
Foreign Competition in the U.S. Building Products Industry



BUILDING INDUSTRY ADVISORS, LLC

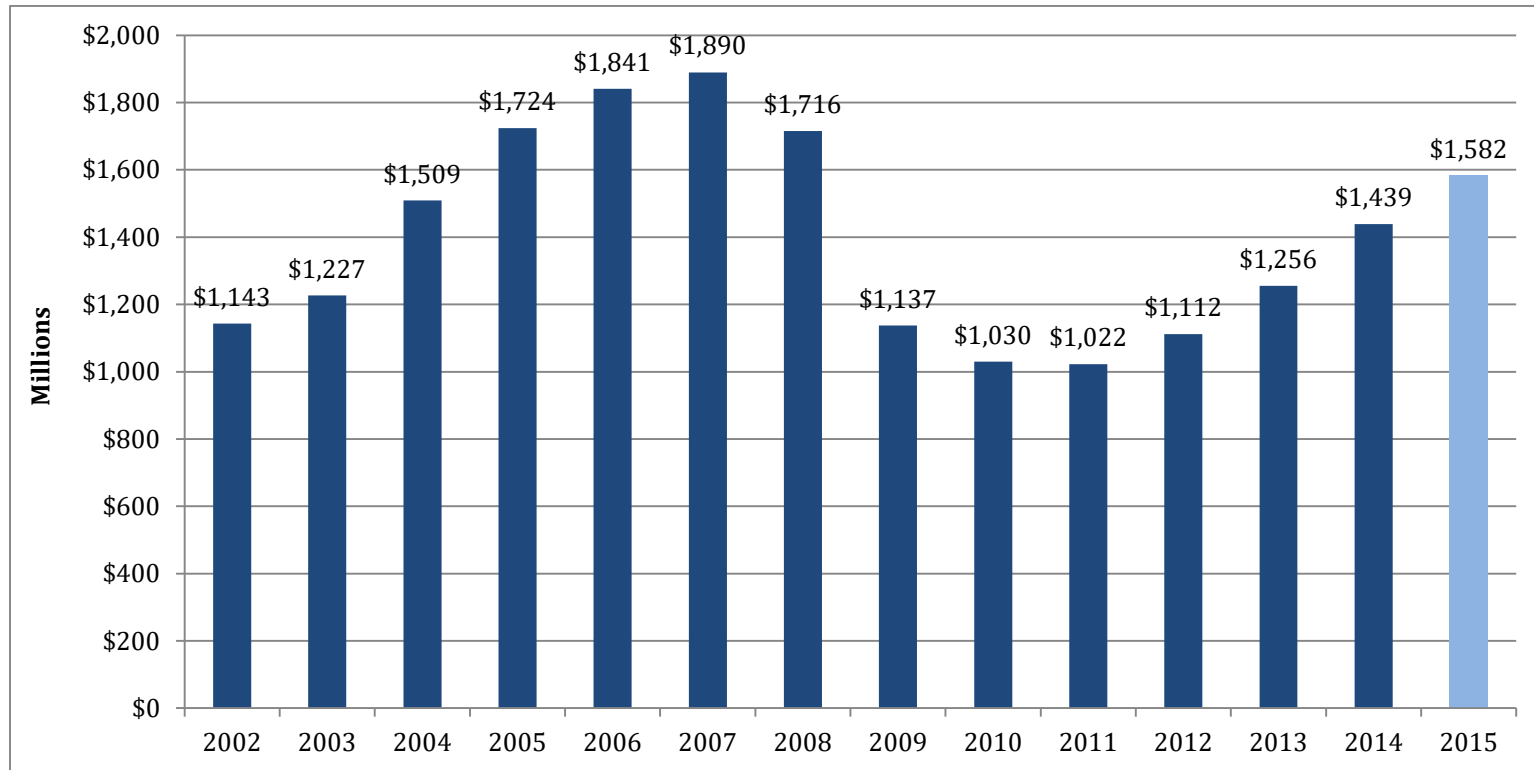
MERGERS - ACQUISITIONS - EQUITY - DEBT

Table of Contents

1. Window & Door Imports
2. China & Taiwan Detailed Imports Information
3. Vinyl Profile Imports
4. Glass Imports
5. Vinyl Flooring Imports Growth
6. Ceramic Flooring Imports Growth
7. Wood Flooring Imports Growth
8. Fencing Imports Growth
9. Siding Imports Growth
10. Roofing Imports Growth
11. Deck Imports Growth
12. Column Imports Growth
13. Cabinets Imports Growth
14. Engineered Wood Product Imports Growth
15. Wood Veneers Imports Growth
15. Pipes and Plumbing Fixture Imports Growth
16. Cement Imports Growth
17. Ready-Mix Concrete Imports Growth
18. Concrete Product Imports Growth
19. Lime and Gypsum Imports Growth
20. Stone Imports Growth
21. Aluminum Product Imports Growth
22. Structural and Architectural Metal Imports Growth
23. Hardware Imports Growth
24. Construction Machinery Imports Growth
25. HVAC and Air Flow Imports Growth
26. Tool, Die and Mold Imports Growth
27. Lighting Fixture and Equipment Import Growth



Window & Door Imports



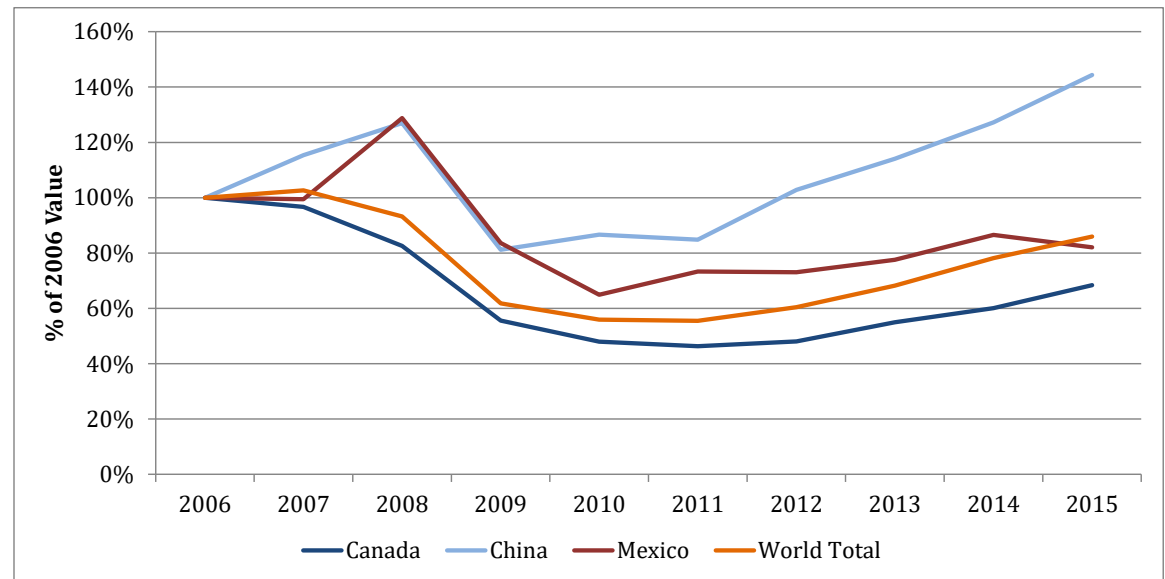
- Window and door imports have continued to increase at a steady rate since 2011
 - Industry analysts project that the U.S. window and door market will grow at a rate of 9.2 percent annually through 2016 to \$34.2 billion⁽¹⁾
 - Construction spending, improvement in the employment picture and the housing recovery are the main drivers behind the projected growth
 - New housing starts are at a nine-year high and consumer confidence and spending are strong



(1) Freedonia Group

Window & Door Import Growth

- Global demand for windows and doors is projected to rise 5.9 percent annually through 2019⁽¹⁾
- Even with the slower economic expansion in that region, window and door demand in the Asia/Pacific region is forecast to expand 6.8 percent per annum through 2019, a faster pace than in any other region
- North America will enjoy the second fastest demand growth of any region through 2019, boosted by gains in the U.S. and Mexico
- Vinyl windows will continue to be the fastest growing products
- China is the only window & door importer to the U.S. with a positive growth CAGR from the period before the recession to the present



Window and Door Imports (2012 - 2015) (\$MM)

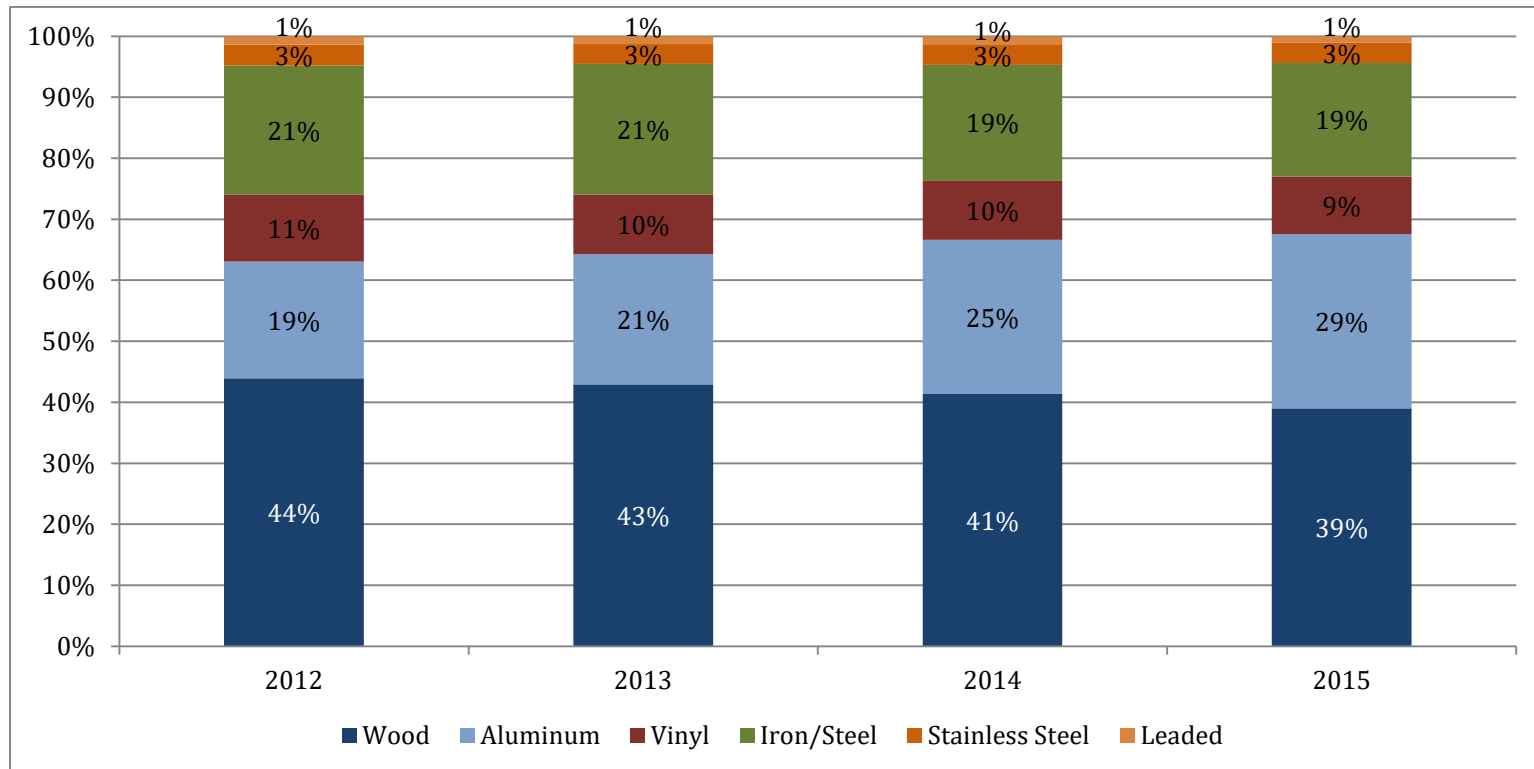
	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$455	40.9%	\$521	41.5%	\$570	39.6%	\$648	41.0%	12.5%	-3.8%
China	236	21.2%	262	20.8%	292	20.3%	331	20.9%	12.0%	8.1%
Mexico	110	9.9%	117	9.3%	131	9.1%	124	7.8%	3.9%	-0.9%
All Other Countries	311	27.9%	356	28.3%	447	31.1%	479	30.3%	15.5%	-0.6%
World Total	\$1,112		\$1,256		\$1,439		\$1,582		12.5%	-0.9%



(1) Freedonia Group

© Building Industry Advisors, LLC

Window & Door Imports by Material

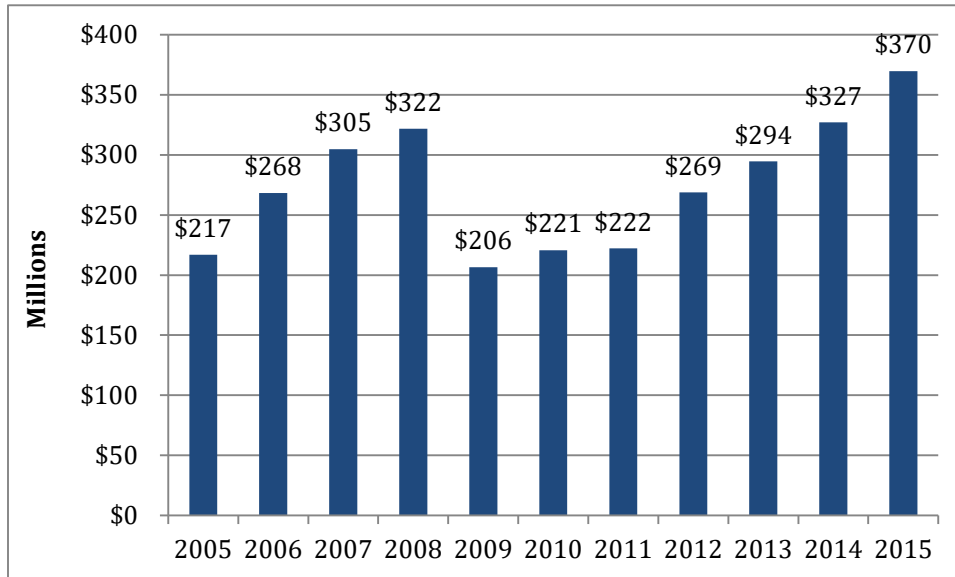


- Wood continues to be the most common window and door material being imported, with aluminum continuing to grow its percentage share
 - Most of the wood imports come from Canada, but there are also significant wood door imports from China. It is possible to ship lumber from the Northwest U.S. to China, convert it to a door and ship it back to the U.S. at a lower cost than making the door in the U.S.

