plant and equipment in any single country was less than 10% of consolidated property, plant and equipment, net.

18. Employee Future Benefits

United States Defined Benefit Pension Plan

We had a defined benefit pension plan covering certain active and former employees in the United States ("U.S. Pension Plan"). 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 U.S. 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. 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. Information about the U.S. Pension Plan is as follows for the periods indicated:

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	Year Ended		
(In thousands)	January 1, 2023	January 2, 2022	January 3, 2021
Components of net periodic benefit cost:			
Service cost	$ —	$ 331	$ 309
Interest cost	—	1,516	2,183
Expected return on assets	—	(2,953)	(5,328)
Amortization of actuarial net losses	—	1,047	662
Settlement loss		23,343	—
Net pension expense (benefit)	$ —	$ 23,284	$ (2,174)

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

	Year Ended	
(In thousands)	January 1, 2023	January 2, 2022
Pension assets:		
Fair value of plan assets, beginning of year	$ —	$ 86,464
Company contributions	—	5,550
Actual return on plan assets	—	(2,347)
Plan settlements	—	(84,573)
Benefits paid	—	(3,711)
Administrative expenses paid	—	(1,383)
Fair value of plan assets, end of year	—	—
Pension liability:		
Accrued benefit obligation, beginning of year	—	85,330
Current service cost	—	331
Interest cost	—	1,516
Plan settlements	—	(84,573)
Actuarial loss	—	2,490
Benefits paid	—	(3,711)
Administrative expenses paid	—	(1,383)
Accrued benefit obligation, end of year	—	—
Net plan assets, end of year	$ —	$ —

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

A reconciliation of the change in accumulated other comprehensive loss ("AOCL") is set forth as follows for the periods indicated:

	Year Ended	
(In thousands)	January 1, 2023	January 2, 2022
Net actuarial loss	$ —	$ 7,790
Amortization of:		
Curtailment recognition of prior service cost	—	(15)
Settlement recognition of net loss	—	(24,375)
Change in AOCL, pre-tax	$ —	$ (16,600)

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 1, 2023	January 2, 2022	January 3, 2021
Discount rate applied for:			
Accrued benefit obligation	— %	2.4 %	2.4 %
Net periodic pension cost	— %	2.4 %	3.3 %
Expected long-term rate of return on plan assets	— %	3.5 %	3.5 %

The rate of compensation increase for the accrued benefit obligation and net periodic pension costs for the U.S. 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 was 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 was 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 have a defined benefit pension plan in the United Kingdom ("U.K. Pension Plan"), which has been curtailed in prior years. The measurement date used for the accounting valuation of the U.K. Pension Plan was January 1, 2023. Information about the U.K. Pension Plan is as follows for the periods indicated:

	Year Ended		
(In thousands)	January 1, 2023	January 2, 2022	January 3, 2021
Components of net periodic benefit cost:			
Interest cost	$ 504	$ 366	$ 536
Expected return on assets	(934)	(1,292)	(1,021)
Amortization of actuarial net losses	22	289	340
Settlement loss	—	—	127
Net pension benefit	$ (408)	$ (637)	$ (18)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Year Ended	
(In thousands)	**January 1, 2023**	**January 2, 2022**
Pension assets:		
Fair value of plan assets, beginning of year	$ 33,389	$ 31,222
Company contributions	2,021	1,376
Actual return on plan assets	(13,071)	2,159
Benefits paid	(1,006)	(919)
Translation adjustment	(3,251)	(449)
Fair value of plan assets, end of year	18,082	33,389
Pension liability		
Accrued benefit obligation, beginning of year	33,002	35,394
Interest cost	504	366
Actuarial gain	(9,153)	(1,431)
Benefits paid	(1,006)	(919)
Translation adjustment	(3,276)	(408)
Accrued benefit obligation, end of year	20,071	33,002
Net (accrued benefit obligation) plan assets, end of year	$ (1,989)	$ 387

There were $9.2 million of actuarial gains during fiscal year 2022 primarily as a result of a change in the discount rate from 1.83% to 4.81% driven by an increase in both government and corporate bond yields. 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:

	Year Ended	
(In thousands)	**January 1, 2023**	**January 2, 2022**
Net actuarial loss	$ 7,212	$ 2,794
Prior service cost	440	518
Total amount recognized in AOCL, pre-tax	$ 7,652	$ 3,312

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

	Year Ended	
(In thousands)	**January 1, 2023**	**January 2, 2022**
Net actuarial loss (gain)	$ 4,852	$ (2,298)
Amortization of:		
Prior service cost	(22)	(25)
Net actuarial loss from prior years	—	(264)
Translation adjustment	(490)	(22)
Change in AOCL, pre-tax	$ 4,340	$ (2,609)

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. Pension Plan is set forth as follows for the periods indicated:

	Year Ended			
	January 1, 2023		January 2, 2022	
(In thousands)	Amount	% of Total Plan	Amount	% of Total Plan
Equity securities	$ 3,740	20.7 %	$ 8,327	24.9 %
Debt securities	—	— %	—	— %
Other	14,342	79.3 %	25,062	75.1 %
	$ 18,082	100.0 %	$ 33,389	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. Pension Plan for 2022 is 80% other securities and 20% 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 1, 2023	January 2, 2022	January 3, 2021
Discount rate applied for:			
Accrued benefit obligation	4.8 %	1.8 %	1.3 %
Net periodic pension cost	1.7 %	1.0 %	1.0 %
Expected long-term rate of return on plan assets	3.0 %	4.1 %	4.1 %

The rate of compensation increase for the accrued benefit obligation and net pension cost for the U.K. 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 1, 2023, the estimated future benefit payments from the U.K. Pension Plan for the following future periods are set forth as follows:

(In thousands)	Expected Future Benefit Payments
Fiscal year:	
2023	$ 977
2024	1,079
2025	1,162
2026	1,120
2027	1,168
2028 through 2032	6,750
Total estimated future benefit payments	$ 12,256

Expected contributions to the U.K. Pension Plan during 2023 are $2.0 million.

Overall Pension Obligation

For all periods presented, the U.S. and U.K. 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 (loss) income 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 $16.1 million, $15.6 million and $13.7 million for the years ended January 1, 2023, January 2, 2022, and January 3, 2021, respectively.

19. Accumulated Other Comprehensive Loss and Other Comprehensive (Loss) Income

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

	Year Ended		
(In thousands)	January 1, 2023	January 2, 2022	January 3, 2021
Accumulated foreign exchange losses, beginning of period	$ (96,919)	$ (93,684)	$ (113,336)
Foreign currency translation (loss) gain	(36,369)	(6,719)	17,566
Income tax benefit on foreign currency translation (loss) gain	18	6	17
Cumulative translation adjustment recognized upon deconsolidation of subsidiaries	732	3,544	2,254
Less: foreign exchange (loss) gain attributable to non-controlling interest	(537)	66	185
Accumulated foreign exchange losses, end of period	(132,001)	(96,919)	(93,684)
Accumulated pension and other post-retirement adjustments, beginning of period	(4,663)	(18,379)	(16,833)
Pension and other post-retirement adjustments	(4,718)	2,250	(3,163)
Income tax (expense) benefit on pension and other post-retirement adjustments	(858)	(437)	851
Amortization of actuarial net losses	22	1,336	1,002
Income tax expense on amortization of actuarial net losses	(6)	(258)	(236)
Pension settlement charges	—	15,654	—
Income tax expense on pension settlement charges	—	(4,829)	—
Accumulated pension and other post-retirement adjustments, end of period	(10,223)	(4,663)	(18,379)
Accumulated other comprehensive loss	$ (142,224)	$ (101,582)	$ (112,063)
Other comprehensive (loss) income, net of tax:	$ (41,179)	$ 10,547	$ 18,291
Less: other comprehensive (loss) income attributable to non-controlling interest	(537)	66	185
Other comprehensive (loss) income attributable to Masonite	$ (40,642)	$ 10,481	$ 18,106

Cumulative translation adjustments are reclassified out of accumulated other comprehensive loss into loss on disposal of subsidiaries in the years ended January 1, 2023, and January 2, 2022, 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 1, 2023, were $36.4 million, primarily driven by weakening of the Pound Sterling, the Canadian dollar and the Euro 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 1, 2023**	**January 2, 2022**	**January 3, 2021**
Transactions involving cash:			
Interest paid	$ 41,846	$ 42,703	$ 45,380
Interest received	2,783	250	1,110
Income taxes paid	77,500	40,506	24,336
Income tax refunds	1,596	875	805
Cash paid for operating lease liabilities	33,451	29,886	29,943
Cash paid for finance lease liabilities	1,359	1,470	1,393
Non-cash transactions from operating activities:			
Right-of-use assets acquired under operating leases	9,307	49,703	51,381

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

	January 1, 2023	January 2, 2022
Cash and cash equivalents	$ 296,922	$ 381,395
Restricted cash	11,999	10,110
Total cash, cash equivalents and restricted cash	$ 308,921	$ 391,505

Property, plant and equipment additions in accounts payable were $10.4 million and $10.7 million as of January 1, 2023, and January 2, 2022, 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. The note receivable balance was $12.6 million as of January 1, 2023, and January 2, 2022. The note receivable was recorded in the consolidated balance sheets as a component of prepaid expenses and other assets, and as a component of other assets as of January 1, 2023, and January 2, 2022, respectively. On January 26, 2023, the note receivable was redeemed and fully repaid.

21. Variable Interest Entity

As of January 1, 2023, and January 2, 2022, 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 1, 2023	January 2, 2022
Current assets	$ 5,699	$ 9,057
Property, plant and equipment, net	8,056	8,573
Long-term deferred income taxes	1,170	1,023
Other assets	4,067	4,202
Current liabilities	(1,396)	(3,895)
Other long-term liabilities	(4)	(139)
Non-controlling interest	(3,229)	(3,803)
Net assets of the VIE consolidated by Masonite	$ 14,363	$ 15,018

Current assets include $1.0 million and $4.9 million of cash and cash equivalents as of January 1, 2023, and January 2, 2022, 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 1, 2023		January 2, 2022	
(In millions)	Fair Value	Carrying Value	Fair Value	Carrying Value
3.50% senior unsecured notes due 2030	$ 303,870	$ 371,136	$ 373,238	$ 370,593
5.375% senior unsecured notes due 2028	$ 462,495	$ 495,868	$ 526,730	$ 495,128

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

Acquisition of Endura

On January 3, 2023, we completed the acquisition of 100% of the outstanding equity of EPI Holdings, Inc. ("Endura"), for approximately $375.0 million in cash. Endura is a leading innovator and manufacturer of high-performance door frames and door system components in the United States. Endura’s product offerings include engineered frames, self-adjusting sill systems, weather sealing, multi-point locks and installation accessories used by builders and contractors in residential new construction as well as repair and remodeling applications. The acquisition will allow us to accelerate our Doors That Do More™ strategy and maximize our growth potential. The acquisition will be accounted for as a business combination, with the goodwill being non-deductible for tax purposes.

Since the closing of the acquisition occurred subsequent to the Company's fiscal year end, the allocation of the purchase price to the underlying assets acquired and liabilities assumed is subject to a formal valuation process, which has not yet been completed. The major classes of assets acquired will include trade receivables, inventories, trade payables and goodwill and intangibles. Our 2023 operating results will include the results from Endura from the date of acquisition. Based on the timing of the acquisition and lack of available information, we determined it to be impracticable to disclose a preliminary purchase price allocation or proforma financial information at this time.

During the year ended January 1, 2023, we recorded $6.8 million of acquisition and due diligence related costs. These costs were recorded in selling, general and administration expense within the consolidated statements of income and comprehensive income.

