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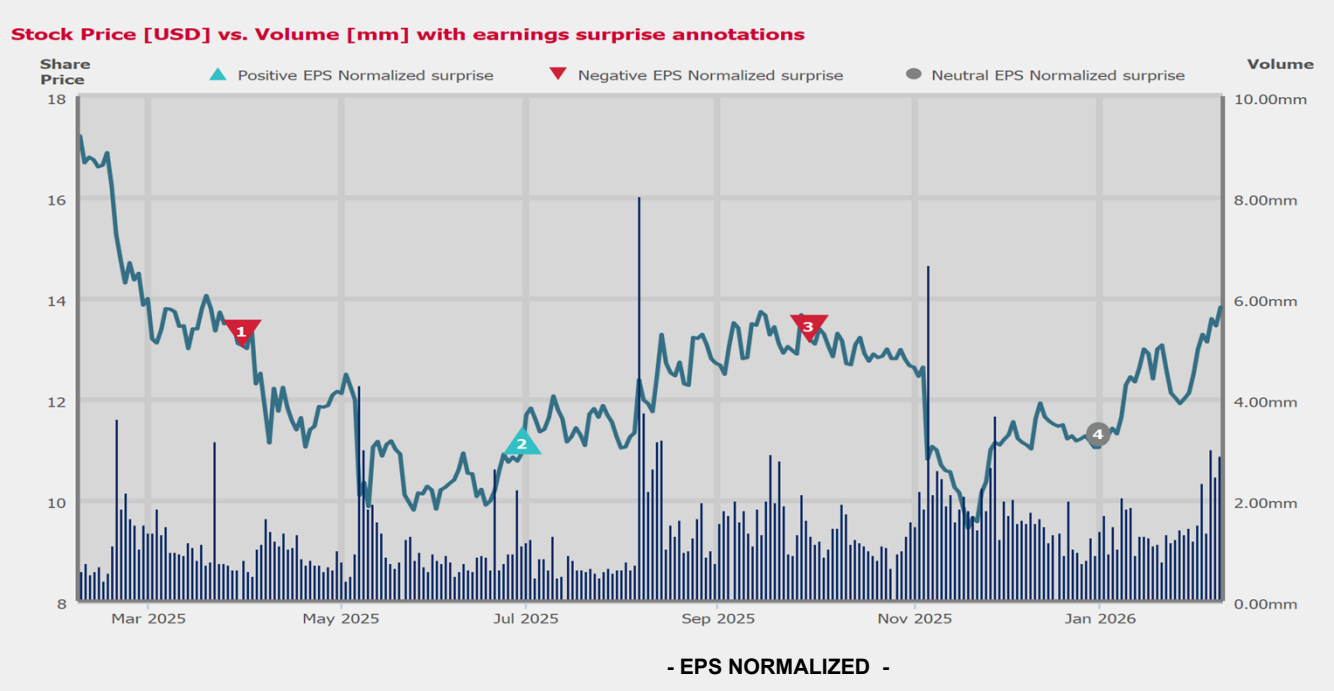
FQ4 2025 Earnings Call Transcripts

Tuesday, February 10, 2026 9:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2025-			-FQ1 2026-	-FY 2025-			-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.14	(0.02)	NM	(0.02)	1.05	0.91	(13.33 %)	0.40
Revenue (mm)	607.60	644.60	6.09	620.70	2698.00	2734.70	1.36	2610.70

Currency: USD
Consensus as of Feb-11-2026 10:02 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2025	0.22	0.18	(21.74 %)
FQ2 2025	0.34	0.40	17.65 %
FQ3 2025	0.36	0.33	(8.33 %)
FQ4 2025	0.14	(0.02)	NM

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Presentation

Operator

Good afternoon, and welcome to MasterBrand's Fourth Quarter and Full Year 2025 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 Andi Simon, Executive Vice President and Chief Financial Officer.