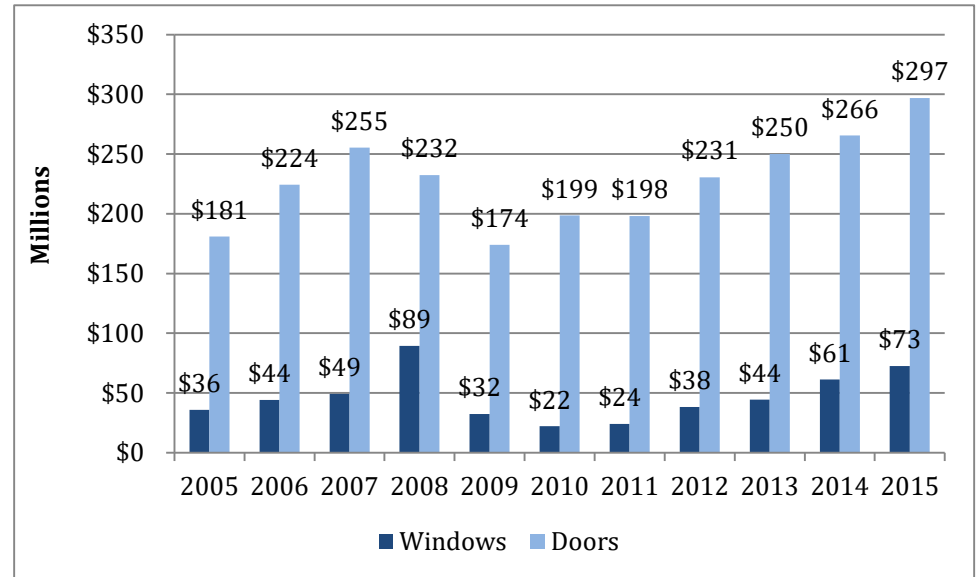


China & Taiwan Detailed Imports Information

Window & Door Imports from China/Taiwan



China/Taiwan Window & Door Breakdown

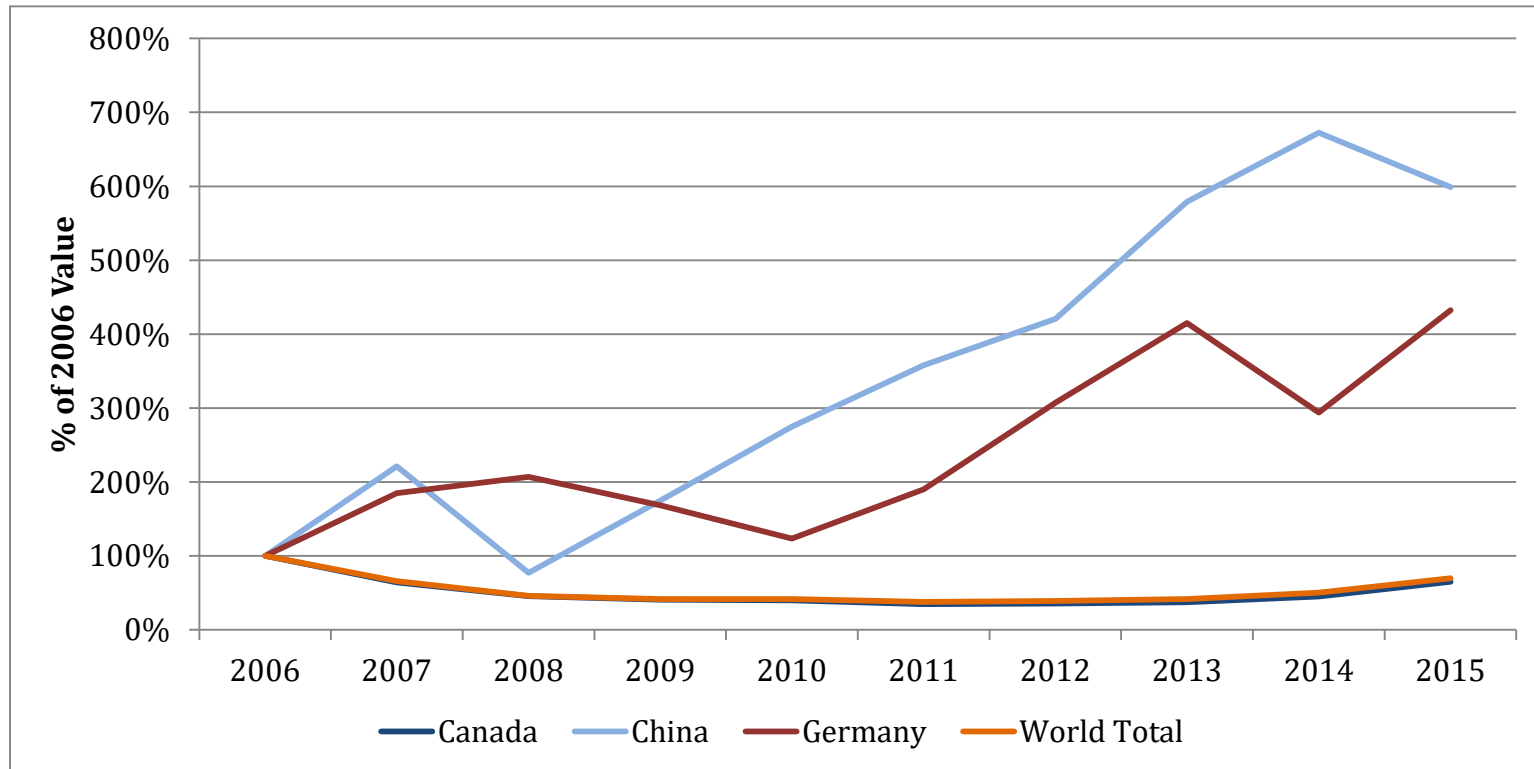


- The CAGR of Chinese/Taiwanese imports from 2005 to 2015 was 5 percent
 - The China/Taiwan import increase greatly outpaced the world's import decline of 1 percent

- After a low point in 2010, Chinese window imports have steadily increased and are approaching peak levels last seen in 2008
- Chinese door imports have grown at a slightly slower rate than windows but still exceeded 2014 levels, which were previously the highest in ten years



Vinyl Profile Imports

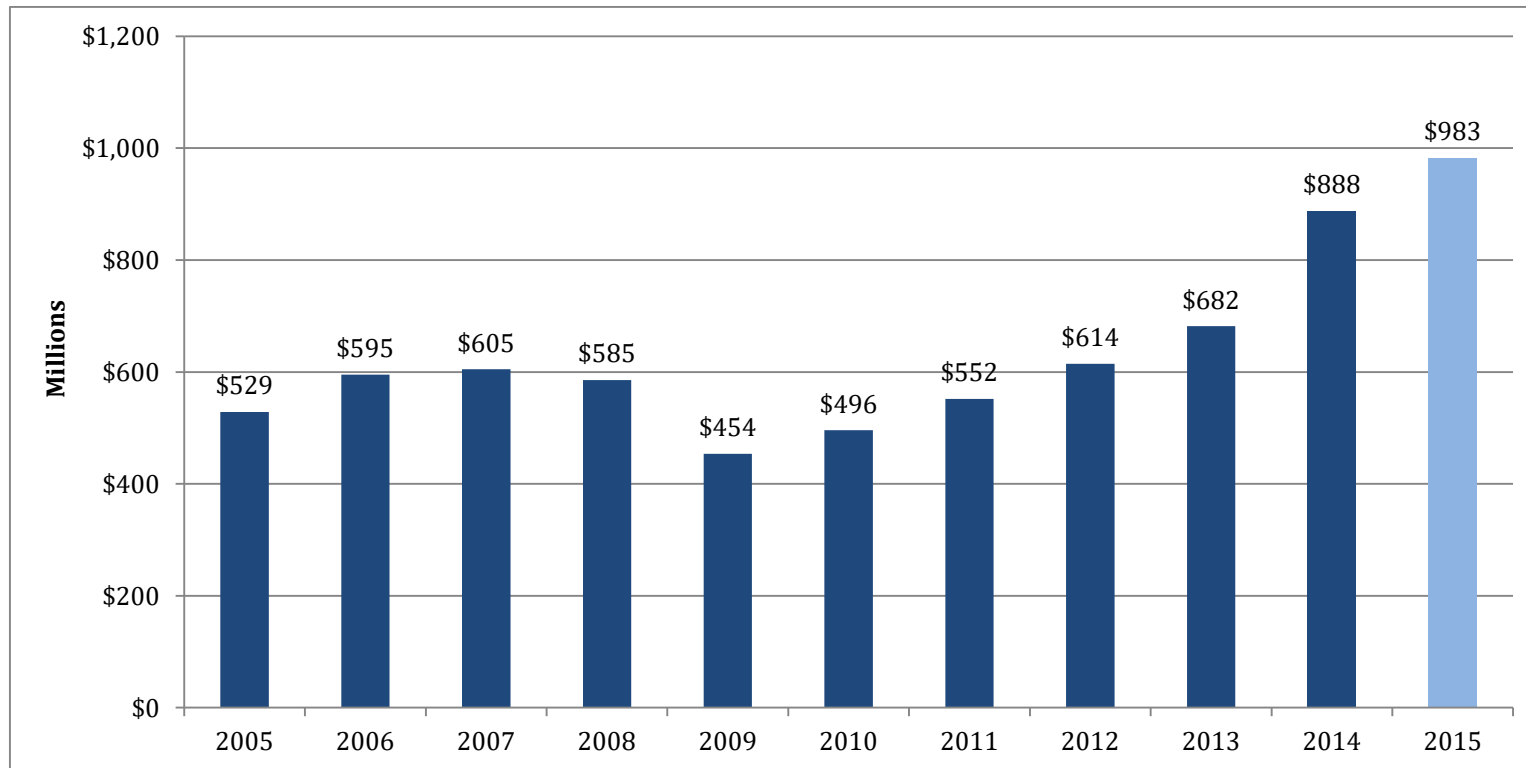


Vinyl Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$54	89.6%	\$56	87.9%	\$68	88.0%	\$97	91.5%	21.9%	-7.0%
China	5	8.2%	7	10.6%	8	10.2%	7	6.6%	12.5%	47.7%
Germany	0	0.7%	1	0.9%	0	0.5%	1	0.6%	12.1%	14.7%
All Other Countries	1	1.5%	0	0.6%	1	1.3%	1	1.4%	18.6%	27.3%
World Total	\$60		\$64		\$77		\$107		21.1%	-6.1%



Glass Imports

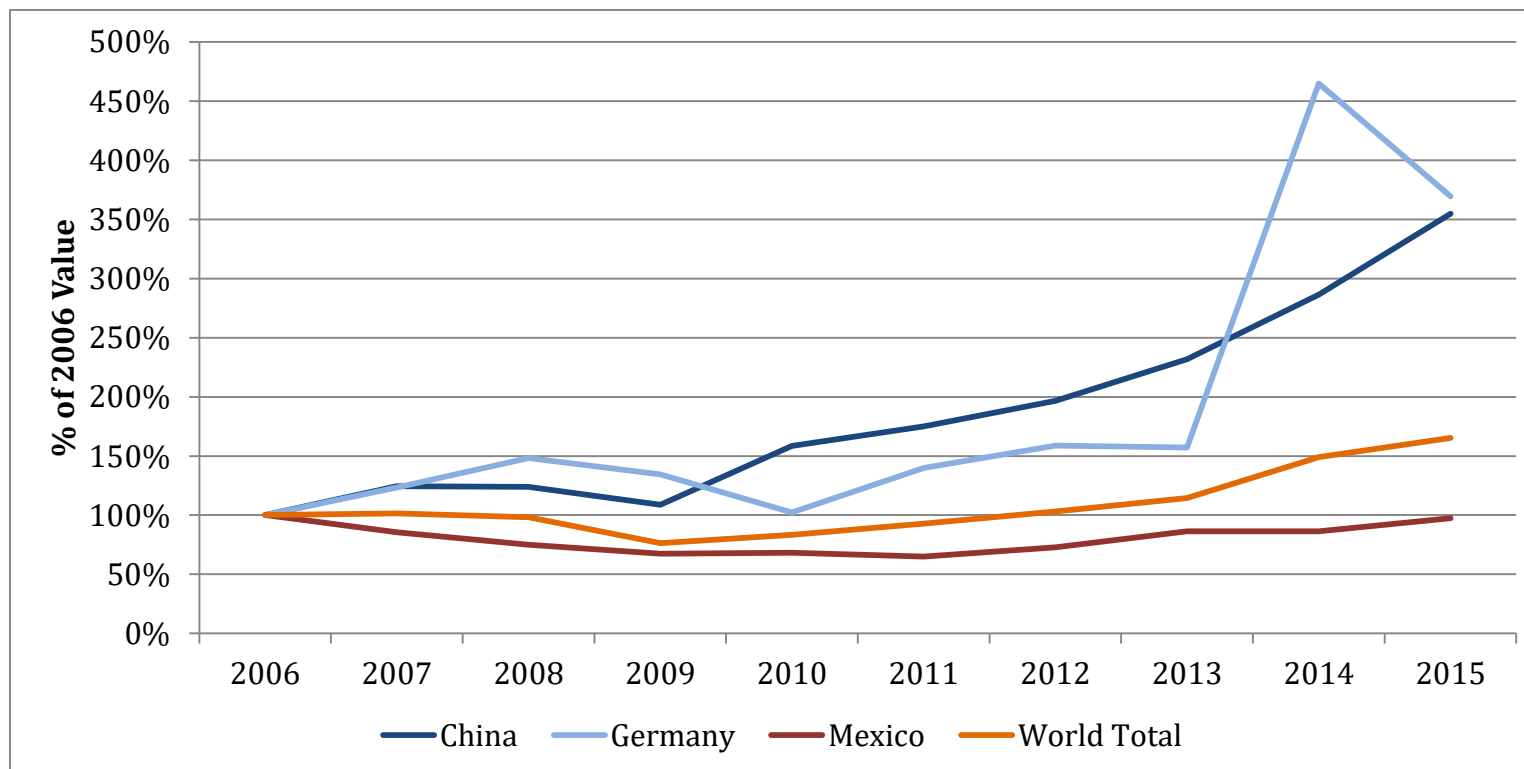


- Glass imports have grown at a CAGR of 6 percent since 2005, nearly doubling in value
- This increase was mainly driven by glass imports from China and Germany (15 and 17 percent CAGR, respectively, since 2005)
 - Global demand for flat glass is forecast to increase 6.6 percent per annum to nearly 10 billion square meters in 2018, valued at \$102.3 billion⁽¹⁾

(1) – The Freedonia Group, “World Flat Glass,” November 2014.



Glass Import Growth



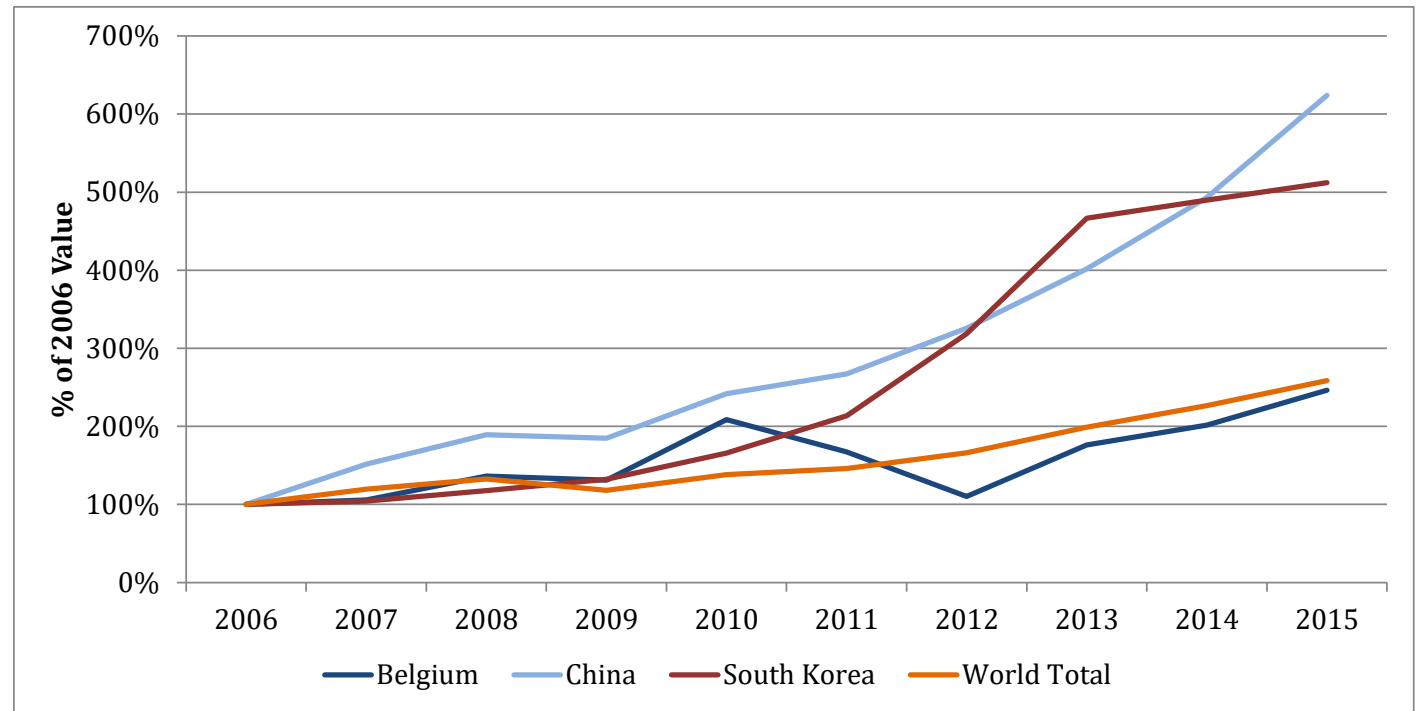
Glass Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
China	\$257	41.8%	\$303	44.4%	\$374	42.1%	\$464	47.2%	21.8%	17.3%
Germany	48	7.8%	48	7.0%	141	15.9%	112	11.4%	32.6%	19.2%
Mexico	110	18.0%	131	19.2%	131	14.7%	148	15.1%	10.3%	-0.1%
All Other Countries	199	32.4%	200	29.4%	242	27.3%	260	26.4%	9.3%	0.6%
World Total	\$614		\$682		\$888		\$983		17.0%	7.1%