Term Loan Facility and ABL Facility

In connection with the acquisition of Endura on January 3, 2023, we borrowed $250.0 million under our Term Loan Facility and $100.0 million under our ABL Facility in order to fund a portion of the cash consideration paid. On February 3, 2023, we subsequently repaid $50.0 million of the outstanding borrowings under our ABL Facility. In the first quarter of 2023, we incurred $2.7 million of incremental debt issuance costs on our Term Loan Facility.

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 Annual 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 Annual 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 certain 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 1, 2023, 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 1, 2023.

The effectiveness of our internal control over financial reporting as of January 1, 2023, 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 1, 2023. 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 1, 2023, 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 1, 2023, 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 1, 2023 and January 2, 2022, 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 1, 2023, and the related notes and our report dated February 28, 2023 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 a 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 28, 2023

Item 9B. Other Information

Annual Meeting and Record Date. The Board of Directors has set the date of the 2023 Annual General Meeting of Shareholders and the related record date. The Annual General Meeting will be held on May 11, 2023, 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 20, 2023.

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 2023 Annual General Meeting of Shareholders (the "2023 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 28, 2023, regarding each of our executive officers:

Name	Age	Positions
Howard C. Heckes	58	President and Chief Executive Officer and Director
Russell T. Tiejema	54	Executive Vice President and Chief Financial Officer
Christopher O. Ball	45	President, Global Residential
Victoria Philemon	50	Senior Vice President, General Manager, Europe
Alexander A. Legall	54	Senior Vice President, Business Leader, Architectural
Randal A. White	52	Senior Vice President, Global Operations and Supply Chain
James C. Pelletier	45	Senior Vice President, General Counsel and Corporate Secretary
Robert A. Paxton	49	Senior Vice President, Human Resources
Patrick D. Brisley	44	Vice President, Chief Accounting Officer

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 58) 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 54) 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.

Christopher O. Ball, (age 45) 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.

Victoria Philemon, (age 50) has served as Masonite’s Senior Vice President, General Manager, Europe since August 2021. Prior to joining Masonite, Ms. Philemon was most recently Managing Director for Morphy Richards, a supplier of small appliances in the United Kingdom from 2017 to 2021. She also previously served in senior sales and marketing roles at Stanley Black & Decker from 2008 to 2016. Earlier in her career, Ms. Philemon held progressive leadership positions in sales.

Alexander A. Legall, (age 54) has served as Masonite’s Senior Vice President & Business Leader - Architectural since September 2020. Mr. Legall joined Masonite from Owens Corning, where he served in a variety of leadership roles with the company from 2012 to 2020, most recently as Vice President and General Manager of their North American Technical Insulation business from 2018 to 2020. Prior to joining Owens Corning, Mr. Legall was with Carrier Corporation for 18 years where he held multiple leadership roles both domestically and in Latin America.

Randal A. White, (age 52) 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.

James C. Pelletier, (age 45) joined Masonite in April 2022 as the Senior Vice President, General Counsel and Secretary. Prior to joining Masonite, Mr. Pelletier was Senior Vice President, General Counsel and Secretary for Barnes Group Inc. from 2015 to 2022. Prior to joining Barnes Group Inc., Mr. Pelletier held corporate counsel positions as Associate Counsel with United Technologies Corporation from 2009 to 2015 and as Compliance Counsel for GE Aviation from 2007 to 2009. Mr. Pelletier began his career as an Associate with the law firm Orrick, Herrington, & Sutcliffe, LLP in Washington, D.C. and worked in the Office of the General Counsel at the U.S. Department of Commerce as an Attorney-Advisor within the Bureau of Industry and Security.

Robert A. Paxton, (age 49) 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 to 2002.

Patrick D. Brisley, (age 44) has served as Masonite's Vice President, Chief Accounting Officer since June 2019 and joined Masonite as Corporate Controller in May 2015. Mr. Brisley is a Certified Public Accountant. Prior to joining Masonite, Mr. Brisley was a member of the assurance practice of PricewaterhouseCoopers working with clients in various industries and on technical matters such as initial public offerings, mergers and acquisitions as well as other U.S. GAAP and SEC requirements.

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 2023 Proxy Statement. Such information will be included in the 2023 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 2023 Proxy Statement. Such information will be included in the 2023 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 2023 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 2023 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

(a) The following documents are filed as part of this Form 10-K:

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
2.1	Securities Purchase Agreement, dated as of November 2, 2022, by and among Masonite, Endura, Endura Stockholders, Endura Warrant Holders and Endura's equityholders' representative (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 011-11796) filed with the Securities and Exchange Commission on November 3, 2022)
2.2	Amendment to the Securities Purchase Agreement, dated as of December 30, 2022, by and among Buyer, Masonite, Endura, Endura Stockholders, Endura Warrant Holders and Endura's equityholders' representative (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 3, 2023)
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)

Exhibit No.	Description
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)
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) (correcting 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) #	Form of Performance Restricted Stock Unit Agreement pursuant to the Masonite International Corporation 2021 Omnibus Incentive Plan (August 2022) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 011-11796) filed with the Securities and Exchange Commission on August 9, 2022)
10.3(g) #	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(h) #	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(i) #	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(j) #	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(k) #	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(l) #	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(m) #	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)

Exhibit No.	Description
10.3(n) #	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(o) #	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)
10.3(p) #	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(q) #	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(r) #	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* #	2023 Masonite Incentive Plan (MIP) Plan Document
10.5(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)
10.5(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)
10.5(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)
10.5(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)
10.5(e) #	Amended and Restated Employment Agreement, dated as of December 31, 2021, by and between Masonite International Corporation and Robert A. Paxton (incorporated by reference to Exhibit 10.4(e) to the Company's Annual Report on Form 10-K (File No. 011-11796) filed with the Securities and Exchange Commission on February 22, 2022)
10.5(f)* #	Employment Agreement, dated as of December 31, 2021, by and between Masonite International Corporation and Christopher O. Ball
10.6 #	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)
10.7(a)	Credit Agreement, dated as of December 13, 2022, among Masonite International Corporation, Masonite Corporation, the lenders from time to time party thereto and JPMorgan Chase Bank, N.A. (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 December 13, 2022)

Exhibit No.	Description
10.7(b)	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)
10.7(c)	Amendment No. 3 to the Second Amended and Restated Credit Agreement and Facility Increase Amendment, dated as of October 28, 2022, by and among Masonite, Masonite Corporation, Premdor Crosby Limited, each other subsidiary of Masonite party thereto, each lender party thereto and Wells Fargo Bank, National Association, as administrative agent (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 November 3, 2022)
10.7(d)	Amendment No. 4 to Second Amended and Restated Credit Agreement, dated as of December 12, 2022, by and among Masonite International Corporation, Masonite Corporation, Premdor Crosby Limited, each other subsidiary of Masonite party thereto, each lender party thereto and Wells Fargo Bank, National Association, as administrative agent (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 December 13, 2022)
10.7(e)	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)
10.7(f)	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)
10.7(g)	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)
10.7(h)	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)
10.7(i)	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

Exhibit No.	Description
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 1, 2023, January 2, 2022, and January 3, 2021; (ii) the Registrant's Consolidated Balance Sheets as of January 1, 2023, and January 2, 2022; (iii) the Registrant's Consolidated Statements of Changes in Equity for the years ended January 1, 2023, January 2, 2022, and January 3, 2021; (iv) the Registrant's Consolidated Statements of Cash Flows for the years ended January 1, 2023, and January 2, 2022; 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 28, 2023

By /s/ Russell T. Tiejema
Russell T. Tiejema
Executive Vice President and Chief Financial Officer
(Principal Financial 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 28, 2023
/s/ Russell T. Tiejema **Russell T. Tiejema**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 28, 2023
/s/ Patrick D. Brisley **Patrick D. Brisley**	Vice President, Chief Accounting Officer (Principal Accounting Officer)	February 28, 2023
/s/ Robert J. Byrne **Robert J. Byrne**	Director and Chairman of the Board	February 28, 2023
/s/ Jody L. Bilney **Jody L. Bilney**	Director	February 28, 2023
/s/ Peter R. Dachowski **Peter R. Dachowski**	Director	February 28, 2023
/s/ Jonathan F. Foster **Jonathan F. Foster**	Director	February 28, 2023
/s/ Daphne E. Jones **Daphne E. Jones**	Director	February 28, 2023
/s/ William S. Oesterle **William S. Osterle**	Director	February 28, 2023
/s/ Barry A. Ruffalo **Barry A. Ruffalo**	Director	February 28, 2023
/s/ Francis M. Scricco **Francis M. Scricco**	Director	February 28, 2023
/s/ Jay I. Steinfeld **Jay I. Steinfeld**	Director	February 28, 2023

RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE
MASONITE INTERNATIONAL CORPORATION
2021 OMNIBUS INCENTIVE PLAN
FOR UNITED STATES DIRECTORS

* * * * *

Participant: ___________________________________

Grant Date: [_____]

Number of Restricted Stock Units granted: [_____]

* * * * *

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between Masonite International Corporation, a British Columbia corporation (the "Company"), and the Participant specified above, pursuant to the Masonite International Corporation 2021 Omnibus Incentive Plan, as may be amended from time to time (the "Plan"), which is administered by the Committee; and

WHEREAS, it has been determined under the Plan that the Company will grant the Restricted Stock Units ("RSUs") provided herein to the Participant.

NOW, THEREFORE, in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. **Incorporation By Reference; Plan Document Receipt**. This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the grant of the RSUs hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its

content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

2. **Grant of Restricted Stock Unit Award.** The Company hereby grants to the Participant, as of the Grant Date specified above, the number of RSUs specified above. Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant's interest in the Company for any reason. The Participant shall not have the rights of a stockholder in respect of the Common Stock underlying this Award until such Common Stock is delivered to the Participant in accordance with Section 4.

3. **Vesting**.

(a) General. Except as otherwise provided in this Section 3, one hundred percent (100%) of the RSUs shall vest on **[_____]**; provided that the Participant continues to serve as a member of the Board through such vesting date.

(b) Forfeiture. Subject to Section 3(c), all unvested RSUs shall be immediately forfeited upon the Participant's Termination for any reason.

(c) Certain Terminations. All unvested RSUs shall immediately become vested upon a Termination due to (i) the Participant's death, (ii) the Participant's Disability or (iii) an involuntary removal of the Participant from the Board prior to the end of the Participant's term for a reason other than Cause.

(d) Change in Control. All unvested RSUs shall immediately become vested upon a Change in Control; provided the Participant is serving as a member of the Board immediately prior to the consummation of the Change in Control transaction.

4. **Delivery of Common Stock.**

(a) General. Subject to Section 4(b) and 4(c) of this Agreement and Section 14.17 of the Plan, the Company shall deliver to the Participant the Common Stock underlying the vested RSUs within thirty (30) days of the vesting date. In connection with the delivery of the Common Stock pursuant to this Agreement, the Participant agrees to execute any documents reasonably requested by the Company.

(b) Blackout Periods. If the Participant is subject to any Company "blackout" policy or other trading restriction imposed by the Company on the date such distribution would otherwise be made pursuant to Section 4(a), the Company may elect to delay such distribution until the date the Participant is not subject to any such policy or restriction or such earlier or later date as required by applicable law, consistent with Section 409A of the Code.

(c) Deferrals. If permitted by the Company, the Participant may elect, subject to the terms and conditions of the Plan and any other applicable written plan or procedure adopted by the Company from time to time for purposes of such election, to defer the distribution of all or any portion of the shares of Common Stock that would otherwise be distributed to the Participant hereunder (the "Deferred Shares"), consistent with the requirements of Section 409A of the Code. Upon the vesting of RSUs that have been so deferred, the applicable number of Deferred Shares shall be credited to a bookkeeping account established on the Participant's behalf (the "Account"). Subject to this Section 4 and Section 5 below, the number of shares of Common Stock equal to the number of Deferred Shares credited to the Participant's Account shall be distributed to the Participant in accordance with the terms and conditions of the Plan and the other applicable written plans or procedures of the Company, consistent with the requirements of Section 409A of the Code.

