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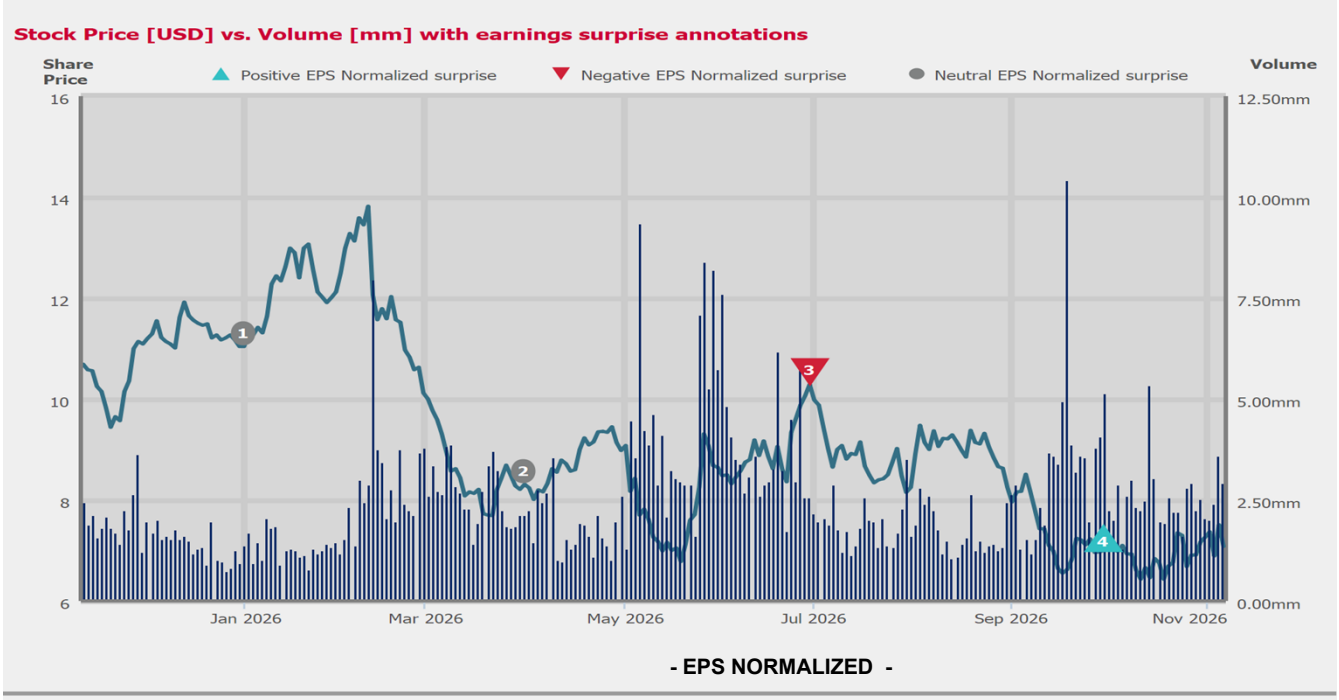
FQ3 2026 Earnings Call Transcripts

Thursday, November 5, 2026 9:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2026-			-FQ4 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.03	0.10	233.33	(0.06)	(0.04)	NA
Revenue (mm)	1055.27	1036.80	(1.75 %)	1005.93	3494.37	NA

Currency: USD
Consensus as of Oct-09-2026 11:04 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2025	0.14	(0.02)	NM
FQ1 2026	(0.04)	0.06	NM
FQ2 2026	0.07	0.05	1 (28.57 %)
FQ3 2026	0.03	0.10	2 233.33 %

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Presentation

Operator

Good afternoon, and welcome to MasterBrand's Third Quarter 2026 Earnings Conference Call. [Operator Instructions] Please note that this conference call is being recorded.

I would now like to turn the call over to Henry Harrison, Senior Director of Corporate Financial Planning and Analysis.

Henry Harrison
Senior Director of Corporate Financial Planning & Analysis

Thank you, and good afternoon. We appreciate you joining us for today's call. With me on the call today are Dave Banyard, President and Chief Executive Officer of MasterBrand; and Mark Young, Vice President and Interim Chief Financial Officer. We issued a press release earlier this afternoon disclosing our third quarter 2026 financial results. This document is available on the Investors' section of our website at masterbrand.com.

