

Windows on Wall Street

From Lincoln International

On June 19, 2007, The Home Depot Inc. signed a definitive agreement to sell its commercial supply business, The Home Depot Supply Inc., to a consortium of private equity buyers. The transaction is valued at \$10.3 billion, which equals an approximately 10x multiple on HD Supply's LTM EBITDA, according to company filings. In explaining the rationale for the sale, Home Depot's CEO, Frank Blake, cited the expected difficulty in fully integrating HD Supply's business with Home Depot's core retail business. Several take-aways can be inferred from this sale decision and process. First, Home Depot's desire to focus on its core business is evident in this decision, and has been widely applauded by the Wall Street community. Second, the implied valuation multiple paid for HD Supply reflects continued strong interest from acquirers, particularly private equity buyers, in select segments of the building and construction market. Finally, Home Depot's decision to focus exclusively on its retail operations implies long-term confidence in the fundamentals underlying not only the retail do-it-yourself market, but also the residential construction market.

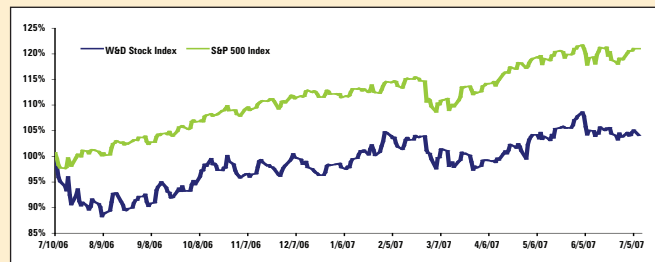
WD Stock Watch

As of July 12, 2007

Company	Current Price (\$)	52 week High	52 week Low	*EV/EBITDA
The Black & Decker Corp.	\$88.93	\$96.07	\$66.04	7.8x
Building Materials Holding Corp.	15.06	28.60	13.12	4.3x
Drew Industries Inc.	33.57	36.65	22.26	10.4x
Fortune Brands Inc.	83.09	86.90	70.18	10.7x
Home Depot Inc.	40.30	42.01	32.85	8.0x
Huttig Building Products Inc.	7.39	8.77	4.65	17.1x
Lowe's Companies Inc.	31.11	35.74	26.15	7.9x
Masco Corp.	28.69	34.72	25.85	8.3x
PPG Industries Inc.	77.05	78.80	60.42	8.1x
Quanex Corp.	50.19	50.53	29.15	6.7x
Wolseley PLC	23.95	28.65	21.13	10.5x

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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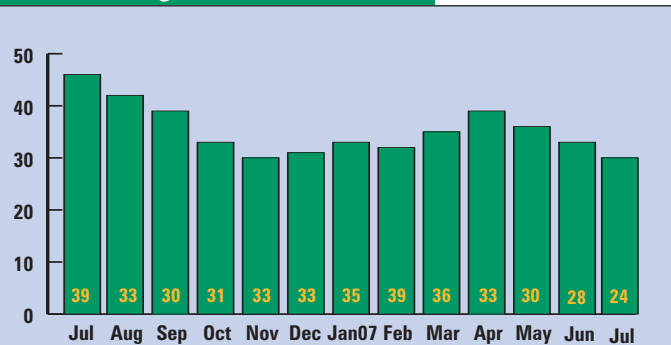
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Market Snapshot—New Construction

Builder confidence levels just can't ignore flooded inventory levels, a shaky subprime market and the affordability issues that come with tougher lending standards and higher interest rates. The National Association of Home Builders/Wells Fargo Housing Market Index sank again in July, decreasing four points to 24—the lowest level since January 1991.

"In spite of these challenges, we expect to see home sales get back on an upward path late this year and we expect housing starts to begin a gradual recovery process by early next year," says David Seiders, NAHB chief economist. "At that point, this market will be operating well below its long-term potential, providing plenty of room to grow in 2008 and beyond."

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.

Goods from China—Importing Safety

Manufacturers are approaching Congress in an attempt not to stop Chinese imports from entering the country but to make sure the products are safe. In light of recent news of "contaminated pet food, fake pharmaceuticals, toys and jewelry with dangerous levels of lead, poisoned fish and other unsafe products" hitting U.S. shores from Chinese firms, the National Association of Manufacturers is angling for international safety standards.

"To ensure the safety of our imports, we must take care to approach it as a health and safety issue," says Jay Timmons, NAM senior vice president of policy and government relations. "Using safety to achieve disguised protectionist aims will undermine the seriousness of these concerns, while strengthening the hands of those abroad who seek any justification for economic retaliation."

For the full story, visit <http://www.nam.org>.

Closing Thoughts—A Realtor's Spin

"Markets that sharply reduce new construction in 2007 will generally experience respectable price increases in 2008. Local conditions vary considerably, but with historically low mortgage interest rates this summer and sustained job gains, it could be a good time for first-time buyers with a long-term view to test the housing waters."—Lawrence Yun, National Association of Realtors senior economist.