We issued a press release earlier this afternoon disclosing our fourth quarter and full year 2025 financial results. This document is available on the Investors section of our website at masterbrand.com. I would 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 2024 Form 10-K and updated as necessary in our subsequent 2025 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 fourth quarter and full year 2025 financial results from Andi, along with our first quarter 2026 financial outlook. Finally, Dave will make some 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. Our fourth quarter and full year 2025 results were shaped by ongoing demand pressure and a complex trade backdrop. Despite these pressures, our teams remain focused on supporting customers, advancing our integration efforts and maintaining financial flexibility through targeted cash management. While near-term results remain under pressure, we made meaningful progress on the priorities within our control to navigate ongoing volatility while ensuring MasterBrand remains positioned to capture meaningful upside when demand returns.

In the fourth quarter, we generated net sales of $645 million, a 3.5% decrease compared to the same period last year. Our performance reflected a mid-single-digit year-on-year market decline, partially offset by the continued flow-through of previously implemented price and tariff-related pricing actions. Adjusted EBITDA for the quarter was $35 million compared to $75 million in the prior year period, and adjusted EBITDA margin was 5.4%.

The variance in our results versus our implied fourth quarter outlook was primarily driven by a sharper-than-expected late quarter slowdown in new construction, which pressured price and mix and reduced factory utilization and operating leverage. Free cash flow for the quarter was $53 million compared to $69 million in the same period last year. While cash generation declined year-over-year due to lower profitability and deal-related expenses, we remain focused on preserving liquidity and financial flexibility. Looking ahead, we continue to expect full year free cash flow to exceed net income on an annual basis, reinforcing our long-standing commitment to disciplined cash conversion across cycles.

Turning to our end markets. 2025 marked the third consecutive year of market contraction with elevated interest rates, ongoing affordability concerns and lower consumer confidence continuing to constrain activity across new construction and repair and remodel. U.S. single-family new construction declined high single digits in the quarter and mid-single digits for the full year, with the fourth quarter slowdown sharper than expected. Builders remained under pressure, driven by tighter financing conditions,

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lower consumer sentiment and greater uncertainty around input costs. However, consistent with prior quarters, MasterBrand's new construction sales again outperformed the broader market, driven by our exposure to production builders, the breadth of our portfolio and our continued focus on service reliability and execution.

We expect current headwinds in the new construction market to continue in 2026 as affordability and uncertainty around trade and pricing continue to influence buyer behavior. In repair and remodel, demand was uneven throughout the fourth quarter, reflecting a consumer that remains pressured. The U.S. cabinet R&R market declined mid-single digits in both the quarter and the full year, with demand constrained by low existing home turnover, which historically underpins larger discretionary kitchen and bath remodel activity. Elevated interest rates, affordability concerns and uncertainty in the job market continue to weigh on consumer confidence. Across our portfolio, we continue to observe trade-down behavior. Stock customers shifted towards our opening price point offerings, while in our premium tier, demand migrated towards semi-custom and value semi-custom options, reflecting a continued focus on value even in traditionally less price-sensitive channels.

Looking into 2026, we anticipate U.S. cabinet R&R demand will remain subdued and closely tied to financing conditions, consumer confidence and housing turnover. We are helping offset these pressures with our broad refreshed portfolio and continued technology investments that enhance the end-to-end experience, making ordering, fulfillment and support more seamless. Until affordability improves and housing turnover normalizes, demand is likely to remain below historical levels, but we remain confident that the long-term structural drivers of R&R are intact. In Canada, market conditions remained challenging in the fourth quarter, driven by the same affordability and turnover dynamics we saw domestically. The Canadian market declined mid-single digits in the quarter and for the full year with new construction and R&R demand both down mid-single digits.

