

Windows on Wall Street

From Lincoln International

The Window & Door stock index experienced another moderate decline since its high in mid-September; however, it continues to outperform the broader market, as measured by the S&P 500 Index. Over the last year, the index has gained 19.4%, compared to 16.3% for the S&P 500. According to preliminary estimates from the U.S. Census Bureau, building permits fell by 1.2% while housing starts rose by 0.5% in September, to a seasonally adjusted annual rate of 573,000 and 590,000 units, respectively. The supply of new homes remained at 7.5 months while existing homes fell from 9.3 to 7.8 months. The decline in building permits was a large factor contributing to the decline in the *Window & Door* stock index at the end of October, which some argued was caused by the first-time home buyer tax credit that had been set to expire. However, the home buyer tax credit and new net operating loss rules were signed into law in early November which caused a rebound in the *Window & Door* stock index. It remains to be seen if this pop in the index is only temporary, but it is certain that the market believes this is good for the industry.

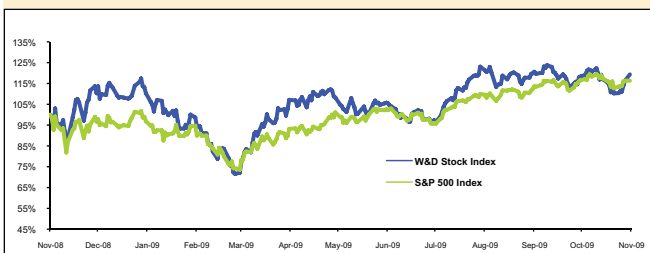
WD Stock Watch

As of November 9, 2009

Company	Current Price (\$)	52 Week	
		High	Low
Drew Industries Inc. (DW)	\$20.93	\$24.44	\$5.40
Fortune Brands Inc. (FO)	\$39.28	\$46.77	\$17.68
Huttig Building Products Inc. (HBPI)	\$0.65	\$1.20	\$0.11
Lowe's Companies Inc. (LOW)	\$20.94	\$24.09	\$13.00
Masco Corp. (MAS)	\$12.60	\$15.50	\$3.64
PGT, Inc. (PGTI)	\$2.17	\$3.19	\$0.80
PPG Industries Inc. (PPG)	\$58.80	\$62.31	\$28.16
Quanex Building Products Corp. (NX)	\$14.94	\$16.73	\$5.13
The Black & Decker Corporation (BDK)	\$61.05	\$62.01	\$20.10
The Home Depot, Inc. (HD)	\$26.08	\$28.44	\$17.46
Wolseley plc (WOS)	\$20.72	\$71.59	\$15.97

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.

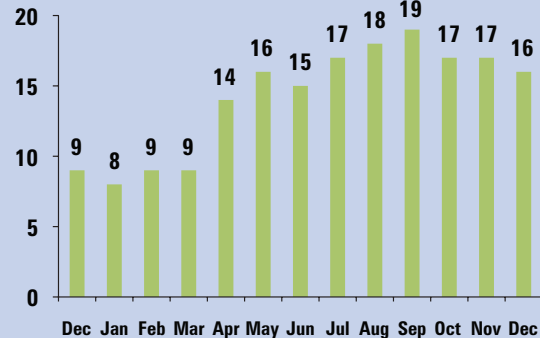
Contact Information: Andrew Bohutinsky, managing director 312/580-2805, abohutinsky@lincolnternational.com; and Greg T. Hicks, analyst 312/506-2730, ghicks@lincolnternational.com. Benjamin Kessler, Analyst: bkessler@lincolnternational.com; 312/506-2749. Lincoln International specializes in merger and acquisition services and private capital raising for leading organizations involved in mid-market transactions. With offices in Chicago, Frankfurt, Los Angeles, New York and Paris, and partner firms in Asia, Lincoln International has strong local knowledge of and contacts in the key global economies. The organization provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at www.lincolnternational.com.

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Market Snapshot—New Construction

Builder confidence in the market for newly built, single-family homes receded one point in December to 16, as continued weakness in the economy and job markets weighed on consumers' potential home buying plans, according to the latest NAHB/Wells Fargo Housing Market Index. "From an affordability standpoint, rarely has there been a better time in history to purchase a home, thanks to record low interest rates, attractive prices, and of course the recent extension and expansion of the home buyer tax credit," says Joe Robson, a home builder from Tulsa, Okla., and NAHB chairman. "However, builders are not seeing the full impact of these conditions on buyer demand, partly because awareness of the latest incentives is still building, and partly because of concerns about job security and other economic woes." "As we anticipated, this is shaping up to be a bumpy recovery period for the housing market," adds David Crowe, NAHB chief economist. "While some families may be just starting to factor the expanded tax credit into their potential home buying plans, many are hesitating because of the poor economy. At the same time, tight lending conditions for both consumers and home builders continue to pose considerable obstacles on the road to a sustained housing and economic recovery."

Housing Market Index



Source: NAHB, Builders' Economic Council (BEC) Monthly Surveys

The HMI is compiled by NAHB, based on a monthly survey of builders, in which they are asked to rate the current business climate. Any number over 50 indicates that more builders view sales conditions as good than poor.

Beyond Energy Star—Government Initiatives

The Energy Star Windows, Doors & Skylights program, previously managed by the Department of Energy, is moving to the Environmental Protection Agency. In announcing the change, under which EPA is becoming the "brand manager" for all Energy Star programs, it was noted that a new "Super Star" category of product is being added beyond Energy Star. "Performance levels will be set using established and consistent principles for the Energy Star brand. Generally, products in the top 25 percent will qualify as Energy Star and the top 5 percent will qualify as Super Star." The move to EPA doesn't take DOE out of the window industry picture. DOE recently launched the "Highly Insulating (R-5) Window and Low-e Storm Window Volume Purchase Program" to organize a potential buyer base in both the public and private sector to help commercialize such products. Manufacturers interested in participating can go to www.r-5windowsvolumepurchaseprogram.com.

Closing Thoughts—A Presidential Endorsement

"If you saw \$20 bills just sort of floating through the window up into the atmosphere, you'd try to figure out how you were going to keep that. But that's exactly what's happening because of the lack of efficiency in our buildings."—President Barack Obama speaking at a Home Depot in December to push legislation to stimulate job creation by boosting home energy retrofits.