I'd like to remind you that this call will include forward-looking statements in either our prepared remarks or the associated question-and-answer session. These forward-looking statements are based on current expectations and market outlook and are subject to certain risks and uncertainties that may cause actual results to differ materially from those currently anticipated. Additional information regarding these factors appears in the section entitled Forward-Looking Statements in the press release we issued today. More information about risks can be found in our filings with the Securities and Exchange Commission, including under the heading Risk Factors in our full year 2025 Form 10-K and updated as necessary in our subsequent 2026 Form 10-Qs, which are available at sec.gov and at masterbrand.com. The forward-looking statements in this call speak only as of today, and the company does not undertake any obligation to update or revise any of these statements, except as required by law.

Today's discussion includes certain non-GAAP financial measures. Please refer to the reconciliation tables, which are in the press release issued earlier this afternoon and are also available at sec.gov and at masterbrand.com. Our prepared remarks today will include a business update from Dave, followed by a discussion of our third quarter 2026 financial results from Mark, along with our fourth quarter 2026 financial outlook. Finally, Dave will make closing remarks before we host a question-and-answer session.

With that, let me turn the call over to Dave.

R. David Banyard
CEO, President & Director

Thank you, and good afternoon, everyone. We appreciate you joining us for today's call. Before we begin, I want to recognize Andy Simon, who as we announced on October 26, has transitioned from her role as Chief Financial Officer. I want to thank Andi for her many contributions to MasterBrand over the past 6 years. We expect Andi to remain with the company in an advisory capacity through the end of March to support an orderly transition. Mark Young, our Vice President and Chief Accounting Officer, has been appointed Interim Chief Financial Officer. Mark has led our accounting and reporting since our spin-off in 2022, and he'll take you through our results today. The company has initiated a comprehensive search for a permanent CFO, and the Board and I have full confidence in Mark to lead the finance organization while the search process is underway.

Now turning to our results. The third quarter was our first full quarter operating as a combined MasterBrand following the merger with American Woodmark, and it was a solid start. We delivered on our expectations, are realizing synergies ahead of schedule and took further steps to rightsize our manufacturing footprint, while our legacy MasterBrand business continued to outperform the market across each of our end markets and channels. Our teams delivered all of that in a challenging market.

Today, I'll cover our third quarter results, our end markets, our progress on integration and synergies and our path forward. MasterBrand delivered net sales of $1.04 billion in the quarter, including $356 million of contribution from American Woodmark. Legacy MasterBrand net sales were $681 million, down 2.5% year-over-year against end markets we estimate were down mid- to high single digits year-over-year. Against that backdrop, we continue to see unfavorable mix and trade downs, which we partially offset with share gains and favorable net average selling price due to the flow-through of tariff pricing.

Adjusted EBITDA for the quarter was $86 million, with an adjusted EBITDA margin of 8.3%, including approximately $11 million of IEEPA duty refunds and approximately $9 million of integration synergies. Compared to legacy MasterBrand's prior year results, the quarter reflects lower volume and the related unfavorable fixed cost leverage, inflation that outpaced our pricing

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actions and unfavorable mix, partially offset by the contribution from American Woodmark, the IEEPA duty refunds, our continuous improvement efforts and previously announced cost actions and integration synergies.

For the quarter, free cash flow was $61 million compared to $40 million for stand-alone MasterBrand in the prior year quarter, primarily reflecting disciplined working capital management and contribution from American Woodmark, which more than offset lower net income.

Let me now briefly review our end markets. Weak consumer sentiment remain a defining factor in the third quarter with affordability pressure weighing on both new construction and repair-and-remodel activity. That pressure intensified at the end of the quarter when the Federal Reserve raised rates in September and 30-year fixed rate mortgages moved above 7% for the first time since early 2025. Demand decelerated in September, a shift seen across the homebuilding industry, and that softness continued into the fourth quarter. With rates expected to remain elevated into next year, we expect these headwinds to persist.

