
Foreign Competition in the U.S. Building Products Industry



BUILDING INDUSTRY ADVISORS, LLC

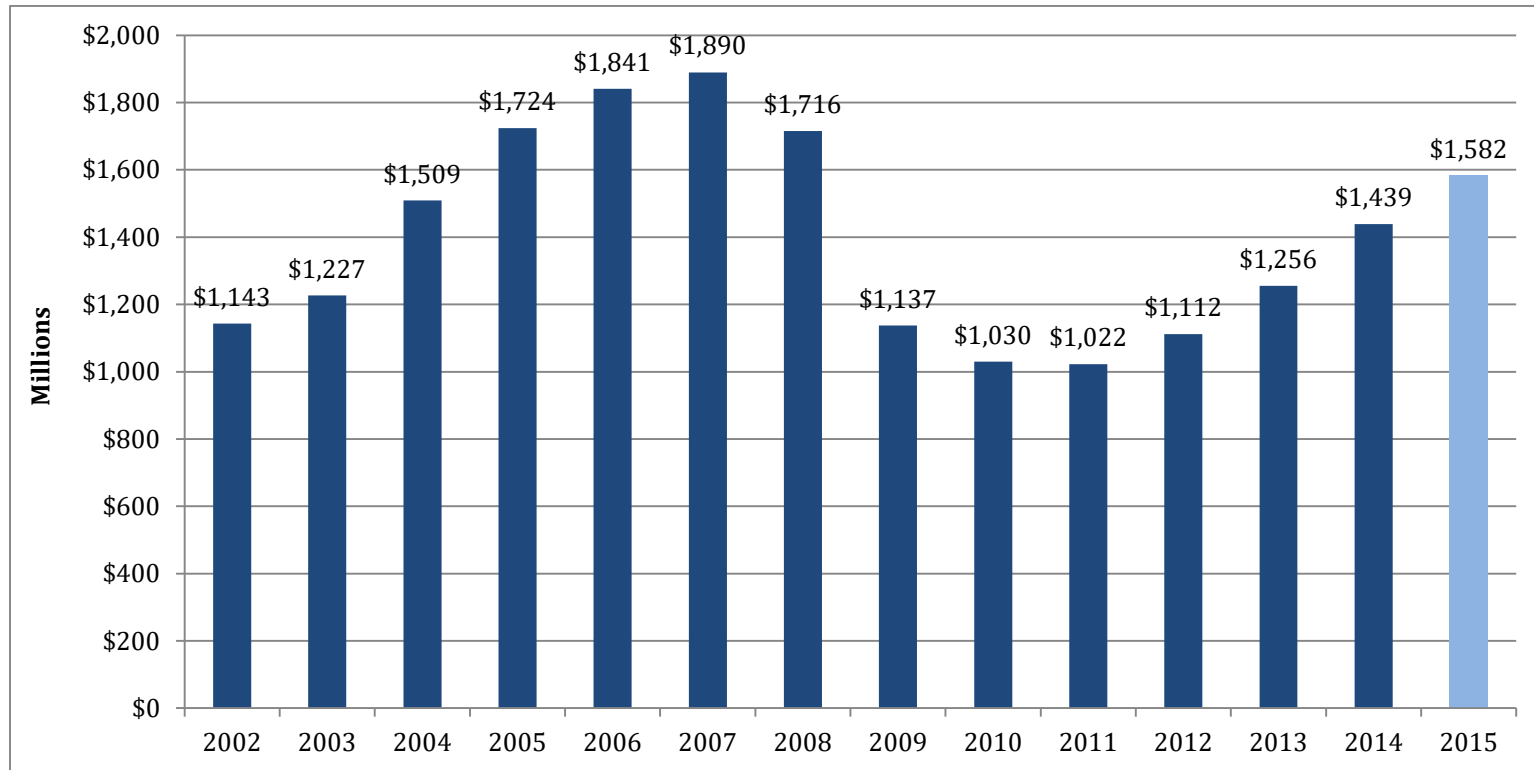
MERGERS - ACQUISITIONS - EQUITY - DEBT

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Window & Door Imports



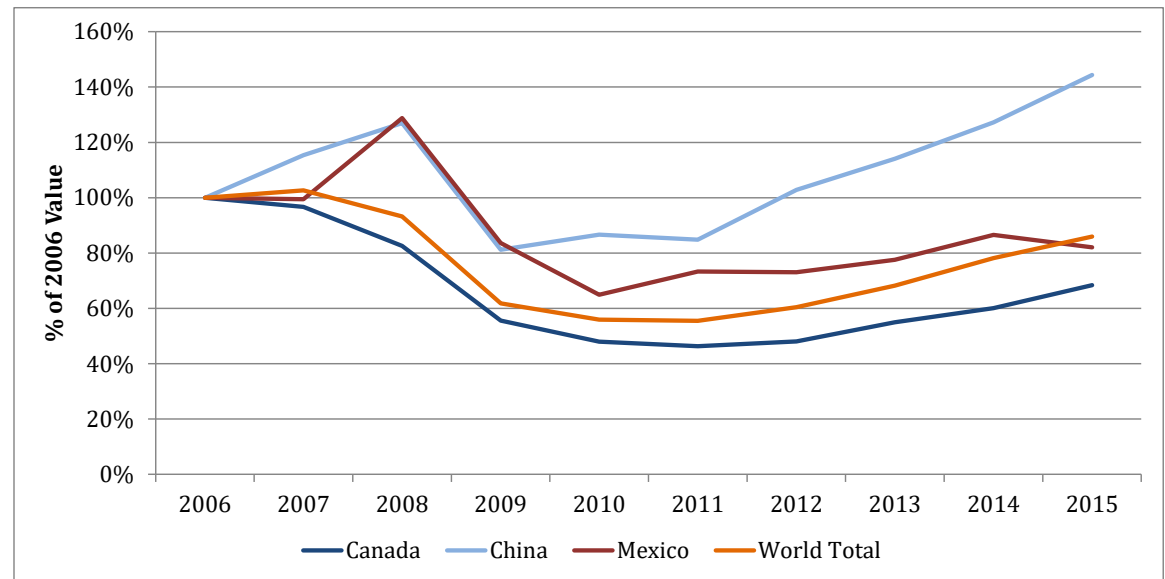
- Window and door imports have continued to increase at a steady rate since 2011
 - Industry analysts project that the U.S. window and door market will grow at a rate of 9.2 percent annually through 2016 to \$34.2 billion⁽¹⁾
 - Construction spending, improvement in the employment picture and the housing 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)

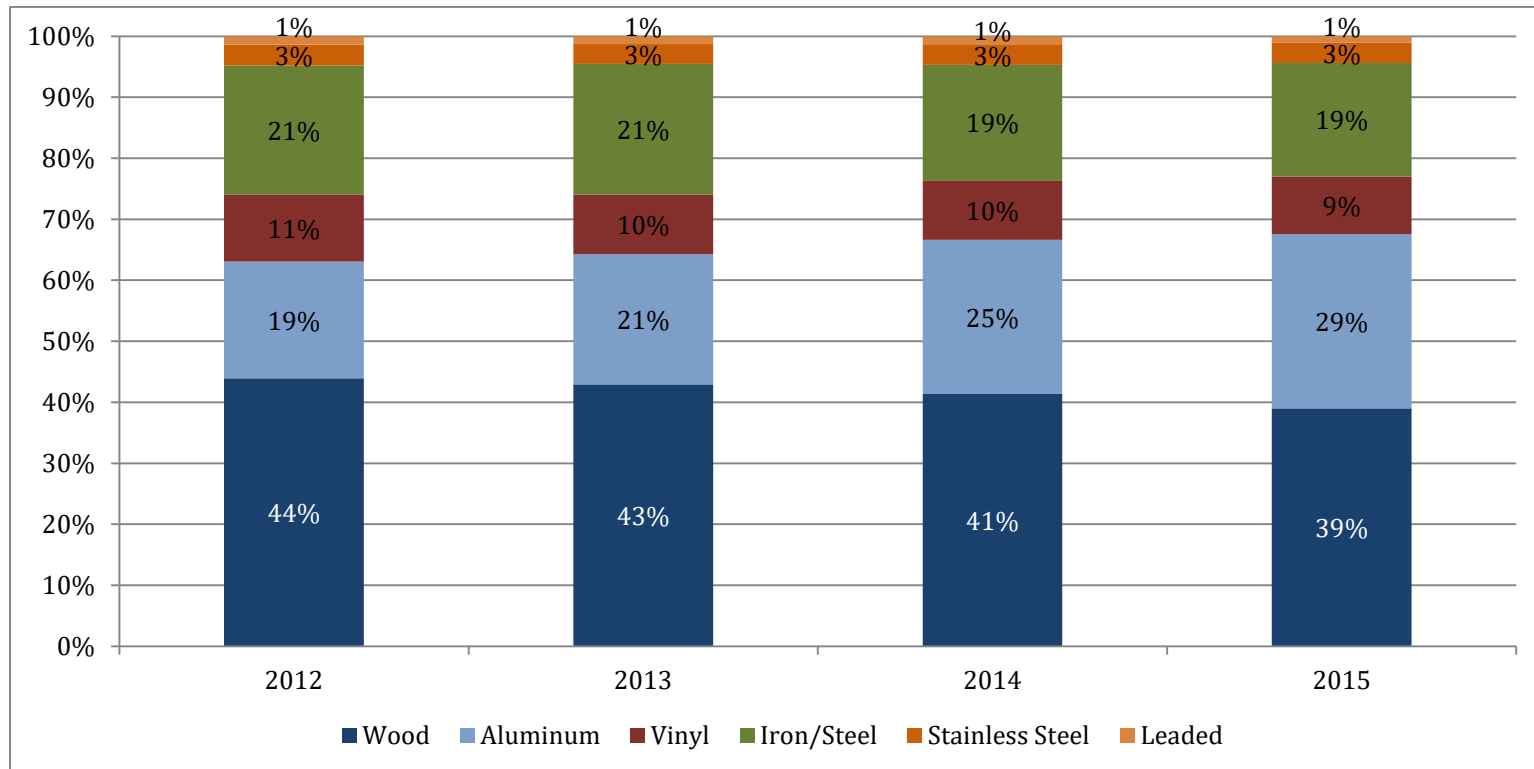
| | 2012 | | 2013 | | 2014 | | 2015 | | CAGR | |
|---------------------|------------------|------------|------------------|------------|------------------|------------|------------------|------------|---------|---------|
| | Value of Imports | % of Total | Value of Imports | % of Total | Value of Imports | % 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

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Window & Door Imports by Material

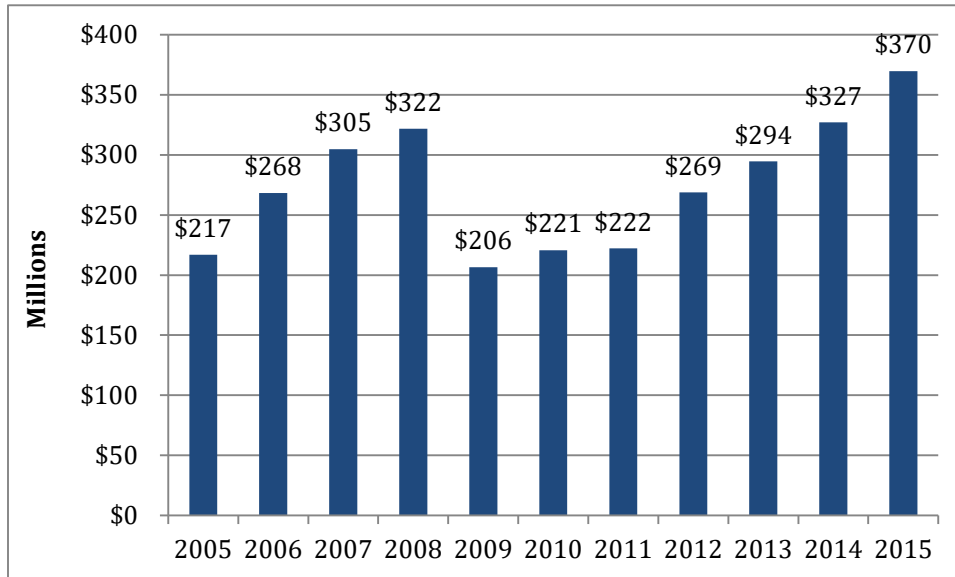


- Wood continues to be the most common window and door material being imported, with aluminum continuing to grow its percentage share
 - Most of the wood imports come from Canada, but there are also significant wood door imports from China. It is possible to ship lumber from the Northwest U.S. to China,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