5. **Dividends and Other Distributions.** The Participant shall be entitled to receive all dividends and other distributions paid with respect to the Common Stock underlying the RSUs, provided that any such dividends or other distributions will be subject to the same vesting requirements as the underlying RSUs and shall be paid at the time the Common Stock are delivered pursuant to Section 4. If any dividends or distributions are paid in Common Stock with respect to unvested Common Stock, the Common Stock shall be deposited with the Company and shall be subject to the same restrictions on transferability and forfeitability as the RSUs with respect to which they were paid.

6. **Restrictive Covenants**. As a condition to the receipt of the RSUs and/or the delivery of Common Stock hereunder, the Participant agrees as follows

(a) Confidentiality and Non-Disclosure Agreement. The Company and the Participant acknowledge and agree that during the Participant's service with the Company, the Participant will have access to and may assist in developing Confidential Information and will occupy a position of trust and confidence with respect to the affairs and business of the Company and its Affiliates. The Participant agrees that the obligations set forth in this Section 6 are necessary to preserve the confidential and proprietary nature of Confidential Information and to protect the Company and its Affiliates against harmful solicitation of employees and customers and other actions by the Participant that would result in serious adverse consequences for the Company and its Affiliates. For purposes of this Agreement, "Confidential Information" means all non-public information concerning trade secrets, know-how, software, developments, inventions, processes, technology, designs, financial data, strategic business plans or any proprietary or confidential information, documents or materials in any form or media, including any of the foregoing relating to research, operations, finances, current and proposed products and services, vendors, customers, advertising and marketing, and other non-public, proprietary, and confidential information of the Company or its Affiliates. Notwithstanding anything to the contrary contained herein, the general skills, knowledge and experience gained during the Participant's service with the Company, information publicly available or generally known within the industry or trade in which the Company competes and information or knowledge possessed by the Participant prior to his/her service with the Company shall not be considered Confidential Information.

(b) Non-Disclosure. During and after the Participant's service with the Company, the Participant will not use, disclose, copy or transfer any Confidential Information other than as authorized in writing by the Company or within the scope of the Participant's duties with the Company as determined reasonably and in good faith by the Participant. Anything herein to the contrary notwithstanding, the provisions of this Section 6(b) shall not apply (i) when disclosure is required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with actual or apparent jurisdiction to order the Participant to disclose or make accessible any information; provided that prior to any such disclosure the Participant shall provide the Company with reasonable notice of the requirements to disclose and an opportunity to object to such disclosure and the Participant shall cooperate with the Company in filing such objection; or (ii) as to information that becomes generally known to the public or within the relevant trade or industry other than due to the Participant's violation of this Section 6(b). Nothing in this Agreement shall prohibit or impede the Participant from communicating, cooperating or filing a complaint with any U.S. federal, state or local governmental or law enforcement branch, agency or entity (collectively, a "Governmental Entity") with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise making disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, provided, that in each case such communications and disclosures are consistent with applicable law. The Participant does not need the prior authorization of (or to give notice to) the Company regarding any such communication or disclosure. Notwithstanding the foregoing, under no circumstance is the Participant authorized to disclose any information covered by the Company's attorney-client privilege or attorney work product or the Company's trade secrets without the prior written consent of the Company's General Counsel.

(c) Materials. The Participant will use Confidential Information only for normal and customary use in the Company's business, as determined reasonably and in good faith by the Company. The Participant will return to the Company all Confidential Information and copies thereof and all other property of the Company or any of its Affiliate at any time upon the request of the Company and in any event immediately after termination of Participant's service with the Company. The Participant agrees to identify and return to the Company any copies of any Confidential Information after the Participant ceases to serve the Company. Anything to the contrary notwithstanding, nothing in this Section 6 shall prevent the Participant from retaining a home computer (provided all Confidential Information has been removed), papers and other materials of a personal nature, including diaries, calendars and Rolodexes, information relating to his/her compensation or relating to reimbursement of expenses, information that may be needed for tax purposes, and copies of plans, programs and agreements relating to his/her service with the Company.

(d) No Solicitation or Hiring of Employees. During the period commencing on the Grant Date and ending on the first anniversary of the Participant's Termination, the Participant shall not solicit, entice, persuade or induce any individual who is employed by the Company or its Affiliates (or who was so employed within twelve (12) months prior to the Participant's action) to terminate or refrain from continuing such employment or to become employed by or enter into contractual relations with any other individual or entity other than the Company or its Affiliates, and the Participant shall not hire, directly or indirectly, for himself or any other person, as an employee, consultant or otherwise, any such person. Anything to the contrary notwithstanding, the Company agrees that (i) the Participant's responding to an unsolicited request from any former employee of the Company for advice on employment matters; and (ii) the Participant's responding to an unsolicited request for an employment reference regarding any former employee of the Company from such former employee, or from a third party, by providing a reference setting forth his/her personal views about such former employee, shall not be deemed a violation of this Section 6(d); in each case, to the extent the Participant does not encourage the former employee to become employed by a company or business that employs the Participant or with which the Participant is otherwise associated (including, but not limited to, association as a sole proprietor, owner, employer, partner, principal, investor, joint venturer, shareholder, associate, employee, member, consultant, contractor, director or otherwise).

(e) Conflicting Obligations and Rights. The Participant agrees to inform the Company of any apparent conflicts between the Participant's service for the Company and any obligations the Participant may have to preserve the confidentiality of another's proprietary information or related materials before using the same on the Company's behalf. The Company shall receive such disclosures in confidence and consistent with the objectives of avoiding any conflict of obligations and rights or the appearance of any conflict of interest.

(f) Enforcement. The Participant acknowledges that in the event of any breach or threatened breach of this Section 6, the business interests of the Company and its

Affiliates will be irreparably injured, the full extent of the damages to the Company and its Affiliates will be impossible to ascertain, monetary damages will not be an adequate remedy for the Company and its Affiliates, and the Company will be entitled to enforce this Agreement by a temporary, preliminary and/or permanent injunction or other equitable relief, without the necessity of posting bond or security, which the Participant expressly waives. The Participant understands that the Company may waive some of the requirements expressed in this Agreement, but that such a waiver to be effective must be made in writing and should not in any way be deemed a waiver of the Company's right to enforce any other requirements or provisions of this Agreement. The Participant agrees that each of the Participant's obligations specified in this Agreement is a separate and independent covenant and that the unenforceability of any of them shall not preclude the enforcement of any other covenants in this Agreement.

7. **Non-transferability**.

(a) Restriction on Transfers. Except as provided in Section 7(b) below, all RSUs, and any rights or interests therein, (i) shall not be sold, exchanged, transferred, assigned or otherwise disposed of in any way at any time by the Participant (or any beneficiary(ies) of the Participant), other than by testamentary disposition by the Participant or by the laws of descent and distribution, (ii) shall not be pledged or encumbered in any way at any time by the Participant (or any beneficiary(ies) of the Participant) and (iii) shall not be subject to execution, attachment or similar legal process. Any attempt to sell, exchange, pledge, transfer, assign, encumber or otherwise dispose of this RSU, or the levy of any execution, attachment or similar legal process upon this RSU, contrary to the terms of this Agreement and/or the Plan, shall be null and void and without legal force or effect.

(b) Permissible Transfers. During the Participant's lifetime, the Participant may, with the consent of the Committee, transfer without consideration all or any portion of this RSU to one or more of his/her Family Members, to a trust established for the exclusive benefit of one or more of his/her Family Members, to a partnership in which all the partners are Family Members, or to a limited liability company in which all the members are members of his/her Family Members.

8. **Entire Agreement; Amendment**. This Agreement, together with the Plan contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant. The Company shall give written notice to the

Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

9. **Acknowledgment of Participant**. This award of RSUs does not entitle Participant to any benefit other than that granted under this Agreement. Participant understands and accepts that the benefits granted under this Agreement are entirely at the discretion of the Company and that the Company retains the right to amend or terminate this Agreement and the Plan at any time, at its sole discretion and without notice.

10. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to the principles of conflict of laws thereof.

11. **Termination**. Any questions as to whether and when there has been a Termination and the cause of such Termination shall be determined in the sole discretion of the Committee. Nothing in this Agreement shall interfere with or limit in any way the right of the Company to terminate the Participant's service at any time, for any reason and with or without cause.

12. **Notices**. Any notice which may be required or permitted under this Agreement shall be in writing, and shall be delivered in person or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

(a) If such notice is to the Company, to the attention of the General Counsel of the Company or at such other address as the Company, by notice to the Participant, shall designate in writing from time to time.

(b) If such notice is to the Participant, at his/her address as shown on the Company's records, or at such other address as the Participant, by notice to the Company, shall designate in writing from time to time.

13. **Compliance with Laws**. This issuance of RSUs (and the Common Stock underlying the RSUs) pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act, Exchange Act and in each case any respective rules and regulations promulgated thereunder) and any other law or regulation applicable thereto. The Company shall not be obligated to issue this RSU or any of the Common Stock pursuant to this Agreement if any such issuance would violate any such requirements.

14. **Binding Agreement; Assignment**. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign (except as provided by Section 7 hereof) any part of this Agreement without the prior express written consent of the Company.

15. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

16. **Headings**. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

17. **Further Assurances**. Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as either party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

18. **Severability**. The invalidity or unenforceability of any provisions of this Agreement, in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

MASONITE INTERNATIONAL CORPORATION

By:

Name: Howard C. Heckes

Title: President and Chief Executive Officer

PARTICIPANT

____

Name:______________________________

Address:____________________________
____
____

2023 Masonite Incentive Plan (MIP)
Plan Document

Overview

This document sets forth the terms and conditions of the Masonite International Corporation Incentive Plan (the "**MIP**" or "**Plan**") and is intended for internal use only. This Plan supersedes any previous annual incentive or other bonus plans for Participants (as defined below).

The MIP is an annual cash incentive compensation program, providing for payments of awards under the Plan (each, a "**MIP Award**") to eligible employees of Masonite International Corporation ("**Masonite**" or the "**Company**") and its subsidiaries and affiliates if certain performance objectives are met. The purpose of the MIP is to reward Participants for the achievement of positive results based on annual financial and operational objectives and individual performance.

The Plan is administered based on the Company's fiscal year (the "**Plan Year**"). The Company's fiscal year is the 52- or 53-week period ending on the Sunday closest to December 31 each year.

Eligibility and Participation

Employees of Masonite or its subsidiaries and affiliates are eligible to participate in the MIP based on their position and scope of responsibilities. The Plan Administrator (as defined below), with input from members of Masonite's senior management, shall determine which such employees will become participants in the Plan (a "**Participant**") for a Plan Year based on their position. The Plan Administrator reserves the right to evaluate positions on an annual basis to determine eligibility to participate in the Plan. Employees who are selected to participate in the Plan for the first time will be notified of their participation.

Impact of Changes in Employment Status

The table below summarizes the impact of employment status changes by a Participant during a Plan Year on MIP Award eligibility and payout for such Plan Year. These provisions may be interpreted by the Plan Administrator in its sole discretion and are subject to compliance with applicable law and such other terms and conditions set forth herein. Note that, for the sake of administrative simplicity and consistency of application, all pro-rating for newly eligible participants and those participants with changes during a Plan Year which impact their final payout for that year will be calculated on a calendar year basis (i.e., January 1 through December 31) with 365 days as the baseline (or 366 for Leap Years).