In single-family new construction, the market softened further in the third quarter, down mid- to high single digits. Single-family starts were down mid-single digits year-to-date through September and single-family permits reached their lowest level since early 2023. New home sales picked up in August, but builders are leaning heavily on incentives to drive those sales, and they're protecting margins by remaining cautious on new starts and completions and working down spec inventory. Industry forecasts now call for single-family completions to reach their lowest level since 2018. Because cabinets are purchased and installed late in the build, completions are largely what drive our volume. Against that backdrop, our legacy MasterBrand new construction business declined mid-single digits, continuing to outperform the broader market. As we outlined last quarter, we are applying the same disciplined approach that has driven legacy MasterBrand's outperformance to the legacy American Woodmark new construction business, and we're seeing early results.

The flagship Timberlake direct brand performed in line with the market this quarter, and our combined new construction business outperformed the broader market, reflecting strong service levels and continued demand within the stock and value semi-custom range. We still have work to do to stabilize legacy American Woodmark in this market, but we're encouraged by our progress to date.

In repair-and-remodel, demand from our dealer and retail customers followed a similar pattern to our new construction channels. Low existing home turnover, limited move-related remodeling and weak consumer sentiment held homeowners back from committing to large discretionary projects. Showroom traffic remained slow for dealers and in home centers, smaller repair projects held up better than full kitchen and bath remodels. Trade-down behavior and promotional activity across the market continued, contributing to the unfavorable mix we saw in the quarter. Despite these headwinds, our legacy MasterBrand repair-and-remodel business declined low single digits, outperforming the broader market. Legacy American Woodmark also outperformed in this market, showing the value of our end-to-end product portfolio and market coverage.

In addition to these market dynamics, inflation has remained elevated and accelerated in the final month of the quarter and continued into the fourth quarter, driven in part by the ongoing conflict in the Middle East and resulting in elevated costs for fuel, freight and petroleum-linked inputs. These costs have intensified more than we anticipated, consistent with the broader rise in producer prices this year. Our pricing actions take time to reach the market. So in an inflationary environment, our pricing tends to lag. We saw that with rising materials and freight costs continuing in the quarter, and we have mitigation actions underway to close that gap.

Looking ahead, the September softness has continued into the fourth quarter, and we now expect our end markets to be down high single digits for 2026 compared with the mid-single-digit decline we anticipated last quarter. That reflects a high single-digit decline in the fourth quarter with no improvement in demand assumed through year-end.

Today, we are introducing an outlook for the fourth quarter, which Mark will walk through. It reflects these demand trends, particularly in new construction, continued inflation, the impact of lower volume on manufacturing performance and the actions we're taking to manage through the current market environment.

Now turning to the progress we're making on integration. Our conviction in this combination has only grown. We've brought together 2 customer-centric platforms with highly complementary strengths, and we're focused on integrating the 2 businesses and realizing the expected benefits across the new construction and repair-and-remodel end markets. In new construction, we continue to gain share in our legacy MasterBrand product lines and have made progress in steadying the share loss at American Woodmark. By bringing together our commercial teams early in the integration process, we have been able to combine our industry-leading service platform and product offering, allowing us to lean into available opportunities in the market. While there's still work to be done, we're starting to see the benefits of our combined platform.

In repair-and-remodel, both legacy businesses outperformed the market in the quarter. Our combined portfolio and scale allow us to offer customers broader product options, shorter lead times and a simpler way for consumers to shop. We're putting those benefits to

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work, cross-selling premium legacy MasterBrand products to legacy American Woodmark dealers and moving quickly to make our combined portfolio simpler for customers to navigate, and we're encouraged by the early results.

Turning to integration and cost synergies. 5 months after close, integration is ahead of schedule. We've completed the majority of our organizational actions and streamlined layers of our leadership structure, begun integrating enterprise systems across the business, launched cross-selling to dealers and have footprint actions underway at 5 plants to remove excess capacity and improve fixed cost absorption. As a result, synergies are coming in faster than planned, led by headcount and overhead reductions and procurement optimization. This quarter, we continued to take action to align capacity with demand across our manufacturing network, including optimization actions at 3 of our facilities in Mexico. We've continued that work since quarter end, announcing plans to consolidate production at our Kinston facility into other plants in our network and the consolidation of a production line at our Gas City facility. These actions are designed to reduce future production down days that have weighed on our fixed cost absorption this year. We expect the savings to build into early 2027 as we complete the wind downs.