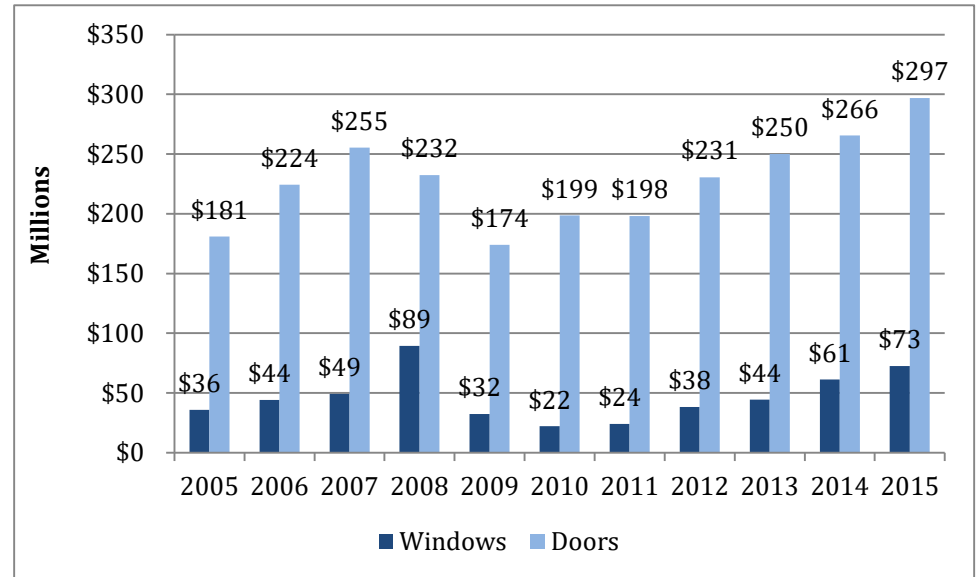


China & Taiwan Detailed Imports Information

Window & Door Imports from China/Taiwan



China/Taiwan Window & Door Breakdown

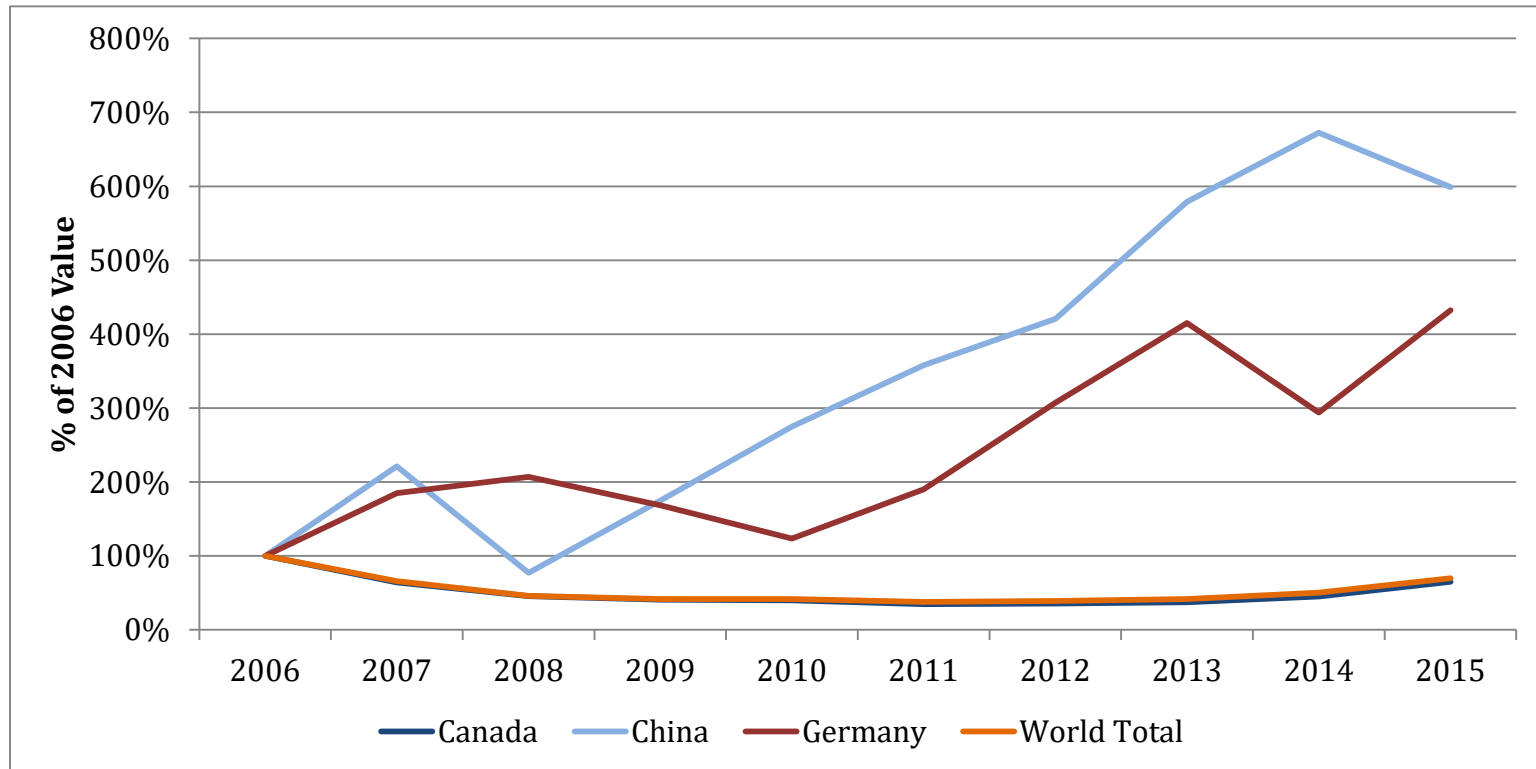


- The CAGR of Chinese/Taiwanese imports from 2005 to 2015 was 5 percent
 - The China/Taiwan import increase greatly outpaced the world's import decline of 1 percent

- 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

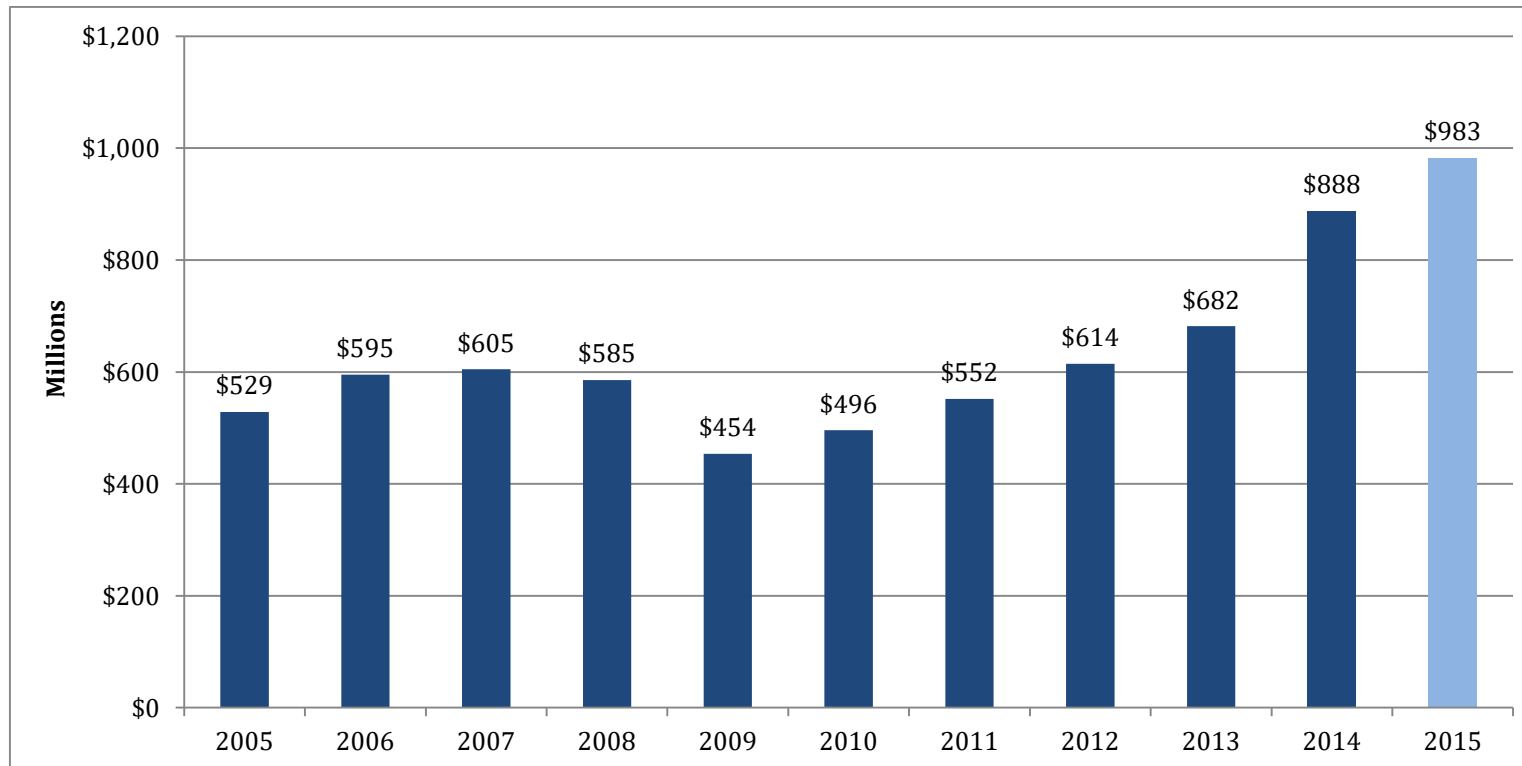


Vinyl Imports (2012 - 2015) (\$MM)