Employment Event Occurring During a Plan Year	Eligibility / Payout
New Hires/Rehires on or before September 30th	Eligible to participate in the Plan on date of hire and receive a pro-rated payout of the MIP Award for such Plan Year.
New Hires/Rehires after September 30th	Eligible to participate in the Plan on January 1 of the subsequent Plan Year.
Positions from a Newly Acquired Business	Eligibility to participate in the Plan is determined case-by-case, in the Plan Administrator's sole discretion.
Transfers, Position Changes and Promotions	Eligibility to participate in the Plan may be pro-rated based on the effective date of the change. Participation will be pro-rated based on the period employed in the applicable position in each business/country during the year of the change.
Demotions	The Plan Administrator may, in its sole discretion, provide for a pro-rated payment of the MIP Award for such Plan Year based on the facts and circumstances of each case for the eligible period prior to the demotion.

LOA/Disability/Workers' Compensation	Payout of the MIP Award for such Plan Year is pro-rated based on the period during the Plan Year in which the Participant was actively employed.
Termination due to Retirement,[1] Disability or Death	The Plan Administrator may, in its sole discretion, provide for a pro-rated payment of the MIP Award for such Plan Year based on the facts and circumstances of each case.
Termination by the Company without Cause (as determined by the Plan Administrator in its sole discretion)	No payout, except to the extent specifically required by applicable law; provided, that the Plan Administrator may, in its sole discretion, provide for a pro-rated payment based on the period employed during such Plan Year based on the facts and circumstances of each case.
Termination by the Company for Cause	No payout.
Termination by Participant for any reason	No payout, except to the extent specifically required by applicable law.

[1] *"**Retirement**" means a voluntary termination of employment by a Participant who is age 55 or older with 10 or more years of service with the Company and its subsidiaries and affiliates.*

Deferral Opportunities

Notwithstanding any other provision of the Plan to the contrary, if any MIP Award payable under the Plan is subject to a valid deferral election under the terms of another plan or arrangement maintained by the Company (including the Masonite Savings Plan or the Masonite International Corporation Deferred Compensation Plan), the payment of such MIP Award shall be made in accordance with, and subject to, such deferral election.

Target Bonus Percentage

Each Plan Year, the Plan Administrator will establish a target bonus (expressed as a percentage of annual base salary) for each Participant (the "**Target Bonus Percentage**") that will apply for purposes of determining the amount of any MIP Award that may become payable under the Plan for such Plan Year.

Performance Measures

Each Plan Year, the Human Resources and Compensation Committee of Masonite's Board of Directors (the "**Committee**") will approve the applicable performance measures, including any adjustments thereto, weighting of performance measures, payout parameters and specific targets at threshold, target and maximum levels of performance for each performance measure that will apply to MIP Awards payable under the Plan for such Plan Year. Participants will be advised of the performance measures applicable to their MIP participation for the Plan Year, including their respective Target Bonus Percentage.

For most MIP performance measures, the level of achievement of the applicable performance measures will result in the following payout:

(i) achievement below the threshold performance level results in no payout,

(ii) achievement at the threshold level results in a payout at less than 100% of the bonus target,

(iii) achievement at the target level results in a payout at 100% of the bonus target; and

(iv) achievement at or above the maximum performance level results in a payout at greater than 100% of the applicable bonus target.

Performance measures may have additional achievement levels between threshold and target and/or target and maximum. The payout percentage for performance between any of threshold, target, or maximum or any additional achievement levels is determined using straight-line interpolation between the two points. Certain performance measures may have threshold and maximum payouts set at different levels. The percentage payout below target for achievement of the threshold performance level and the percentage payout above target for achievement at or above the maximum performance level may vary for each performance measure.

Notwithstanding the foregoing, the Committee shall have discretion each Plan Year to establish a minimum performance measure threshold which must be met for such Plan Year for *any* MIP Award to become payable under the MIP regardless of the level at which any other performance measures are achieved.

In addition to the performance measures described above, each participant shall receive an Individual Performance Multiplier (IPM) as part of the final calculated bonus each Plan Year, based on their personal performance and contributions during the Plan Year. In particular, the IPM will be based on each participant's defined Goals and Objectives for the Plan Year, previously agreed upon by each participant and their manager during the Performance Management Goal-Setting process. See below for an explanation of the calculation of the final bonus payouts.

Payout

Following the completion of the Company's fiscal year, the Plan Administrator will evaluate the applicable performance measures for purposes of determining the amount of any MIP Awards payable under the Plan for the Plan Year. The Plan Administrator will take into account the Company's audited financial results with respect to any financial or operational performance measures and evaluations and recommendations of appropriate members of management of the Company with respect to individual performance. The actual bonus payout for each Participant is calculated by multiplying (1) the amount of his or her annual base salary payable during the Plan Year (as may be adjusted pursuant to the table under the section entitled "Impact of Changes in Employment Status"), multiplied by (2) his or her Target Bonus Percentage, multiplied by (3) the MIP payout percentage as determined by the Plan Administrator based upon the level of achievement of the applicable performance measures for such Plan Year and modified by a multiplier ranging from 0.75 to 1.25, based on each participant's performance and contributions during the Plan Year, as assessed by their manager and approved by their Masonite Leadership Team (MLT) leader and the Plan Administrator. Payout levels will be measured and rounded to the nearest one-tenth of one percent (0.1%) for each metric and then summed across all metrics to achieve the final payout.

A Participant must be an Active Employee of the Company on the date MIP Awards are paid out to be eligible to receive a MIP payment, unless otherwise expressly provided in this Plan (see the table under the section entitled "Impact of Changes in Employment Status") or required by applicable law. For purposes of the Plan, the term "**Active Employee**" means an employee who is actively employed by the Company or any of its subsidiaries or affiliates, including those employees on approved leaves of absence. Any Participant who is either suspended for disciplinary actions or under a performance improvement plan on the date MIP Awards are paid out may have payment of his or her MIP Award delayed or denied, as determined in the sole discretion of the Plan Administrator or the Senior Vice President of Human Resources ("SVP of HR").

Form and Timing of Payout

MIP Awards for a Plan Year will be paid to Participants no later than two and one half (2-1/2) months following the end of the Plan Year to which the MIP Award relates, in the form of a single lump-sum cash payment. Payments are subject to all applicable payroll tax withholding and other deductions as required by applicable law. Payment of MIP Awards will be made via regular payroll processing.

Code Section 409A

MIP Awards payable under the Plan are intended to be exempt from the requirements of Code Section 409A and the regulations and other guidance issued thereunder and shall not constitute "deferred compensation" within the meaning of Code Section 409A (absent a valid deferral election under the terms of another plan or arrangement maintained by the Company). The Plan shall be interpreted, construed and administered in accordance with the foregoing intent. The Company shall have no liability as to any Participant or any other party if the Plan or any amounts paid or payable thereunder become subject to the additional tax and penalties under Code Section 409A.

Overpayments, Offset and Clawback Provisions

The Company reserves the right to collect any overpayment of any MIP Award, regardless of reason, as soon as such overpayment is discovered. The Plan Administrator may, in its sole discretion, offset any amount payable under the MIP by any amount owed by a Participant to the Company; provided that such offsets may be applied to any amounts payable hereunder that are subject to Code Section 409A only if, and to the extent expressly permissible, under Code Section 409A.

Notwithstanding anything to the contrary in this Plan, subject to applicable law, in the event that the Plan Administrator determines that a Participant has engaged in Detrimental Conduct or Financial Misconduct (each as defined below), any outstanding MIP Awards for the Plan Year(s) during which such Detrimental Conduct or Financial Misconduct occurred (or continued) shall be forfeited and any amounts relating to previously paid MIP Awards to the Participant for such Plan Year(s) shall be repaid to the Company, in each case as determined by the Plan Administrator in its discretion. For purposes of this Plan, "**Detrimental Conduct**" means (i) conduct which is injurious to the Company or its business or reputation, involving a material breach of Company policy, or applicable laws or regulations to which the Participant is subject, or an agreement between the Company and the Participant, or (ii) any other action (or failure to act) involving illegal acts, theft, fraud, intentional misconduct, or gross negligence on the part of the Participant, related to his or her position with the Company. For purposes of this Plan, "**Financial Misconduct**" means fraud, gross negligence or intentional or willful misconduct that contributes, directly or indirectly, to the Company's financial or operational results that are used to determine the extent to which any MIP Award is payable under the Plan being misstated, regardless of whether the Company is required to prepare an accounting restatement of its consolidated financial statements, which is discovered during the relevant Plan Year or within three years thereafter.

Any recoupment under this Plan shall be in addition to any other remedies that may be available to the Company, including such remedies contained, without limitation, in the Company's employment agreements or equity award agreements. Nothing in this Plan shall be viewed as limiting the right of the Company to recoup any MIP Award or payment under or as required by the applicable provisions of any law, rule or regulation (including, without limitation, Section 10D of Securities Exchange Act of 1934, as amended, or Section 304 of the Sarbanes-Oxley Act of 2002), or stock exchange listing requirement (or any future policy adopted by the Company pursuant to any such law, rule, regulation or requirement).

Plan Administration

The Plan shall be administered by (i) in respect of any Participant who participates in the MIP at the executive zone level (each, an “**Executive Zone Officer**”), the Committee, and (ii) in respect of any Participant who is not an Executive Zone Officer, a committee comprised of Masonite’s VP, Global Total Rewards, the SVP of Human Resources and the President & CEO, unless otherwise determined by the Committee (each or with the Committee, as applicable, the “**Plan Administrator**”).

The Plan Administrator will have the full power and authority to interpret, construe and administer the Plan and the related terms and conditions thereof, to prescribe operational rules and guidelines with respect to the Plan, and to make all other determinations deemed necessary or advisable in administering the Plan. The decisions, determinations and other actions of the Plan Administrator hereunder shall be final and binding on all Participants and other persons for all purposes.

Except as otherwise expressly provided in this Plan, the Plan Administrator will have the power and discretionary authority to (i) determine the employees who are selected to become Participants in the Plan; (ii) approve the performance measures and measurement criteria to be used with respect to each MIP Award payable under the Plan or any sub-plan thereof, (iii) determine the amount of a MIP Award, if any, to be paid to each Participant, (iv) interpret and administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any MIP Award, (v) establish, amend, suspend, or waive any rules and regulations and appoint such agents as the Plan Administrator shall deem appropriate for the proper administration of the Plan, (vi) administer, interpret and answer all questions which may arise under the Plan, and (vii) make any other determination and take any other action that the Plan Administrator deems necessary or desirable for the administration of the Plan or to comply with any applicable law. Without limiting the foregoing, the Plan Administrator reserves the right in its sole discretion to withhold or permit payment of a MIP Award in the case of certain changes in the employment status of a Participant as set forth herein.

Plan Amendment or Termination

The Plan may be amended, terminated, changed or altered at any time and for any reason as determined by the Committee. The Committee may, in its sole discretion, reduce or eliminate a MIP Award to any Participant at any time and for any reason.

No Right to Assign or Transfer

No MIP Award payable hereunder, nor any right or interest of a Participant in the MIP, shall be assignable or transferable, except in the event of the Participant’s death prior to any payout as so determined by the Plan Administrator in its sole discretion, in which case, payment will be made to the designated beneficiary elected by the Participant under the Company’s basic life insurance program or the Participant’s estate, as required by law. Any attempt to sell, assign, pledge or otherwise transfer the right to payment of any MIP Award from the MIP shall be void and have no effect.

Document Confidentiality

This document is proprietary and is not for use or disclosure outside of the Company. It represents the intellectual property and business strategy of Masonite, and it should be kept confidential.

No Right to Employment

The MIP does not create or modify any Participant's at-will status and does not create a contract or guarantee of employment for any specified duration. Nothing contained in the MIP shall interfere with the right of the Company to dismiss or terminate the employment of any Participant at any time for any reason, with or without cause.

Income Tax Withholding

The Company shall have the right to deduct and withhold from all MIP Awards all federal, state and local taxes as may be required by applicable law.