Vinyl Flooring Import Growth

- By 2015, China's growth since 2006 had surpassed that of South Korea

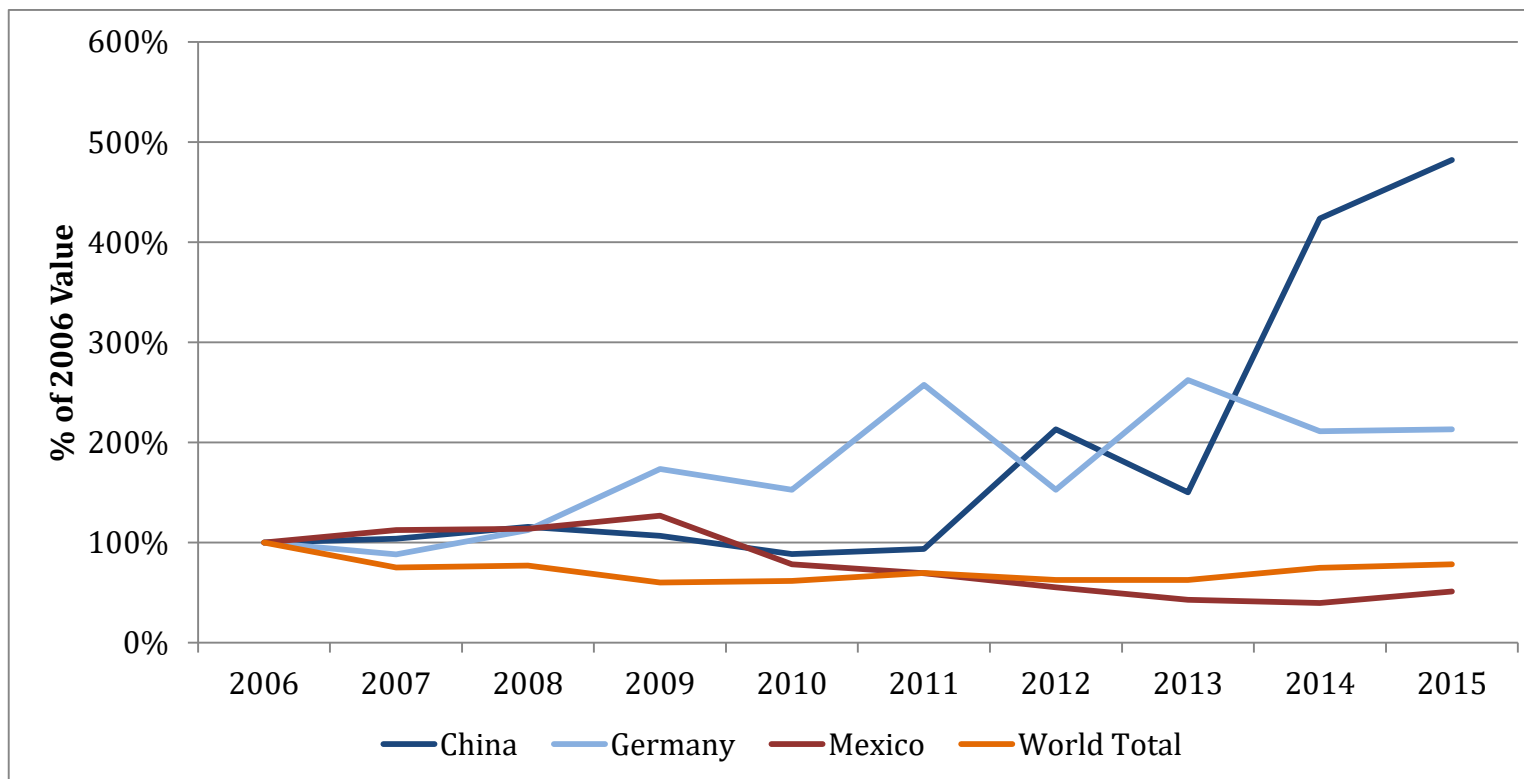


Vinyl Flooring Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Belgium	\$23	2.9%	\$37	3.8%	\$43	3.9%	\$52	4.1%	30.7%	21.4%
China	433	53.6%	534	55.2%	656	59.5%	830	66.0%	24.2%	25.3%
South Korea	110	13.6%	161	16.6%	168	15.3%	176	14.0%	17.1%	26.7%
All Other Countries	242	29.9%	236	24.4%	235	21.3%	199	15.8%	-6.3%	-4.6%
World Total	\$808		\$968		\$1,102		\$1,257		15.9%	12.3%



Ceramic & Other Flooring Import Growth

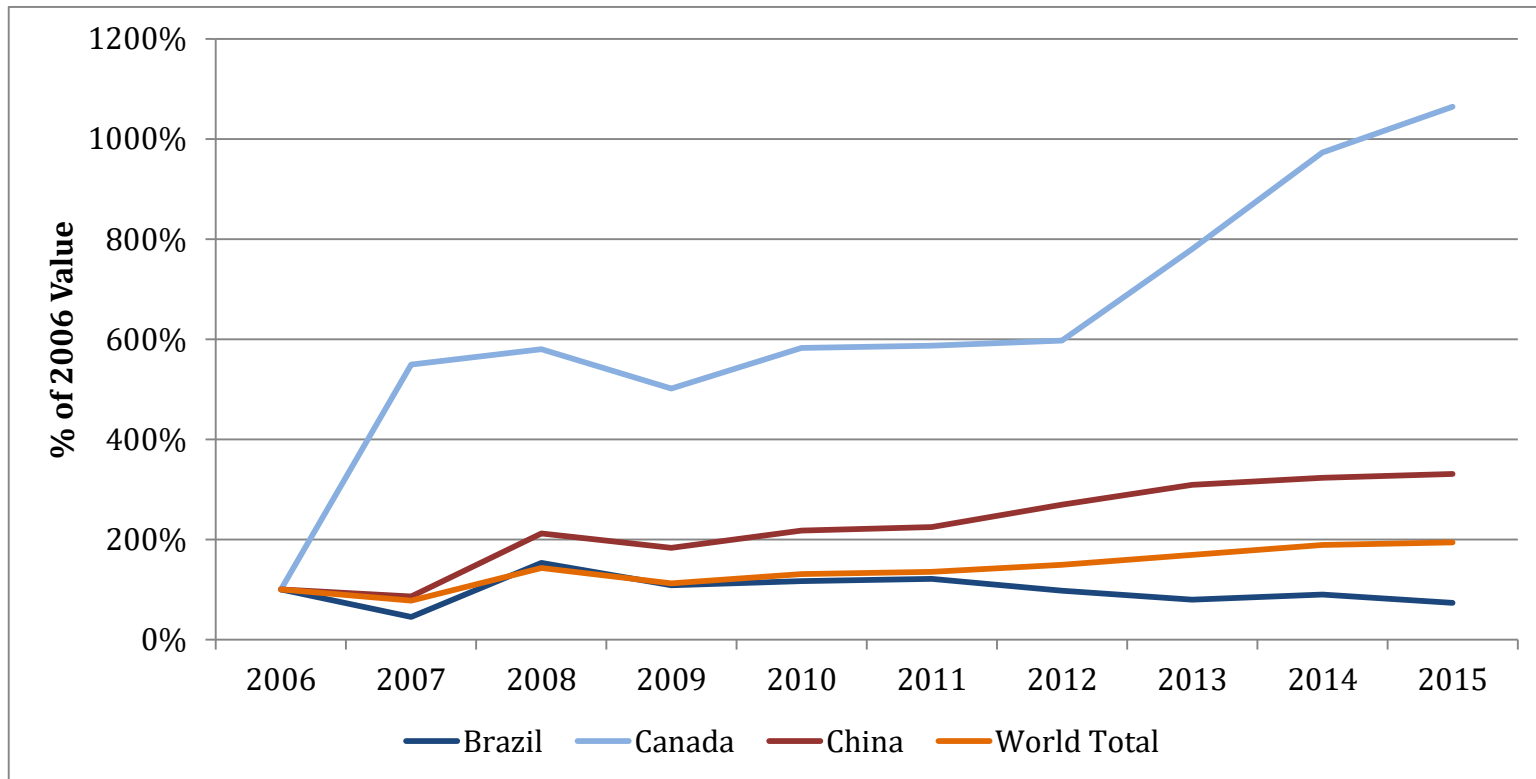


Ceramic & Other Flooring Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
China	\$5	21.0%	\$4	14.8%	\$108	34.9%	\$12	38.0%	31.3%	22.7%
Germany	6	22.1%	10	37.8%	79	25.5%	8	24.6%	11.7%	8.9%
Mexico	3	13.4%	3	10.3%	25	8.0%	3	9.9%	-2.5%	-7.0%
All Other Countries	11	43.5%	10	37.0%	98	31.5%	9	27.5%	-7.5%	-8.9%
World Total	\$26		\$26		\$310		\$32		7.8%	0.0%



Wood Flooring Import Growth



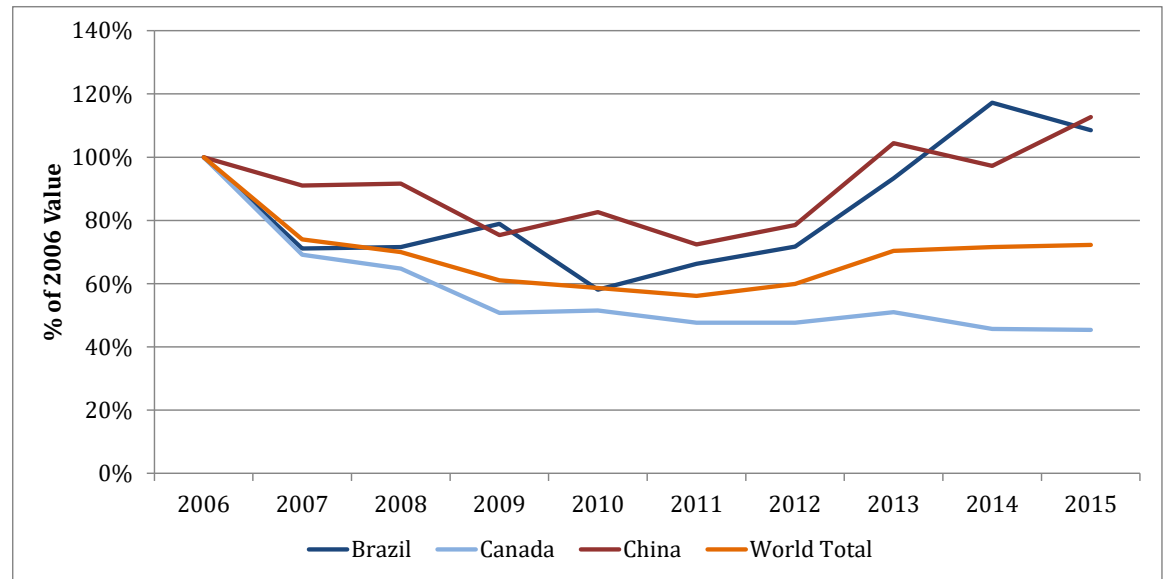
Wood Flooring Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Brazil	\$66	12.2%	\$54	8.8%	\$61	8.8%	\$50	7.0%	-9.2%	-8.0%
Canada	61	11.2%	80	12.9%	99	14.4%	109	15.3%	21.2%	22.6%
China	330	60.6%	378	61.3%	396	57.4%	405	57.2%	7.1%	10.6%
All Other Countries	87	16.0%	105	17.0%	133	19.3%	144	20.4%	18.3%	-1.5%
World Total	\$544		\$616		\$689		\$708		9.1%	5.1%



Fencing Import Growth

- Demand for fencing in the U.S. is forecast to expand 7.0 percent per year⁽¹⁾
- Demand for fencing in the largest market – residential construction – is forecast to rise at an above average pace through 2018, fueled by a strong rebound in housing completions
- Nonresidential building construction applications are expected to see the most rapid advances in fencing demand of all markets through 2018
- Among the different fencing materials, the small concrete and vinyl and composite fencing segments are expected to see the most rapid gains in demand in value terms through 2018⁽¹⁾



Fencing Imports (2012 - 2015) (\$MM)

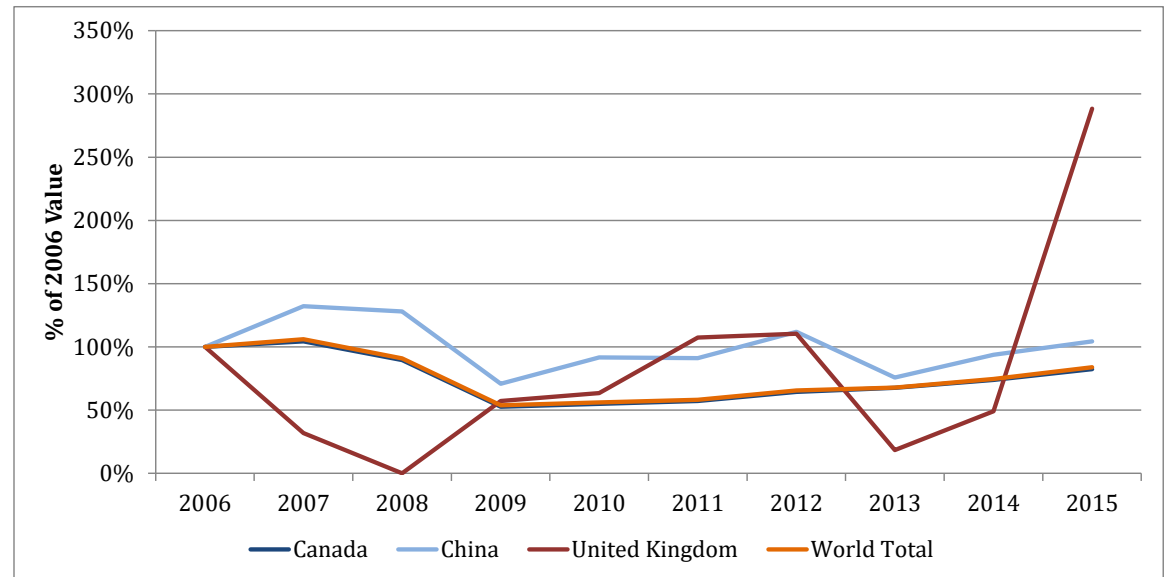
	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Brazil	\$53	25.2%	\$69	27.9%	\$86	34.4%	\$80	31.6%	14.8%	-1.1%
Canada	82	39.0%	87	35.5%	78	31.3%	78	30.8%	-1.6%	-7.7%
China	55	26.1%	73	29.5%	68	27.0%	78	31.0%	12.8%	6.5%
All Other Countries	20	9.8%	18	7.2%	18	7.3%	17	6.7%	-6.3%	-3.5%
World Total	\$210		\$246		\$250		\$253		6.5%	-2.4%

(1) – The Freedonia Group, “Fencing,” November 2014.



Siding Import Growth

- World demand to rise 4.2% annually through 2019⁽¹⁾
 - In the residential market, which generally accounts for about two-thirds of demand, two trends will spur gains: rebounding housing markets in higher income countries and rising personal income levels in lower income countries
- Metal siding is expected to be the fastest growing product segment
- North America is projected to be the fastest growing market⁽¹⁾



Siding Imports (2012 - 2015) (\$MM)

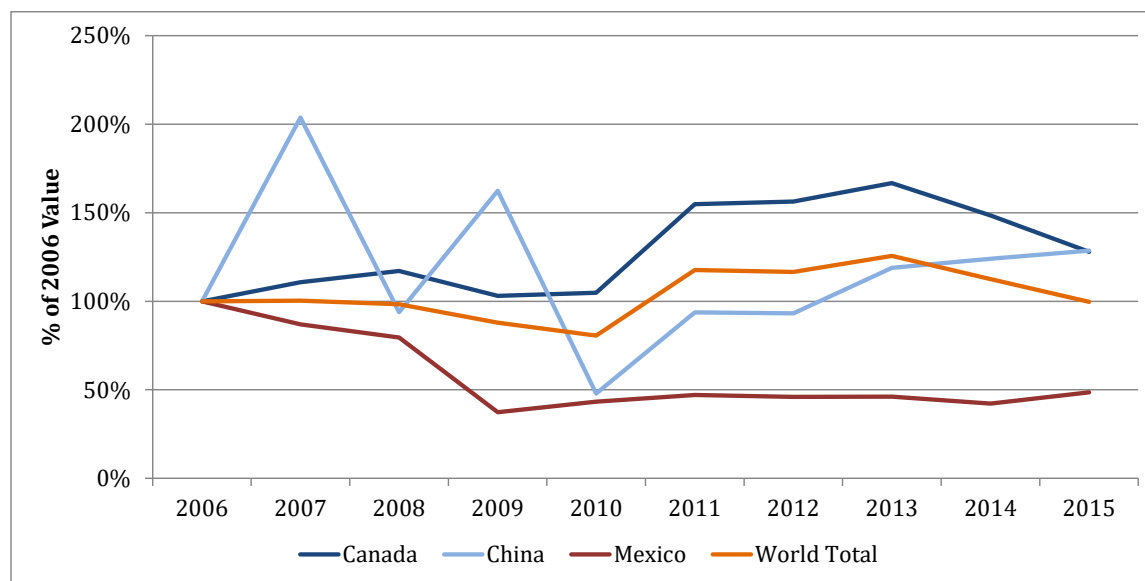
	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$144	95.1%	\$151	96.2%	\$166	95.6%	\$185	95.0%	8.6%	-2.1%
China	7	4.3%	4	2.8%	5	3.2%	6	3.1%	-2.3%	1.1%
United Kingdom	0	0.1%	0	0.0%	0	0.0%	0	0.2%	37.7%	12.6%
All Other Countries	1	0.5%	2	1.0%	2	1.2%	3	1.6%	64.3%	3.0%
World Total	\$152		\$157		\$173		\$195		8.6%	-2.0%

(1) – The Freedonia Group, “World Siding,” September 2015.