| | 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

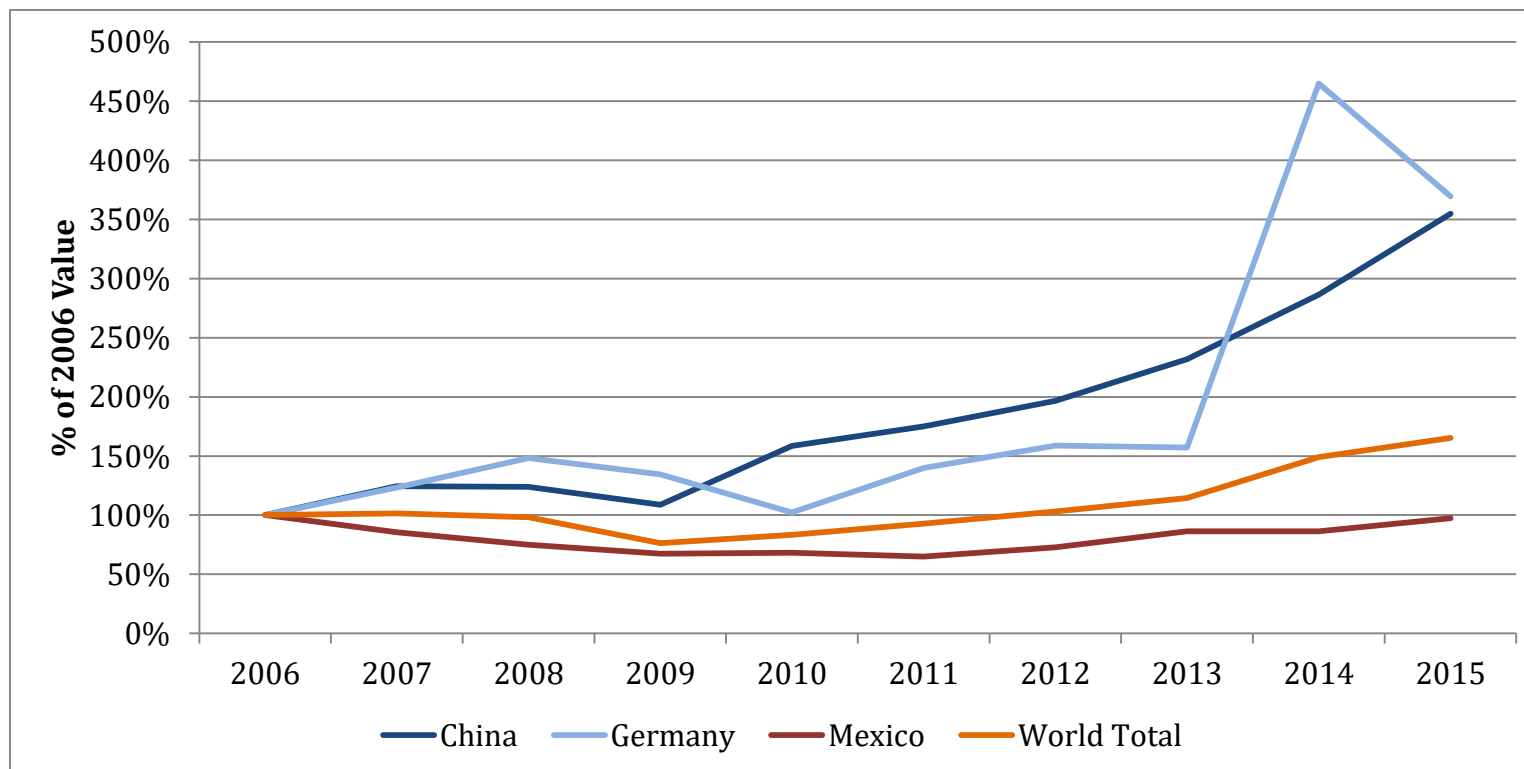


- Glass imports have grown at a CAGR of 6 percent since 2005, nearly doubling in value
- This increase was mainly driven by glass imports from China and Germany (15 and 17 percent CAGR, respectively, since 2005)
 - Global demand for flat glass is forecast to increase 6.6 percent per annum to nearly 10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

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



Glass Import Growth



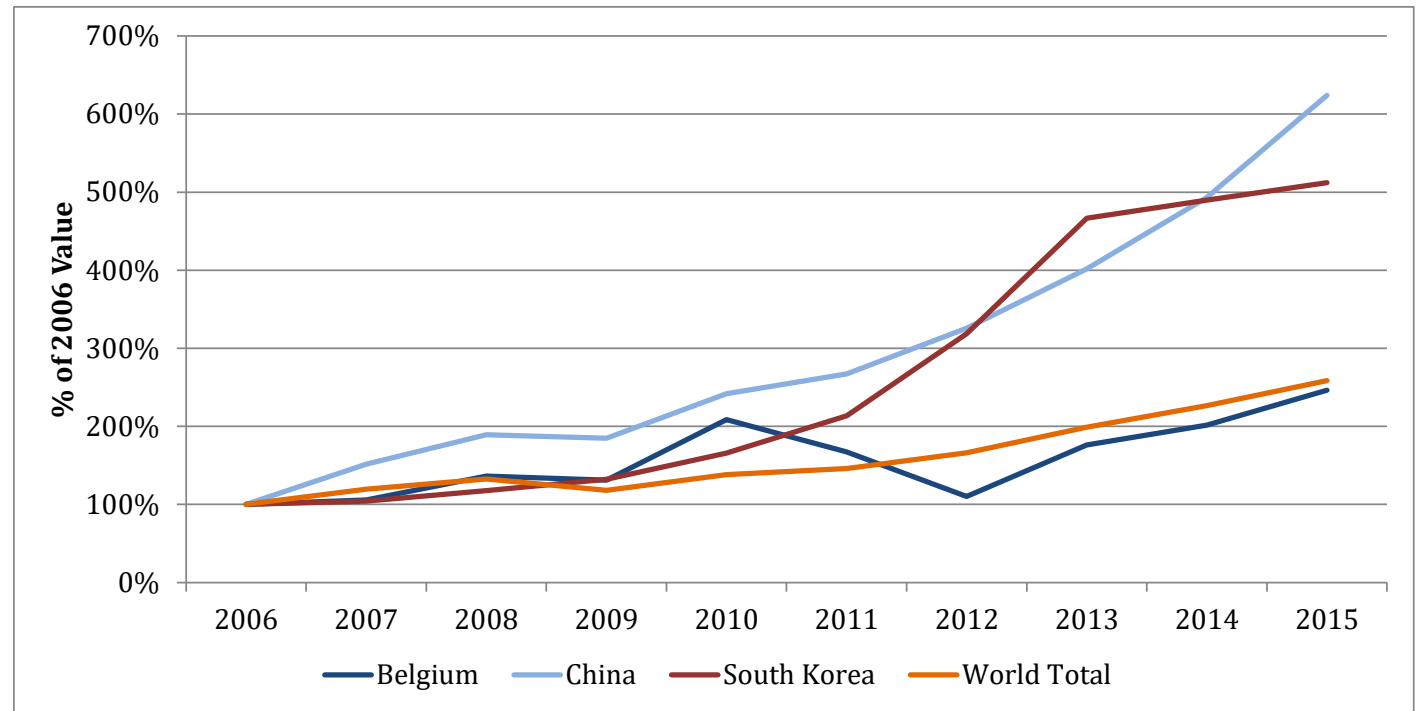
Glass Imports (2012 - 2015) (\$MM)

| | 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

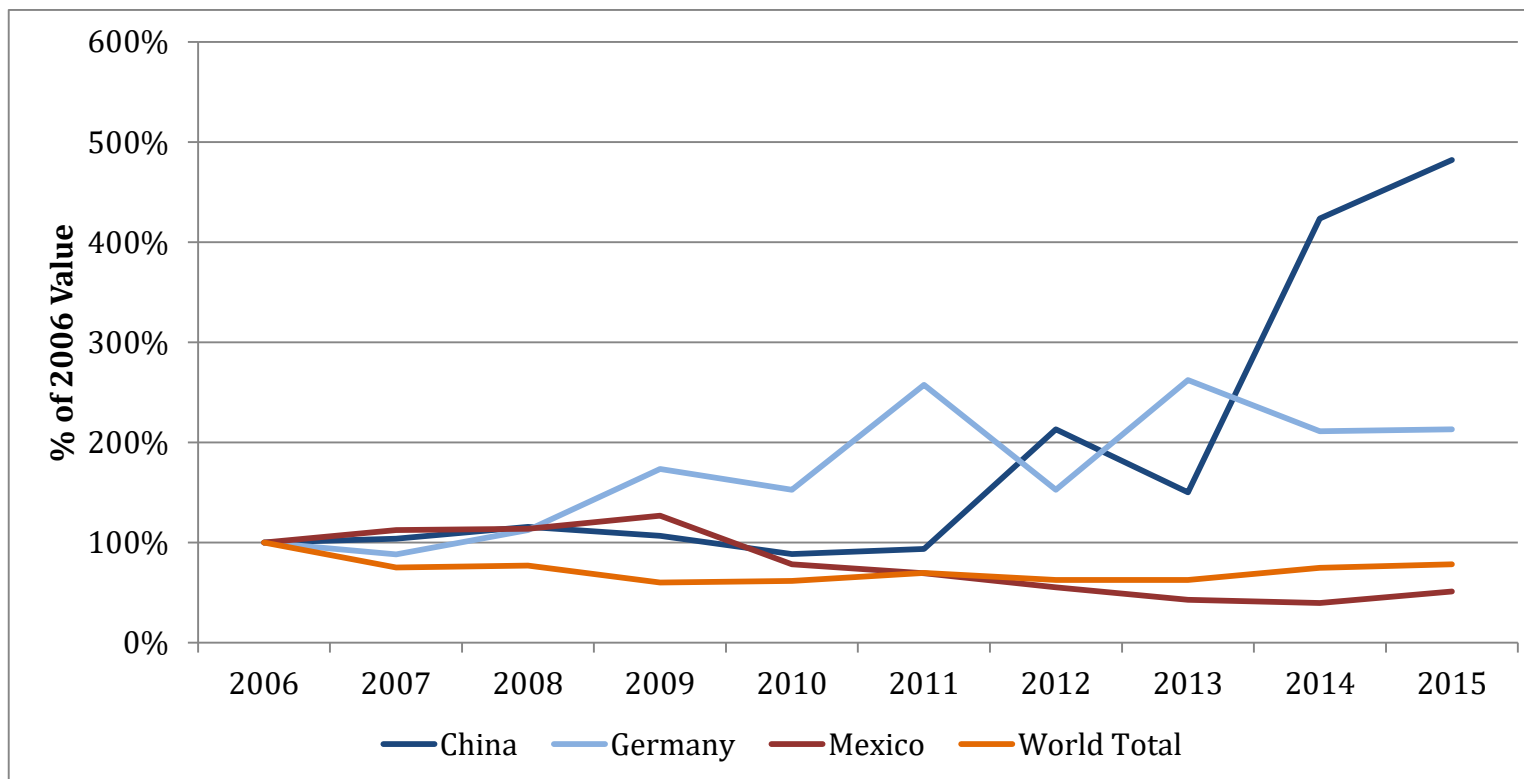


Vinyl Flooring Imports (2012 - 2015) (\$MM)