Governing Law

The Plan shall be governed and construed in accordance with the laws of the State of Florida (regardless of the law that might otherwise govern under applicable Florida principles of conflict of laws).

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is entered into effective as of December 31, 2021 (the "Effective Date"), by and between Masonite International Corporation, a British Columbia corporation (the "Company"), and Christopher O. Ball, an individual (the "Executive").

WHEREAS, the Company and the Executive desire to enter into this Agreement to set out the terms and conditions for the continued employment relationship of the Executive with the Company;.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Employment Agreement.

On the terms and conditions set forth in this Agreement, the Company agrees to continue to employ the Executive and the Executive agrees to continue to be employed by the Company for the Term set forth in Section 2 and in the positions and with the duties set forth in Section 3. Terms used herein with initial capitalization not otherwise defined are defined in Section 26.

2. Term.

Subject to earlier termination pursuant to Section 8, the initial term of employment under this Agreement shall commence on the Effective Date and continue until December 31, 2024 (the "Term").

3. Position and Duties.

During the Term, the Executive shall serve as the President, Global Residential. In such capacity, the Executive shall have the duties, responsibilities and authorities customarily associated with the position of President, Global Residential in a company the size and nature of the Company. The Executive shall devote the Executive's reasonable best efforts and full business time to the performance of the Executive's duties hereunder and the advancement of the business and affairs of the Company and shall be subject to, and shall comply in all material respects with, the policies of the Company and the Company Affiliates applicable to the Executive; provided, that the Executive shall be entitled (i) to serve as a member of the board of directors of a reasonable number of other companies, with the consent of the Company's board of directors (the "Board"), (ii) to serve on civic, charitable, educational, religious, public interest or public service boards, and (iii) to manage the Executive's personal and family investments, in each case, to the extent such activities do not materially interfere with the performance of the Executive's duties and responsibilities hereunder.

4. Place of Performance.

During the Term, the Executive shall be based primarily at the Company's principal offices in Tampa, Florida.

5. Compensation and Benefits; Equity Awards.

(a) Base Salary. During the Term, the Company shall pay to the Executive a base salary (the "Base Salary") at the rate of no less than $550,000.00 per calendar year, less applicable deductions. The Base Salary shall be reviewed for increase by the Board no less frequently than annually and shall be increased in the discretion of the Board and any such adjusted Base Salary shall constitute the "Base Salary" for purposes of this Agreement. The Base Salary shall be paid in substantially equal installments in accordance with the Company's regular payroll procedures.

(b) Annual Bonus. The Executive shall be paid an annual cash performance bonus (an "Annual Bonus") in respect of each calendar year that ends during the Term, to the extent earned based on performance against approved performance criteria. The performance criteria for any particular calendar year shall be determined in good faith by the Board, after consultation with the Company's Chief Executive Officer. The Executive's Annual Bonus for a calendar year shall equal 75% of the Executive's annualized year-end Base Salary (the "Target Bonus") for that year if target levels of performance for that year are achieved, with greater or lesser amounts (including zero) paid for performance above and below target (such greater and lesser amounts to be determined by a formula established by the Board for that year when it established the targets and performance criteria for that year). The Executive's Annual Bonus for a bonus period shall be determined by the Board after the end of the applicable bonus period and shall be paid to the Executive when annual bonuses for that year are paid to other senior executives of the Company generally, but in no event later than March 15 of the year following the year to which such Annual Bonus relates. In carrying out its functions under this Section 5(b), the Board shall at all times act reasonably and in good faith.

(c) Vacation; Benefits. During the Term, the Executive shall be eligible for 20 vacation days annually, which shall be accrued and used in accordance with the applicable policies of the Company. During the Term, the Executive shall be eligible to participate in such medical, dental and life insurance, retirement and other plans as the Company may have or establish from time to time on terms and conditions applicable to other senior executives of the Company generally. The foregoing, however, shall not be construed to require the Company to establish any such plans or to prevent the modification or termination of such plans once established.

(d) Equity Awards. During the Term, the Executive will be eligible to receive equity awards commensurate with the Executive's role as an officer of the Company as determined by the Board or the Compensation Committee from time to time.

6. Expenses.

The Company shall reimburse the Executive promptly for all expenses reasonably incurred by the Executive in the performance of the Executive's duties in accordance with policies which may be adopted from time to time by the Company following presentation by the Executive of an itemized account, including reasonable substantiation, of such expenses.

7. Confidentiality, Non-Disclosure, Non-Solicitation and Non-Competition Agreement.

The Company and the Executive acknowledge and agree that during the Executive's employment with the Company, the Executive will have access to and may assist in developing Confidential Information and will occupy a position of trust and confidence with respect to the affairs and business of the Company and the Company Affiliates. The Executive agrees that the following obligations are necessary to preserve the confidential and proprietary nature of Confidential Information and to protect the Company and the Company Affiliates against harmful solicitation of employees and customers, harmful competition and other actions by the Executive that would result in serious adverse consequences for the Company and the Company Affiliates:

(a) Non-Disclosure. During and after the Executive's employment with the Company, the Executive will not use, disclose, copy or transfer any Confidential Information other than as authorized in writing by the Company or within the scope of the Executive's duties with the Company as determined reasonably and in good faith by the Executive. Anything herein to the contrary notwithstanding, the provisions of this Section 7(a) shall not apply (i) when disclosure is required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with actual or apparent jurisdiction to order the Executive to disclose or make accessible any information; provided, that prior to any such disclosure the Executive shall provide the Company with prompt written notice of the requirements to disclose and an opportunity to object to such disclosure and the Executive shall cooperate with the Company in filing such objection; or (ii) as to information that becomes generally known to the public or within the relevant trade or industry other than due to the Executive's violation of this Section 7(a). Nothing in this Agreement shall prohibit or impede the Executive from communicating, cooperating or filing a complaint with any federal, state or local governmental or law enforcement branch, agency or entity (collectively, a "Governmental Entity") with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise making disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, provided that in each case such communications and disclosures are consistent with applicable law. The Executive understands and acknowledges that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Executive understands and acknowledges further that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order. Notwithstanding the foregoing, under no circumstance will the Executive be authorized to disclose any information covered by attorney-client privilege or attorney work product of the Company without prior written consent of Company's General Counsel or other officer designated by the Company.

(b) Materials. The Executive will use Confidential Information only for normal and customary use in the Company's business, as determined reasonably and in good faith by the Company. The Executive will return to the Company all Confidential Information and copies thereof and all other property of the Company or any Company Affiliate at any time upon the request of the Company and in any event immediately after termination of Executive's employment. The Executive agrees to identify and return to the Company any copies of any Confidential Information after the Executive ceases to be employed by the Company. Anything to the contrary notwithstanding, nothing in this Section 7 shall prevent the Executive from retaining a home computer (provided all Confidential Information has been removed), papers and other materials of a personal nature, including diaries, calendars and Rolodexes, information relating to the Executive's compensation or relating to reimbursement of expenses, information that may be needed for tax purposes, and copies of the compensation and benefits plans, programs and agreements relating to his employment with the Company.

(c) No Solicitation or Hiring of Employees. During the Non-Compete Period, the Executive shall not solicit, entice, persuade or induce any individual who is employed by the Company or the Company Affiliates (or who was so employed within twelve (12) months prior to the Executive's action) to terminate or refrain from continuing such employment or to become employed by or enter into contractual relations with any other individual or entity other than the Company or the Company Affiliates, and the Executive shall not hire, directly or indirectly, for himself or any other person, as an employee, consultant or otherwise, any such person. Anything to the contrary notwithstanding, the Company agrees that (i) the Executive's responding to an unsolicited request from any former employee of the Company for advice on employment matters; and (ii) the Executive's responding to an unsolicited request for an employment reference regarding any former employee of the Company from such former employee, or from a third party, by providing a reference setting forth the Executive's personal views about such former employee, shall not be deemed a violation of this Section 7(c); in each case, to the extent the Executive does not encourage the former employee to become employed by a company or business that employs the Executive or with which the Executive is otherwise associated (including, but not limited to, association as a sole proprietor, owner, employer, partner, principal, investor, joint venturer, shareholder, associate, employee, member, consultant, contractor, director or otherwise).

(d) Non-Competition.

(i) During the Non-Compete Period, the Executive shall not, directly or indirectly, (A) solicit, service, or assist any other individual, person, firm or other entity in soliciting or servicing any Customer for the purpose of providing and/or selling any products that are provided and/or sold by the Company or any Company Affiliate, or performing any services that are performed by the Company or any Company Affiliate, (B) interfere with or damage (or attempt to interfere with or damage) any relationship and/or agreement between the Company or any Company Affiliate and any Customer or (C) associate (including, but not limited to, association as a sole proprietor, owner, employer, partner, principal, investor, joint venture, shareholder, associate, employee, member, consultant, contractor, director or otherwise) with any Competitive Enterprise; provided, that the Executive may own, as a passive investor, securities of any such entity that has outstanding publicly traded securities so long as the Executive's direct holdings in any such entity shall not in the aggregate constitute more than one percent (1%) of the voting power of such entity. The Executive agrees that, before providing services, whether as an employee or consultant, to any entity during the Non-Compete Period, he will provide a copy of this Agreement to such entity, and shall cause such entity to acknowledge to the Company in writing that it has read this Agreement. The Executive acknowledges that this covenant has a unique, very substantial and immeasurable value to the Company, that the Executive has sufficient assets and skills to provide a livelihood for the Executive while such covenant remains in force and that, as a result of the foregoing, in the event that the Executive breaches such covenant, monetary damages would be an insufficient remedy for the Company and equitable enforcement of the covenant would be proper.

(ii) If the restrictions contained in Section 7(d)(i) shall be determined by any court of competent jurisdiction to be unenforceable in whole or in part, Section 7(d)(i) shall be modified to be effective for the maximum period of time for which it may be enforceable and over the maximum geographical area as to which it may be enforceable and to the maximum extent in all other respects as to which it may be enforceable.

(e) Conflicting Obligations and Rights. The Executive agrees to inform the Company of any apparent conflicts between the Executive's work for the Company and any obligations the Executive may have to preserve the confidentiality of another's proprietary information or related materials before using the same on the Company's behalf. The Company shall receive such disclosures in confidence and consistent with the objectives of avoiding any conflict of obligations and rights or the appearance of any conflict of interest.

(f) Enforcement. The Executive acknowledges that in the event of any breach or threatened breach of this Section 7, the business interests of the Company and the Company Affiliates will be irreparably injured, the full extent of the damages to the Company and the Company Affiliates will be impossible to ascertain, monetary damages will not be an adequate remedy for the Company and the Company Affiliates, and the Company will be entitled to enforce this Agreement by a temporary, preliminary and/or permanent injunction or other equitable relief, without the necessity of posting bond or security, which the Executive expressly waives. The Executive understands that the Company may, in its sole discretion, waive any of the requirements expressed in this Agreement, but that for such a waiver to be effective it must be made in writing and shall not in any way be deemed a waiver of the Company's right to enforce any other requirements or provisions of this Agreement. In addition, the Company shall be entitled to immediately cease paying any amounts remaining due pursuant to Section 9 (other than the Accrued Benefits) in the event that the Executive has committed a breach of this Section 7. The Executive agrees that each of the Executive's obligations specified in this Agreement is a separate and independent covenant and that the unenforceability of any of them shall not preclude the enforcement of any other covenants in this Agreement.

8. Termination of Employment.

(a) Permitted Terminations. The Executive's employment hereunder may be terminated during the Term under the following circumstances:

(i) Death. The Executive's employment hereunder shall terminate upon the Executive's death;

(ii) By the Company. The Company may terminate the Executive's employment:

(A) Disability. If the Executive shall have been substantially unable to perform the Executive's material duties hereunder by reason of illness, physical or mental disability or other similar incapacity, which inability shall continue for one hundred eighty (180) consecutive days or two hundred seventy (270) days in any twenty four (24)-month period (a "Disability") (provided, that until such termination, the Executive shall continue to receive the Executive's compensation and benefits hereunder, reduced by any benefits payable to him under any disability insurance policy or plan applicable to him); or

(B) Cause. For Cause or without Cause;

(iii) By the Executive. The Executive may terminate the Executive's employment for any reason or for no reason.