We expect the Canadian market to remain pressured in 2026 with demand continuing to be constrained by consumer sentiment and low resale activity. As in prior periods of subdued demand, our focus remains on disciplined execution and targeted commercial actions to remain competitive and effective. Stepping back, we view 2026 as a continuation of the industry's extended period of muted demand with end market conditions expected to remain soft and decline roughly mid-single digits across most categories as affordability pressures persist. Following multiple years of market contraction and with tariff-related costs still continuing to flow through, we expect competitive discounting to be elevated across the industry. In that environment, our ability to pass through additional pricing could be more limited. Where tariff mitigation actions require incremental pricing, those moves could further weigh on demand in select value-oriented categories, particularly stock cabinetry, adding uncertainty to near-term demand elasticity.

At the same time, historically low existing home turnover is expected to continue to suppress cabinet repair and remodel activity. Looking ahead, we expect market conditions to stabilize and modestly improve in 2027, supported by historically low comps, improving affordability, easing financing conditions and a gradual normalization in housing turnover. As a reminder, because cabinets are typically purchased later in the cycle, we expect a modest lag between the general market recovery and when the momentum is reflected in MasterBrand's results. In the meantime, we're maintaining rigorous cash discipline, pursuing targeted cost reductions and preserving financial flexibility, so we're well positioned to capitalize on an eventual recovery as conditions improve.

As part of these actions, we are implementing $30 million of planned cost reductions in 2026, which Andi will discuss more in detail in a few minutes. Turning to the trade environment, which remains an important and dynamic input to our planning and operations. As a reminder, in October 2025, new Section 232 tariffs on timber, lumber, kitchen cabinets, vanities and related wood products went into effect, introducing meaningful additional duties across our materials and imports. While the scheduled January 1, 2026, tariff rate increase was deferred, the current 25% tariff on cabinets, vanities and related products remains in place throughout 2026, with a 50% tariff rate now scheduled for January 1, 2027, absent further developments.

Although timing has shifted, the trade environment remains challenging. Existing tariffs continue to pressure costs across the system and require ongoing management across sourcing, operations and pricing. As we discussed last quarter, the impact of these measures is not limited to direct cost. It also has the potential to influence housing affordability and consumer behavior over time, effects that tend to emerge gradually rather than immediately. In response, we are continuing to execute a coordinated mitigation strategy across the organization. This includes enhancing sourcing flexibility and supplier engagement to reduce exposure, making targeted manufacturing footprint and operational adjustments to better align with demand and cost dynamics, adjusting product component design to lower overall tariff exposure and maintaining a consistent surcharge methodology where appropriate to provide transparency and predictability for our customers.

These actions require careful sequencing and disciplined execution, and they remain a key focus for our teams. We are closely monitoring ongoing trade and macroeconomic developments and have incorporated the updated tariff time line into our planning assumptions. We expect the benefits of our tariff mitigation and cost reduction actions to phase in over the course of 2026, supporting stronger profitability towards the later part of the year. Andi will provide additional details in her remarks. Operationally, we stayed

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focused on execution in the fourth quarter and throughout the year, keeping service levels strong, aligning production with demand and continuing to build capability across the organization, even as the external environment remained pressured.

Turning to Supreme. 2025 represented our first full year operating as an integrated organization. We made strong progress capturing the cost synergies we targeted with benefits coming through across procurement, network and logistics efficiencies and overhead alignment. Just as importantly, we've been able to do this while maintaining critical operational continuity and customer service. As we look ahead, we remain on track to realize our target of $28 million in annual run rate cost synergies by year 3 post close, and we continue to see additional opportunity to expand the benefits of the Supreme combination over time, particularly on the commercial side as end markets recover through broader portfolio access, cross-selling and channel expansion. As for the pending American Woodmark transaction, we continue to advance our planning and are encouraged by our progress to date.

Our teams remain focused on the integration planning and readiness work so we can move quickly following close while protecting customer service levels and maintaining continuity. We're excited about the strategic and financial opportunity the combination represents for customers and shareholders, and we anticipate closing the transaction early this year, subject to remaining customary regulatory approvals. Importantly, we continue to expect approximately $90 million in run rate cost synergies by the end of year 3 post close. Finally, turning to our continuous improvement efforts and capital allocation priorities. Our continuous improvement efforts remain a core enabler of operational excellence and long-term value creation. Our programs again outperformed plan, helping to partially offset volume pressure and tariff-related cost impacts. Importantly, continuous improvement broadened and deepened across the organization, gaining traction not only in production, but also in back-office functions.