| | 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

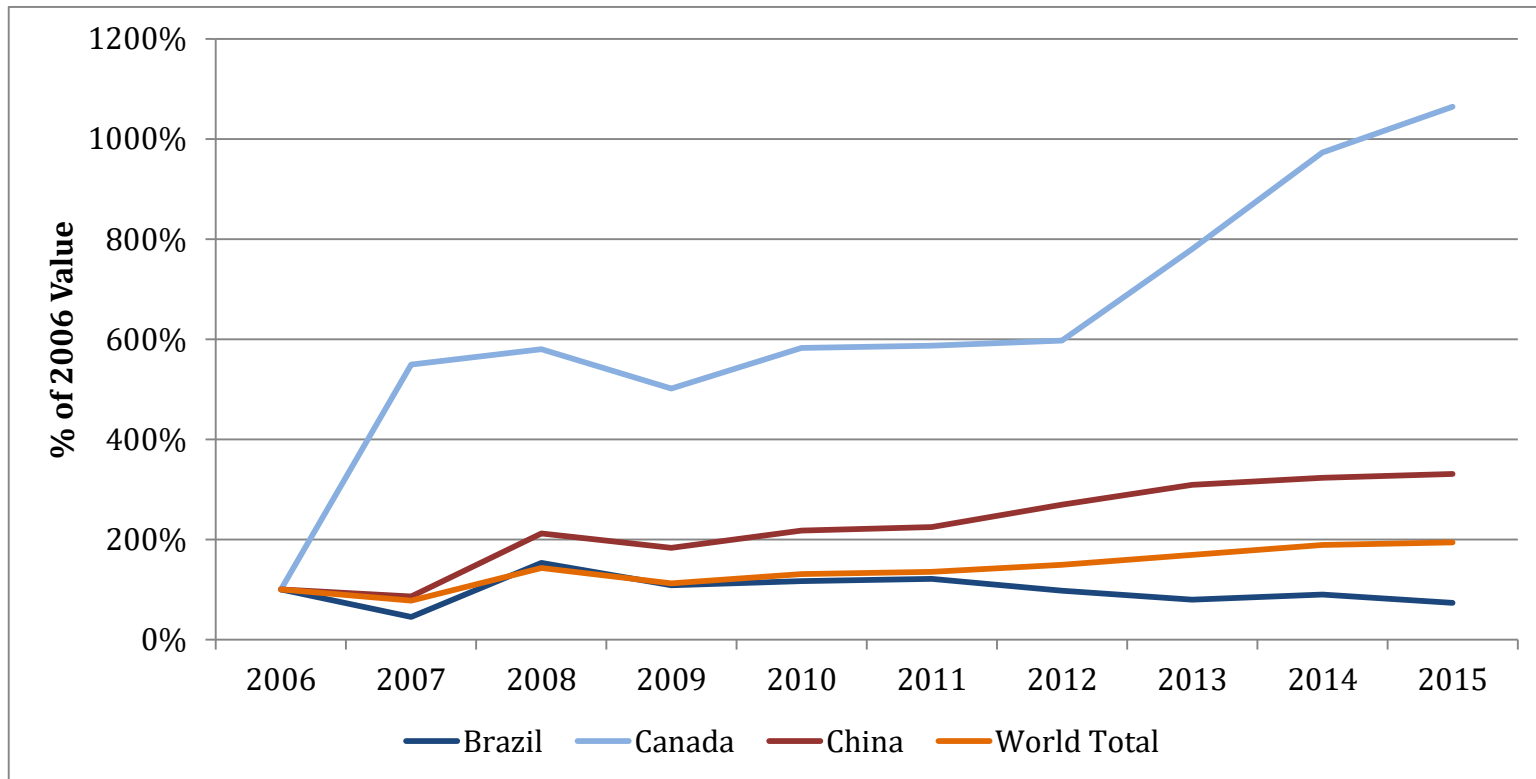


Ceramic & Other Flooring Imports (2012 - 2015) (\$MM)

| | 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



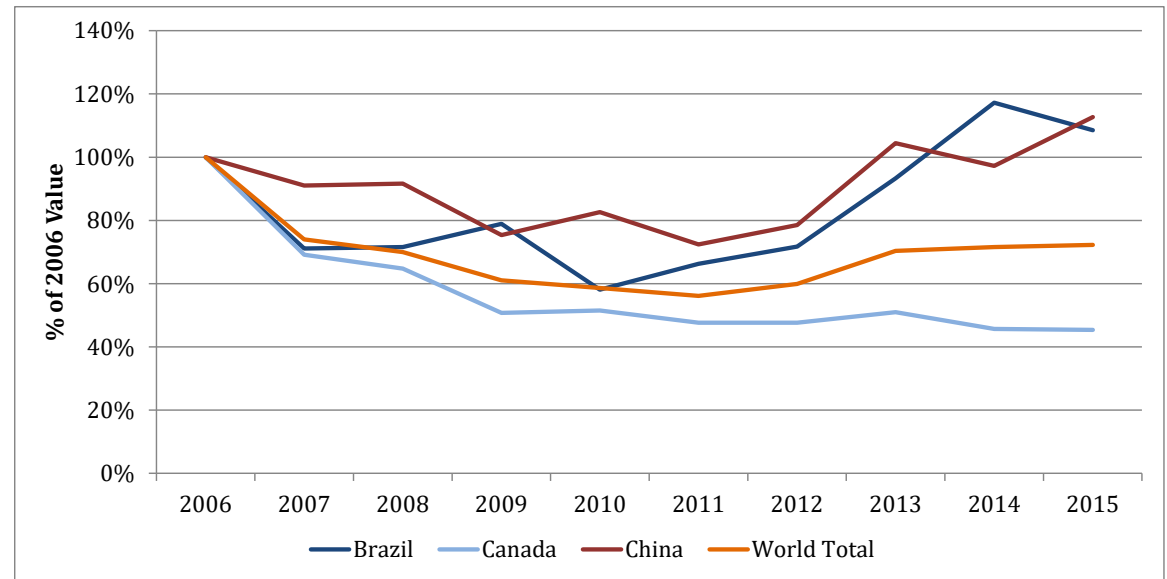
Wood Flooring Imports (2012 - 2015) (\$MM)

| | 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)

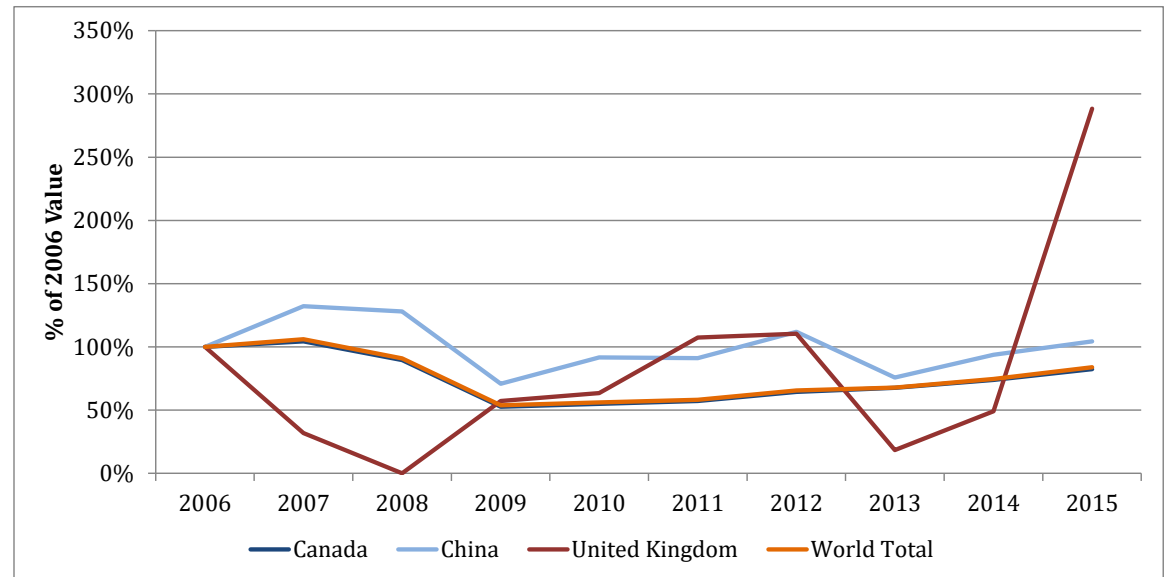
| | 2012 | | 2013 | | 2014 | | 2015 | | CAGR | |
|---------------------|------------------|------------|------------------|------------|------------------|------------|------------------|------------|---------|---------|
| | Value of Imports | % of Total | Value of Imports | % of Total | Value of Imports | % 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)

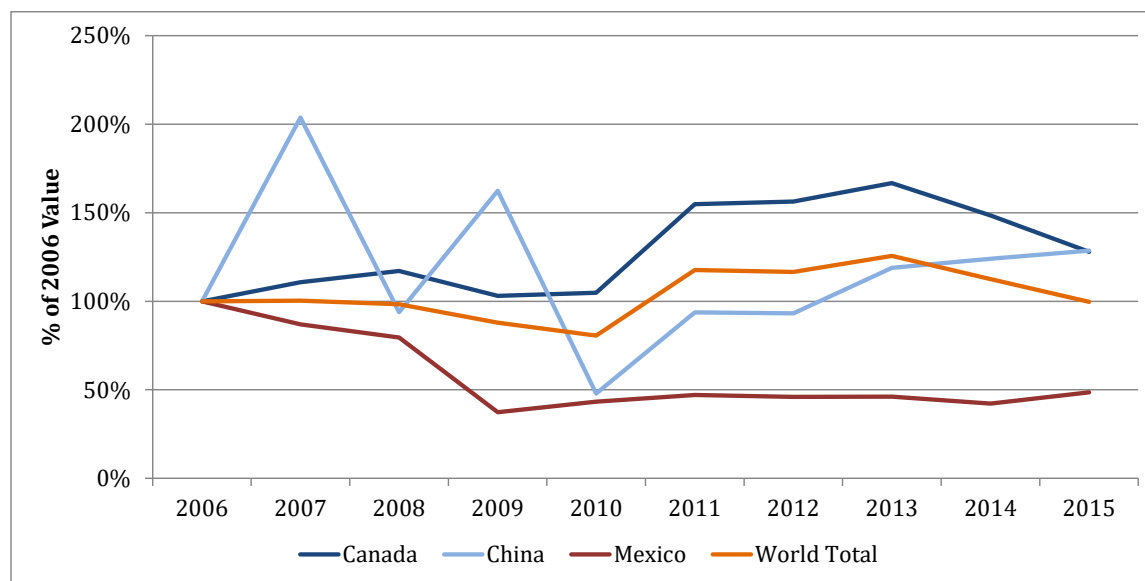
| | 2012 | | 2013 | | 2014 | | 2015 | | CAGR | |
|---------------------|------------------|------------|------------------|------------|------------------|------------|------------------|------------|---------|---------|
| | Value of Imports | % of Total | Value of Imports | % of Total | Value of Imports | % 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)

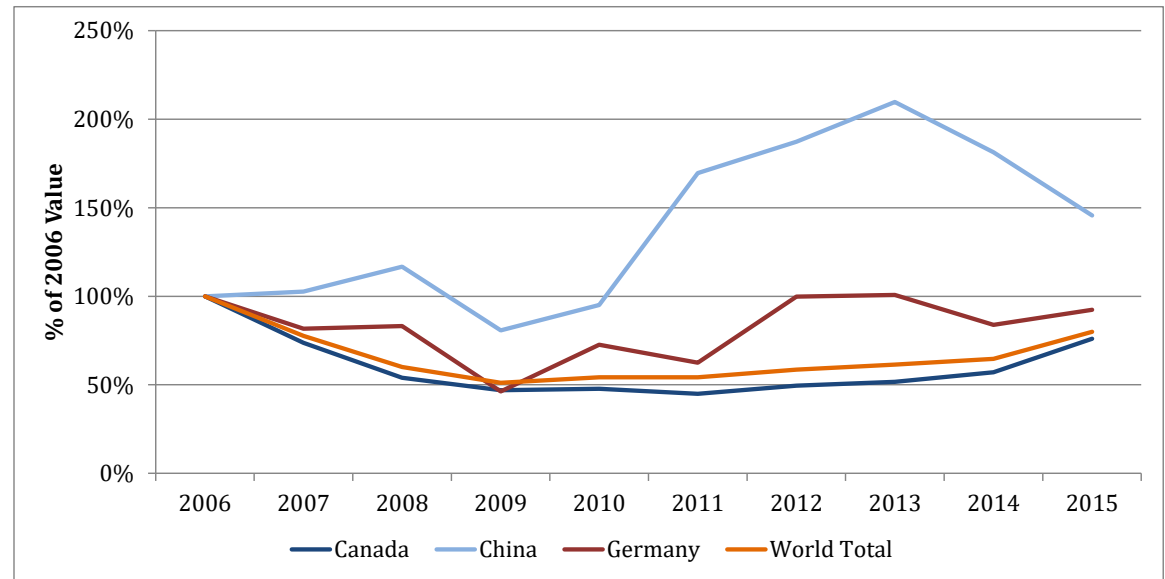
| | 2012 | | 2013 | | 2014 | | 2015 | | CAGR | |
|---------------------|------------------|------------|------------------|------------|------------------|------------|------------------|------------|---------|---------|
| | Value of Imports | % of Total | Value of Imports | % of Total | Value of Imports | % 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)