(b) Expiration of Term. If the Term of this Agreement expires without the Company offering to renew this Agreement on the same terms and conditions contained herein (excluding any such terms or conditions as are then prohibited by applicable law, rule or regulation) or the Executive fails to accept such offer of renewal, the employment of the Executive shall terminate upon the expiration of the Term.

(c) Termination. Any termination of the Executive's employment by the Company or the Executive (other than because of the Executive's death and other than a termination upon the expiration of the Term) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 13 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Termination of the Executive's employment shall take effect on the Date of Termination. The Executive agrees, in the event of any dispute under Section 8(a)(ii)(A) as to whether a Disability exists, and if requested by the Company, to submit to a physical examination by a licensed physician selected by mutual consent of the Company and the Executive, the cost of such examination to be paid by the Company. The written medical opinion of such physician shall be conclusive and binding upon each of the parties hereto as to whether a Disability exists and the date when such Disability arose. This Section shall be interpreted and applied so as to comply with the provisions of the Americans with Disabilities Act and any applicable state or local laws.

(d) Effect of Termination. Upon any termination of the Executive's employment with the Company, and the Company Affiliates, the Executive shall resign from, and shall be considered to have simultaneously resigned from, all positions with the Company and each Company Affiliate.

9. Compensation Upon Termination.

(a) Death. If the Executive's employment is terminated during the Term as a result of the Executive's death, this Agreement shall terminate without further notice or any action required by the Company or the Executive's legal representatives. Upon the Executive's death, the Company shall pay or provide to the Executive's representative or estate all Accrued Benefits, if any, to which the Executive is entitled. Except as set forth herein, the Company shall have no further obligation to the Executive (or the Executive's legal representatives or estate) under this Agreement.

(b) Disability. If the Company terminates the Executive's employment during the Term because of the Executive's Disability pursuant to Section 8(a)(ii)(A), the Company shall pay to the Executive all Accrued Benefits, if any, to which the Executive is entitled. Except as set forth herein, the Company shall have no further obligations to the Executive (or the Executive's legal representatives) under this Agreement.

(c) Termination by the Company for Cause or by the Executive without Good Reason. If, during the Term, the Company terminates the Executive's employment for Cause pursuant to Section 8(a)(ii)(B) or the Executive terminates the Executive's employment without Good Reason (including as a result of the expiration of the Term following the Executive's failure to accept an offer of renewal from the Company in accordance with Section 8(b)), the Company shall pay to the Executive all Accrued Benefits, if any, to which the Executive is entitled. Except as set forth herein, the Company shall have no further obligations to the Executive under this Agreement.

(d) Termination by the Company without Cause or by the Executive with Good Reason. Subject to Section 9(f) and Section 9(g) and the Executive's continued compliance with Section 7, if the Company terminates the Executive's employment during the Term other than for Cause or Disability pursuant to Section 8(a) or if the Executive terminates the Executive's employment hereunder with Good Reason, (i) the Company shall pay the Executive (or the Executive's estate, if the Executive dies after such termination and execution of the Release (as defined below) but before receiving such amount) (A) all Accrued Benefits, if any, to which the Executive is entitled, (B) a lump sum payment of an amount equal to a pro rata portion (based upon the number of days the Executive was employed during the calendar year in which the Date of Termination occurs) of the Annual Bonus that would have been paid to the Executive if he had remained employed with the Company based on actual performance, such payment to be made at the time bonus payments are made to other executives of the Company but in any event by no later than March 15 of the calendar year following the year that includes the Executive's Date of Termination and (C) continued payments of the Executive's Base Salary in accordance with the Company's payroll policies in effect on the Date of Termination for (x) if the Executive has been employed with the Company for two years or less on the Date of Termination, the twelve month period commencing on the Executive's Date of Termination, or (y) if the Executive has been employed with the Company for more than two years on the Date of Termination, the twenty-four (24) month period commencing upon the Executive's Date of Termination; and (ii) the Executive and the Executive's covered dependents shall be entitled to continued participation, on the same terms and conditions as applicable if the Executive had remained employed for such period, for twelve (12) months in such medical, dental, and hospitalization insurance coverage in which the Executive and the Executive's eligible dependents were participating immediately prior to the Date of Termination, subject to Section 9(j).

(e) Termination Upon Expiration of Term. Subject to Section 9(g), if the employment of the Executive terminates upon the expiration of the Term as a result of the Company's failure to offer to renew this Agreement in accordance with Section 8(b), (i) the Company shall pay the Executive (or the Executive's estate, if the Executive dies after such termination and execution of the Release but before receiving such amount) (A) all Accrued

Benefits, if any, to which the Executive is entitled, and (B) continued payments of the Executive's Base Salary in accordance with the Company's payroll policies in effect on the Date of Termination for the twenty four (24) month period commencing upon the Executive's Date of Termination; and (ii) the Executive and the Executive's covered dependents shall be entitled to continued participation, on the same terms and conditions if the Executive had remained employed for such period, for twelve (12) months in such medical, dental, and hospitalization insurance coverage in which the Executive and his eligible dependents were participating immediately prior to the Date of Termination, subject to Section 9(j).

(f) Change in Control. This Section 9(f) shall apply if there is (i) a termination of the Executive's employment by the Company other than for Cause or Disability pursuant to Section 8(a) (but including as a result of the Company's failure to offer to renew this Agreement in accordance with Section 8(b)) or by the Executive for Good Reason in, each case, during the two (2)-year period after a Change in Control; or (ii) a termination of the Executive's employment by the Company other than for Cause or Disability pursuant to Section 8(a) (but including as a result of the Company's failure to offer to renew this Agreement in accordance with Section 8(b)), prior to a Change in Control, if the termination was at the request of a third party or otherwise arose in anticipation of a Change in Control. To the extent a termination occurs pursuant to clause (ii), the Executive shall receive the benefits described in Section 9(d) or Section 9(e), as applicable, in accordance with the terms thereof and any additional benefits provided in this Section 9(f) shall be paid in accordance with the terms hereof; provided, that if a Change in Control subsequently occurs, to the maximum extent permitted by Code Section 409A, the unpaid balance of the benefits provided in Section 9(d) or Section 9(e), as applicable, shall be provided in accordance with this Section 9(f). If any such termination occurs, the Executive (or the Executive's estate, if the Executive dies after such termination and execution of the Release but before receiving such amount) shall receive the payments and benefits set forth in Section 9(d) or Section 9(e), as applicable, except that (1) in lieu of the continued payment of Base Salary under Section 9(d)(i)(C) or Section 9(e)(i)(B), as applicable, the Executive shall receive in a lump sum promptly after the date of which the Release becomes irrevocable an amount equal to two (2) multiplied by the sum of the Executive's Base Salary and the average amount of the Annual Bonuses, if any, that were earned by the Executive for the two (2) calendar years immediately preceding the year of the Date of Termination and (2) the Executive and the Executive's covered dependents shall be entitled to continued participation, on the same terms and conditions if the Executive had remained employed for such period, for twenty four (24) months in such medical, dental, and hospitalization insurance coverage in which the Executive and the Executive's eligible dependents were participating immediately prior to the Date of Termination, subject to Section 9(j).

(g) Liquidated Damages. The parties acknowledge and agree that damages that will result to the Executive for termination by the Company of the Executive's employment without Cause or by the Executive for Good Reason or upon the expiration of the Term as a result of the Company's failure to offer to renew this Agreement in accordance with Section 8(b) shall be extremely difficult or impossible to establish or prove, and agree that the amounts payable to the Executive under Section 9(d), 9(e) or 9(f) (the "Severance Payments") shall constitute liquidated damages for any such termination. The Executive agrees that, except for such other payments and benefits to which the Executive may be entitled as expressly provided by the terms of this Agreement or any other applicable benefit plan or compensation arrangement (including equity-related awards), such liquidated damages shall be in lieu of all other claims that the Executive may make by reason of any such termination of the Executive's employment. Any and all amounts payable and benefits or additional rights provided pursuant to this Agreement beyond the Accrued Benefits shall only be payable if the Executive delivers to the Company and does not revoke a general release of claims in favor of the Company in substantially the form attached as Exhibit A hereto (the "Release"). Such release must be executed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following the Executive's Date of Termination (the "Release Period"). The Company shall deliver to the Executive the appropriate form of release of claims for the Executive to execute within five (5) business days of the Date of Termination.

(h) Certain Payment Delays. Notwithstanding anything to the foregoing set forth herein, the first installment of the continued payments of the Executive's Base Salary as described in Section 9(d), Section 9(e) or Section 9(f) shall be paid on the first regularly scheduled payroll date following the date on which the Release becomes irrevocable and shall include any amounts the Executive would otherwise have been paid prior to such payment date. Notwithstanding the foregoing, to the extent required to comply with Code Section 409A, if the Release Period spans two (2) calendar years, the first installment of such continued payments of the Executive's Base Salary shall be paid on the first regularly scheduled payroll date that occurs in the second calendar year (and such installment shall include all payments that would otherwise have been paid prior to such date if this sentence did not apply).

(i) No Offset. In the event of termination of the Executive's employment, the Executive shall be under no obligation to seek other employment and there shall be no offset against amounts due to him on account of any remuneration or benefits provided by any subsequent employment he may obtain. The Company's obligation to make any payment pursuant to, and otherwise to perform its obligations under, this Agreement shall not be affected by any offset, counterclaim or other right that the Company or the Company Affiliates may have against him for any reason.

(j) Post-Termination Continued Health Coverage. Notwithstanding any provision of the Agreement to the contrary, if at any time the Company cannot continue the post-termination medical, dental, and hospitalization insurance coverage set forth in Section 9(d), Section 9(e) or Section 9(f) without adverse tax consequences to the Executive or the Company or for any other reason, then the Company shall, in lieu of such continued coverage, pay directly to the Executive an amount equal to the difference between the full monthly plan premium payment and the current monthly premium paid as an active employee in substantially equal monthly installments over such twelve (12) month (or, if pursuant to Section 9(f), twenty-four (24) month) period (or the remaining portion thereof).

10. 280G Cutback.

Notwithstanding any provision of the Agreement to the contrary, if it shall be determined that any benefit provided to the Executive or payment or distribution by or for the account of the Company to or for the benefit of the Executive, whether provided, paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise the Executive would receive from the Company under the Agreement or otherwise in connection with a Change in Control (each, a "Payment") (i) constitutes a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this Section 10, would be subject to the excise tax imposed by Section 4999 of the Code, then the Executive will be entitled to receive either (x) the full amount of the Payments or (y) a portion of the Payments having a value equal to the Safe Harbor Amount, whichever of (x) and (y), after taking into account applicable federal, state, and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by the Executive on an after-tax basis, of the greatest portion of the Payments. Any determination required under this Section 10 shall be made in writing by the Company's independent, certified public accounting firm or such other certified public accounting firm as may be designated by the Company prior to the Change in Control (the "Accounting Firm"), whose determination shall be conclusive and binding for all purposes upon the Company and the Executive. For purposes of making the calculations required by this Section 10, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good-faith interpretations concerning the application of Sections 280G and 4999 of the Code. If there is a reduction pursuant to this Section 10 of the Payments to be delivered to the Executive, such payments shall be reduced to the extent necessary to avoid application of the excise tax in the following order: (i) any cash severance based on a multiple of Base Salary or Annual Bonus, (ii) any other cash amounts payable to the Executive, (iii) benefits valued as parachute payments, and (iv) acceleration of vesting of any equity awards. The following terms shall have the following meanings for purposes of Section 10.