Collectively, these actions are strengthening productivity, enhancing cost and performance visibility and enabling more consistent decision-making, positioning the organization to sustain and build on these gains over time. From a capital allocation perspective, capital expenditures were in line with expectations in 2025, and we remain focused on operational execution and flexibility, consistent with the MasterBrand Way. Our balance sheet and liquidity position remain healthy, providing the flexibility to support integration activities and long-term shareholder returns. In closing, while near-term market and trade challenges persist, our strategy remains intact and guided by the MasterBrand Way. We have a resilient operating model, strong portfolio and a proven integration playbook. As industry conditions stabilize and demand recovers, we believe MasterBrand is well positioned to emerge stronger and deliver longer-term value. With that, I'll turn the call over to Andi for a detailed review of our financial results and outlook.

Andrea H. Simon
Executive VP & CFO

Thanks, Dave, and good afternoon, everyone. I'll start with a review of our fourth quarter financial results, followed by a brief recap of the full year. Then I'll share more details on our guidance for the first quarter of 2026 and provide some perspective on the full year ahead. Now turning to our fourth quarter results. Net sales were $644.6 million, a 3.5% decrease compared to $667.7 million in the same period last year. The continued softness across our addressable market, which was down mid-single digits, was partially offset by the anticipated flow-through of prior pricing actions, including tariff mitigation price actions.

Gross profit was $167.5 million, down 17.6% from $203.3 million in the same period last year. Gross profit margin was 26%, down 440 basis points year-over-year, primarily reflecting lower volume, mix and the related unfavorable fixed cost leverage, tariffs net of supply chain mitigation and restructuring-related expenses. These headwinds were partially offset by higher net average selling price improvement from prior pricing actions, including our tariff mitigation actions, our continuous improvement efforts and Supreme integration synergies.

Tariffs had a negative impact of nearly 300 basis points to our gross margin in the quarter, though we were able to offset approximately 1/3 of this impact through mitigation actions. SG&A expenses totaled $186.9 million compared to $152.3 million in the same period last year. This was primarily driven by a $17 million onetime provision for bad debt related to a specific customer, personnel costs and inflation, acquisition-related costs, restructuring-related costs and depreciation costs and continued investments in our strategic initiatives, particularly around digital, technology and marketing, partially offset by lower commission and freight costs following volume decline.

Interest expense declined to $17.6 million from $19.3 million in the same period last year, reflecting progress as we continue to pay down our debt. Net loss was $42 million in the fourth quarter compared to net income of $14 million in the same period last year. Net income margin was negative 6.5% compared to positive 2.1% in the prior year, reflecting the items I just outlined, partially offset by lower interest expense and lower income tax expense. Adjusted EBITDA was $35.1 million compared to $74.6 million in the prior year period.

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Adjusted EBITDA margin was 5.4%, a decline of 580 basis points year-over-year due to lower volume and the related unfavorable fixed cost leverage, tariffs net of supply chain mitigation and material freight and personnel inflation, partially offset by continuous improvement savings, the flow-through of our prior pricing actions and Supreme integration synergies. As Dave mentioned, the variance in adjusted EBITDA relative to our implied fourth quarter guide was primarily driven by a late quarter slowdown in new construction. The late quarter demand change created a more unfavorable mix and lower price realization than we had embedded in the outlook we shared in November.

At these lower volume levels, mix has a greater impact on our bottom line. The shift reduced factory utilization, resulting in a mid-single-digit increase in down days versus our plan, which drove fixed cost under absorption and contributed to manufacturing inefficiencies. Given this dynamic, we expect continued margin pressure if trade-down behavior persists across the portfolio or if mix shifts further unfavorably. Diluted loss per share was $0.33 in the fourth quarter of 2025 based on 126.8 million diluted shares outstanding. This compares to earnings per share of $0.11 in the fourth quarter of 2024, which was based on 131.2 million diluted shares outstanding.