As I mentioned, we realized approximately $9 million of cost synergies in the third quarter, bringing our total to approximately $11 million year-to-date. As of quarter end, we have initiated or completed actions that we expect to drive more than $50 million of annual run rate cost synergies exiting year 1 following close, with the full benefit phasing in over time. We are tracking ahead of the $15 million of realized second half savings we outlined last quarter, and we expect to exit 2026 at an annualized synergy run rate ahead of our original plan.

In total, we remain on track to deliver over $100 million of annual run rate cost synergies by the end of year 3 post close, and that target does not include the commercial opportunities like dealer cross-selling that we're starting to see. The progress we're making on synergies and costs is helping us absorb market pressure. As that progress builds, we believe it gives us more room to manage through a market we expect to remain soft.

Turning to capital allocation. Our top priority is the balance sheet. Every lever we are pulling from synergy capture and cost actions to disciplined capital spending and working capital management is supporting debt reduction. When we closed the merger, we set a target of net leverage below 2x by the end of 2028. That target reflected marketing conditions at that time and did not assume the scheduled increase in Section 232 tariffs on kitchen cabinets and vanities to 50%. Since then, our integration has progressed ahead of plan and synergies are coming in faster than we expected. Over the same period, the external environment has changed. The market has weakened further, and we are now planning for the tariff increase to take effect on January 1, 2027.

As a result, we are now targeting net leverage below 2x by the end of 2029. While the time line has moved, our commitment to the target is not, and we plan to continue to prioritize debt reduction until we get there. We expect our financial flexibility to grow as synergies build and integration progresses.

Before I turn it over to Mark, I want to touch on the earnings potential of this business. Last quarter, I outlined 4 levers that give us a path to structurally higher profitability independent of a market recovery: cost discipline, resetting our product portfolio and supply chain, leveraging that portfolio to drive a healthier mix and investing behind dealer share gains. We made progress in the third quarter, most notably on cost and with our dealers, though in a declining market. With that said, we are encouraged that overall mix held steady from the second quarter, and we expect this work to continue to build in 2027. Operationally, our teams remain focused on execution against a challenging backdrop. Continuous improvement remains the foundation of how we operate, and it delivered again this quarter. Savings were ahead of plan in the third quarter and year-to-date, helping offset labor, fuel and freight inflation, and we continue to strengthen the daily management and standard work that make those gains stick.

We're also seeing it in service with inventory turns ahead of plan. We are now bringing the MasterBrand way to the legacy American Woodmark plants. It's the same approach that has allowed us to consolidate 11 plants over the past several years while protecting capacity and service, and it's central to how we plan to rightsize the combined network.

In addition to our planned continuous improvement actions, we took additional cost actions here in the fourth quarter to further reduce our SG&A spending, most of which we expect to benefit 2027. We are also being intentional about technology as we bring the businesses together. We've connected the 2 companies' networks, begun moving legacy American Woodmark users and systems on the common platforms and started moving to one financial calendar and one finance system as we finalize our ERP road map. With a larger platform, each dollar we invest in technology goes further. Taken together, we believe these actions are building a stronger, more resilient MasterBrand, one positioned to perform through the cycle and capture upside when the market recovers.

With that, I'll turn it over to Mark for a detailed review of our financial results and outlook.

Mark A. Young
VP, Interim CFO & Chief Accounting Officer

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Thanks, Dave, and good afternoon, everyone. I'll start by reviewing our third quarter results and close with our fourth quarter 2026 outlook. First, a brief note on reporting conventions. Our third quarter results include a full quarter of contribution from American Woodmark and prior year results reflect legacy MasterBrand only. As we stated previously, purchase accounting estimates remain preliminary and subject to finalization within the 1-year measurement period. Additionally, American Woodmark's results have been conformed to MasterBrand's fiscal calendar and account categorizations. We are increasingly operating as one MasterBrand. As we continue to integrate our operations by rightsizing our manufacturing footprint, coordinating procurement and streamlining overhead, we believe distinguishing between the legacy businesses becomes increasingly less meaningful.

Beginning this quarter, we are presenting results below net sales on a combined basis, and we will continue to provide American Woodmark's net sales contribution through the anniversary of the close. To help with year-over-year comparisons, we have included unaudited pro forma combined results for the third quarter of 2025 in the appendix of today's presentation.

