

Windows on Wall Street

From Lincoln International

The *Window & Door* Stock Index and the broader market, measured by the S&P 500 index, have risen by 5.3% and 6.0%, respectively, since their low point at the end of November 2008. Preliminary U.S. Census Bureau housing starts figures for December 2008 fell 15.5% to a seasonally adjusted annual rate of 550,000 units, the lowest level on record since the Census Bureau began compiling the data in 1959. However, positive news has been announced in the last month, including a 6.3% increase in pending home sales in December and a decrease of 2.5% in the inventory of homes for sale in January. While many expect these improvements to be transitory, the housing sector could receive a stimulus from many policies being debated in Washington. Current ideas include the Federal Reserve's proposed Term Asset-Backed Securities Loan Facility (TALF) to facilitate the extension of credit to households and small businesses, additional use of Troubled Assets Relief Program (TARP) funds. The enactment of a nearly \$800 billion fiscal stimulus package may also offer some promise for the housing industry. Part of the stimulus package was enacted into law in early February providing first-time homebuyers with a \$8,000 tax credit if they buy a new or existing home within one year.

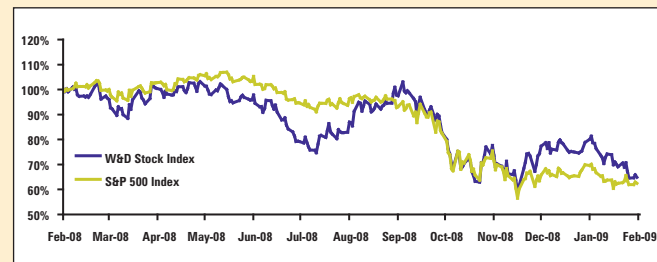
WD Stock Watch

As of February 5, 2009

Company	Current Price (\$)	52 week High	52 week Low	*EV/EBITDA
Black & Decker Corp.	\$28.76	\$72.40	\$28.33	4.8x
Building Materials Holding Corp.	0.45	6.93	0.11	n/a
Drew Industries Inc.	7.92	29.29	7.90	2.9x
Fortune Brands Inc.	31.10	74.44	30.24	6.8x
The Home Depot Inc.	21.73	30.74	17.05	6.1x
Huttig Building Products Inc.	0.31	4.21	0.24	n/a
Lowe's Companies Inc.	18.41	28.49	15.76	5.5x
Masco Corp.	8.01	22.25	6.82	5.9x
PGT Inc.	1.03	5.95	0.81	4.4x
PPG Industries Inc.	36.47	69.89	35.94	5.0x
Quanex Building Products Corp.	8.91	18.40	6.40	4.8x
Wolseley PLC	2.60	10.34	2.26	4.3x

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.

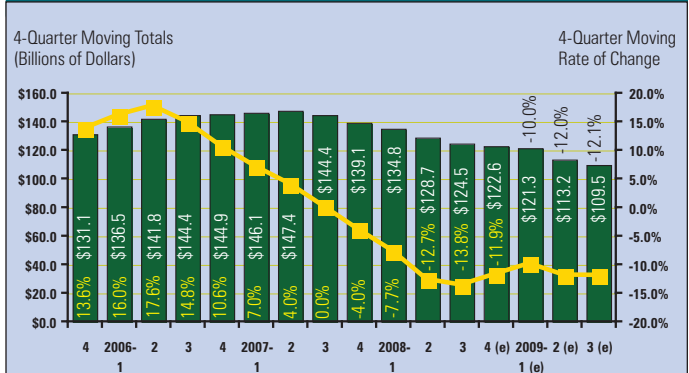
Contact Information: Andrew Bohutinsky, managing director 312/580-2805, abohutinsky@lincolninternational.com; and Greg T. Hicks, analyst 312/506-2730, ghicks@lincolninternational.com. Benjamin Kessler, Analyst: bkessler@lincolninternational.com; 312/506-2749. Lincoln International specializes in merger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

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Market Snapshot—Remodeling

A collapsing economy combined with further deterioration of the housing market continues to suppress remodeling activity, according to the Joint Center for Housing Studies of Harvard University. The Leading Indicator of Remodeling Activity points to homeowner improvement spending declining at an annual rate of 12.1 percent by the third quarter of 2009. "Uncertainty in the housing market continues to stifle spending on homeowner improvements," says Nicolas P. Retsinas, director of the Joint Center for Housing Studies. "In light of escalating job losses, consumers are reluctant to undertake major remodeling projects." The market has seen steady declines since the middle of 2007, although recently the rate of decline has flattened. "While we may be nearing the bottom of the remodeling cycle, there is little to push spending back into a growth phase until the economy recovers," explains Kermit Baker, director of the Remodeling Futures Program of the Joint Center.

Leading Indicator for the Remodeling Industry



Source: Harvard University Joint Center for Housing Studies

Company Warning—Focus on Morale

Rather than making employees feel as though they are lucky to have a job, consultants warn that companies should invest energy in maintaining post-lay-offs morale for the long-term health of the business. Forgoing salary increases or cutting jobs may be necessary in the current economy, but these actions are likely to have a lasting impact on a company's most valued employees, says Martha Glantz of Total Compensation Solutions. "They might stay through the hard times but you have also given them reasons to be resentful and/or to start looking elsewhere," she says. It is imperative that companies retain their most productive employees in order to continue operations, maintain business relationships, provide good products and services and find new avenues of business. These goals cannot be accomplished unless you have your best people in place, she says.

Closing Thoughts—Builder Hibernation

"When pricing after incentives is down 50 percent and volumes are down 90 percent, there just isn't a business plan that can account for that. We're just going to sit on the sidelines until the storm passes." —Tom McCormick, president of Astoria Homes in Las Vegas, to *Builder* magazine.