Adjusted loss per share was $0.02 in the current quarter compared to earnings per share of $0.22 in the prior year period. Moving to our full year results. We delivered 2025 net sales of $2.7 billion, up 1% versus the prior year, driven by the contribution from Supreme and improvements in net average selling price despite a market that we estimate declined mid-single digits year-over-year. Supreme contributed approximately 5% to full year net sales, consistent with our expectations and pricing contributed to offsetting underlying market pressure. Gross profit was $827.6 million, down 5.6% compared to $877 million in the prior year. Gross profit margin declined 220 basis points year-over-year from 32.5% to 30.3%.

The full year margin decline was due to lower unit volume and the related unfavorable fixed cost leverage, inflation and tariffs. This was partially offset by net average selling price improvements and the full year inclusion of Supreme and its related synergies. Notably, tariffs had a negative impact of approximately 115 basis points to our gross margin throughout the year, and we were able to offset over half of this impact through mitigation actions. SG&A expenses were $667.8 million compared to $603.1 million in the same period last year. This increase was primarily driven by the addition of Supreme's SG&A expenses, the same onetime bad debt provision impacting the quarter, digital and technology investment and freight inflation, partially offset by lower volume-related variable SG&A costs.

Income tax was $19.6 million for the year or a 42.3% effective tax rate compared to $42.4 million or a 25.2% rate in 2024. The increase in effective tax rate was driven by nondeductible expenses and a jurisdiction valuation allowance driven by the tariff impact on products sourced internationally. Without these items, our effective tax rate for the year would have been approximately 23.5%. Net income was $26.7 million compared to $125.9 million in the prior year. The decrease was primarily related to lower gross profit and higher SG&A, partially offset by lower income tax expense. Adjusted EBITDA was $298.2 million in 2025, down 18% compared to $363.6 million in the prior year, and adjusted EBITDA margin declined 260 basis points to 10.9% for the full year compared to 13.5% in the prior year.

These results were driven by lower volume and the related unfavorable fixed cost leverage, inflation, tariffs, net of supply chain mitigation and incremental strategic investments. This was partially offset by net average selling price improvements, including tariff-related pricing and Supreme contributions and integration synergies. Diluted earnings per share were $0.21 in 2025, down from diluted earnings per share of $0.96 in 2024 based on 129.2 million and 130.9 million diluted shares outstanding, respectively.

Adjusted diluted earnings per share were $0.91 compared to $1.40 in the prior year. Despite a soft end market in 2025, we believe our long-term financial targets remain attainable, although delayed as we enter our fourth year of market decline in 2026. As discussed at our 2022 Investor Day, these targets were based on some level of annual market growth. While we continue to execute operationally, position the company for future growth and augment our growth through acquisitions, market growth will be necessary to fully realize the benefits of these efforts and achieve our stated long-term financial targets. Turning to the balance sheet. We ended the year with $183.3 million of cash on hand and $441.9 million of liquidity available under our revolving credit facility.

Net debt at the end of the fourth quarter was $791.2 million, resulting in a net debt to adjusted EBITDA leverage ratio of 2.7x. Despite a sequential reduction in net debt, our leverage ratio increased due to a lower trailing 12-month adjusted EBITDA. Net cash provided by operating activities was $195.7 million for full year 2025 compared to $292 million in the full year 2024, driven by lower net income, increased restructuring-related cash outflows and deal costs. Capital expenditures for the full year 2025 were $78.2 million compared to $80.9 million for the full year 2024, in line with our plan and driven primarily by the Supreme integration. Free cash flow was $117.5 million for the full year 2025 compared to $211.1 million for the full year 2024, reflecting lower net income.

