

## Windows on Wall Street

From Lincoln International

The *Window & Door* Stock Index has experienced strong growth since its one-year low in March 2009, but has performed in line with the broader market, as measured by the S&P 500 Index. Over the last year, the index has gained 35%, compared to 32% for the S&P 500. According to the U.S. Census Bureau, building permits rose 10.9% and housing starts fell 4% in December 2009 compared to the prior month, to seasonally adjusted annual rates of 653,000 and 557,000 units, respectively. These figures represent year-over-year increases of 15.8% and 0.2%, respectively, the first year-over-year increases in over three years. This is further evidence that the market is at or near a bottom, and may perhaps be the first step in the housing market recovery. While these statistics are encouraging, the months' supply on new and existing homes grew to 8.1 and 9.6 months, respectively, for December 2009. Additionally, a large number of mortgages are still delinquent and banks may soon take title to these homes and put them up for sale. Without corresponding increase in demand, this further increase in the supply of homes on the market may cause another drop in home prices and possibly a "W" shaped recovery for the housing market.

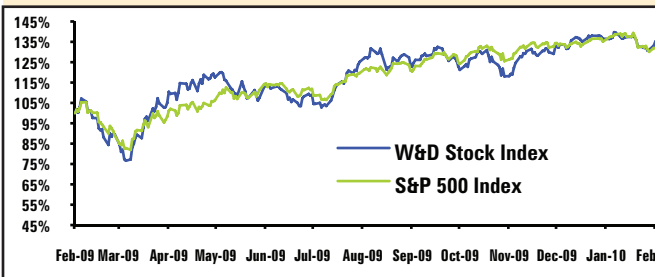
## WD Stock Watch

As of February 7, 2010

Company	Current Price (\$)	52 Week High	52 Week Low	*EV/EBITDA
Black & Decker Corp., The (BDK)	\$66.11	\$72.82	\$20.10	12.0x
Drew Industries Inc. (DW)	19.06	24.44	5.40	18.9x
Fortune Brands Inc. (FO)	42.49	46.77	17.68	10.7x
Home Depot Inc., The (HD)	28.39	29.44	17.49	8.1x
Huttig Building Products Inc. (HBPI)	0.69	1.02	0.11	NM
Lowe's Companies Inc. (LOW)	21.99	24.50	13.00	7.2x
Masco Corp. (MAS)	13.99	15.75	3.64	16.7x
PGT, Inc. (PGTI)	1.83	3.19	0.80	10.7x
PPG Industries Inc. (PPG)	59.52	64.26	28.16	9.3x
Quanex Building Products Corp. (NX)	16.50	18.36	5.13	14.2x
Wolseley PLC (WOS)	22.48	43.62	15.47	25.9x

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.

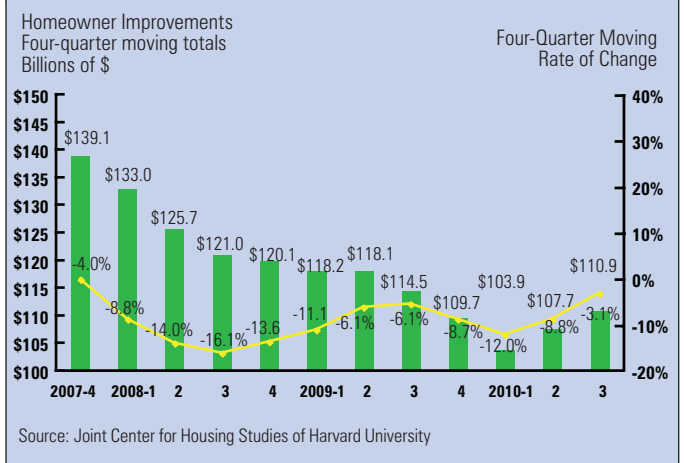
Contact Information: Andrew Bohutinsky, managing director 312/580-2805, abohutinsky@lincolnternational.com; and Greg T. Hicks, analyst 312/506-2730, ghicks@lincolnternational.com. Benjamin Kessler, Analyst: bkessler@lincolnternational.com; 312/506-2749. Lincoln International specializes in merger and 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](http://www.lincolnternational.com).

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## Market Snapshot—Remodeling

Homeowner improvement spending is likely to reach a cyclical bottom in the first quarter of 2010 and steadily increase through the end of the year, according to Harvard University's Joint Center for Housing Studies' Leading Indicator of Remodeling Activity. The LIRA projects annual declines in home improvement spending will ease from a current rate of 12% to 3.1% in the third quarter. "With signs of stabilization in the national economy, homeowners are once again planning home improvement projects," says Nicolas P. Retsinas, joint center director. Remodeling industry fundamentals are generally beginning to turn positive, adds Kermit Baker, director of the center's Remodeling Futures Program. "Sales of existing homes are on the rise and home price declines are moderating in most markets across the country," he states. "Financing costs are also favorable, although credit availability remains tight for many households."

### Leading Indicator of Remodeling Activity - Fourth Quarter, 2009



## Consumers—Looking for Smaller, More Efficient Homes

New home buyers and existing homeowners who are planning improvements say their top priorities include price, energy-efficiency, organization and comfort, according to a survey sponsored by Better Homes & Gardens. "Not surprisingly, we continue to see a 'cents and sensibility' approach when it comes to buying or improving a home, with practicality and price being top priorities," says Eliot Nusbaum, executive editor/home design. The Next Home Survey, conducted in November 2009, found more than a third of consumers saying they expect their next home to be smaller. Nearly 90 percent of home buyers said they would have high-efficiency heating/cooling systems and appliances in their next home. Among home improvers, "right now, it's more about the 'got to' improvements than the 'want to' improvements," adds Nusbaum. "The focus is now on low-cost improvements that will pack a big punch."

## Closing Thoughts—Remaining Cautious

"Home buying conditions have rarely been as good as they are right now, but consumers are still waiting to see significant positive signs of improvement in employment and confidence, and this is slowing buyers' return to the market." —David Crowe, chief economist, National Association of Home Builders.