(a) "Base Amount" means "base amount," within the meaning of Section 280G(b)(3) of the Code.

(b) "Safe Harbor Amount" means $1.00 less than three (3) times the Executive's Base Amount.

11. Indemnification.

During the Term and thereafter, the Company agrees to indemnify and hold the Executive and the Executive's heirs and representatives harmless, to the maximum extent permitted by applicable law (including the *Business Corporations Act* (British Columbia)), against any and all judgments, penalties, fines, amounts paid in settlement, costs, charges and expenses (including reasonable attorneys' fees) as a result of any claim or proceeding (whether civil, criminal, administrative or investigative), or any threatened claim or proceeding (whether civil, criminal, administrative or investigative), against the Executive that arises out of or relates to the Executive's service as an officer or director, as the case may be, of the Company, or the Executive's service in any such capacity or similar capacity with any Company Affiliate or other entity at the request of the Company, both prior to and after the Effective Date, and to promptly advance to the Executive or the Executive's heirs or representatives such expenses upon written request with appropriate documentation of such expense upon receipt of an undertaking by the Executive or on the Executive's behalf to repay such amount if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Company. During the Term and thereafter, the Company also shall provide the Executive with coverage under its current directors' and officers' liability policy to the same extent that it provides such coverage to its other executive officers. If the Executive has any knowledge of any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, as to which the Executive may request indemnity under this provision, the Executive will give the Company prompt written notice thereof; provided, that the failure to give such notice shall not affect the Executive's right to indemnification. The Company shall be entitled to assume the defense of any such proceeding and the Executive will use reasonable efforts to cooperate with such defense. To the extent that the Executive in good faith determines that there is an actual or potential conflict of interest between the Company and the Executive in connection with the defense of a proceeding, the Executive shall so notify the Company and shall be entitled to separate representation at the Company's expense by counsel selected by the Executive (provided that the Company may reasonably object to the selection of counsel within ten (10) business days after notification thereof) which counsel shall cooperate, and coordinate the defense, with the Company's counsel and minimize the expense of such separate representation to the extent consistent with the Executive's separate defense. This Section 11 shall continue in effect after the termination of the Executive's employment or the termination of this Agreement.

12. Attorney's Fees.

(a) General. Except as otherwise set forth in Section 12(b), in the event the Executive prevails on any material issue in connection with any controversy, dispute or claim which arises out of or relates to this Agreement, any other agreement or arrangement between the Executive and the Company or any Company Affiliate, the Executive's employment with the Company, or the termination thereof, then the Company shall reimburse the Executive (and the Executive's beneficiaries) for any and all costs and expenses (including without limitation attorneys' fees and other charges of counsel) incurred by the Executive (or any of his beneficiaries) in connection with such controversy, dispute or claim.

(b) Change in Control. Following a Change in Control, or following a termination by the Company without Cause or due to Disability that occurred prior to a Change in Control where the Executive can demonstrate that such termination occurred at the request of a third party or otherwise arose in anticipation of a Change in Control, the Company shall advance the Executive (and the Executive's beneficiaries) any and all costs and expenses (including without limitation attorneys' fees and other charges of counsel) incurred by the Executive (or any of the Executive's beneficiaries) in resolving any controversy, dispute or claim arising out of or relating to this Agreement, any other agreement or arrangement between the Executive and the Company or any Company Affiliate, the Executive's employment with the Company, or the termination thereof and which arises out of or relates to an event that occurs within two (2) years following a Change in Control or where the termination by the Company without Cause or due to Disability occurred prior to a Change in Control at the request of a third party or otherwise arose in anticipation of a Change in Control; provided, that the Executive shall reimburse the Company any advances on a net after-tax basis to cover expenses incurred by the Executive for claims brought by the Executive that are judicially determined to be frivolous or advanced in bad faith.

13. Notices.

All notices, demands, requests, or other communications which may be or are required to be given or made by any party to any other party pursuant to this Agreement shall be in writing and shall be hand delivered, mailed by first-class registered or certified mail, return receipt requested, postage prepaid, delivered by overnight air courier, or transmitted by facsimile transmission addressed as follows:

(i) If to the Company:

Masonite International Corporation
1242 East 5th Avenue
Tampa, FL 33605
Attention: General Counsel
Facsimile Number: (813) 498-6050

(ii) If to the Executive, to such address as shall most currently appear on the records of the Company.

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication that shall be given or made in the manner described above shall be deemed sufficiently given or made for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, confirmation of facsimile transmission or the affidavit of messenger being deemed conclusive but not exclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

14. Severability.

The invalidity or unenforceability of any one or more provisions of this Agreement, including, without limitation, Section 7, shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect.

15. Survival.

It is the express intention and agreement of the parties hereto that the provisions of Sections 7, 9, 10, 11, 12, 13, 14, 16, 17, 18, 20, 21, 22, 24 and 25 hereof and this Section 15 shall survive the termination of employment of the Executive. In addition, all obligations of the Company to make payments hereunder shall survive any termination of this Agreement on the terms and conditions set forth herein.

16. Assignment.

The rights and obligations of the parties to this Agreement shall not be assignable or delegable, except that (a) in the event of the Executive's death, the personal representative or legatees or distributees of the Executive's estate, as the case may be, shall have the right to receive any amount owing and unpaid to the Executive hereunder and (b) the rights and obligations of the Company hereunder shall be assignable and delegable in connection with any subsequent merger, consolidation, sale of all or substantially all of the assets or equity interests of the Company or similar transaction involving the Company or a successor corporation. The Company shall require any successor to the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

17. Binding Effect.

Subject to any provisions hereof restricting assignment, this Agreement shall be binding upon the parties hereto and shall inure to the benefit of the parties and their respective heirs, devisees, executors, administrators, legal representatives, successors and assigns.

18. Amendment; Waiver.

This Agreement shall not be amended, altered or modified except by an instrument in writing duly executed by the party against whom enforcement is sought. Neither the waiver by either of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of either of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights or privileges hereunder.

19. Headings.

Section and subsection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

20. Governing Law.

This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of Florida (but not including any choice of law rule thereof that would cause the laws of another jurisdiction to apply).

21. Dispute Resolution.

Each of the parties hereto irrevocably and unconditionally (a) WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING RELATING TO THIS AGREEMENT OR THE EXECUTIVE'S EMPLOYMENT BY THE COMPANY OR ANY COMPANY AFFILIATE, or for the recognition and enforcement of any judgment in respect thereof (a "Proceeding") whether such Proceeding is based on contract, tort or otherwise; (b) agrees that service of process in any such Proceeding may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at the address as provided in Section 13; and (c) agrees that nothing in this Agreement shall affect the right to effect service of process in any other manner permitted by applicable law.

22. Entire Agreement; Advice of Counsel; Cooperation.

(a) This Agreement constitutes the entire agreement between the parties respecting the employment of the Executive, there being no representations, warranties or commitments except as set forth herein and supersedes and replaces all other agreements or understandings related to the subject matter hereof, including, without limitation, the Executive's offer letter dated August 26, 2021 (other than the sign-on bonus and relocation allowance provisions and the related repayment provisions contained therein). The Executive acknowledges that, in connection with the Executive's entry into this Agreement, the Executive was advised by an attorney of the Executive's choice on the terms and conditions of this Agreement, including, without limitation, on the application of Code Section 409A (as defined below) on the payments and benefits payable or to be paid to the Executive hereunder.

(b) During the Term and at any time thereafter, the Executive agrees to cooperate (i) with the Company and the Company Affiliates in the defense of any legal matter involving any matter that arose during the Executive's employment with the Company and (ii) with all government authorities on matters pertaining to any investigation, litigation or administrative proceeding pertaining to the Company or any Company Affiliate; provided, that the Company will reimburse the Executive for any reasonable travel and out of pocket expenses incurred by the Executive in providing such cooperation.

23. Counterparts.

This Agreement may be executed in two counterparts, each of which shall be an original and all of which shall be deemed to constitute one and the same instrument.

24. Withholding.

The Company may withhold from any benefit payment under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

25. Section 409A.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Executive notifies the Company (with specificity as to the reason therefor) that the Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Code Section 409A and the Company concurs with such belief or the Company (without any obligation whatsoever to do so) independently makes such determination, the Company shall, after consulting with the Executive, reform such provision to attempt to comply with Code Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Code Section 409A. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Executive and the Company of the applicable provision without violating the provisions of Code Section 409A. For the sake of clarity, the Company does not hereby agree to indemnify the Executive for liabilities incurred as a result of Code Section 409A, it being understood, however, that this clarification shall not be construed as a waiver by the Executive of any claim for damages for breach of contract that are related to Code Section 409A.

(b) To the extent required by Code Section 409A, a termination of employment shall not be deemed to have occurred for purposes of any provision of this

Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If the Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive's death, to the extent required under Code Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this Section 25(b) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum with interest at the prime rate as published in The Wall Street Journal on the first business day following the date of the "separation from service", and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(c) To the extent that reimbursements or other in-kind benefits under this Agreement constitute "nonqualified deferred compensation" for purposes of Code Section 409A, (A) all expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive, (B) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (C) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(d) For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

(e) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

26. Definitions.

"Accrued Benefits" means (i) any unpaid Base Salary through the Date of Termination; (ii) any earned but unpaid Annual Bonus; (iii) any accrued and unpaid vacation and/or sick days; (iv) any amounts or benefits owing to the Executive or to the Executive's beneficiaries under the then applicable benefit plans of the Company (excluding any severance plan, program, agreement or arrangement); and (v) any amounts owing to the Executive for reimbursement of expenses properly incurred by the Executive prior to the Date of Termination and which are reimbursable in accordance with Section 6. Amounts payable under (A) clauses (i), (ii) and (iii) shall be paid promptly after the Date of Termination, (B) clause (iv) shall be paid in accordance with the terms and conditions of the applicable plan, program or arrangement and (C) clause (v) shall be paid in accordance with the terms of the applicable expense policy.

"Cause" shall be limited to the following events (i) the Executive's conviction of, or plea of nolo contendere to, a felony (other than in connection with a traffic violation); (ii) the Executive's continued failure to substantially perform the Executive's material duties hereunder after receipt of written notice from the Company that specifically identifies the manner in which the Executive has substantially failed to perform the Executive's material duties and specifies the manner in which the Executive may substantially perform the Executive's material duties in the future; (iii) an act of fraud or gross or willful material misconduct; (iv) any act of workplace harassment which (x) exposes the Company to imminent risk of material civil or criminal legal damages, and (y) materially adversely affects the business or reputation of the Company with its current or prospective customers, suppliers, lenders and/or other third parties with whom the Company is attempting to do business, or (v) a material breach of Section 7. For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Anything herein to the contrary notwithstanding, the Executive shall not be terminated for "Cause" hereunder unless (A) written notice stating the basis for the termination is provided to the Executive and (B) as to clauses (ii), (iii) or (iv) of this paragraph, he is given fifteen (15) days to cure the neglect or conduct that is the basis of such claim, to the extent curable.

"Change in Control" means the occurrence of any one or more of the following events to the extent such event also constitutes a "change in control event" within the meaning of Code Section 409A (if so required to comply with Code Section 409A):

(i) any "person" as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Common Stock of the Company) becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities;

(ii) any "person" as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Common Stock of the Company), becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) in one or a series of related transactions during any twelve (12)-month period, directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities;

(iii) during any one (1)-year period, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in paragraph (i), (ii), (iv) or (v) of this definition of "Change in Control" or a director whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the one (1)-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;

(iv) a merger or consolidation of the Company or a direct or indirect subsidiary of the Company with any other company, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation (or the ultimate parent company of the Company or such surviving entity); provided, however, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person (other than those covered by the exceptions in subparagraphs (ii) and (iii)) acquires more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities shall not constitute a Change in Control; or

(v) the consummation of a sale or disposition of assets of the Company and/or its direct and indirect subsidiaries having a value constituting at least forty percent (40%) of the total gross fair market value of all of the assets of the Company and its direct and indirect subsidiaries (on a consolidated basis) immediately prior to such transaction, other than the sale or disposition of all or substantially all of the assets of the Company to a person or persons who beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the Company at the time of the sale.

