

## Windows on Wall Street

From Lincoln International

So far, 2007 has yet to be kind to the residential construction industry with new home sales in January experiencing the steepest drop in 13 years, falling by 16.6% since December. And when homebuilders suffer, so do their suppliers, such as Masco Corp., which derives approximately 40 percent of its sales from new home construction. Masco, a manufacturer of brand-name home improvement and building products such as KraftMaid cabinets, Delta faucets, Behr paints and Milgard windows, reported a sales decrease of 6% and a loss of \$187 million in the last quarter of 2006 due to the softening housing market. To compensate, Masco plans to cut 8,000 jobs from its U.S. work force, including nearly 1,000 salaried personnel, by the end of the first quarter. The company also plans to go back to its old strategy of divesting non-core businesses, which it did three years ago to reduce its number of operating units from 67 to 31. Expect other companies in the *Window & Door* stock index in similar situations to take some of the same steps to stay profitable in what is expected to be another slow residential construction market.

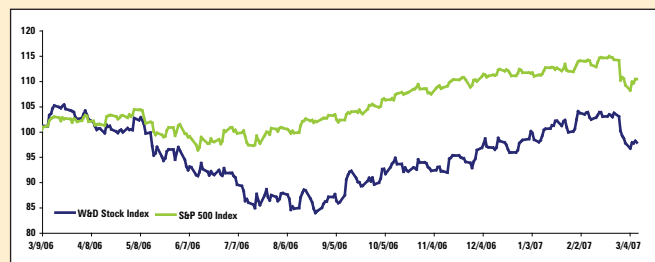
### WD Stock Watch

As of March 13, 2007

Company	Current Price (\$)	52 week High	52 week Low	*EV/EBITDA
The Black & Decker Corp.	\$85.62	\$94.90	\$66.04	7.5x
Building Materials Holding Corp.	20.05	38.67	19.07	3.4x
Drew Industries Inc.	28.64	38.90	22.26	9.4x
Fortune Brands Inc.	79.87	86.90	68.45	10.1x
The Home Depot Inc.	38.80	43.95	32.85	7.8x
Huttig Building Products Inc.	6.87	9.53	4.65	8.5x
International Aluminum Corp.	52.52	52.58	35.26	5.7x
Lowe's Companies Inc.	32.53	35.74	26.15	8.3x
Masco Corp.	28.70	34.72	25.85	8.0x
PPG Industries Inc.	66.50	69.80	60.42	6.9x
Quanex Corp.	41.55	49.02	29.15	5.0x
Wolseley PLC	25.20	28.61	20.29	10.6x

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.

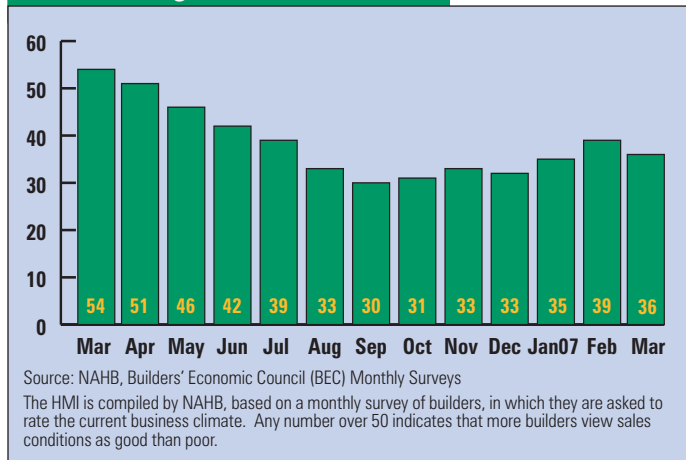
Contact Information: Andrew Bohutinsky, managing director 312/580-2805, abohutinsky@lincolnpartners.com; and Mouzam Makkar, associate 312/407-6356, mmakkar@lincolnpartners.com. Lincoln International specializes in merger and acquisition services and private capital raising for leading organizations involved in mid-market transactions. With offices in Chicago, Frankfurt, 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.lincolniinternational.com](http://www.lincolniinternational.com).

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## Market Snapshot—New Construction

Following steady increases since last fall, builder confidence slipped again in March, largely because of concerns about a shaky subprime mortgage situation, according to the National Association of Home Builders/Wells Fargo Housing Market Index. A downwardly revised February reading of 39 slipped three points to 36 in March. "Builders are uncertain about the consequences of tightening mortgage lending standards for their home sales down the line, and some are already seeing effects of the subprime shakeout on current sales activity," says David Seiders, NAHB chief economist. "The fundamentals of today's housing market still are relatively strong, including a favorable interest-rate structure, solid growth in employment and household income, lower energy prices and improving affordability in much of the single-family market—due in part to price cuts and non-price sales incentives offered by builders."

### 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.

## Fresh Start—HD Prioritizes

Following widespread leadership changes, Home Depot is setting priorities for the remainder of the year and possibly cleaning its closet of extraneous initiatives. Frank Blake, chairman and CEO, has earmarked \$2.2 billion to five priority areas—employee education, product offerings, product availability, the store environment and targeting pro customers with incentive programs. The company has also retained a financial advisor to research the possibility of shedding the HD Supply arm of the business. "We are undertaking this action today because of our desire to increase our focus on our retail business," says Blake. "With annual revenues of approximately \$12 billion, HD Supply is a healthy, growing and vibrant business, and we are undertaking this evaluation to determine whether there are strategic alternatives with respect to HD Supply that would optimize shareholder value."

## Closing Thoughts—Education Shortfalls

"Industry is the end-user of our education system. We need young people who can adapt to the changing, high-tech workplace. In a modern facility, employees are more likely to be calibrating with a computer than pounding with a hammer. However, the skills needed to compete in a 21st century workforce are just those that our graduates are having the hardest time achieving—math, reading and science." —John Engler, National Association of Manufacturers, president.