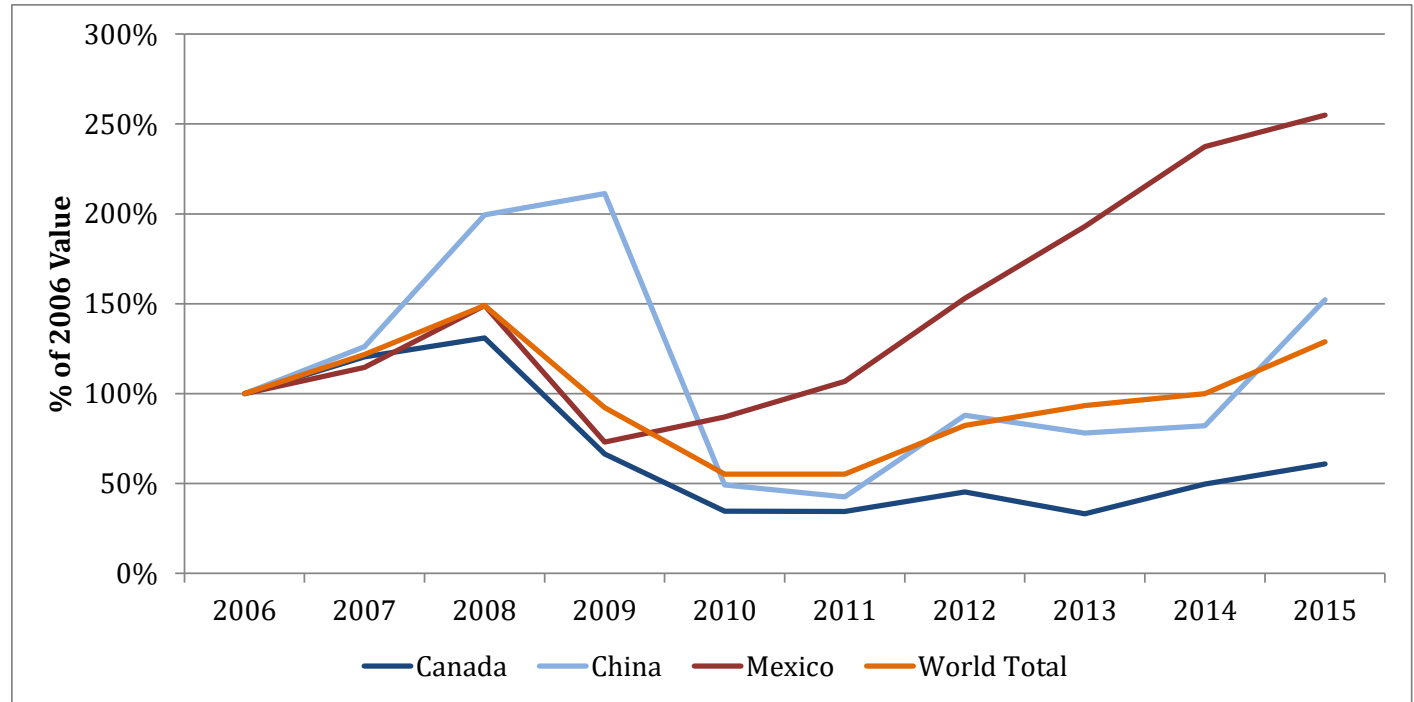
| | 2012 | | 2013 | | 2014 | | 2015 | | CAGR | |
|---------------------|------------------|------------|------------------|------------|------------------|------------|------------------|------------|--------------|--------------|
| | Value of Imports | % of Total | Value of Imports | % of Total | Value 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



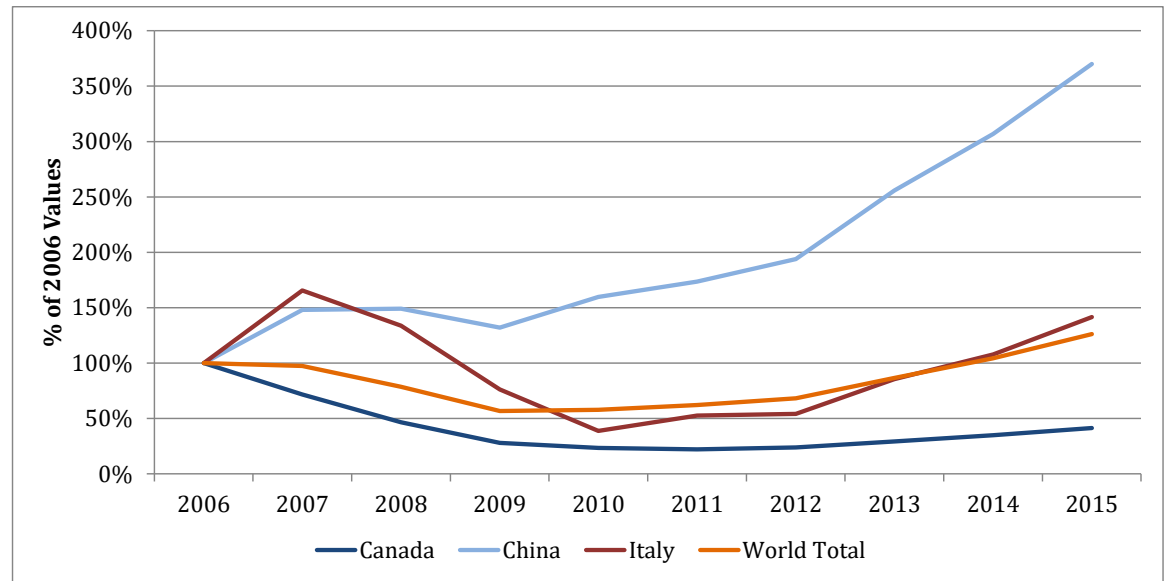
Column Imports (2012 - 2015) (\$MM)

| | 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)

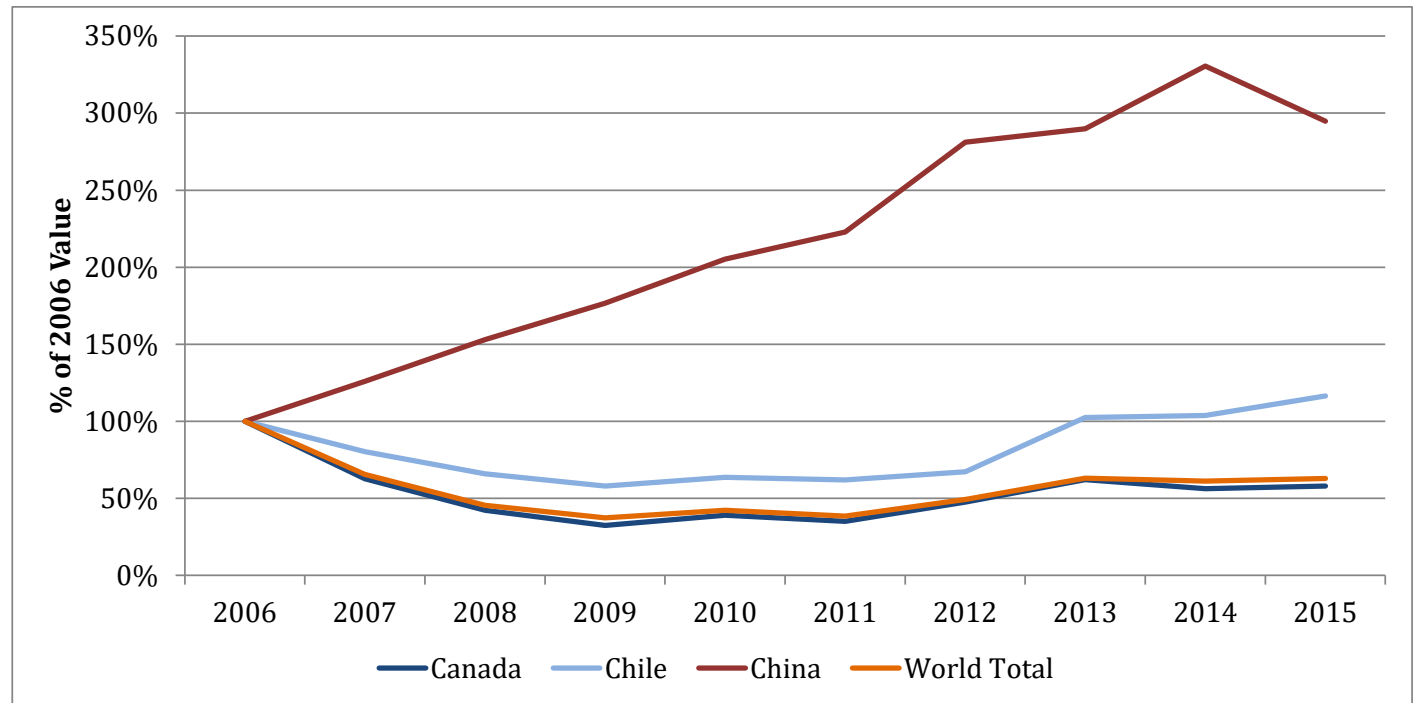
| | 2012 | | 2013 | | 2014 | | 2015 | | CAGR | |
|---------------------|------------------|------------|------------------|------------|------------------|------------|------------------|------------|---------|---------|
| | Value of Imports | % of Total | Value of Imports | % of Total | Value of Imports | % 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



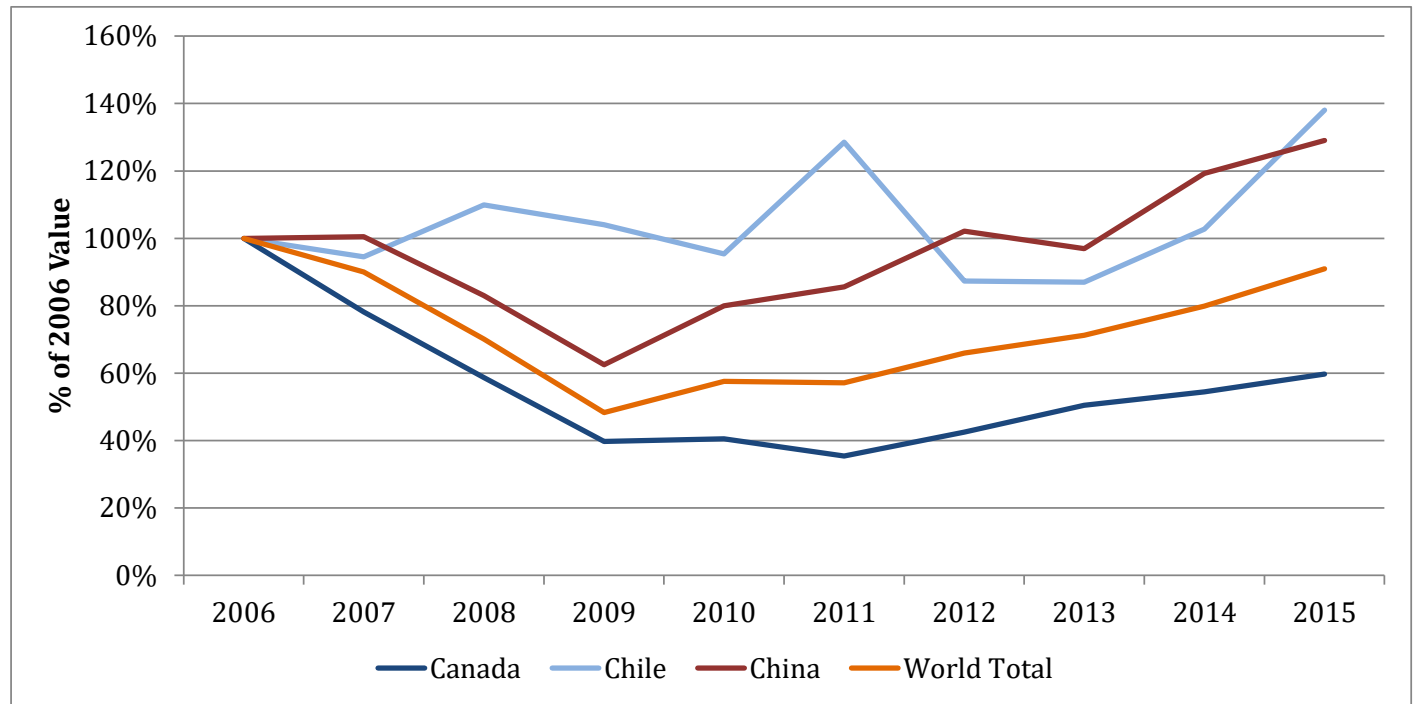
Engineered Wood Products Imports (2012 - 2015) (\$MM)