Roofing Import Growth

- World demand is expected to rise 3.7% annually through 2018⁽¹⁾
 - This is a significant improvement from the lethargic performance between 2008 and 2013
- Demand growth will be driven primarily by rebounding residential building construction activity in many developed countries, including the U.S.
- New nonresidential construction is expected to be the fastest growing market
- China & U.S. should account for over half of all new demand⁽¹⁾



Roofing Imports (2012 - 2015) (\$MM)

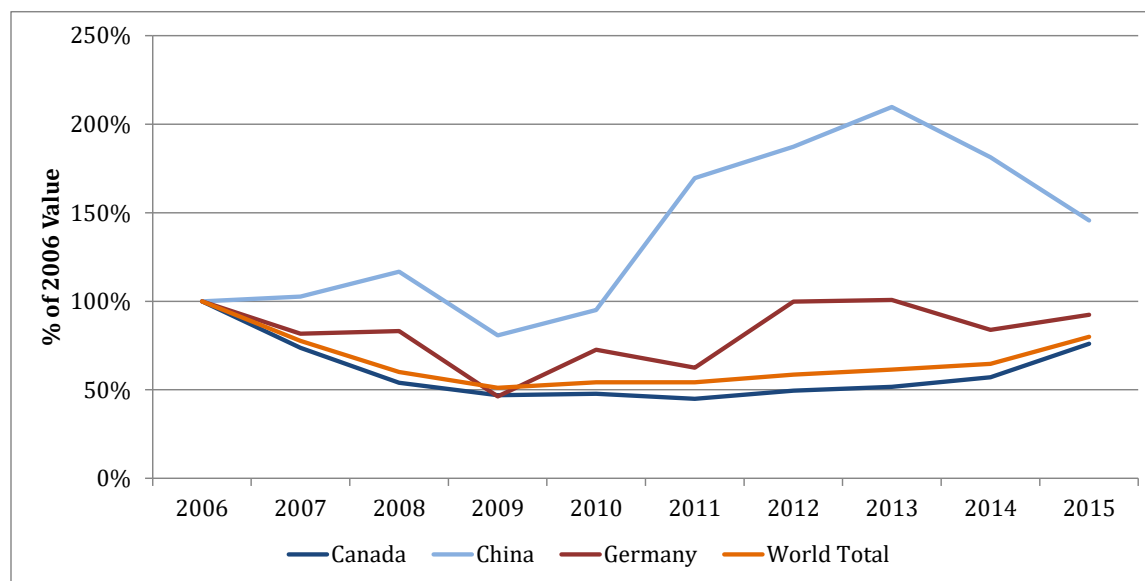
	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$239	90.7%	\$255	89.7%	\$227	89.3%	\$196	86.8%	-6.5%	4.5%
China	6	2.2%	7	2.6%	8	3.1%	8	3.6%	11.3%	15.3%
Mexico	9	3.3%	9	3.1%	8	3.2%	9	4.1%	1.8%	-5.2%
All Other Countries	10	3.8%	13	4.6%	11	4.5%	12	5.5%	7.9%	-9.3%
World Total	\$264		\$284		\$254		\$225		-5.1%	2.6%

(1) – The Freedonia Group, “World Roofing,” May 2014.



Deck Import Growth

- U.S. demand for decking is forecast to rise 2.4 percent per year through 2018⁽¹⁾
 - Demand will rebound from the lackluster performance during the 2008-2013 period, when a contraction in new housing construction caused a sharp drop in new deck installations and a less favorable lending environment caused homeowners to put off or cancel deck renovation projects
- Through 2018, decking demand will be spurred by rebounding residential building construction activity and continuing interest in decks to add leisure space, increase the interface between indoor and outdoor space, and improve property values.⁽¹⁾



Decking Imports (2012 - 2015) (\$MM)

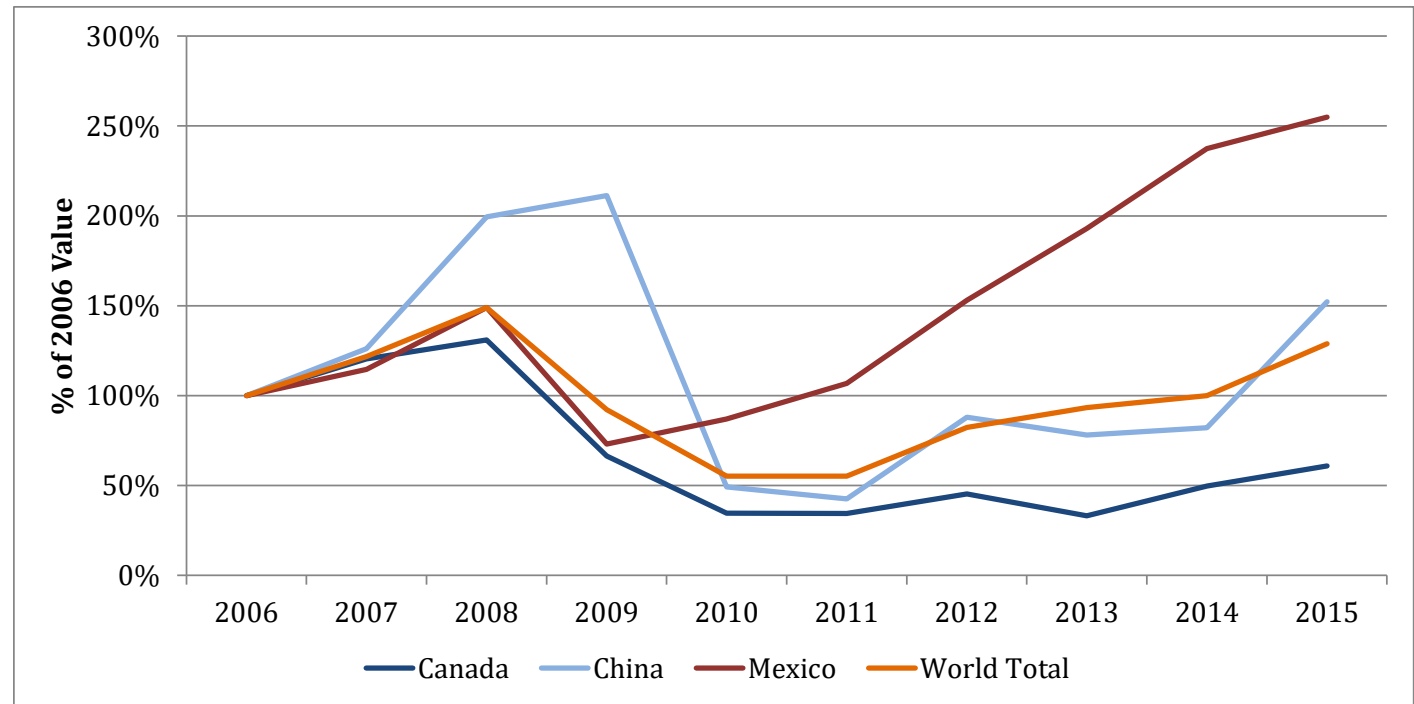
	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$102	75.4%	\$106	75.0%	\$117	78.8%	\$156	84.9%	15.4%	-4.6%
China	24	17.6%	27	18.8%	23	15.5%	18	10.0%	-8.0%	5.4%
Germany	3	2.0%	3	1.9%	2	1.5%	2	1.4%	-2.5%	6.5%
All Other Countries	7	5.0%	6	4.3%	6	4.2%	7	3.7%	-0.1%	-1.2%
World Total	\$135		\$142		\$149		\$184		10.9%	-3.8%

(1) – The Freedonia Group, “Wood and Competitive Decking,” September 2014.



Column Import Growth

- Column sales and imports have accelerated with the broad recovery in residential construction and remodeling



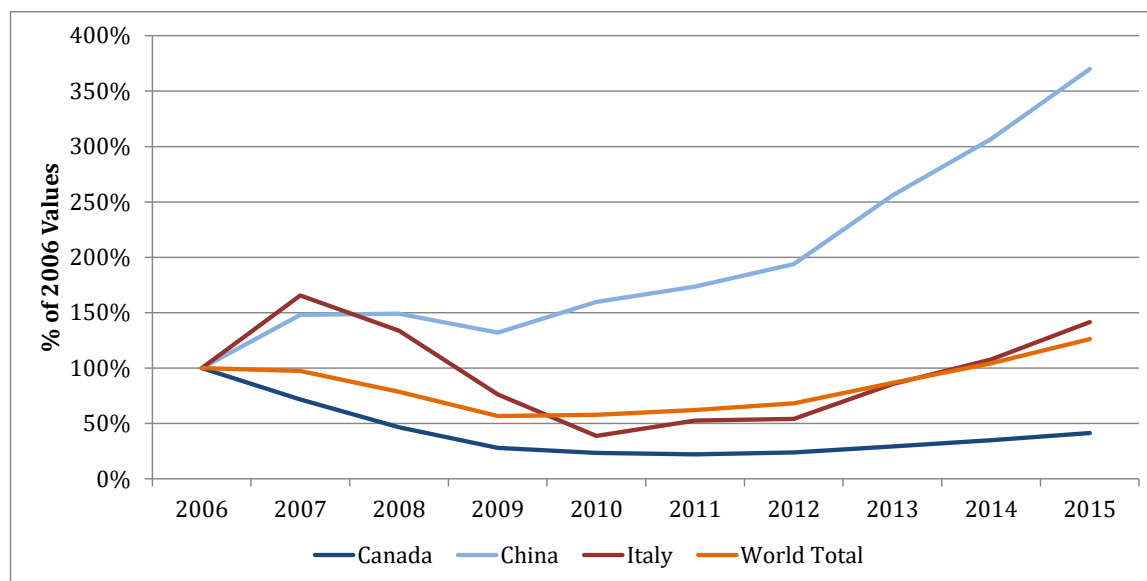
Column Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$145	30.5%	\$106	19.7%	\$159	27.6%	\$195	26.2%	10.4%	-3.3%
China	70	14.7%	62	11.5%	65	11.3%	120	16.2%	20.0%	28.4%
Mexico	127	26.9%	161	29.9%	198	34.3%	212	28.6%	18.5%	14.2%
All Other Countries	132	27.9%	209	38.9%	155	26.8%	215	29.0%	17.6%	11.7%
World Total	\$474		\$538		\$576		\$743		16.1%	6.5%



Cabinet Import Growth

- World cabinet demand is forecasted to rise 5.5% annually through 2018⁽¹⁾
 - Increases will be driven primarily by robust growth in developing regions
- The United States, the world's largest market for cabinets, will see strong increases in demand
- The Asian and Pacific countries will be the largest consumers of cabinets in 2018, when demand there is expected to reach nearly one-third of the global total
- Western Europe, the largest regional market for cabinets in 2013, is expected to recover through 2018 from the declines suffered during the economic recession⁽¹⁾



Cabinet Imports (2012 - 2015) (\$MM)

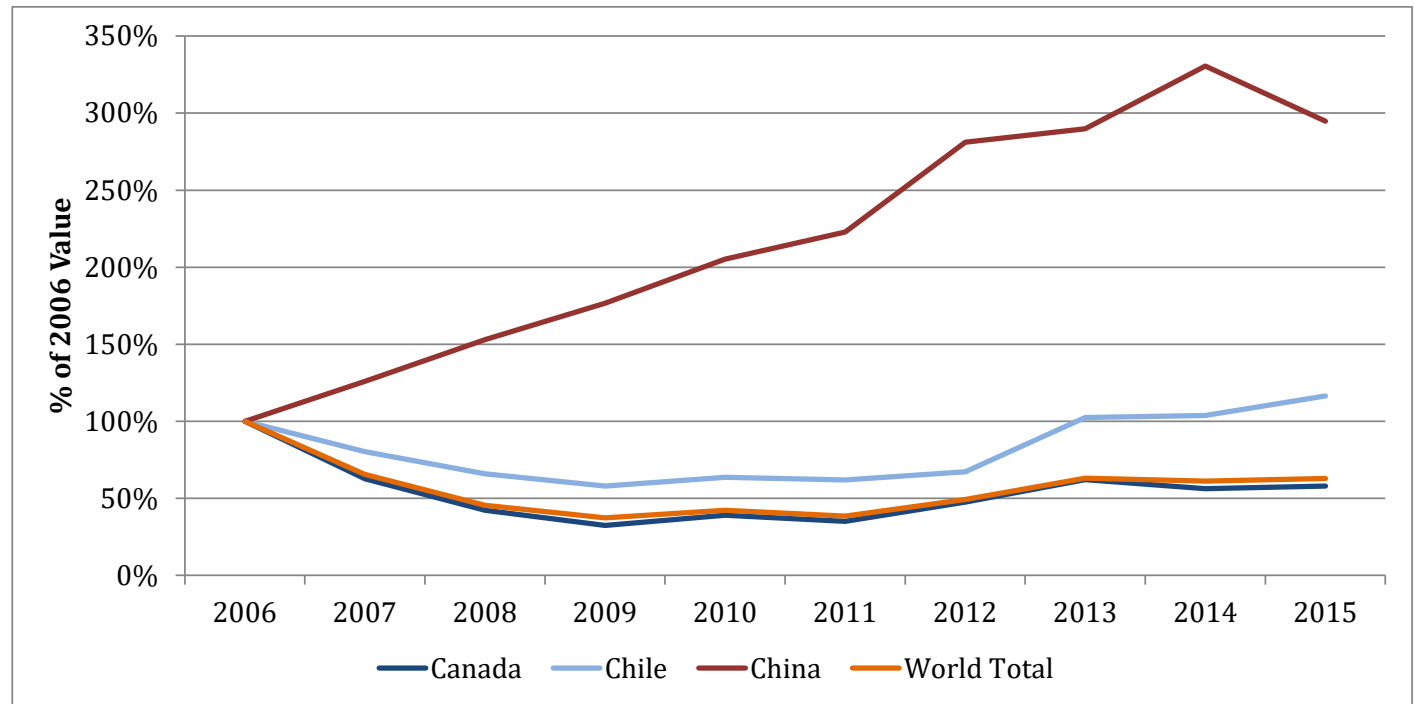
	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$129	22.2%	\$158	21.4%	\$188	21.2%	\$222	20.7%	20.0%	-9.4%
China	377	65.1%	498	67.5%	597	67.3%	720	67.1%	24.0%	19.5%
Italy	23	4.1%	37	5.0%	47	5.3%	61	5.7%	37.7%	5.6%
All Other Countries	51	8.7%	44	6.0%	55	6.2%	69	6.4%	11.0%	-0.2%
World Total	\$579		\$737		\$886		\$1,072		22.8%	3.4%

(1) – The Freedonia Group, “Cabinets,” January 2016.



