

## Windows on Wall Street

From Lincoln International

The *Window & Door* Stock Index has experienced modest growth over the year, despite experiencing a significant decline of 28.6% after reaching a new 12-month high in April. The Stock Index underperformed the broader market, however. It gained only 3.7% over the last 12 months, compared to the S&P 500, which gained 12.3%. The recent decline in the Stock Index mirrors activity in housing. June housing starts declined 5%, reaching their lowest level since October 2009. As the months' supply of homes, which reached 7.6 months in June, and the level of foreclosures continues to increase, new home construction is expected to remain at depressed levels in the near-term. The recent decline in industry performance highlights the important role the first-time homebuyer's tax credit played in the recovery of the broader housing market. Although housing starts likely will not fall back to the historical lows of 2009, they will likely experience levels below those achieved in the months leading up to the expiration of the tax credit.

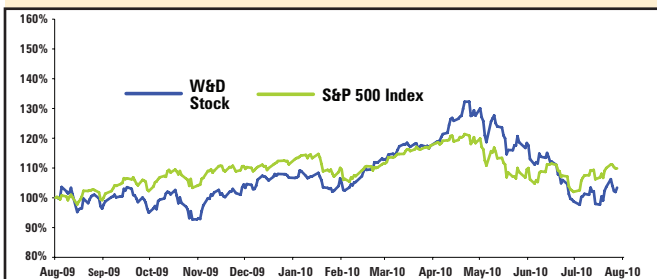
## WD Stock Watch

As of August 3, 2010

Company	Current Price (\$)	52 Week High	52 Week Low	*EV/EBITDA
Builders FirstSource (BLDR)	\$2.20	\$8.60	\$2.12	nmf
Drew Industries Inc. (DW)	21.99	28.10	17.89	5.5x
Fortune Brands Inc. (FO)	44.48	55.68	37.05	10.0x
The Home Depot Inc. (HD)	28.45	37.03	24.27	8.2x
Huttig Building Products Inc. (HBPI)	1.10	1.90	0.60	nmf
Lowe's Cos. Inc. (LOW)	20.74	28.54	19.15	6.5x
Masco Corp. (MAS)	10.71	18.78	9.94	10.3x
PGT Inc. (PGTI)	2.62	3.70	1.50	12.5x
PPG Industries Inc. (PPG)	70.02	72.24	51.29	8.6x
Quanex Building Products Corp. (NX)	17.34	21.19	11.60	7.2x
Stanley Black & Decker (SWK)	58.48	66.27	39.44	13.7x

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.

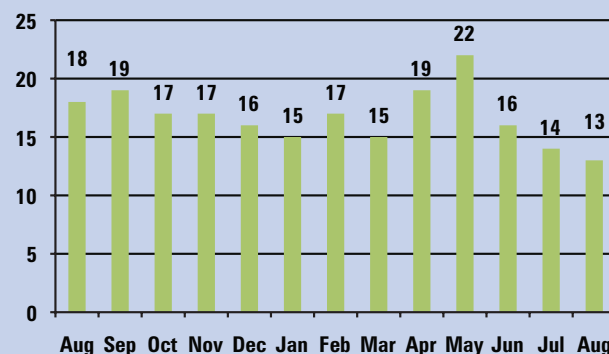
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## Market Snapshot—New Construction

Builder confidence in the market for single-family homes continues to edge downward, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index. The August HMI declined one point to 13, its lowest level since March of 2009. "Builders are expressing the same concerns that they are hearing from consumers right now, particularly the sense that the overall economy and job market aren't gaining any traction," says Bob Jones, a Michigan home builder and NAHB chairman. "Today's report reflects single-family home builders' concerns about current and future economic conditions and about the increasing hesitancy they are seeing among potential home buyers," says David Crowe, NAHB chief economist. "It also reflects the frustration that builders are feeling regarding the effects that foreclosed property sales are having on the new-homes market, with 87 percent of respondents reporting that their market has been negatively impacted by foreclosures." Despite builder pessimism, NAHB continues to project that modest job gains, historically low mortgage rates and pent-up demand will ensure a better housing market in the second half of 2010 than in the first half, Crowe notes.

### Housing Market Index



Source: National Association of Home Builders. The HMI is 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.

## Young Women—More Clout in Housing Market

As the housing market recovers, Gen Y women—those now between 15 and 34—will become increasingly influential, with higher incomes than men of the same age, predicts James Chung, president of Reach Advisors. "Their preferences are different," he states. "They are much more willing and thoughtful about making tradeoffs and less willing to spend more." Advising builders and multi-family developers on targeting these women, he also notes, "A feeling of safety and security is huge, and not to be underestimated." These concerns go beyond lock systems, Chung asserts, suggesting that women will want an environment where they can feel safe when jogging in the morning or evening, for example.

## Closing Thoughts—A Year of Transition

"We view 2010 as a year of transition for the home improvement industry and we don't expect consistent improvement in core demand until the fundamentals of the labor and housing markets improve."  
—Robert Niblock, CEO, Lowe's Cos., in call to financial analysts.