| | 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

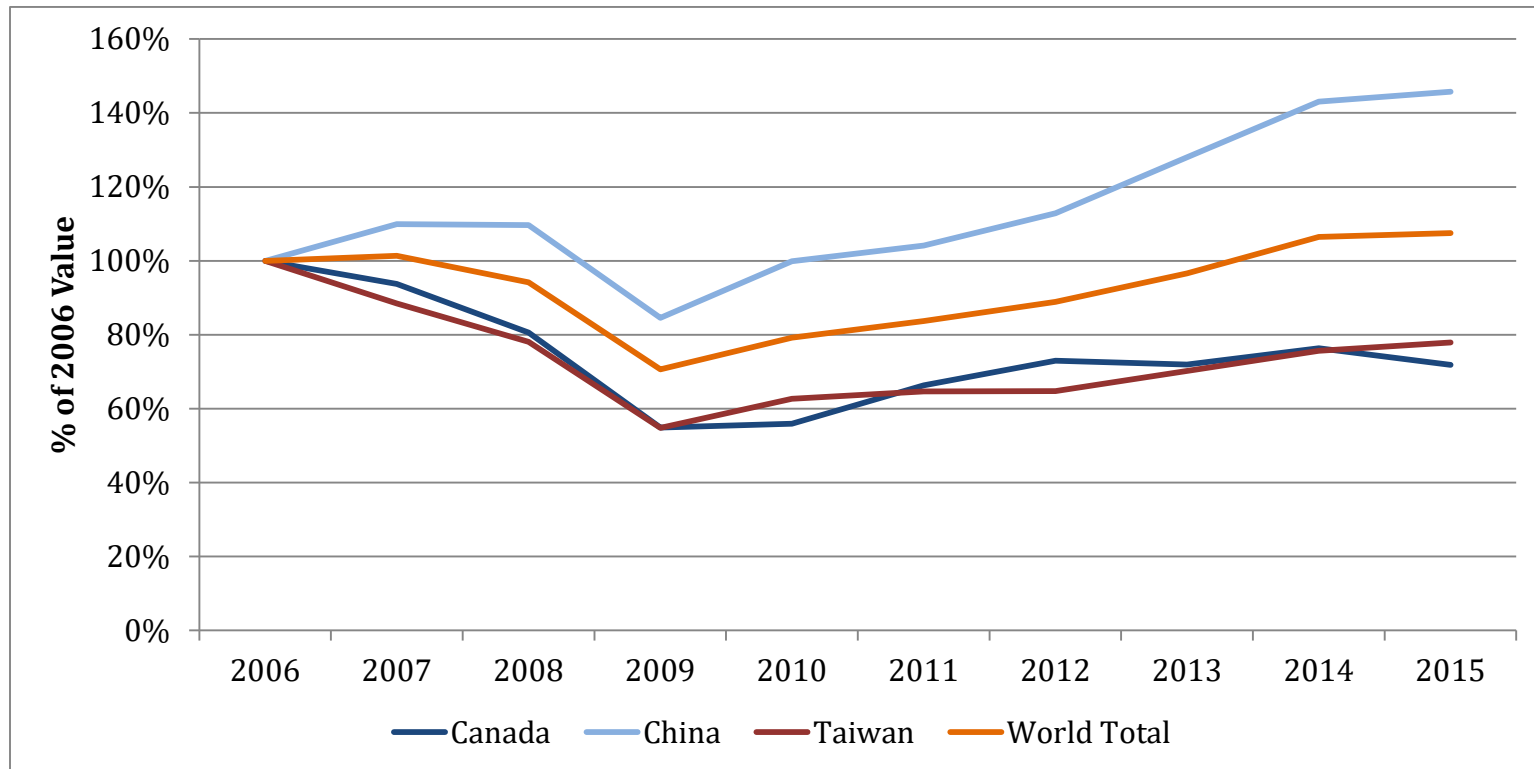


Wood Veneers Imports (2012 - 2015) (\$MM)

| | 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



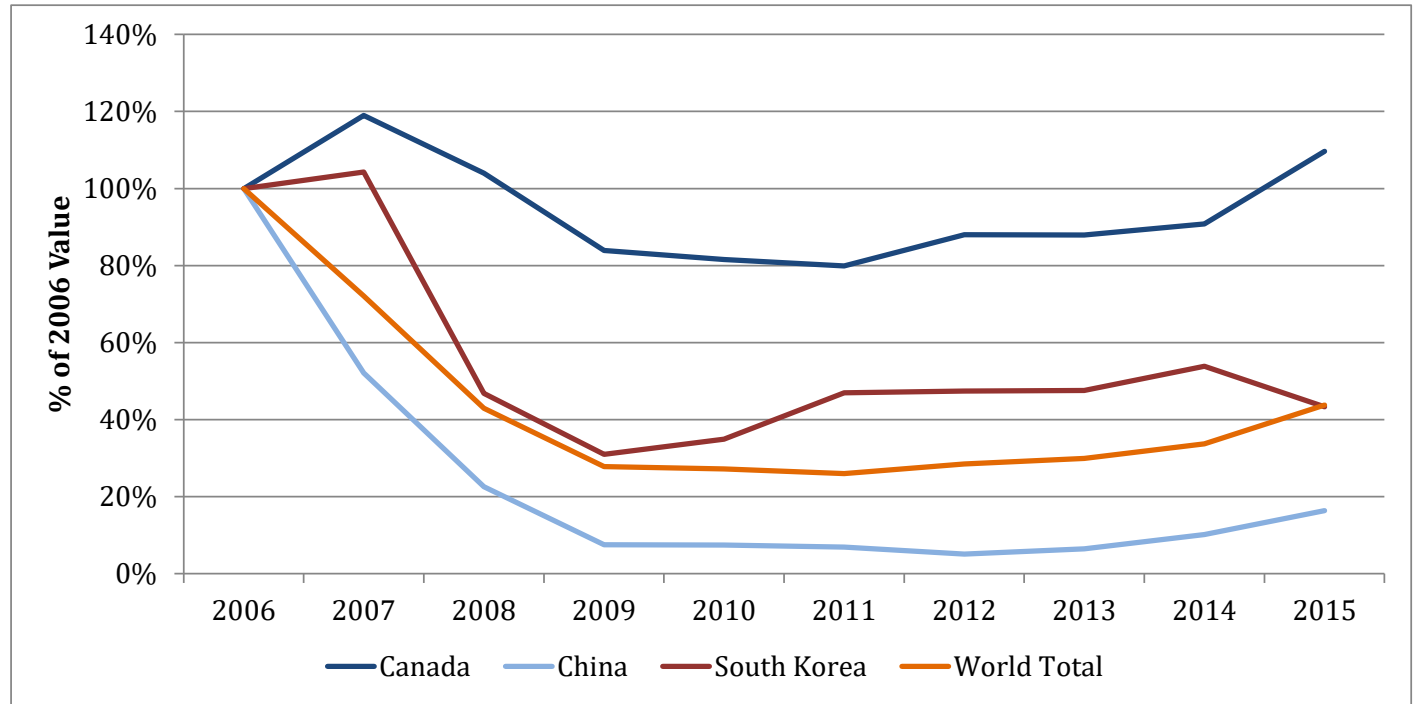
Pipe and Plumbing Fixtures Imports (2012 - 2015) (\$MM)

| | 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.

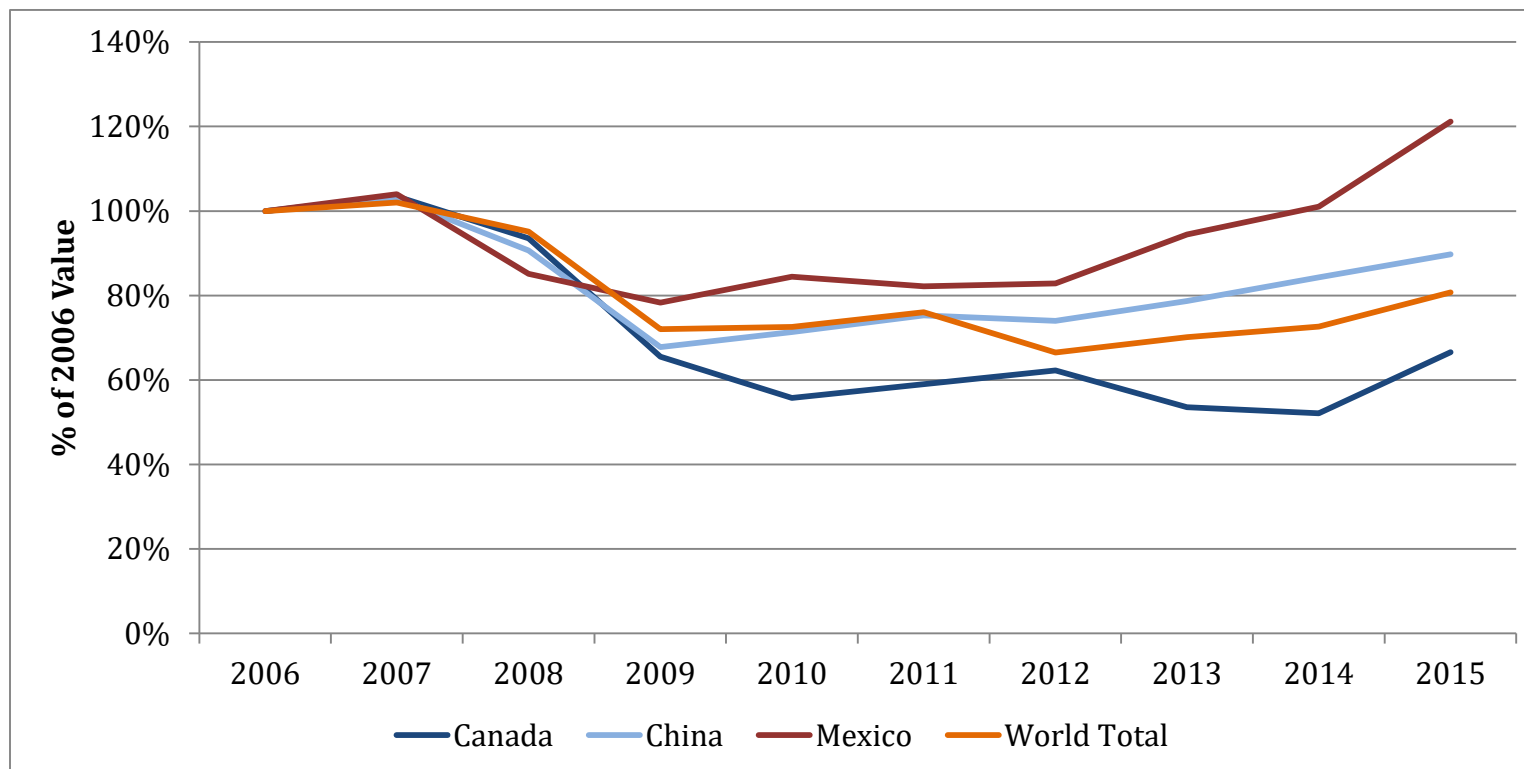


Cement Imports (2012 - 2015) (\$MM)