Engineered Wood Product Import Growth

- Engineered wood products are one of the few areas in which China is not already the dominate exporter to the U.S.
- Canadian engineered wood exports to the U.S. are roughly four times greater than those of China



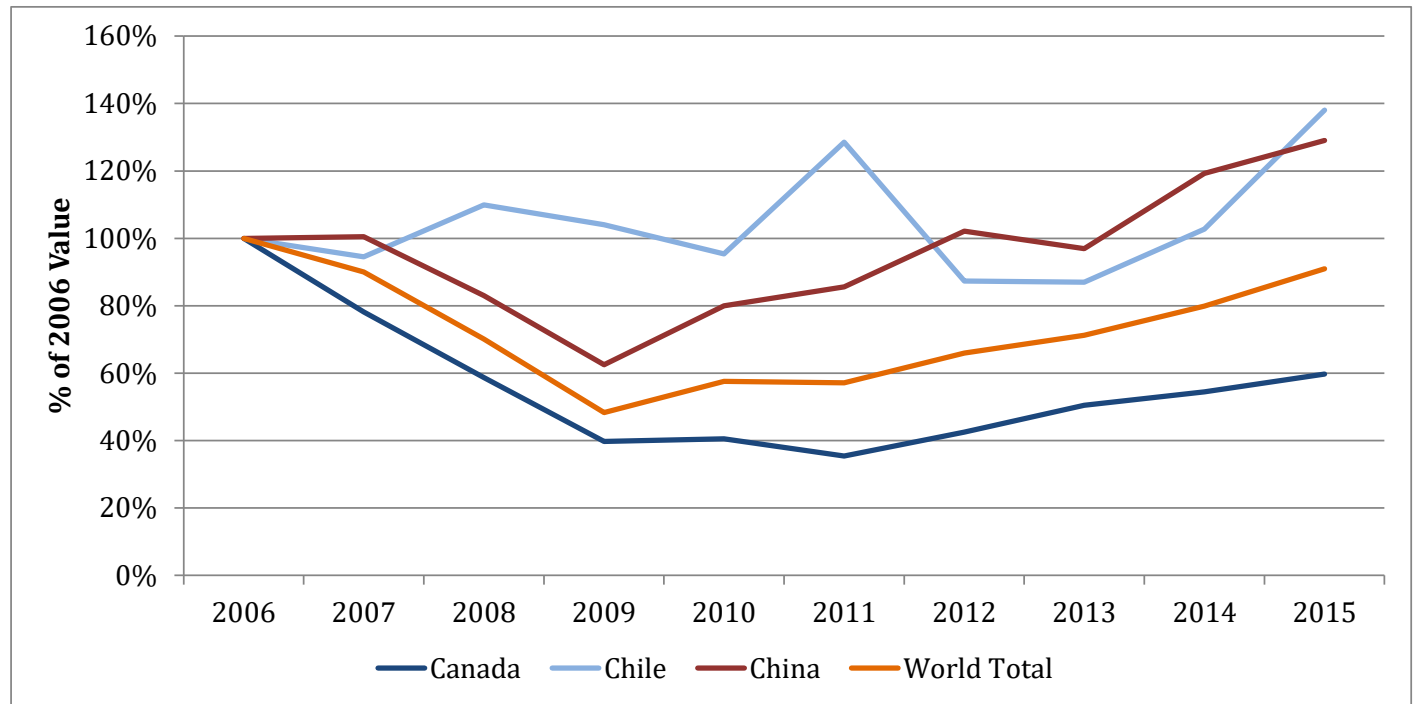
Engineered Wood Products Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$1,181	67.5%	\$1,545	69.0%	\$1,397	64.3%	\$1,439	64.3%	6.8%	-8.6%
Chile	110	6.3%	167	7.5%	170	7.8%	190	8.5%	20.1%	2.9%
China	322	18.4%	332	14.8%	379	17.4%	338	15.1%	1.6%	21.1%
All Other Countries	137	7.8%	195	8.7%	227	10.5%	271	12.1%	25.6%	-13.0%
World Total	\$1,749		\$2,239		\$2,173		\$2,238		8.6%	-7.2%



Wood Veneers Import Growth

- China's wood veneer exports to the U.S. are more than double those of Canada, despite Canada's plentiful forest resources

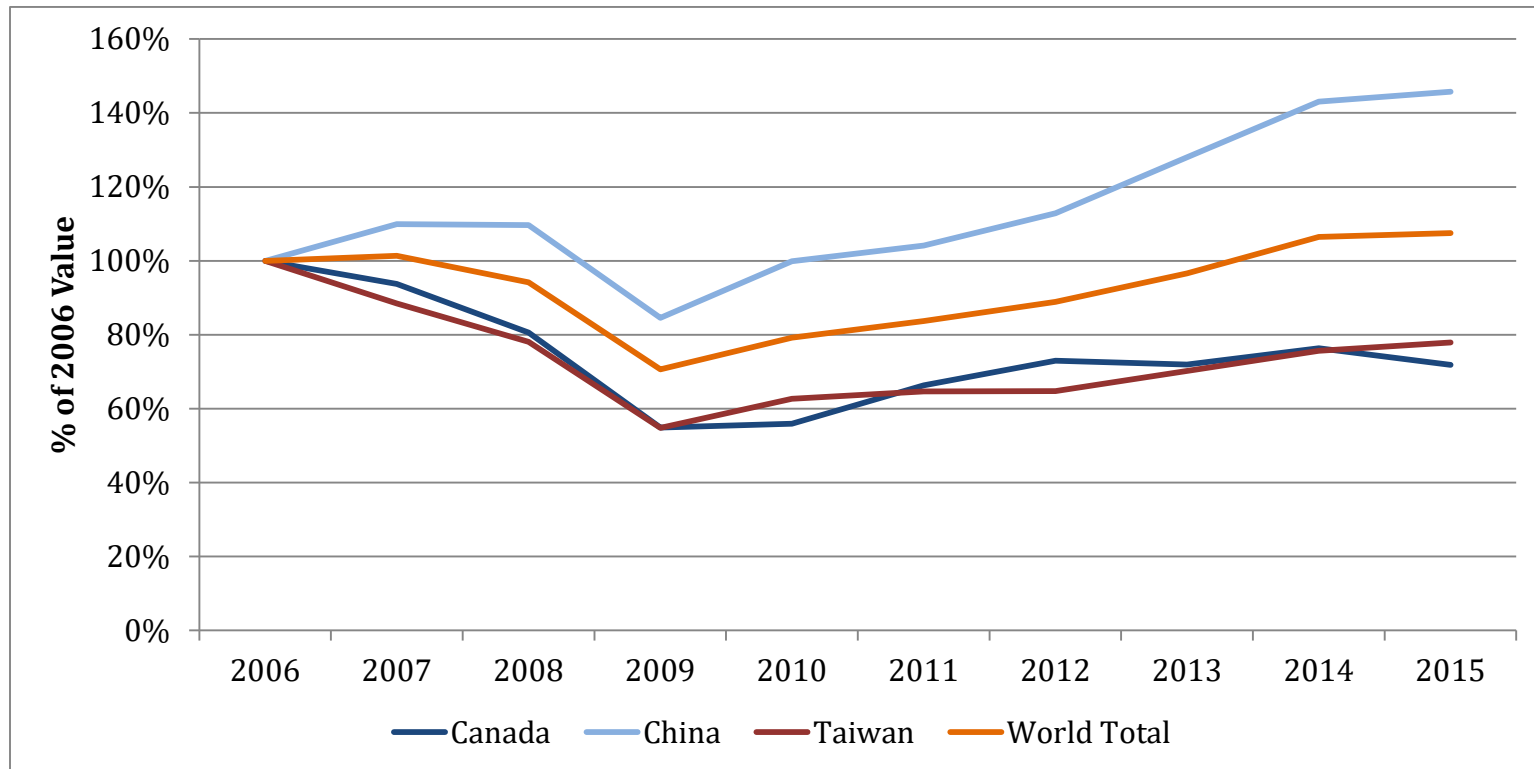


Wood Veneers Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$354	17%	\$420	19%	\$453	18%	\$497	18%	12%	-6%
Chile	85	4%	84	4%	99	4%	134	5%	16%	5%
China	1,028	50%	976	44%	1,201	48%	1,299	46%	8%	7%
All Other Countries	593	29%	741	33%	739	30%	907	32%	15%	-3%
World Total	\$2,059		\$2,221		\$2,493		\$2,837		11%	0%



Pipe and Plumbing Fixtures Import Growth



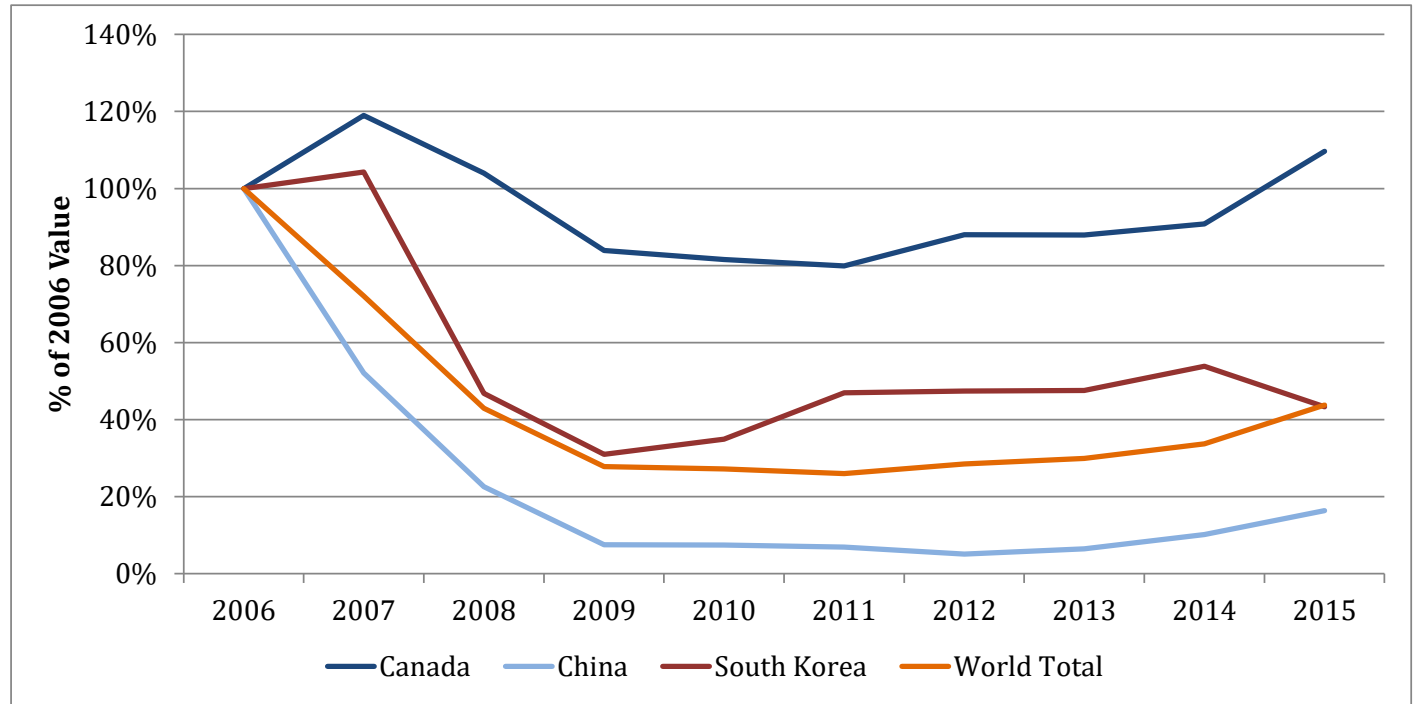
Pipe and Plumbing Fixtures Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$250	14%	\$247	13%	\$262	12%	\$247	11%	0%	-12%
China	883	49%	1,002	52%	1,119	52%	1,140	53%	9%	6%
Taiwan	128	7%	139	7%	150	7%	155	7%	6%	21%
All Other Countries	522	29%	551	28%	605	28%	616	29%	6%	-1%
World Total	\$1,784		\$1,939		\$2,136		\$2,158		7%	-3%



Cement Import Growth

- The expense of shipping cement and its lower dollar-per-cubic-foot value compared to other building products has made Canada the only exporter of size to the U.S.

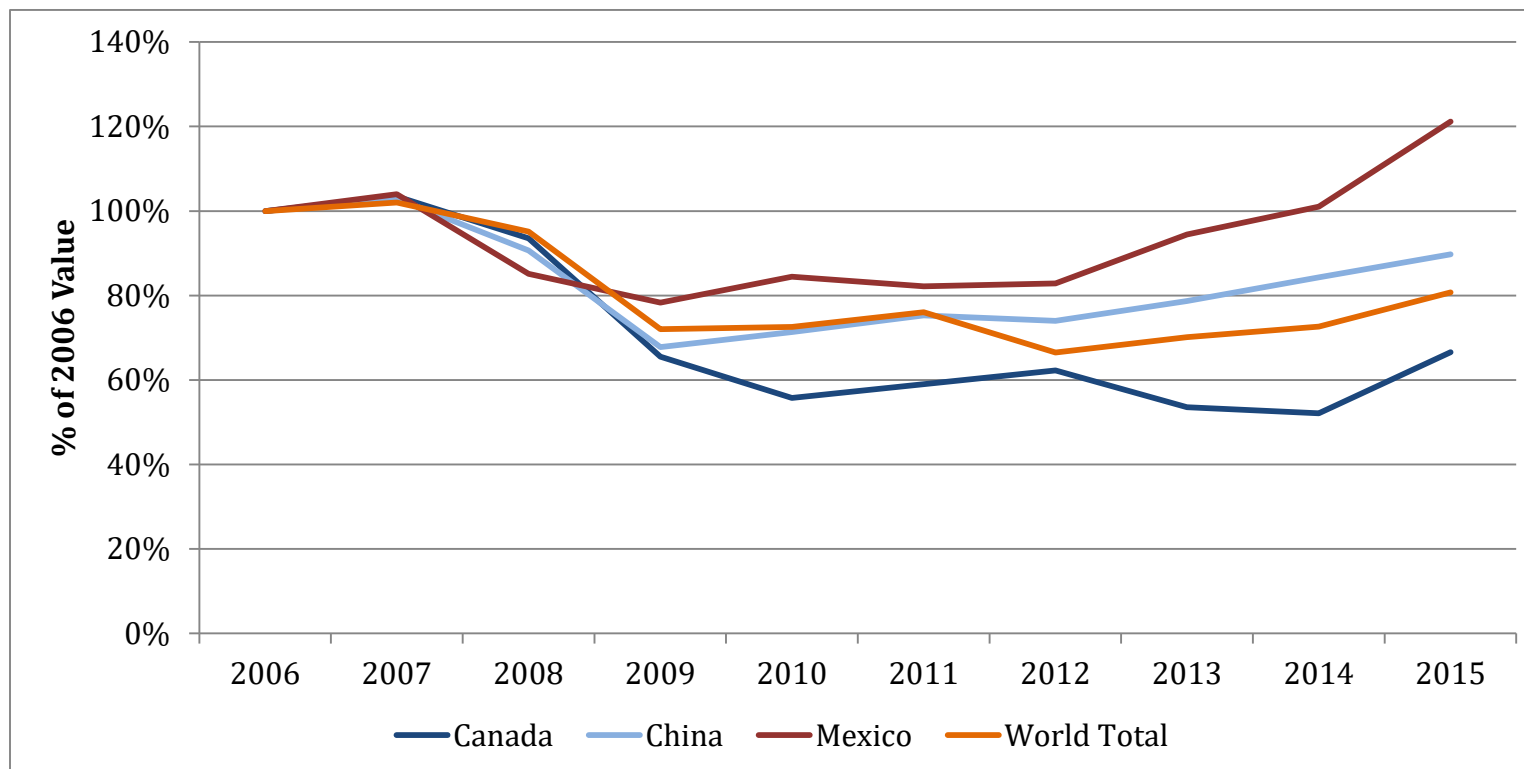


Cement Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$286	55%	\$286	52%	\$295	48%	\$357	44%	8%	-9%
China	24	5%	30	6%	48	8%	77	10%	48%	-19%
Korea, South	55	11%	55	10%	63	10%	50	6%	-3%	69%
All Other Countries	158	30%	178	32%	214	34%	320	40%	26%	-10%
World Total	\$524		\$549		\$619		\$804		15%	-12%