Now turning to our third quarter results. Net sales in the third quarter were $1.04 billion. Legacy MasterBrand net sales were $681.1 million, down 2.5% compared to $698.9 million in the same period last year, reflecting a mid- to high single-digit market decline, unfavorable mix and trade downs, partially offset by share gains across our end markets and favorable net average selling price from tariff pricing. American Woodmark net sales were $355.7 million, down nearly 9% compared to the prior year period on a pro forma basis, with weakness concentrated in the new construction business, as Dave outlined previously.

Gross profit was $254.9 million compared to $218.2 million in the same period last year, primarily reflecting the contribution from American Woodmark, $10.9 million of IEEPA duty refunds and integration synergies. Gross profit margin was 24.6%, down 660 basis points year-over-year, reflecting lower volume and the related unfavorable fixed cost leverage, inflation that outpaced pricing, unfavorable mix and trade downs and the inclusion of American Woodmark's lower gross margin.

SG&A expenses totaled $224 million compared to $167.5 million in the prior year, primarily reflecting the inclusion of American Woodmark and higher freight out and distribution costs, partially offset by lower merger-related costs, the flow-through of cost actions taken in the first half, integration synergies and lower volume-related costs.

Interest expense was $24.4 million compared to $18.2 million in the same period last year, reflecting the Term Loan A used to retire American Woodmark's debt at close. Our effective tax rate in the quarter was 25.8% and 15.3% year-to-date. We continue to expect a full year effective tax rate of 12% to 15%.

Net loss for the quarter was $9.2 million compared to net income of $18.1 million in the same period last year. Net loss margin was negative 0.9% compared to a net income margin of 2.6% in the prior year, reflecting the factors impacting gross profit, higher interest expense and the inclusion of American Woodmark SG&A, partially offset by lower merger-related costs, the flow-through of cost actions taken in the first half of the year and integration synergies.

Adjusted EBITDA for the quarter was $86 million and adjusted EBITDA margin was 8.3% compared to $90.6 million and 13%, respectively, in the prior year period. The 470 basis point decline reflects lower volume and the related unfavorable fixed cost leverage, inflation that outpaced pricing and unfavorable mix, partially offset by the contribution from American Woodmark, the IEEPA duty refunds, our continuous improvement efforts, previously announced cost actions and integration synergies. Diluted loss per share was negative $0.05 in the third quarter based on 203.5 million diluted shares outstanding, reflecting the shares issued at close. This compares to earnings per share of $0.14 in the third quarter of 2025 based on 129.5 million diluted shares outstanding. Adjusted diluted earnings per share were $0.10 in the current quarter compared to $0.33 in the prior year period.

Turning to the balance sheet. We ended the quarter with $139.7 million of cash on hand and $554.5 million of liquidity available under our revolving credit facility. Net debt at the end of the third quarter was $1.09 billion. The trailing 12-month net leverage ratio, including American Woodmark's full trailing 12-month adjusted EBITDA was 4.3x. We remain in full compliance with all of our financial covenants. We expect leverage to remain elevated through this stage of the integration, including in the fourth quarter, and we are managing it closely with a focus on preserving liquidity. We have no near-term debt maturities, which we believe gives us runway as integration benefits build.

Turning to cash flow and capital expenditures. Net cash provided by operating activities was $80.2 million year-to-date compared to $108.8 million in the prior year period. For the same period, free cash flow was $43.6 million compared to $65 million in the same period last year, primarily reflecting lower earnings and merger-related costs, partially offset by disciplined working capital management.

Year-to-date capital expenditures were $36.6 million. We continue to prioritize high-return projects and eliminate planned spending in overlapping areas of the network, and we have deferred approximately $15 million of planned capital spending. As a result, we now expect second half capital expenditures of approximately $56 million compared to $71 million previously disclosed.

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On synergies and cost actions, we remain on track for more than $100 million in annual run rate cost synergies by the end of year 3 post close, roughly 60% in cost of goods sold and 40% in SG&A and indirect. We continue to expect onetime costs to achieve these synergies of roughly 1x the run rate target in cash costs, including approximately $30 million in the second half.