| | 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



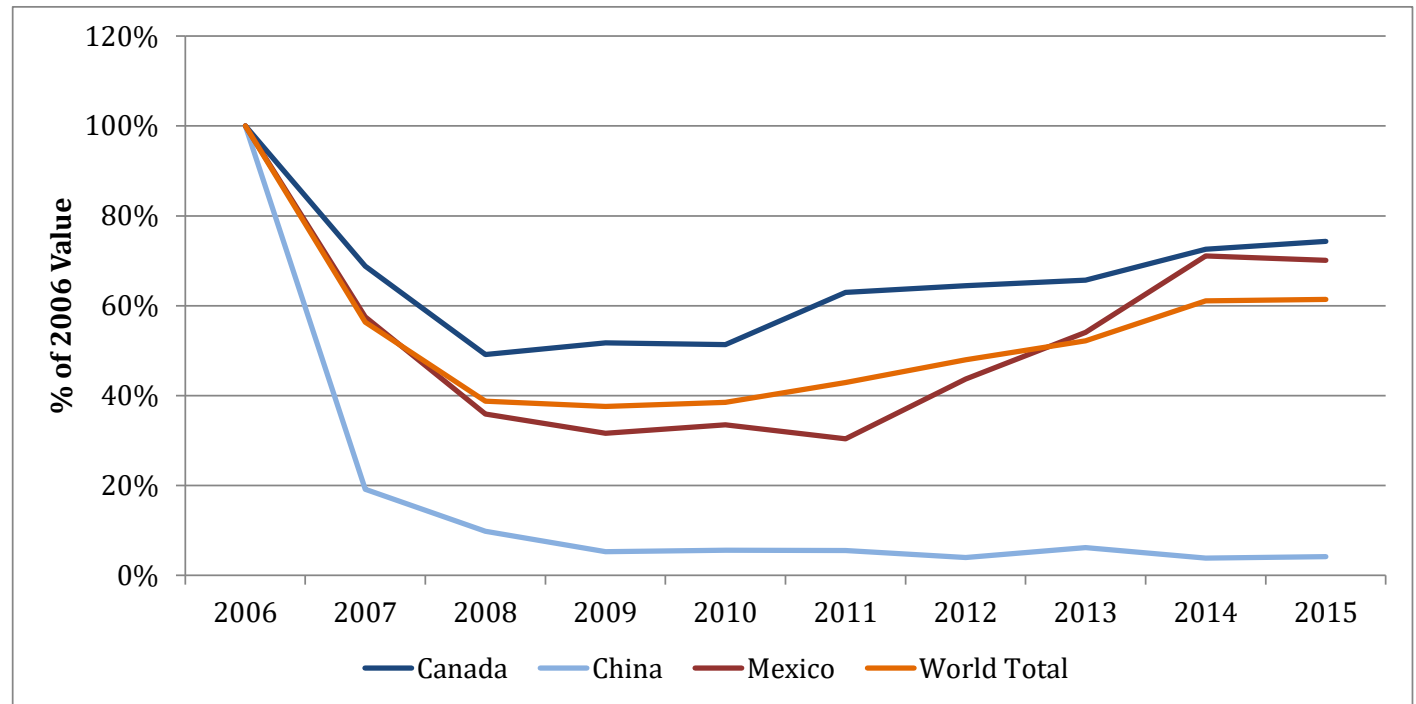
Concrete Products Imports (2012 - 2015) (\$MM)

| | 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



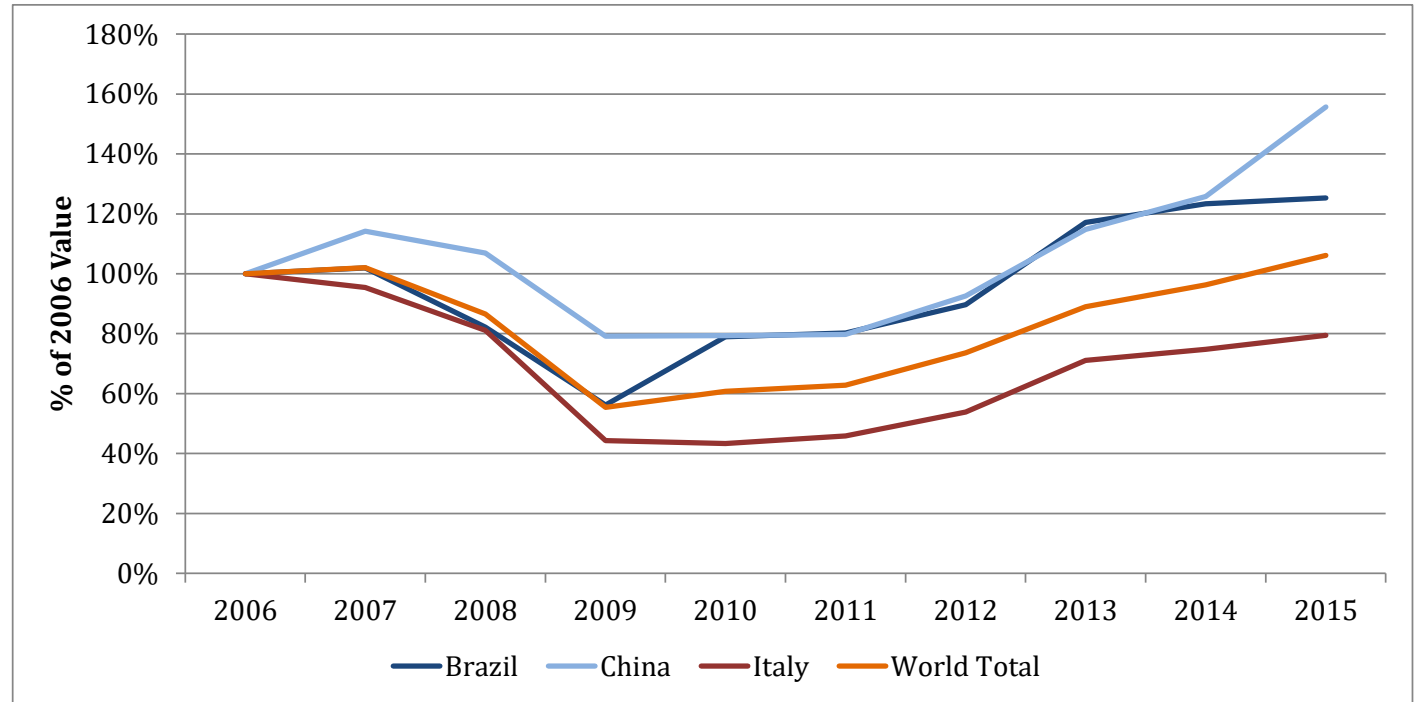
Lime & Gypsum Imports (2012 - 2015) (\$MM)

| | 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



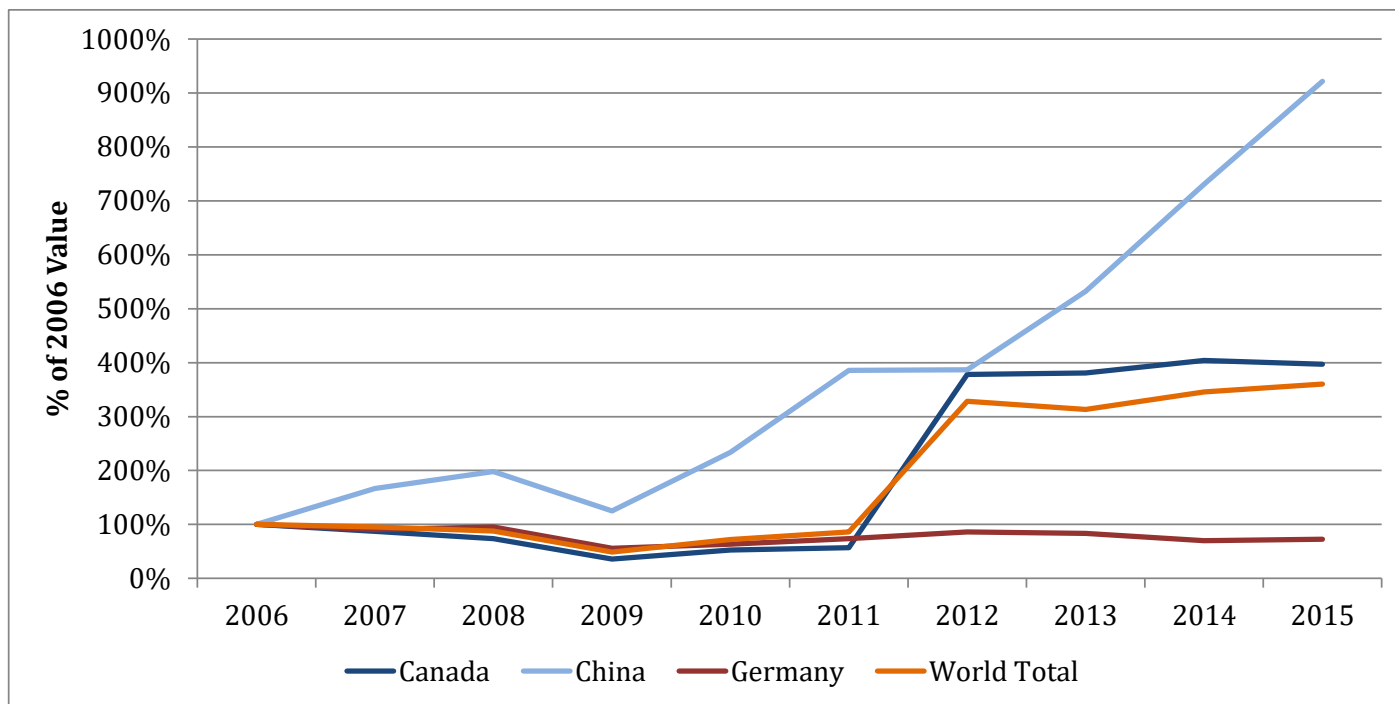
Stone Products Imports (2012 - 2015) (\$MM)

| | 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



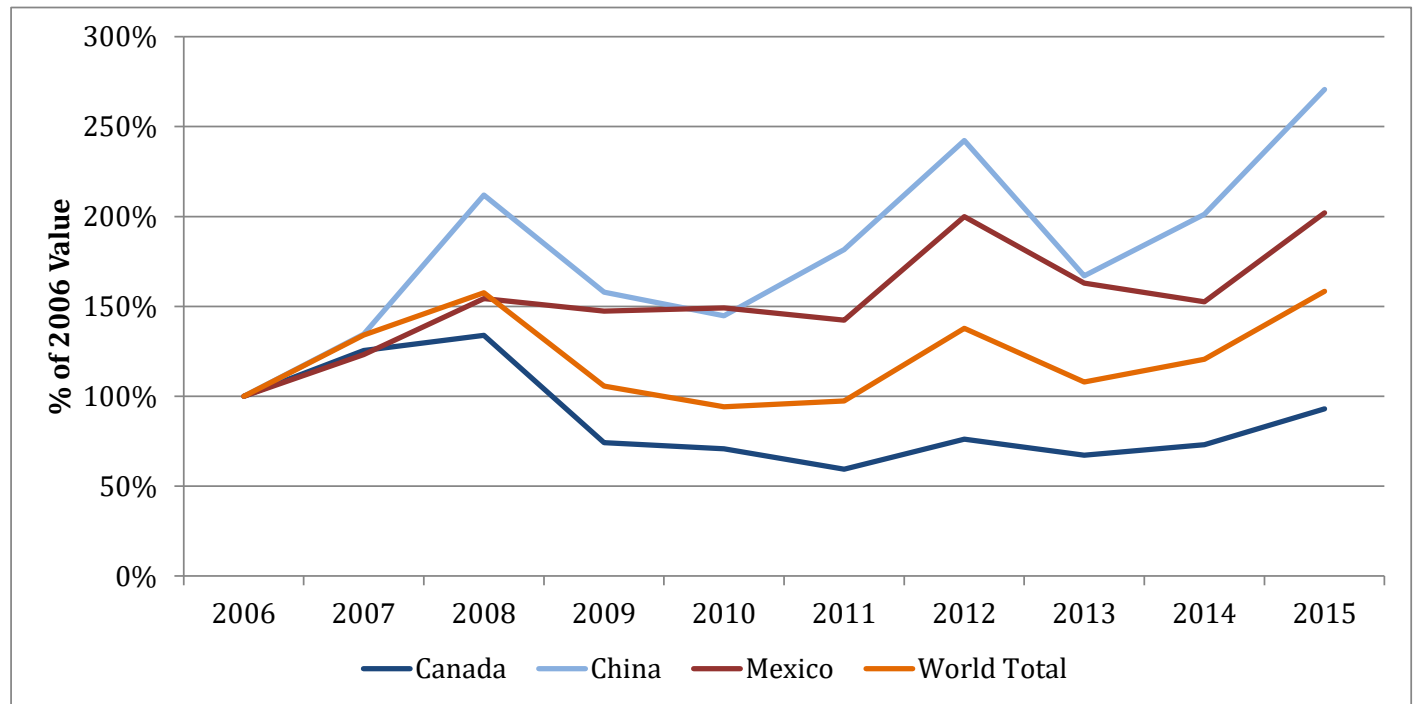
Aluminum Product Imports (2012 - 2015) (\$MM)