Our merger agreement with American Woodmark restricts share repurchase activity until the transaction closes. Before turning to our outlook, I want to take a moment to address recent tariff developments and the implications for our business. Since our third quarter

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call in early November, the trade backdrop has become more volatile with actions announced, revised, implemented and postponed in quick succession, directly impacting our industry and increasing near-term uncertainty around cost and timing. As Dave noted earlier, in late 2025, the planned Section 232 tariff rate increase on finished wood products, including kitchen cabinets and bathroom vanities was postponed. To be clear, existing 25% Section 232 tariffs remain in place throughout 2026.

In addition, Mexico announced tariffs on Chinese imports, reflecting further uncertainty in the global trade environment. Finally, countervailing and antidumping duties on hardwood and decorative plywood imports were delayed from the fourth quarter of 2025. The countervailing duties went into effect on January 12, and the antidumping duties are now anticipated to be fully implemented later this month. We are actively managing tariff impacts through targeted price adjustments, supplier renegotiations, alternative sourcing and manufacturing optimization. As I've noted previously, these efforts take 1 to 12 months to fully materialize. As we prepare for the potential combination with American Woodmark, we are also intentionally sequencing certain actions and deferring select decisions to avoid implementing stand-alone changes that could prove disadvantageous post close.

In parallel, we are continuing to monitor potential trade measures, including the antidumping duties on plywood. Above all, we remain focused on minimizing disruption, protecting customer value and sustaining our competitive position. Given the dynamic nature of the recent trade actions we just discussed, the related ongoing macroeconomic uncertainty and actions deferred ahead of the anticipated American Woodmark merger, our visibility into key performance drivers, cost inputs and near-term demand has become more limited. While we have a clear plan and are actively executing mitigation actions, the timing and magnitude of their impact can vary significantly as the trade environment shifts.

As a result, MasterBrand is taking a measured approach to its outlook and transitioning to providing quarterly guidance until longer-term visibility improves. We believe this is the most transparent way to communicate our expectations in the current environment and provide stakeholders decision useful updates as we navigate these changing dynamics. Our financial outlook includes those tariffs currently in effect and the anticipated antidumping plywood duties. It does not reflect potential implications from other proposed or future trade policy changes. Further, our outlook does not reflect any anticipated financial benefits from the pending merger with American Woodmark nor does it include expected transaction or integration-related costs.

With those assumptions in mind, for the first quarter, our end markets are expected to be down mid- to high single digits year-over-year. Against that backdrop, we expect first quarter 2026 net sales to be down mid- to high single digits versus prior year. To help manage near-term pressure on profitability, we are taking action to reduce costs and align our cost structure with current demand levels. We are implementing $30 million of planned cost reductions in 2026 and anticipate we will begin to realize savings in the first quarter with full realization expected by year-end.

We believe these steps, in combination with our mitigation strategy will help offset margin pressures, preserve liquidity and position MasterBrand to remain resilient through this period of elevated uncertainty. Given these considerations, for the first quarter, we expect adjusted EBITDA in the range of $23 million to $33 million, representing an adjusted EBITDA margin of 3.9% to 5.3%. We expect first quarter adjusted diluted loss per share of $0.06 to $0.00. This outlook primarily reflects the impact of lower expected volumes on fixed cost absorption as well as the timing of our tariff mitigation and cost rationalization actions.

Notably, this outlook also reflects our typical fourth quarter to first quarter seasonal step down. Based on our fourth quarter performance and expectations around the first quarter, net debt to adjusted EBITDA leverage at close of the pending American Woodmark transaction is no longer expected to be sub 2x, reflecting the current trade environment and our decision to sequence certain mitigation and integration actions to avoid stand-alone changes ahead of closing. We remain focused on disciplined cash generation and deleveraging post close and continue to expect leverage to trend down towards the end of the year as mitigation actions and synergies are realized.

On the full year, as Dave mentioned, we continue to expect our addressable market in 2026 to be down mid-single digits year-over-year with continued variability across end markets. For the first half of 2026, we expect decremental margins to remain elevated, driven by year-over-year volume declines, mix and the timing of tariff mitigation. We anticipate that our decrementals will improve in the second half as our tariff mitigation and cost rationalization actions phase in further. For the full year, we also expect interest expense to be flat to down as we continue to pay down our outstanding debt. Our effective tax rate is expected to improve year-over-year, primarily due to the absence of certain onetime costs.