Concrete Product Import Growth



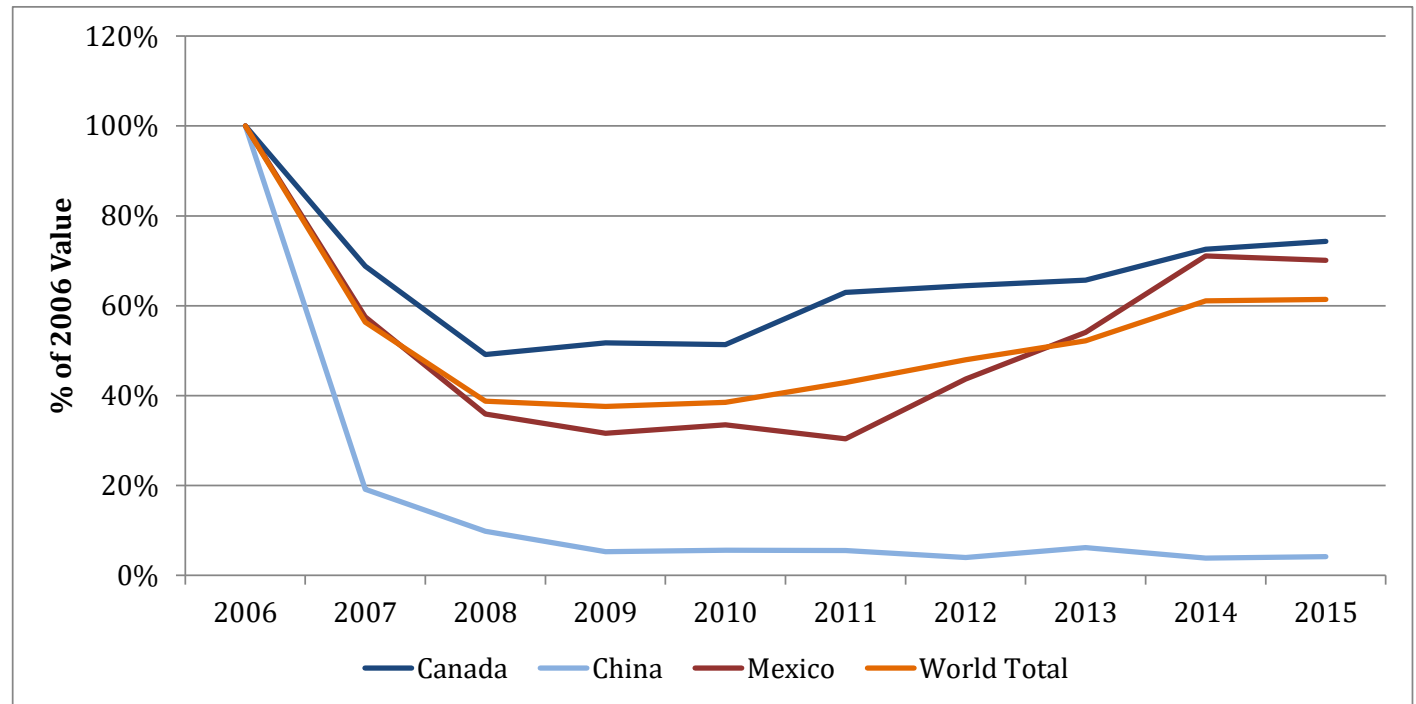
Concrete Products Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$166	22%	\$143	18%	\$139	17%	\$177	19%	2%	-15%
China	376	49%	400	50%	428	52%	456	49%	7%	-3%
Mexico	93	12%	106	13%	113	14%	136	15%	13%	39%
All Other Countries	126	17%	155	19%	151	18%	154	17%	7%	-5%
World Total	\$761		\$803		\$831		\$923		7%	-11%



Lime and Gypsum Import Growth

- The shipping cost characteristics of lime and gypsum are similar to that of cement, curtailing exports from overseas producers



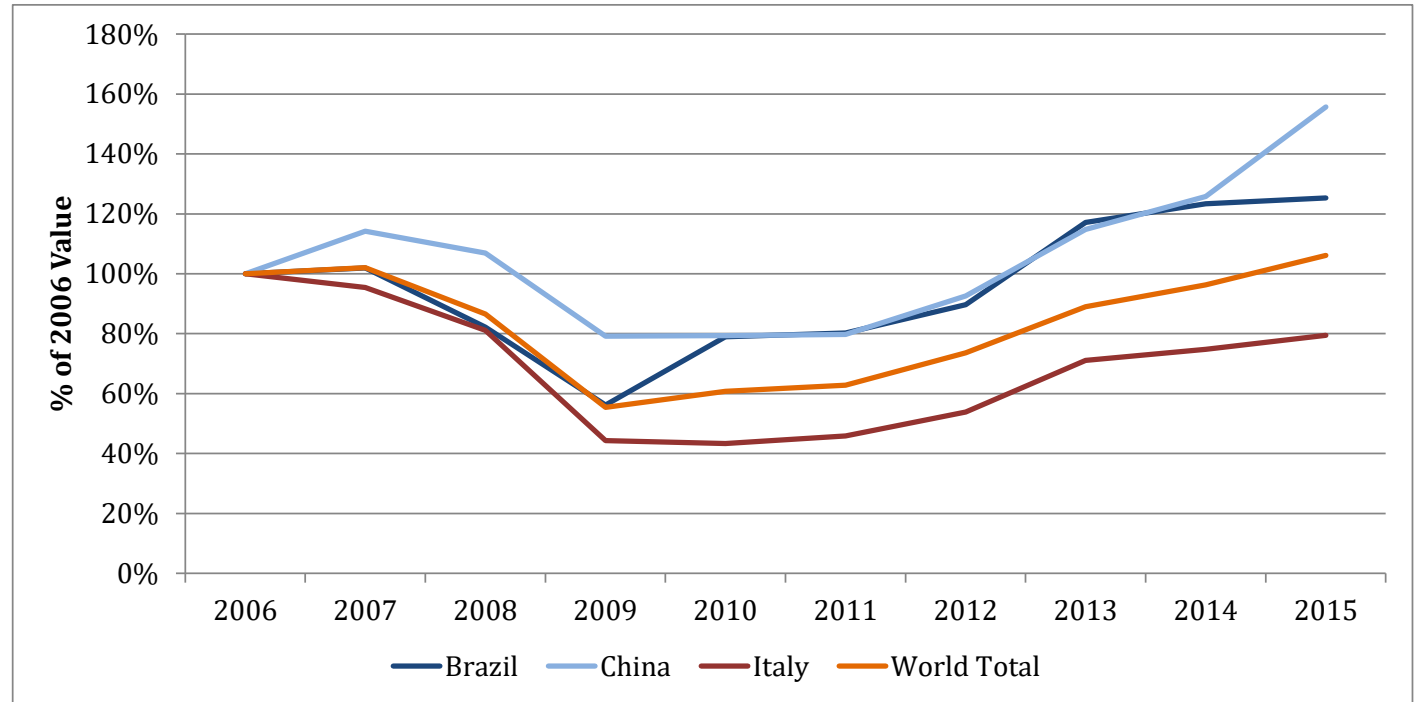
Lime & Gypsum Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$84	66%	\$86	62%	\$95	58%	\$97	59%	5%	-20%
China	1	1%	2	1%	1	1%	1	1%	2%	-47%
Mexico	37	29%	46	33%	60	37%	60	36%	17%	28%
All Other Countries	5	4%	6	4%	6	4%	6	4%	2%	-13%
World Total	\$128		\$139		\$163		\$164		9%	-25%



Stone Import Growth

- Stone imports are dominated by countries with large natural stone reserves, such as Brazil and Italy
- China's stone exports are strong, despite its relatively lower level of natural deposits, because of its ability to leverage its low labor costs



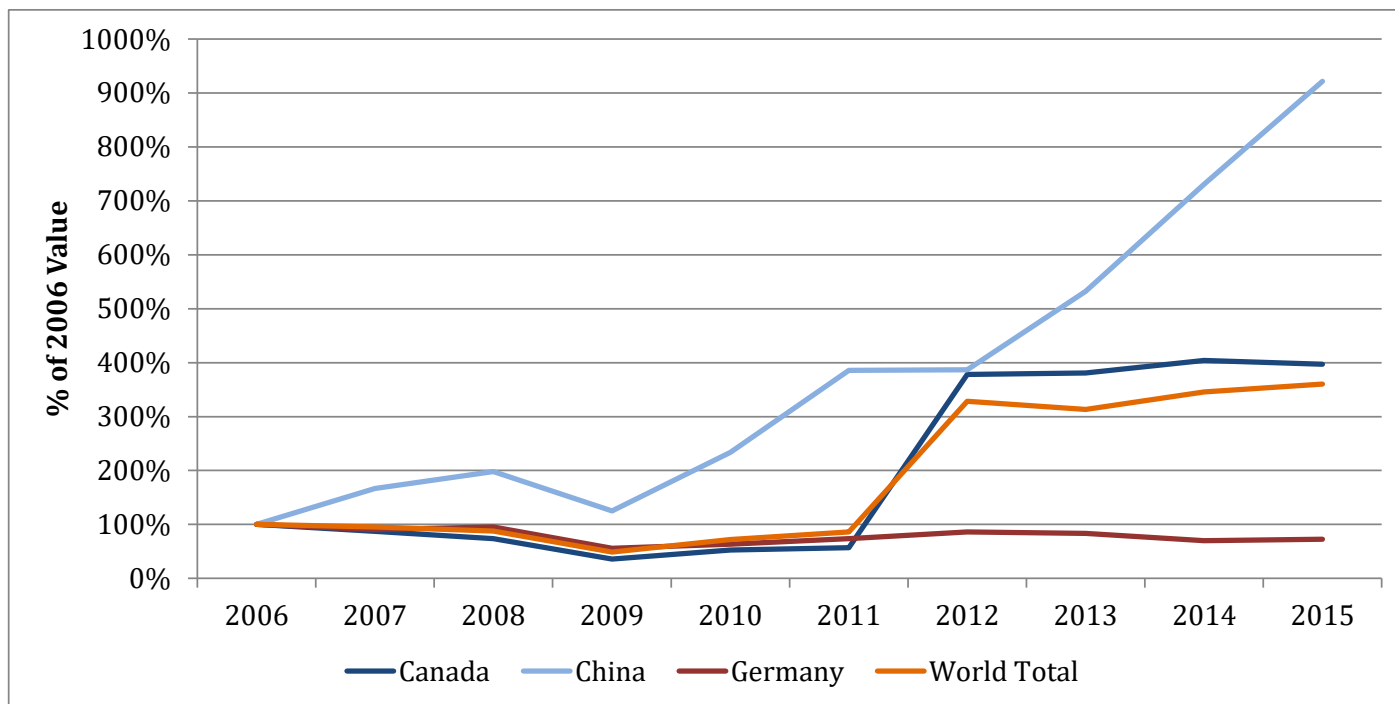
Stone Products Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Brazil	\$565	23%	\$737	25%	\$777	25%	\$789	23%	12%	6%
China	451	19%	558	19%	612	19%	757	22%	19%	2%
Italy	351	15%	464	16%	488	15%	518	15%	14%	32%
All Other Countries	1,054	44%	1,167	40%	1,292	41%	1,426	41%	11%	-1%
World Total	\$2,420		\$2,927		\$3,168		\$3,491		13%	2%



Aluminum Product Import Growth

- Chinese aluminum exports to the U.S. have increased nearly tenfold since 2006, despite high profile anti-dumping cases



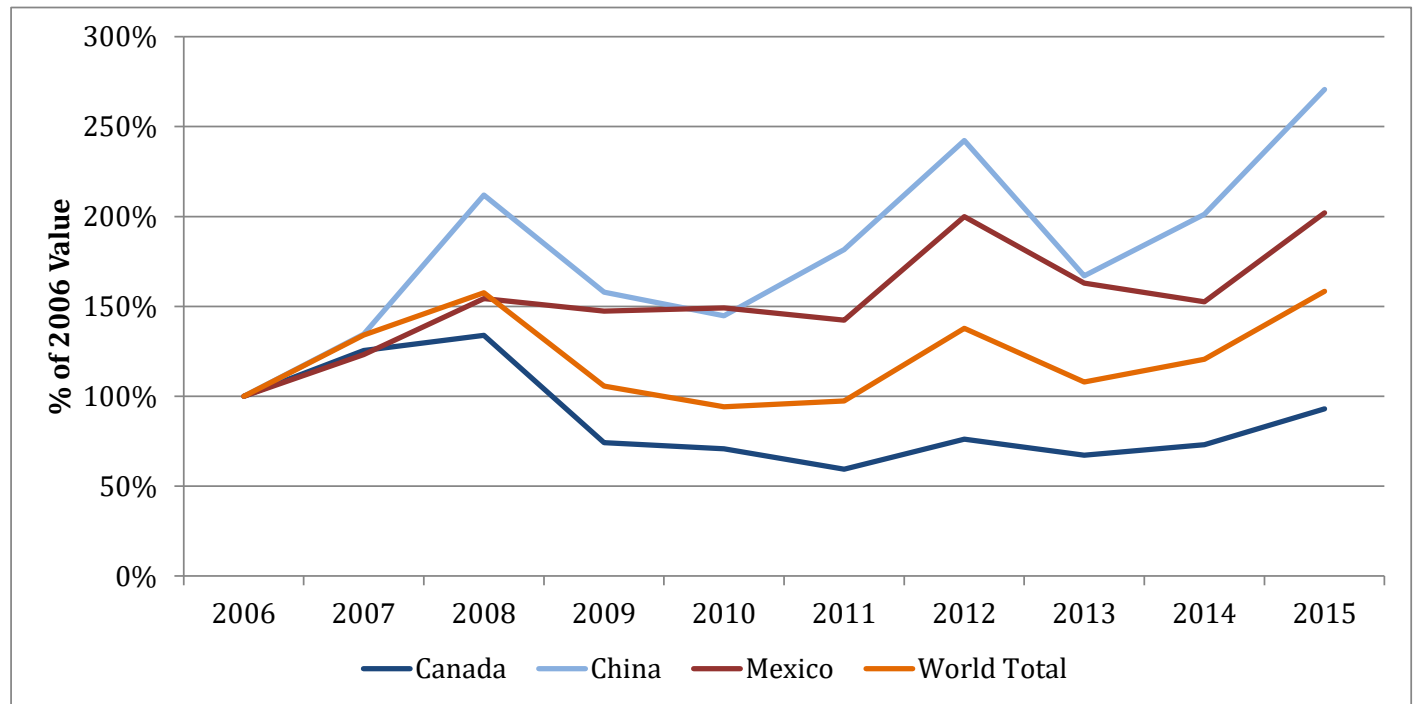
Aluminum Product Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$5,670	48%	\$5,706	51%	\$6,058	49%	\$5,948	46%	2%	21%
China	611	5%	841	8%	1,154	9%	1,456	11%	34%	9%
Germany	502	4%	487	4%	407	3%	424	3%	-5%	26%
All Other Countries	4,916	42%	4,130	37%	4,700	38%	5,004	39%	1%	14%
World Total	\$11,699		\$11,163		\$12,320		\$12,832		3%	16%



Structural and Architectural Metal Import Growth

- Canada and China alternate as the top exporters to the U.S. in this category on a nearly annual basis