Turning to the cost environment. Section 232 tariffs on wood and wood products remain the primary driver of our tariff exposure. While we continue to expect to offset the combined company's tariff exposure on a dollar-for-dollar run rate basis as we exit the year, the Section 338 tariffs on certain Canadian goods that took effect in August add another layer of cost that we are working to mitigate. Additionally, the Section 232 increase on kitchen cabinets and amenities to 50% remains scheduled for January 1, 2027, and we are planning based on the assumption that it takes effect. On a gross basis, the increase would add to our tariff exposure in 2027. However, due to mitigation actions we already have in place, we expect the net impact to be less significant than the initial 25%. We have additional contingency plans ready, including further sourcing changes and pricing actions, but those actions would take time to flow through to our results. That said, the increase would affect the industry broadly as cabinet prices rise across the market, which could weigh further on demand in 2027.

We collected $10.9 million of IEEPA duty refunds in the quarter recorded as a reduction in cost of goods sold. Since quarter end, we have received an additional $1.3 million, which is included in our fourth quarter outlook. That brings us to $13.4 million year-to-date of the $14.9 million we expect in total with the remaining $1.5 million expected in 2027. We continue to recognize these refunds as they are collected.

Tariffs are one part of a broader inflationary environment. Since we put our tariff mitigation actions in place, we have seen additional inflation in fuel, freight and petroleum-linked inputs tied to the conflict in the Middle East, along with continued pressure on net average selling price from trade downs and unfavorable mix shift. Taken together, our pricing has not yet kept pace with total cost increases. While we have further actions underway to close that gap, we expect to continue chasing inflation in the near term.

Turning to our outlook. For the fourth quarter, we expect net sales of $958 million to $988 million and adjusted EBITDA of $38 million to $48 million for an adjusted EBITDA margin of 4.0% to 4.9%. Together with our third quarter results, this implies second half net sales below the range we provided in August with the adjusted EBITDA midpoint at the lower end of our prior range.

The step down from the third quarter reflects 4 factors. First, we expect the softer demand we saw late in the third quarter to persist through year-end. New construction has weakened further, which we are seeing in builder and distributor orders heading into the quarter and repair-and-remodel remains soft. Second, we expect to utilize additional down days in the quarter to align production with demand, several of which occurred during the holiday season and will weigh on fixed cost absorption and overall plant performance.

Third, we expect to receive a lower amount of tariff refunds as compared to the third quarter. Fourth, we expect further inflationary pressures in materials and freight to persist in the near term with pricing actions underway but lagging the pace of input increases.

In response, we are reducing shifts at certain plants, have implemented further fuel surcharges and have taken additional organizational cost actions that we expect to deliver approximately $10 million of annualized savings, most of which are expected to benefit 2027.

Our outlook includes continued synergy capture, keeping us ahead of the approximately $15 million of second half savings we outlined last quarter and the approximately $1.3 million of IEEPA duty refunds we have already received in the fourth quarter. We expect fourth quarter interest expense of approximately $24 million and adjusted diluted loss per share of negative $0.12 to negative $0.08, with 203.6 million diluted shares outstanding at year-end. Finally, we expect free cash flow for 2026 to be approximately breakeven.

Stepping back, our focus for the remainder of the year is disciplined execution on costs and synergies, maintaining liquidity and managing our balance sheet. As we look to 2027, several building blocks are already in motion. The annualized benefit of the synergies and footprint actions executed this year, the full year benefit of the cost actions we took in 2026, including organizational labor and shift reductions we are taking in the fourth quarter and continued tariff mitigation.

We expect the market to remain soft and the scheduled Section 232 increase would be a headwind to cost, particularly in the first part of the year as pricing flows through, which could further suppress demand across the industry. Against that backdrop, we are entering the year with a clear focus on the levers that we believe are within our own control.

Now I would like to turn the call back to Dave.

R. David Banyard
CEO, President & Director

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Thanks, Mark. I'll close where I started. In the first full quarter as a combined company, we delivered on our expectations, realized synergies ahead of schedule, took steps to make our manufacturing footprint leaner and continue to outperform the market. The market remains challenging. And due to the impact of additional tariffs, our recovery may be pushed out further, but we're focused on what we believe we can control. We expect the actions we took this quarter will build through 2027 as synergies ramp, we complete our plant consolidations, and we bring the best of both companies to more customers. That gives us confidence in our path to structurally higher profitability independent of a market recovery and the earnings power of this business when the market does recover.