Additionally, we continue to expect free cash flow for 2026 to be in excess of net income for the year. Finally, based on our current sourcing profile and product mix, the trade policies currently in effect and the anticipated antidumping duties on plywood, we estimate that our unmitigated gross tariff exposure for the full year is approximately 5% to 6% of 2026 net sales. We anticipate tariff pressures to be partially offset by the benefits of our mitigation efforts, which will take time to fully materialize.

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As such, we expect more than 85% of the full year net negative tariff impact to be reflected in the first half of 2026. Importantly, we expect to fully offset 100% of tariff dollar costs on a run rate basis by the end of 2026 through our mitigation initiatives. We will continue to closely evaluate the impact of tariffs and remain committed to executing our comprehensive mitigation strategy, providing quarterly updates as we navigate these dynamics. In closing, while the industry has worked through a prolonged period of soft demand over the past 3 years and near-term conditions remain challenging, we are using this period to strengthen the business and position it for the next up cycle through thoughtful execution of our strategic initiatives. As we progress toward the pending combination with American Woodmark, we remain focused on maintaining continuity for customers while preparing to capture the value of the transaction.

By leveraging our complementary capabilities and realizing the expected synergies, we are confident the combined enterprise will be primed to emerge stronger and better positioned to deliver enhanced value to customers and shareholders as demand returns. Now I'd like to return the call back to Dave.

R. David Banyard
CEO, President & Director

Thanks, Andi. As we close out 2025, we recognize that the operating environment remains challenging with demand softness, affordability pressures and an evolving trade landscape continuing to shape near-term outcomes. At the same time, we are encouraged by the progress we've made in advancing integration initiatives, maintaining strong customer relationships and preserving the flexibility needed to navigate uncertainty. Looking into 2026, we expect the year to be transitional for the industry as market trends persist and tariff mitigation efforts continue to work their way through our business.

Our focus is clear: execute with discipline, support our customers, manage cash and liquidity thoughtfully and continue strengthening the business so we're positioned to capitalize as conditions improve. We continue to expect a more meaningful recovery to take shape in 2027 as affordability improves and housing activity normalizes.
The MasterBrand Way continues to guide how we operate, driving consistency, accountability and execution across the organization. And it's the same approach underpinning our readiness for the proposed combination with American Woodmark. Planning continues to progress well, and we remain on track to close in early 2026, subject to remaining customary regulatory approvals. With a strong portfolio, a resilient operating model and a talented team, we believe we're well positioned to deliver long-term value for customers, associates and shareholders. Thank you to our associates for their continued dedication and to our customers, partners and shareholders for their trust and ongoing support. Now with that, I'll open the call up to Q&A.

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Question and Answer

Operator

[Operator Instructions]. First question comes from the line of McClaran Hayes with Zelman & Associates.

McClaran Thomas Hayes
Zelman & Associates LLC

Yes, starting with the full year outlook for the market to be down mid-single digits. Just wondering if you could maybe help us break that down by end channel, talk to what you're assuming for the builder market broadly this year versus home improvement.

R. David Banyard
CEO, President & Director

Yes. I think -- thanks for the question, McClaran. The -- I think they're both about the same. The builder may be a little worse in the beginning, but then I think you're going to catch up with easier comps. I think the R&R market, which is what we consider, retail is kind of down mid-single digits fairly consistently throughout the year. So it's our best guess at this point. I think part of the reason that we've gone to quarterly guidance is it's a little unclear still what the spring season is going to look like. So that's going to guide a bit of what the full year ends up being. But we wanted to at least signal that we believe the year to be down. And a lot of that in the near term is being driven by the pace of starts, which we saw declining last year.

