

Windows on Wall Street

From Lincoln International

Stock prices and valuations of publicly-traded window and door companies continued to appreciate at the end of 2014, outperforming the broader market as the W&D Stock Index increased 7.9% as compared to a 0.3% increase for the S&P 500. Strong relative stock performance in December pushed the 12-month return on the W&D Index up to 27.7% compared to 12.4% for the S&P 500. Investors have pointed to the rise in the single-family housing starts market as a signal that overall construction activity will continue to recover in 2015, supporting a forecast of 1.2 million: 20% above current levels.

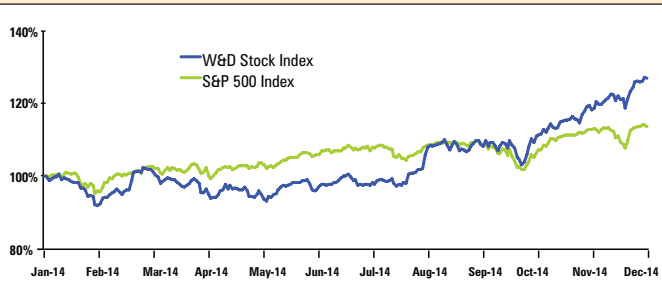
WD Stock Watch

As of December 31, 2014

Company	Current Price (\$)	52 Week		*EV/ EBITDA
		High	Low	
Builders FirstSource (BLDR)	\$6.87	\$9.40	\$4.85	16.3x
Drew Industries Inc. (DW)	51.07	55.35	40.38	9.7x
Fortune Brands Home & Security Inc. (FBHS)	45.27	47.92	36.34	14.3x
Home Depot Inc., The (HD)	104.97	106.02	73.96	12.9x
Huttig Building Products Inc. (HBPI)	3.35	5.45	2.70	13.8x
Lowe's Cos. Inc. (LOW)	68.80	69.57	44.13	12.2x
Masco Corp. (MAS)	25.20	25.58	19.50	11.4x
Masonite International Corp. (DOOR)	61.46	62.56	48.02	21.2x
PGT Inc. (PGTI)	9.63	12.61	7.34	14.3x
PPG Industries Inc. (PPG)	231.15	233.67	171.56	12.5x
Quanex Building Products Corp. (NX)	18.78	21.42	16.50	10.8x

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.

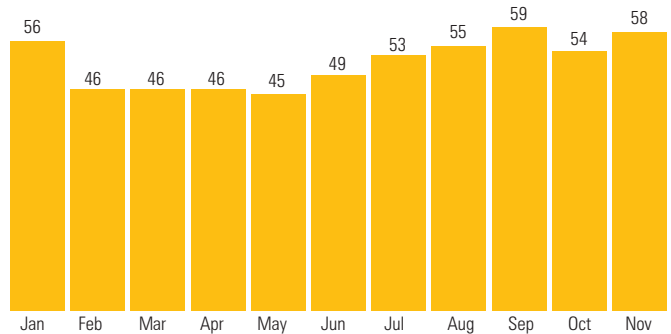
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Market Snapshot—Builder Confidence

Builder confidence in the market for newly built single-family homes rose four points to a level of 58 on the National Association of Home Builders/Wells Fargo Housing Market Index in November 2014. "Growing confidence among consumers is what's fueling this optimism among builders," said NAHB Chairman Kevin Kelly, a home builder and developer from Wilmington, Del. "Members in many areas of the country continue to see increasing buyer traffic and signed contracts." Adds NAHB Chief Economist David Crowe, "Low interest rates, affordable home prices and solid job creation are contributing to a steady housing recovery. After a slow start to the year, the HMI has remained above the 50-point benchmark for five consecutive months, and we expect the momentum to continue into 2015."

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.

A Taste for the Finer Things

While commodity-type products still represent a healthy portion of the market in multi-family properties, according to exhibitors at a variety of 2014 tradeshows, the market is definitely trending toward upscale. And, on the highest end of that scale, custom-made products are becoming a realistic sale. More and more manufacturers seem to be adapting production to accommodate one-off orders. Perhaps the popularity of custom windows and doors has something to do with the global trend of customization in retail. Or maybe the tendency toward high-end lines is a post-Recession reaction to homeowners finally having the confidence to spend again. Regardless of why, according to a recent WDweekly poll, half of respondents confirmed they are selling more high-end products than in years past.

The Last Word—Market Potential

"Currently, we are responding to greater needs than what we anticipated in all levels of construction from replacement windows through high-end custom residential. The window industry is wide open." —Jennifer Lawler, president, Fenesco Inc.