Now with that, I'll open up the call to Q&A.

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Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of McClaran Hayes from Zelman & Associates.

McClaran Thomas Hayes
Zelman & Associates LLC

I was wondering if you could start off and dive a little bit more into your market share performance so far this year, particularly within the legacy business. It seems like you're outperforming across all your end channels, but maybe the gap is widest within home improvement. Can you just talk about what actions you're doing there? And if there's any difference you're seeing between dealers and home centers within the home improvement bucket?

R. David Banyard
CEO, President & Director

Yes. Thanks, McClaran. I'll start there and then talk a little bit about new construction as well. I think it's a focus that we've had over the past several years of making our product easier to work with and also focusing on building out further with dealers, either with existing dealers by putting more placements there as a big initiative within our sales team as well as finding new dealers that have either no MasterBrand product or just a couple of MasterBrand products and building that out. So I think there's been a large focus on that over the last couple of years, and some of that is what we talked about when we acquired Supreme was how do we bring the best of MasterBrand to the existing customers that we have and continue to build that out. Since we've closed on the American Woodmark merger, same type of approach, starting with their dealers, which is a smaller subset, of course, but really focusing on what those dealers need that they don't have today or what they're not satisfied with today. And again, when we're able to bring our full product portfolio to a dealer, I think the dealer gets benefits of that, and then obviously, we do as well. And we see good lift in those categories when we're doing that.

I think with home centers, it's been a very concerted effort over time to make it easier in those stores for consumers to buy product. And that takes a multitude of different manifestations, if you will. But particularly in the make-to-order area, simplifying the product category, making it easier to buy, quicker to ship, things like that really have helped make that business more robust. And then lastly, going on to the new construction side, I think it's a highly service-driven business. I think we have a great model working both directly with builders as well as distribution network. And we're bringing that with now the American Woodmark profile and most customers to really try to drive that business. And as starts have declined and completions are declining, there's a smaller pie to go after, but we intend to continue to drive forward and get as much of that as we can.

McClaran Thomas Hayes
Zelman & Associates LLC

And I guess just shifting over to tariffs. I know maybe it's a little bit early to talk about 2027, but just trying to think about the sizing of the step-up in the 232 cabinet tariffs that takes effect next year. I think that my math suggests that, that would be like a 2 to 3-point sort of gross headwind. Is that the right ballpark? And then can you talk about what mitigation looks like next year relative to this year due to it being potentially a lower headwind incrementally, the mitigation come quicker?

R. David Banyard
CEO, President & Director

Yes, that's fair. I think your math is pretty close. 232s are about half of the total gross tariff burden that we face. So if that math works, 2.5% to 3% is the ballpark. The part of it is the -- a lot of the operational mitigation is already done. So that applies to the next wave of tariffs is effectively you've moved production or supply base, so you're not paying a tariff. The remainder is -- there are still a few things we're working on that front, but they're not all done. And then obviously, the Canadian 338 and 301 tariffs have added another layer of complexity to that, that we're working through because we do have some additional supply chains in Canada. But that work is largely done. So we're ahead of that game from where we were a year ago.

I think price is the part that takes longer. It's going to be the same game plan that we had before to mitigate the remainder of it. But again, price takes anywhere from a quarter to longer to get into the market for a variety of reasons. And so that's where we will see some headwinds because the inflation hits right away. Obviously, we're anticipating it's coming, so we're already starting to have those conversations.

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Operator

And your next question comes from the line of Garik Shmois from D.A. Davidson.

Garik Simha Shmois
D.A. Davidson & Co., Research Division

I was wondering if you could put a finer point on the pricing discussion. Just looking at the bridge, you've been running at about 1 point of net price or about $6 million per quarter. Should we think that, that dollar contribution accelerates in the fourth quarter? Or how should that track as you continue to try to price to match the inflation that you're seeing?