McClaran Thomas Hayes
Zelman & Associates LLC

Got it. And then on pricing, it looks like price realization sequentially decelerated about 100 basis points from 3Q to 4Q. Any way you could split out maybe how much of that was driven by the channel headwind from weaker builder sales that you spoke about? And how much was maybe tied to that step-up in promotions or competitive behavior?

R. David Banyard
CEO, President & Director

Yes. I think it's a combination of several things, one of which is mix. There's more trade down occurring. So we've seen higher volumes in the low opening price point than we anticipated in the fourth quarter. And then it is a combination of the pace at which we can capture price to mitigate tariffs. I think if I was looking at price, we were effective by the end of the year of pricing for the Liberation Day tariffs, but then we got additional tariffs later in the year and now there's more, at least with the plywood side of things coming in this year. And we've tried to place pricing in a controlled sort of organized fashion and not constantly be changing price. We've tried to bake all these things in, but all the changes that require constant maneuvering of that over time.

So -- but generally speaking, in the fourth quarter, the bigger impact on results in general was overall volume in the business, but then tilting the business a lot more towards the opening price point trade down.

Operator

Our next question comes from the line of Garik Shmois with Loop Capital Markets.

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

I wanted to follow up just on the new residential construction weakness that you saw late in the quarter. I think your sales actually exceeded your prior guidance, if I remember correctly. So just kind of wondering if you could provide a little bit more detail on how sales during the quarter progressed and some more color on what you saw at the end of the quarter on the residential side.

R. David Banyard
CEO, President & Director

Yes. That piece actually behaved in some ways similar to the prior year where we saw a pretty big drop off in late November, which we weren't expecting this year. In order to cover that, there was other volume that was stronger. As I just mentioned, it was an opening price point in different parts of the business. In all, we did miss what we thought we could do from a forecast standpoint internally. So we were off to that as well overall. But I think that it was primarily a mix shift that you're seeing in terms of the end result.

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So we were able to get to down a couple of percentage points, but it was not through -- there were certain factories that just were very inefficient in the quarter, which results in our bottom line outcome.

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

Okay. On the cost side, you could go into a little bit more detail on the restructuring actions. And just to be clear, the $30 million in expected savings to be realized in '26, is that an exit rate? Or is that the dollar amount you're expecting to...

R. David Banyard
CEO, President & Director

That's the dollar amount in the year. So annualized, it's a little higher than that. It's broad-based, adjusting our cost structure for the pace of demand, and it's mainly structural cost.

Garik Simha Shmois
Loop Capital Markets LLC, Research Division

Okay. And then just lastly on the tariff mitigation efforts. Just given the more challenged pricing environment, can you go into a little bit more color to what gives you confidence in your ability to offset the dollar cost impacts associated with the tariffs?

R. David Banyard
CEO, President & Director

Yes. I think it's -- I'm looking over a long horizon here, Garik. I think the challenge that the pricing environment presents to us is the timing of that. And so I think that as we've said many times in the past, price doesn't happen overnight for us. It takes time to work through. I think that the current pricing -- we're flagging that in the current pricing environment because it may take longer. I think we're still aiming to cover that cost throughout the year. But again, price is one of the levers. It is a fairly large lever. So I'm not going to say that it's not important. It is. I think it's really more going to affect the timing of when we're able to cover the cost of tariffs.

It also is our current plan and actions cover the cost of tariffs. So it does diminish profitability a bit because we're not covering that piece of it yet in the plans that we have. So our teams are continuing to work on operational actions. The switch from 50% back down to 25% kind of negated a few of the actions that we were considering. So it's a constantly changing plan, but the actions we've taken so far are working, and we saw that in the fourth quarter. So we're going to continue to work the problem, but it is a -- it's the kind of thing you're working daily.

And again, we're going to continue to push the teams to go further on both execution on the price we have put out to the market and additional operational actions to cover a broader part of the P&L.

Operator
And ladies and gentlemen, this does conclude today's -- this is the end of the question-and-answer session. And this also concludes today's conference. You may disconnect your lines at this time. We thank you for your participation.

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