"Company Affiliate" means any entity controlled by, in control of, or under common control with, the Company.

"Competitive Enterprise" means a business enterprise that engages in, or owns or controls a significant interest in any entity that engages in the, the sale or manufacture of entryway doors or door components or other products that are manufactured and sold by the Company and any Company Affiliates during the time the Executive was employed by the Company or any Company Affiliate, and does business (the "Company's Business") (a) in the United States of America, (b) Canada or (c) any other country where the Company or any Company Affiliate operates facilities or sells products, but only if the Executive had operational, financial reporting, marketing or other responsibility or oversight for the facility or business in the respective country. Notwithstanding the foregoing, in the event a business enterprise has one or more lines of business that do not involve the Company's Business, the Executive shall be permitted to associate with such business enterprise if, and only if, the Executive does not participate in, or have supervisory authority with respect to, any line of business involving the Company's Business.

"Confidential Information" means all non-public information concerning trade secrets, know-how, software, developments, inventions, processes, technology, designs, financial data, strategic business plans or any proprietary or confidential information, documents or materials in any form or media, including any of the foregoing relating to research, operations, finances, current and proposed products and services, vendors, customers, advertising and marketing, and other non-public, proprietary, and confidential information of the Company or the Company Affiliates. Notwithstanding anything to the contrary contained herein, the general skills, knowledge and experience gained during the Executive's employment with the Company, information publicly available or generally known within the industry or trade in which the Company competes and information or knowledge possessed by the Executive prior to the Executive's employment by the Company, shall not be considered Confidential Information.

"Customer" means any person, firm, corporation or other entity whatsoever to whom the Company or any Company Affiliate provided services or sold any products to within a twelve (12) month period on, before or after the Executive's Date of Termination.

"Date of Termination" means (i) if the Executive's employment is terminated by the Executive's death, the date of the Executive's death; (ii) if the Executive's employment is terminated because of the Executive's Disability pursuant to Section 8(a)(ii)(A), thirty (30) days after Notice of Termination; provided, that the Executive shall not have returned to the performance of the Executive's duties on a full-time basis during such thirty (30)-day period; (iii) if the Executive's employment is terminated during the Term by the Company pursuant to Section 8(a)(ii)(B) or by the Executive pursuant to Section 8(a)(iii), the date specified in the Notice of Termination; provided, that if the Executive is voluntarily terminating the Executive's employment without Good Reason, such date shall not be less than fifteen (15) business days after the Notice of Termination; (iv) if the Executive's employment is terminated during the Term other than pursuant to Section 8(a), the date on which Notice of Termination is given; or (v) if the Executive's employment is terminated pursuant to Section 8(b), the last day of the Term.

"Good Reason" means, unless otherwise agreed to in writing by the Executive, (i) any material diminution or material adverse change in the Executive's titles, duties or authorities; (ii) a reduction in the Executive's Base Salary or Target Bonus; provided, that the Executive's Base Salary may be reduced by an aggregate amount equal to ten percent (10%) of the Executive's Base Salary in effect on the Effective Date pursuant to across-the-board reductions to base salary applicable to all senior executives of the Company and the Company Affiliates; (iii) a material adverse change in the Executive's reporting responsibilities; (iv) the assignment of duties substantially inconsistent with the Executive's position or status with the Company as of the date hereof; (v) a relocation of the Executive's primary place of employment to a location more than twenty five (25) miles further from the Executive's primary residence than the location of such primary place of employment immediately prior to such relocation; (vi) any other material breach of Sections 3, 5, 8, 10, 11, 12, 16 or 25 or any other agreement by the Company or any Company Affiliate; (vii) the failure of the Company to obtain the assumption in writing of its obligations under this Agreement by any successor to all or substantially all of the assets of the Company; or (viii) any material diminution in the aggregate value of employee benefits provided to the Executive on the Effective Date, provided, that if such reduction occurs other than within the two (2) year period following a Change in Control, the Executive shall not have Good Reason under this clause (viii) for across-the-board reductions in benefits applicable to all senior executives of the Company and the Company Affiliates. In order to invoke a termination for Good Reason, (A) the Executive must provide written notice within ninety (90) days of the occurrence of any event of “Good Reason,” (B) the Company must fail to cure such event within fifteen (15) days of the giving of such notice and (C) the Executive must terminate employment within thirty (30) days following the expiration of the Company’s cure period.

“Non-Compete Period” means the period commencing on the Effective Date and ending twenty-four (24) months following the termination of the Executive’s employment with the Company for any reason.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement, or have caused this Agreement to be duly executed and delivered on their behalf.

MASONITE INTERNATIONAL CORPORATION

By:______________________________
Name: Howard C. Heckes
Title: President and Chief Executive Officer

Christopher O. Ball

____

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EXHIBIT A
GENERAL RELEASE

I, Christopher O. Ball, in consideration of and subject to the performance by Masonite International Corporation, a British Columbia corporation (together with its subsidiaries, the "Company"), of its obligations under the Employment Agreement, dated as of December 31, 2021 (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company and its respective affiliates and all present, former and future directors, officers, agents, shareholders, trustees, fiduciaries, administrators, attorneys, insurers, representatives, employees, successors and assigns of the Company and its respective affiliates and direct or indirect owners (collectively, the "Released Parties") to the extent provided below. Terms used herein but not otherwise defined shall have the meanings given to them in the Agreement.

1. I understand that any severance payments or benefits paid or granted to me under Section 9 of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the severance payments and benefits specified in Section 9 of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release. Such severance payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its affiliates.

2. Except as provided in paragraph 4 below and except for the provisions of the Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation or termination from, or my serving in any capacity in respect of, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or

federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I further acknowledge that I am not waiving and am not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding. Additionally, I am not waiving (i) any right to the Accrued Benefits (as defined in the Agreement), (ii) any right to the severance payments and benefits specified in Section 9 of the Agreement, (iii) any claim relating to my rights as a shareholder of the Company, (iv) any accrued, vested benefit under any equity award agreement or employee pension or welfare benefit plan of the Company, or (v) any claim for indemnity or contribution.

6. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law. I further agree that I am not aware of any pending claim of the type described in paragraph 2 as of the execution of this General Release.

7. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

8. I agree that I will forfeit all amounts payable by the Company pursuant to the Agreement if I challenge the validity of this General Release. I also agree that if I violate this General Release by suing the Company or the other Released Parties, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by me pursuant to the Agreement on or after the termination of my employment.

9. Unless disclosure is otherwise specifically permitted by law, I agree that this General Release and the Agreement are confidential and agree not to disclose any information regarding the terms of this General Release or the Agreement, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone to the greatest extent permitted by law.

10. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the National Association of Securities Dealers, Inc. (NASD), any other self-regulatory organization or governmental entity.

11. I hereby acknowledge that Sections 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21, 22, 24, and 25 of the Agreement shall survive my execution of this General Release.

12. I represent that I am not aware of any claim by me other than the claims that are released by this General Release. I acknowledge that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in paragraph 2 above and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it.

13. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Agreement after the date hereof.

14. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this

General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(i) I HAVE READ IT CAREFULLY;

(ii) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(iii) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(iv) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(v) I HAVE HAD AT LEAST [21][45] DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED [21][45]-DAY PERIOD;

(vi) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

(vii) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(viii) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

NAME:________________________________

SIGNED:________________________________

DATE: ________________________________

MASONITE INTERNATIONAL CORPORATION
SUBSIDIARY LIST AS OF FEBRUARY 28, 2023 *

Canada
0993477 B.C. Unlimited Liability Company
1388199 B.C. Unlimited Liability Company
Crown Door Corp. (Ontario)
Sacopan, Inc. (Quebec)
VanAir Design, Inc.

Chile
Masonite Chile Holdings
Masonite Chile S.A.

China
Masonite (Shanghai) Trading Company Limited

Costa Rica
Inversiones Premdor S.A.
Masonite Costa Rica S.A.
Technoforest Del Norte S.A.

Cyprus
Liora Enterprises Limited

India
Masonite Doors Private Ltd.

Israel
Premdor Ltd.

Ireland
Masonite Ireland
Masonite Europe
Masonite Components

Luxembourg
Masonite Luxembourg S.A.

Malaysia
Magna Foremost Sdn Bhd

Mexico
Masonite Mexico S.A. de C.V.

Netherlands
Premdor Karmiel Holdings B.V.

Poland
Masonite PL Sp. z.o.o.

Ukraine
SC Premdor Ukraine

United Kingdom
Door-Stop International Limited
Masonite Europe Limited
Premdor Crosby Limited
Premdor U.K. Holdings Limited

United States

California
Eger Properties

Delaware
EPI Holdings, Inc.
Evergreen Finance LP
Masonite Corporation
- (d/b/a Advisar)
- (d/b/a Algoma)
- (d/b/a Algoma Express)
- (d/b/a Birchwood Best)
- (d/b/a Birchwood Lumber & Veneer)
- (d/b/a Bolection Door)
- (d/b/a Bridgewater Wholesalers)
- (d/b/a BWI)
- (d/b/a Florida Made Door)
- (d/b/a Florida Millwork)
- (d/b/a Fyreworks)
- (d/b/a Marshfield Doorsystems)
- (d/b/a Masonite Architectural)
- (d/b/a Masonite Display)
- (d/b/a Mohawk Flush Doors)
- (d/b/a USA Wood Door)

Masonite Distribution, LLC
Steelwood LLC

Florida
Sierra Lumber, Inc. (f/k/a Florida Made Door)
Shop Masonite LLC

North Carolina
Endura Products, LLC

Oklahoma
Dominance Industries, Inc.

* Excludes certain non-significant subsidiaries that are either discontinued or immaterial.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of Masonite International Corporation:

- Registration Statement (Form S-8 No. 333-191105) pertaining to the 2012 Equity Incentive Plan and the 2009 Equity Incentive Plan,
- Registration Statement (Form S-8 No. 333-196894) pertaining to the 2014 Employee Stock Purchase Plan,
- Registration Statement (Form S-8 No. 333-229873) pertaining to the 2012 Equity Incentive Plan, and
- Registration Statement (Form S-8 No. 333-256325) pertaining to the 2021 Omnibus Equity Incentive Plan,

of our reports dated February 28, 2023, with respect to the consolidated financial statements of Masonite International Corporation and the effectiveness of internal control over financial reporting of Masonite International Corporation included in this Annual Report (Form 10-K) of Masonite International Corporation for the fiscal year ended January 1, 2023.

/s/ Ernst & Young LLP

Tampa, Florida
February 28, 2023

Exhibit 31.1

CERTIFICATION

I, Howard C. Heckes, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended January 1, 2023, of Masonite International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 28, 2023

/s/ Howard C. Heckes

Howard C. Heckes
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Russell T. Tiejema, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended January 1, 2023, of Masonite International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: February 28, 2023

/s/ Russell T. Tiejema

Russell T. Tiejema

Executive Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Howard C. Heckes, President and Chief Executive Officer of Masonite International Corporation (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Annual Report on Form 10-K of the Company for the year ended January 1, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2023

/s/ Howard C. Heckes

Howard C. Heckes
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Russell T. Tiejema, Executive Vice President and Chief Financial Officer of Masonite International Corporation (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Annual Report on Form 10-K of the Company for the year ended January 1, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2023

/s/ Russell T. Tiejema

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