R. David Banyard
CEO, President & Director

Yes. It will -- we're chasing it, to be honest, Garik, the way to think about it, unfortunately, the inflation is coming in. It's not that -- obviously, fuel prices have gone up and stayed up. There'll be some variation in that. So it's that's been a bit more steady once it went up. It's other input costs. Our suppliers have cost increases from fuel and other areas. Tariffs affect the markets in ways, and those don't come in at a point in time. They come in over time. We try to -- our supply chain team is doing phenomenal work, moving volume, changing suppliers, negotiating. But the overall cost basket in the world is going up, and that's affecting us. And so those costs come in over time in some cases, tariffs hit you in day, the rest of it kind of comes in through all the various means that you have of trying to hold it back.

And so we are seeing -- as the quarter moved on through Q3, those were increasing and they continue to increase here in Q4. So matching those up perfectly, we're not that good. And that -- so we're pushing price where we can right now, but it's probably not going to catch up in the fourth quarter. I think we're still going to be price cost negative in the fourth quarter.

Garik Simha Shmois
D.A. Davidson & Co., Research Division

Okay. I appreciate the answer. And then just on the synergy side, you do a lot of things. It sounds like it's coming in faster than you had expected. Anything you can point to in particular that's surprising you and the ability to capture synergies above your expectations?

R. David Banyard
CEO, President & Director

I think that the operations team is doing a great job of prioritizing and moving quickly. I think when we initially talked about the merger, the operations and plant consolidations are the most complicated pieces of it. And I think that team has done a very good job of isolating where we can move quickly and planning so that when the next -- you only have a capacity to do a certain number of these at a given time. But I think the planning work continues and so that we can do this at a regular cadence. So I can't really speak to exactly what that cadence is at the moment, but that's the plan. And so I think that team has done a great job. I think everybody -- the teams have all worked together really well.

And so we've been able to integrate the entire leadership and office personnel within the organization fairly quickly, and that helps a lot, too. And so I think people haven't really missed a beat. There's still work to be done. Change is always hard. So I don't want to diminish the fact that quite a few people have new leadership now or different org structures, it's important to understand that and take the time necessary to really integrate those teams so they're all working together. But the mindset and attitude on both teams has been great through this, and that really helps.

Operator

And your next question comes from the line of Steven Ramsey from Thompson Research Group.

Steven Ramsey
Thompson Research Group, LLC

You mentioned that legacy MasterBrand sales into Woodmark dealers has been a good story for you. Can you talk more about this? And I would assume this is a positive mix ingredient for you. So maybe you can share if that's the right assumption and how you see this progressing over the next few quarters?

R. David Banyard
CEO, President & Director

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Yes, Steven, it's early days. So I wouldn't say that this was a meaningful contribution to our share position in the third quarter. But I think that those are dealers that didn't have that product category or were not satisfied with what they had. And so we tend to see -- it's about a 3-year progression to get a dealer to what I'd say is full ramp. Obviously, we need to make that go further. It's a difficult market. So it all depends on what you consider full ramp. But year 1 and year 2, there's good growth in the new dealer placement, and that's what we'll be looking for over the next 12 months with the new placements. And it's particularly challenging with premium. It's a very complex product category, very customizable.

So there's a lot of training involved in that, and that's the kind of work we're doing right now, trying to get those dealers over the finish line to get their first orders in, and we're seeing some of that. And so I think it's right on pace with what we would expect from any new dealer placement, albeit the American Woodmark dealer population is significantly smaller than the MasterBrand legacy dealer population, but it's all growth at this point. So we're going after it with good energy.

Steven Ramsey
Thompson Research Group, LLC

Okay. That's helpful color. Thinking about -- I want to make sure I understood the market outlook going from down mid-single to down high single. Was that primarily or only the new construction outlook being reduced? Or is that some incremental softening in R&R as well?

R. David Banyard
CEO, President & Director

Yes, it's predominantly new construction, and I'm sure you've seen that in September was when rates went up, that's when orders at builders really started to trail off and orders, meaning narrow orders with consumers. I do think that the consumer gets spooked by that, and you see that in things like web traffic. When rates move and they move quite a bit in September, the consumer tends to clam up for a period of time, and we saw that as well. So it did affect both markets, I think more outside than the new construction area. which has been an area that's held up better for us over the past 2 years. And so that's the change.

Operator
Thank you. That concludes our question-and-answer session. Thank you for joining the MasterBrand Third Quarter 2026 Earnings Conference Call. You may now disconnect your lines.

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