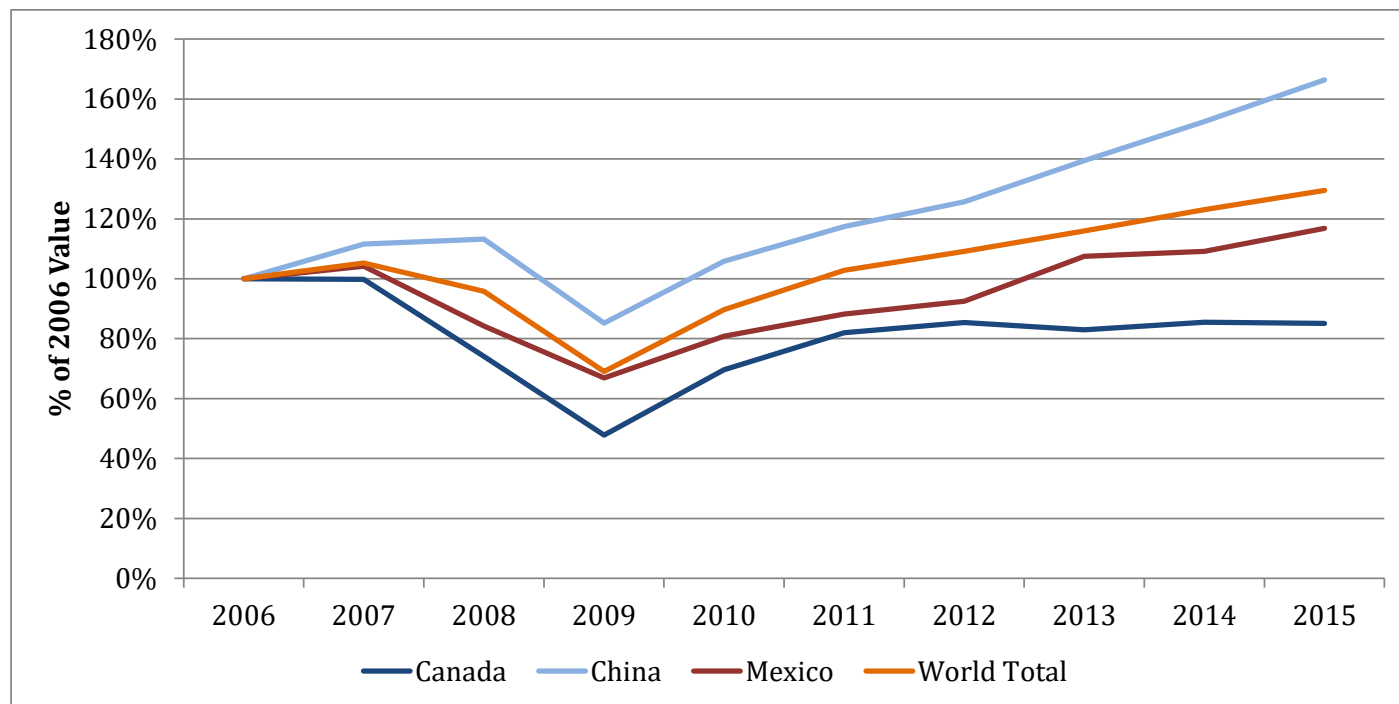
Structural and Architectural Metal Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$820	22%	\$723	25%	\$787	24%	\$1,002	23%	7%	1%
China	1,031	28%	710	24%	856	26%	1,152	27%	4%	6%
Mexico	652	18%	531	18%	498	15%	659	15%	0%	62%
All Other Countries	1,220	33%	953	33%	1,117	34%	1,467	34%	6%	5%
World Total	\$3,724		\$2,919		\$3,258		\$4,281		5%	4%



Hardware Import Growth

- Hardware is a category that was among the first to be impacted by foreign imports, due to the relatively high dollar value to volume ratio and the relative uniformity of the products (as compared to windows and doors)



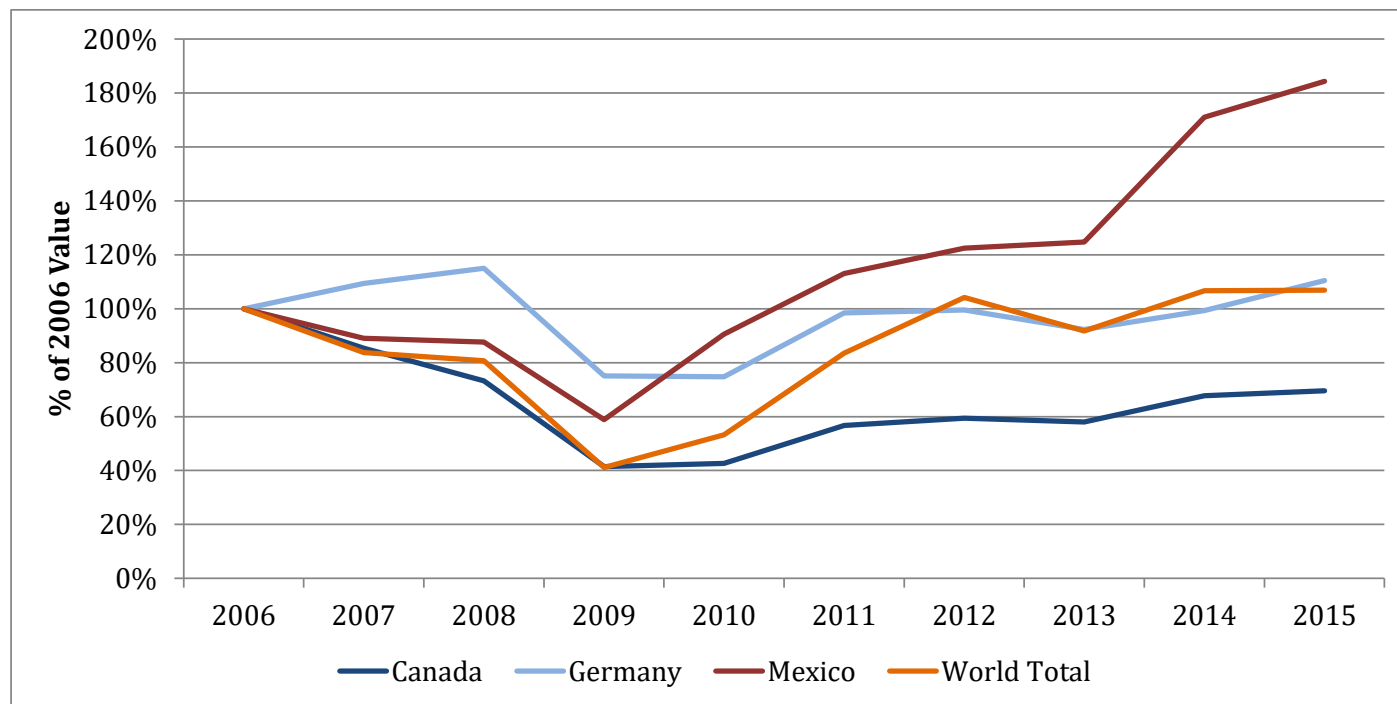
Hardware Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$752	12%	\$730	11%	\$752	11%	\$749	10%	0%	-2%
China	1,844	30%	2,045	32%	2,236	33%	2,440	34%	10%	14%
Mexico	1,121	19%	1,301	20%	1,322	19%	1,415	20%	8%	75%
All Other Countries	2,330	39%	2,347	37%	2,512	37%	2,573	36%	3%	3%
World Total	\$6,047		\$6,424		\$6,822		\$7,178		6%	10%



Construction Machinery Import Growth

- Mexico leverages its proximity and increasingly sophisticated manufacturing base to secure its spot as the top exporter in this category

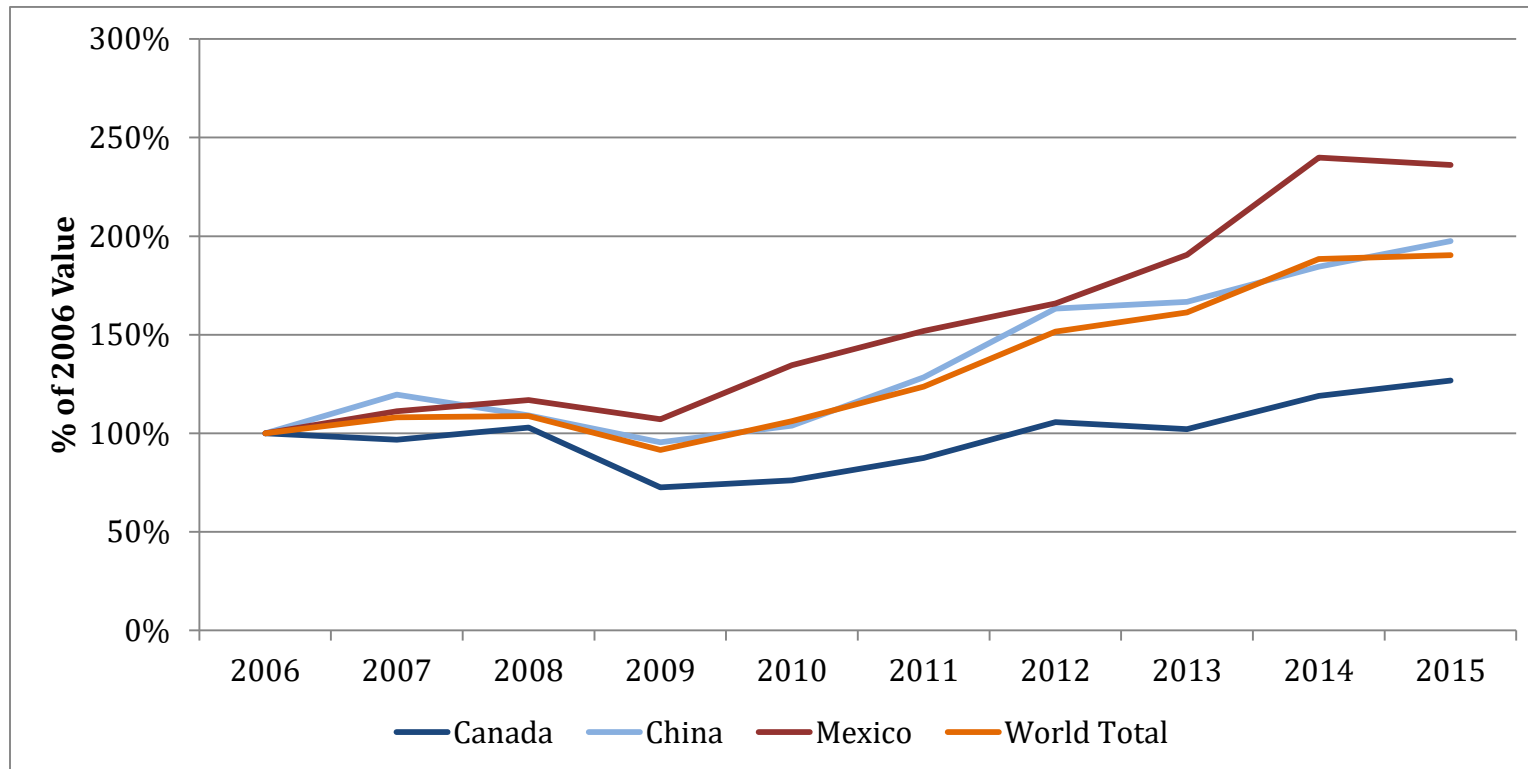


Construction Machinery Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$1,703	10%	\$1,663	11%	\$1,942	11%	\$1,995	11%	5%	8%
Germany	1,574	9%	1,459	10%	1,569	9%	1,747	10%	4%	45%
Mexico	1,668	10%	1,699	11%	2,329	13%	2,510	14%	15%	86%
All Other Countries	12,493	72%	10,526	69%	12,010	67%	11,630	65%	-2%	1%
World Total	\$17,437		\$15,347		\$17,851		\$17,882		1%	20%



HVAC and Air Flow Import Growth

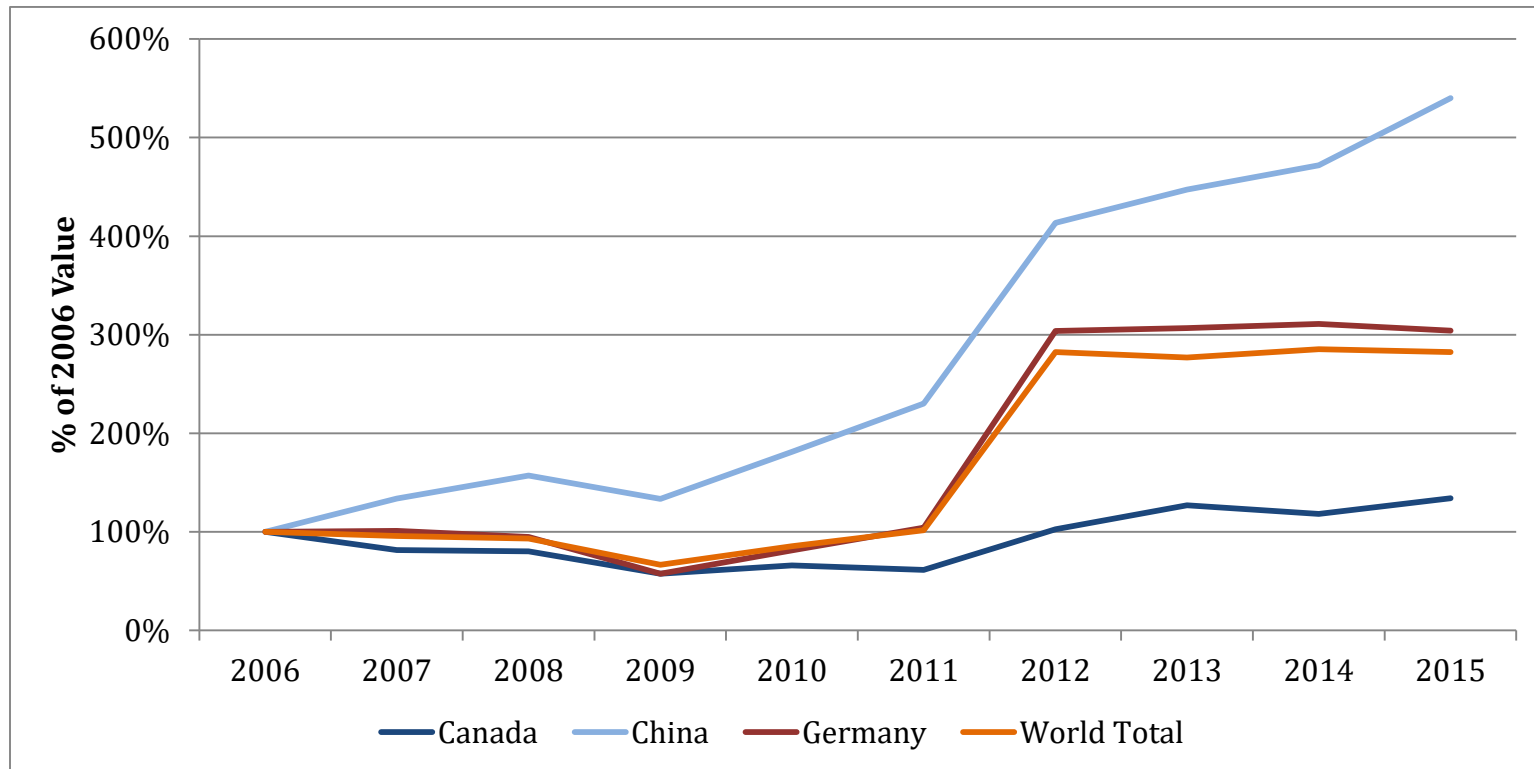


HVAC and Air Flow Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$814	8%	\$788	7%	\$918	7%	\$977	7%	6%	1%
China	3,402	32%	3,472	31%	3,843	29%	4,112	31%	7%	21%
Mexico	3,038	29%	3,490	31%	4,393	34%	4,324	33%	12%	96%
All Other Countries	3,298	31%	3,479	31%	3,960	30%	3,837	29%	5%	5%
World Total	\$10,552		\$11,228		\$13,113		\$13,250		8%	16%



Tool, Die and Mold Import Growth



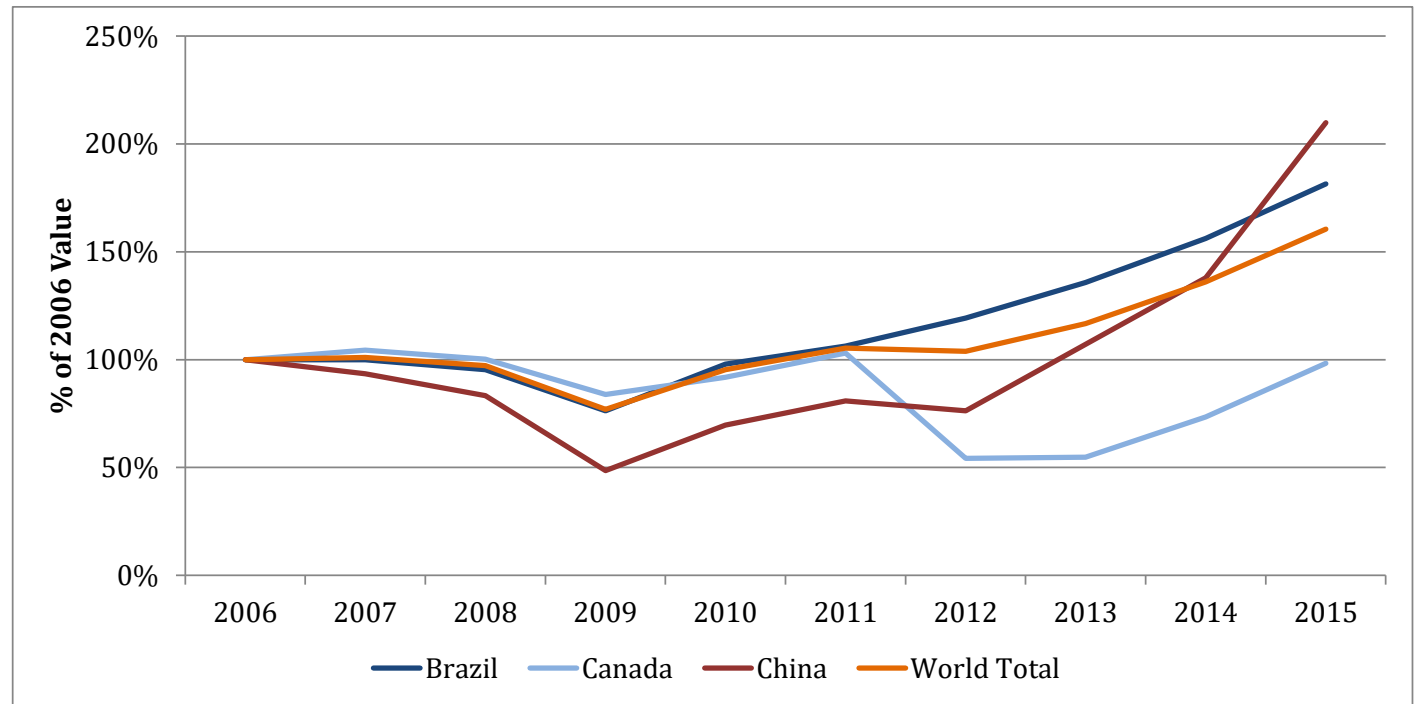
Tool, Die and Mold Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
Canada	\$1,189	9%	\$1,468	12%	\$1,366	11%	\$1,553	12%	9%	6%
China	1,216	10%	1,315	11%	1,388	11%	1,589	13%	9%	10%
Germany	1,890	15%	1,908	15%	1,934	15%	1,891	15%	0%	47%
All Other Countries	8,264	66%	7,627	62%	7,997	63%	7,535	60%	-3%	12%
World Total	\$12,559		\$12,318		\$12,686		\$12,567		0%	16%



Lighting Fixture and Equipment Import Growth

- Chinese manufacturers have captured a dominant share of lighting imports into the U.S.

