

Windows on Wall Street

From Lincoln International

The *Window & Door* Stock Index has lost some of the momentum built up in March and April and has performed more in line with the broader market in recent months. Since its 12-month low in early March, the index has grown 21.6%, compared to 16.3% for the S&P 500 index. The housing industry has begun to show some signs of stability, including positive data points on housing starts, permits, new home sales and inventory data. According to preliminary estimates from the U.S. Census Bureau, starts grew 17.2% in May to a seasonally adjusted annual rate of 532,000 units, while building permits also showed some signs of strength, growing 4% over April's levels to 518,000 units. Sales of new one-family houses in May were at a seasonally adjusted rate of 342,000 units, in line with April's levels, and the estimate of new homes for sale dropped to a supply of 10.2 months at the current sales rate. While the recent data only provides some indications of the market hitting a bottom, we expect fundamentals to stabilize further and begin to show consistent signs of improvement as the economy strengthens. The main question is when the economy will begin to recover and lay the foundation for the housing market's return.

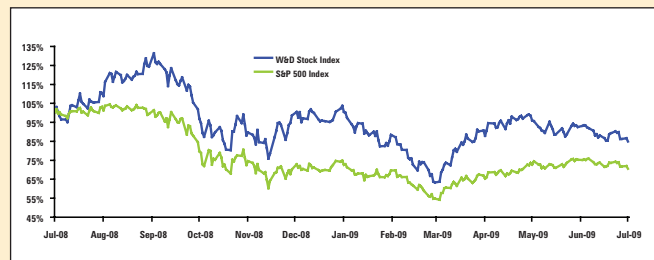
WD Stock Watch

As of June 2, 2009

Company	Current Price (\$)	52 week High	52 week Low	*EV/ EBITDA
Black & Decker Corp.	\$27.22	\$69.50	\$20.10	5.8x
Building Materials Holding Corp.	10.75	23.98	5.40	9.8x
Drew Industries Inc.	33.64	63.67	17.68	8.1x
Fortune Brands Inc.	22.88	30.74	17.05	7.3x
The Home Depot Inc.	0.85	3.15	0.11	n/a
Huttig Building Products Inc.	18.87	28.49	13.00	6.0x
Lowe's Companies Inc.	8.72	22.00	3.64	10.3x
Masco Corp.	1.66	5.95	0.80	7.1x
PGT Inc.	43.02	69.89	28.16	6.3x
PPG Industries Inc.	10.44	18.18	5.13	7.4x
Quanex Building Products Corp.	18.09	83.73	15.72	7.6x
Wolseley PLC	17.31	92.25	16.02	7.4x

The WD Stock Watch includes a select list of publicly-traded companies involved in the window and door industry. For *EV/EBITDA: EV (enterprise value) = Market value of stock plus debt outstanding minus cash, and EBITDA = Earnings before interest, taxes, depreciation and amortization. Data provided courtesy of Lincoln International.

WD Stock Index



Note: Local currency converted to USD using historical spot rates. The WD Stock Index consists of the above stocks weighted by market cap. Data provided courtesy of Lincoln International.

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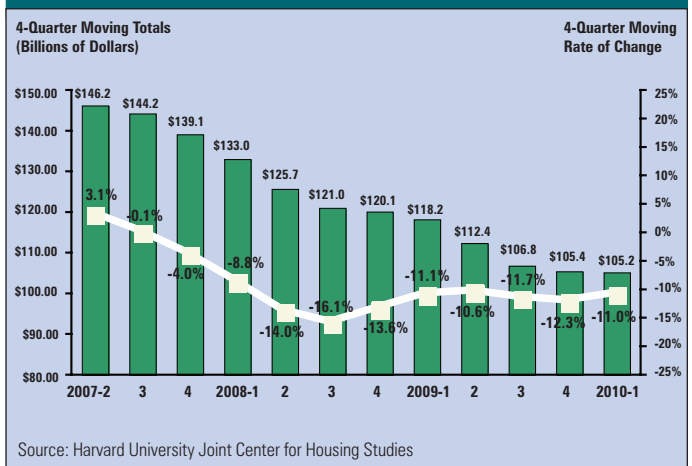
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Market Snapshot—Remodeling

Owners spending on home improvements will continue to trend down through 2009 and into the first part of next year, according to the Leading Indicator of Remodeling Activity, released by the Joint Center for Housing Studies of Harvard University. With annual declines hovering around 11% for the next several quarters, some signs suggest the depressed remodeling market is close to a cyclical bottom. "Homeowners are still hesitant to undertake major remodeling projects," says Nicolas Retsinas, Joint Center director. "While the pace of decline is moderating, increased remodeling activity will not materialize until further signs of recovery emerge in the broader housing market."

A few components of the LIRA point to renewed strength in the industry, though the overall outlook going into 2010 is still bleak. "There are some positive developments for the remodeling industry, such as low financing costs for home improvement projects and rising home sales in a growing number of markets," says Kermit Baker, director of the center's Remodeling Futures Program. "Weak home prices and decreased cost recovery for most types of remodeling projects, however, discourage owners from pursuing typical upper-end improvements."

Leading Indicator of Remodeling Activity



Source: Harvard University Joint Center for Housing Studies

Home Foreclosures—Still Rising

The number of U.S. households on the verge of losing their homes soared by nearly 15% in the first half of the year as more people lost their jobs and were unable to pay their monthly mortgage bills, according to an Associated Press report. The mushrooming foreclosure crisis affected more than 1.5 million homes in the first six months of the year, says a report released in July by foreclosure listing service RealtyTrac Inc. The top states for foreclosures (in ranked order) are Nevada, Arizona, Florida, California and Utah.

Closing Thoughts—Big Box Eco-Ratings

"Wal-mart is providing the initial funding for this, but we do want other companies to participate. Our goal is not to create our own index, but to spur development of a common database ... that all of us can rely upon." —Mike Duke, Wal-mart chairman and CEO, regarding the retailer's development eco-ratings for the products it sells, as reported by the AP.