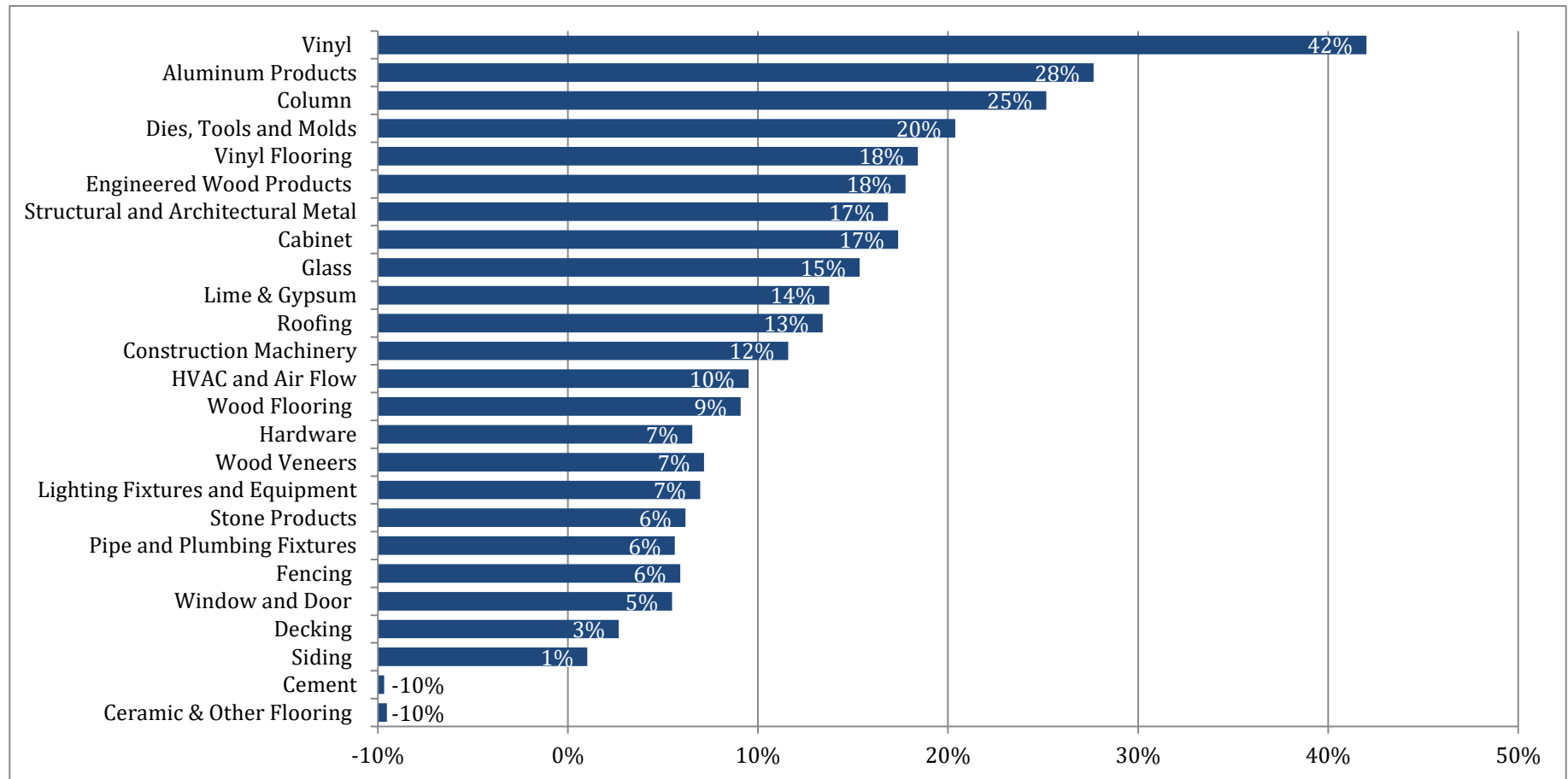


Lighting Fixture and Equipment Imports (2012 - 2015) (\$MM)

	2012		2013		2014		2015		CAGR	
	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	Value of Imports	% of Total	2012-15	2005-15
China	\$5,248	78%	\$5,970	79%	\$6,870	78%	\$7,980	77%	15%	29%
Mexico	559	8%	565	7%	757	9%	1,013	10%	22%	70%
Taiwan	90	1%	127	2%	164	2%	249	2%	40%	27%
All Other Countries	837	12%	903	12%	1,027	12%	1,162	11%	12%	2%
World Total	\$6,734		\$7,564		\$8,818		\$10,405		16%	14%



China/Taiwan CAGR of Imports by Product (2005-2015)



Imported Products by 2015 Size

Imported Products by 2015 Size (\$MM)

	Belgium	Brazil	Canada	Chile	China	Germany	Italy	Korea, South	Mexico	Spain	Taiwan	United Kingdom	World Total
Construction Machinery	\$190	\$482	\$1,995	\$14	\$1,221	\$1,747	\$574	\$1,063	\$2,510	\$111	\$106	\$1,373	\$17,882
HVAC and Air Flow	39	119	977	1	4,112	562	279	448	4,324	19	136	140	\$13,250
Aluminum Products	46	167	5,948	0	1,456	424	59	122	228	18	25	55	\$12,832
Dies, Tools and Molds	24	77	1,553	2	1,589	1,891	644	759	143	133	647	156	\$12,567
Lighting Fixtures and Equipment	6	2	245	0	7,980	83	83	92	1,013	9	249	40	\$10,405
Hardware	7	26	749	0	2,440	369	90	392	1,415	44	549	69	\$7,178
Structural and Architectural Metal	11	0	1,002	1	1,152	285	84	235	659	143	20	41	\$4,281
Stone Products	2	789	140	1	757	9	518	13	60	158	15	4	\$3,491
Wood Veneers	9	115	497	134	1,299	18	34	0	7	35	17	1	\$2,837
Engineered Wood Products	10	42	1,439	190	338	79	7	1	9	10	0	1	\$2,238
Pipe and Plumbing Fixtures	2	2	247	1	1,140	119	68	15	143	5	155	44	\$2,158
Windows & Doors	2	76	648	42	331	39	45	3	124	2	38	12	\$1,582
Vinyl Flooring	52	0	51	0	830	15	2	176	2	1	36	19	\$1,257
Cabinets	0	1	222	0	720	25	61	0	22	1	0	5	\$1,072
Glass	11	0	91	1	464	112	25	3	148	10	3	7	\$983
Concrete Products	1	1	177	0	456	11	9	32	136	10	1	8	\$923
Cement	0	0	357	0	77	0	1	50	44	25	23	0	\$804
Columns	1	0	195	0	120	15	36	17	212	11	2	10	\$743
Wood Flooring	4	50	109	0	405	3	6	0	1	2	0	1	\$708
Fencing	0	80	78	0	78	1	0	0	11	1	1	0	\$253
Roofing	0	0	196	0	8	0	1	1	9	2	0	0	\$225
Siding	0	0	185	0	6	0	0	0	0	0	0	0	\$195
Decking	0	0	156	0	18	2	0	0	1	0	0	1	\$184
Lime & Gypsum	0	0	97	0	1	1	1	0	60	0	0	1	\$164
Vinyl Profiles	0	0	97	0	7	1	0	0	0	0	0	0	\$107
Ceramic/Other Flooring	0	0	0	0	12	8	2	0	3	2	0	0	\$32
Total	\$418	\$2,029	\$17,451	\$387	\$27,019	\$5,821	\$2,630	\$3,422	\$11,284	\$752	\$2,024	\$1,989	\$98,350

- Note: Individual country amounts do not sum to World Total because not all countries are included



Top Importer CAGRs by Product

Imported Products by 2005 - 2015 CAGR

	Belgium	Brazil	Canada	Chile	China	Germany	Italy	Korea, South	Mexico	Spain	Taiwan	United Kingdom	World Total
Construction Machinery	-2%	-2%	-3%	20%	14%	1%	-3%	6%	8%	7%	0%	2%	2%
HVAC and Air Flow	11%	-10%	3%	-21%	10%	12%	12%	6%	12%	-2%	5%	10%	9%
Aluminum Products	2%	8%	18%	-40%	29%	-1%	14%	10%	35%	6%	5%	7%	16%
Dies, Tools and Molds	14%	8%	4%	22%	20%	14%	25%	19%	13%	20%	20%	9%	13%
Lighting Fixtures and Equipment	0%	8%	-1%	1%	7%	0%	0%	13%	0%	-10%	6%	5%	5%
Hardware	0%	6%	-2%	14%	8%	5%	-1%	17%	1%	9%	1%	-1%	3%
Structural and Architectural Metal	4%	-30%	1%	8%	17%	9%	8%	10%	11%	24%	12%	3%	8%
Stone Products	-8%	5%	4%	8%	7%	1%	-2%	27%	-8%	1%	-11%	-8%	2%
Wood Veneers	13%	-13%	-6%	5%	7%	-8%	1%	-19%	3%	14%	-3%	-3%	0%
Engineered Wood Products	-25%	-8%	-8%	3%	19%	-9%	18%	8%	-9%	-22%	-8%	-26%	-7%
Pipe and Plumbing Fixtures	1%	-19%	-3%	-15%	7%	1%	0%	-3%	-2%	-3%	0%	2%	3%
Windows & Doors	8%	-1%	-3%	-1%	7%	2%	5%	-23%	-1%	-14%	-3%	-2%	-1%
Vinyl Flooring	19%		-10%		23%	-2%	0%	24%	-4%	7%	-3%	-5%	11%
Cabinets	-16%	-10%	-9%		17%	4%	5%	-35%	5%	4%	-6%	-7%	3%
Glass	8%	-6%	-4%	10%	15%	17%	0%	-4%	0%	10%	8%	-2%	6%
Concrete Products	-10%	-3%	-3%		-1%	-2%	-16%	8%	3%	-20%	-8%	-5%	-2%
Cement	-30%		1%		-9%	-18%	10%	-6%	-9%	4%	-11%	-22%	-6%
Columns	21%	-17%	-3%		25%	-8%	37%	24%	13%	15%	23%	5%	6%
Wood Flooring	9%	-10%	20%	-46%	9%	0%	-3%		-24%	-14%	-24%	4%	4%
Fencing		-1%	-7%	-42%	6%	-14%	-29%	-13%	20%	39%	32%	-1%	-2%
Roofing	18%	0%	4%		14%	-1%	-5%	29%	-5%	-3%		-16%	2%
Siding		-10%	-2%	11%	1%	-4%	5%	9%				11%	-2%
Decking	10%	-14%	-4%		5%	6%	-6%	-14%	-3%	13%	-18%	13%	-3%
Lime & Gypsum	9%	0%	0%		14%	17%	1%	11%	-2%	-13%	-18%	-8%	-1%
Vinyl Profiles	3%		-6%		42%	13%	3%		2%	10%		18%	-5%
Ceramic/Other Flooring		-12%	-9%		20%	8%	-16%	-30%	-6%	7%	44%	2%	0%



Factors Driving Reshoring of Production Back to the U.S.

- **Rising Wages:** Wages have been rising steadily over the past 20 years for developing countries, such as Mexico and China. They are no longer the bargain they once were. Now the wrap rate (labor cost + overhead cost + profit) has more than doubled from the level of 20 years ago.
- **Higher Freight Costs:** No matter what product is built overseas, it has to be shipped back to the U.S. for installation or distribution. Shipping costs have been increasing steadily over the past 20 years.
- **Skilled Workforce:** The United States is one of the most technically advanced countries in the world. The U.S. also has highly skilled workers, many of whom have worked at jobs where above average technical skills are required.
- **Communication:** As many U.S. companies have discovered, outsourcing manufacturing jobs can be challenging and costly when it comes to day to day communication and logistics management.
- **Longer Lead Times:** When manufacturing jobs are offshored, there is an inevitable increase in lead times from the time a product is made to the time it arrives back into the U.S.
- **Higher Productivity and Automation:** When manufacturing is offshored, the design engineers are typically thousands of miles away from the manufacturing facility. When manufacturing is nearer to engineering, companies can more efficiently improve design, eliminate waste, improve quality and increase productivity.
- **Better Technology in Innovation:** Innovation is a function of trial and error. Innovation accelerates when it is simple and efficient to conduct a greater number of trials. Companies learn from their mistakes and improve based on what they learn.
- **Quality and Rework:** Improving quality has long been a focus in the U.S. Many companies who have offshored manufacturing learn that quality overseas is not as good as it is in the U.S.
- **Government and International Incentives:** Unlike twenty years ago, there are now many government incentives (local, state, and federal) that are offered to companies to persuade them to build a manufacturing facility in a given area.
- **Intellectual Property:** When U.S. manufacturing jobs are offshored, there are concerns about intellectual property, both for the design of products and the methods that are used to manufacture them. Even though Proprietary Information Agreements (PIAs) or Non-Disclosure Agreements (NDAs) are established early in the offshore process, international companies sometimes use this information for their own future products and manufacturing processes, in violation of these agreements.



Impact of Foreign Currency Exchange Rates

- The rising U.S. dollar (USD) has been making imports cheaper for consumers in the U.S., increasing their real purchasing power.
 - However, a rising dollar poses a key threat to export activity in the U.S., as the goods produced are denominated in USD become more expensive for international trade partners.
- The rising USD provides the most advantage to companies that import most of their materials and components but sell domestically.
- Overall, a rising USD is leading to an expansion in the already wide U.S. trade deficit.
- While the trade deficit dropped slightly in the first six months of 2016, it is on an upswing. For the month of May 2016, the trade gap reached a value of \$41.1 billion, up 9.9% from a value of \$37.4 billion in April 2016.⁽¹⁾ The significant increase in the value of the USD will continue to impact net exports for the rest of 2016.

(1) Bureau of Economic Analysis



Please contact us with any follow-up questions:

Michael E. Collins
Managing Director

mcollins@buildingia.com

Direct: 312-854-8036

Mobile: 312-282-5462

Walt Kurek
Managing Director

wkurek@buildingia.com

Direct: 312-214-2245

Mobile: 847-209-2101

Jeff Zaremba
Associate

jzaremba@buildingia.com

Direct: 312-214-2247

Mobile: 815-557-8968

Building Industry Advisors, LLC is a premier middle-market investment banking group providing merger and acquisition, capital raising and strategic advisory services. Our principals bring a dedicated focus on the building products industry and a proven track record of completing transactions that meet the complex needs of our clients. We combine extensive knowledge of and contacts in the building products industry with persistence and a thorough understanding of how to achieve the optimal outcome when undertaking a transaction.



BUILDING INDUSTRY ADVISORS, LLC

MERGERS - ACQUISITIONS - EQUITY - DEBT

70 West Madison Street, Suite 1400
Chicago, Illinois 60602
www.buildingia.com