| | 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



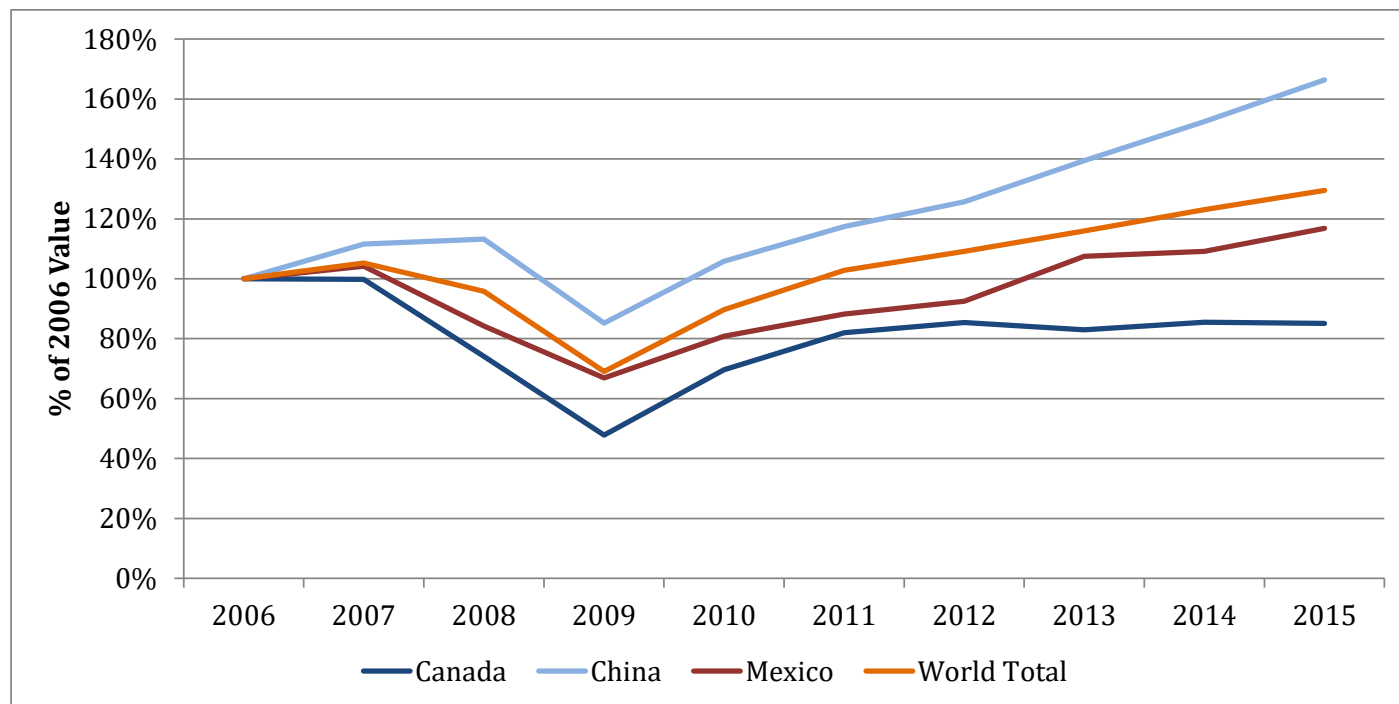
Structural and Architectural Metal Imports (2012 - 2015) (\$MM)

| | 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)



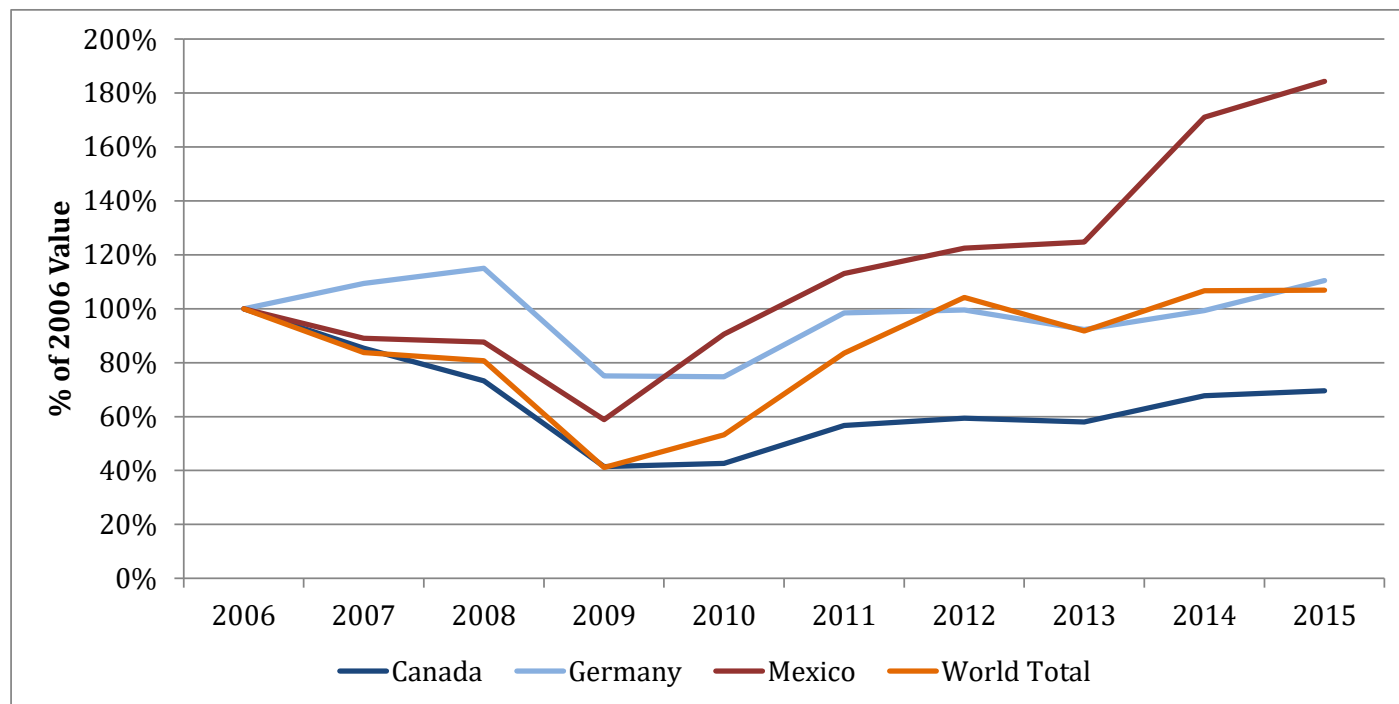
Hardware Imports (2012 - 2015) (\$MM)

| | 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

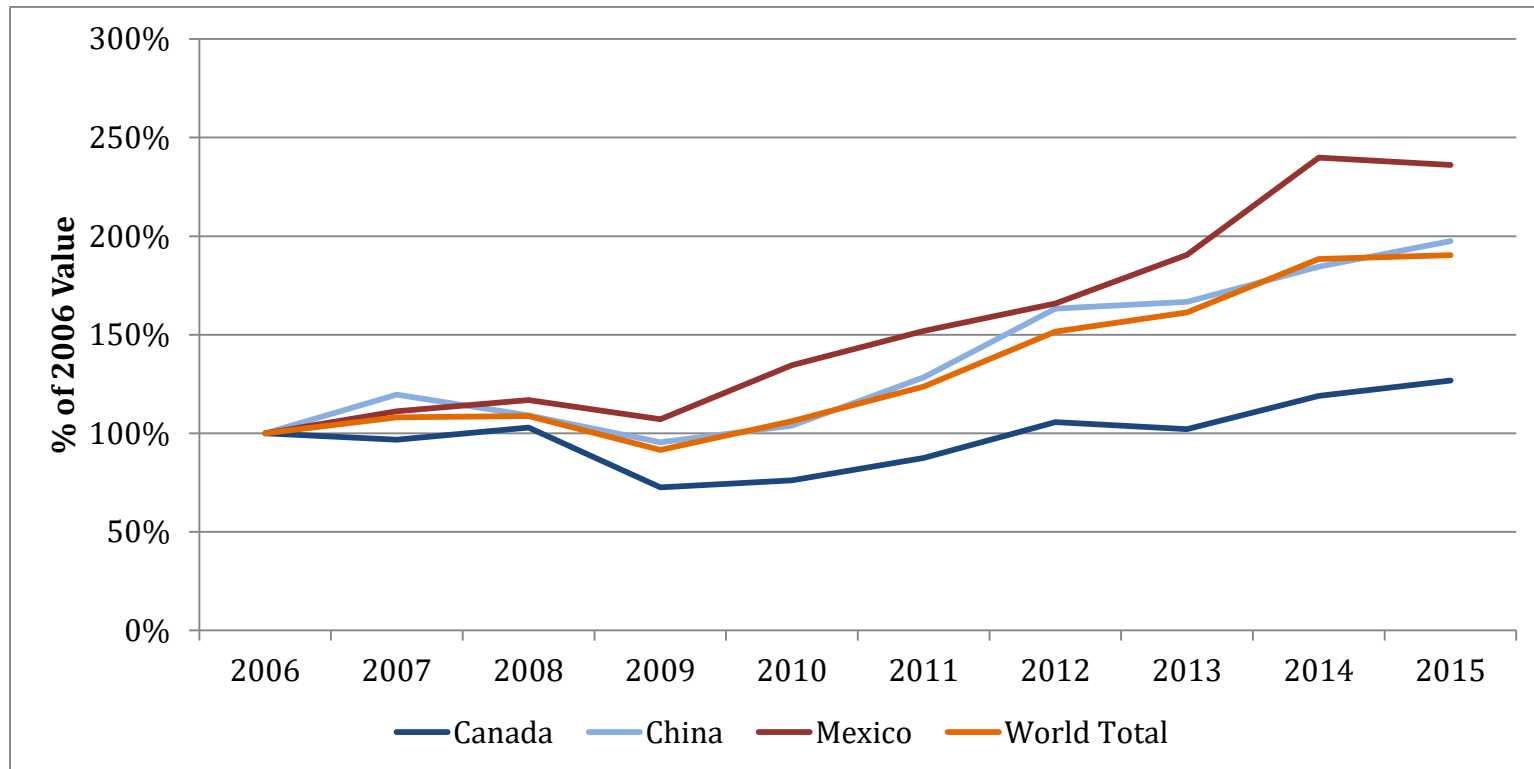


Construction Machinery Imports (2012 - 2015) (\$MM)

| | 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

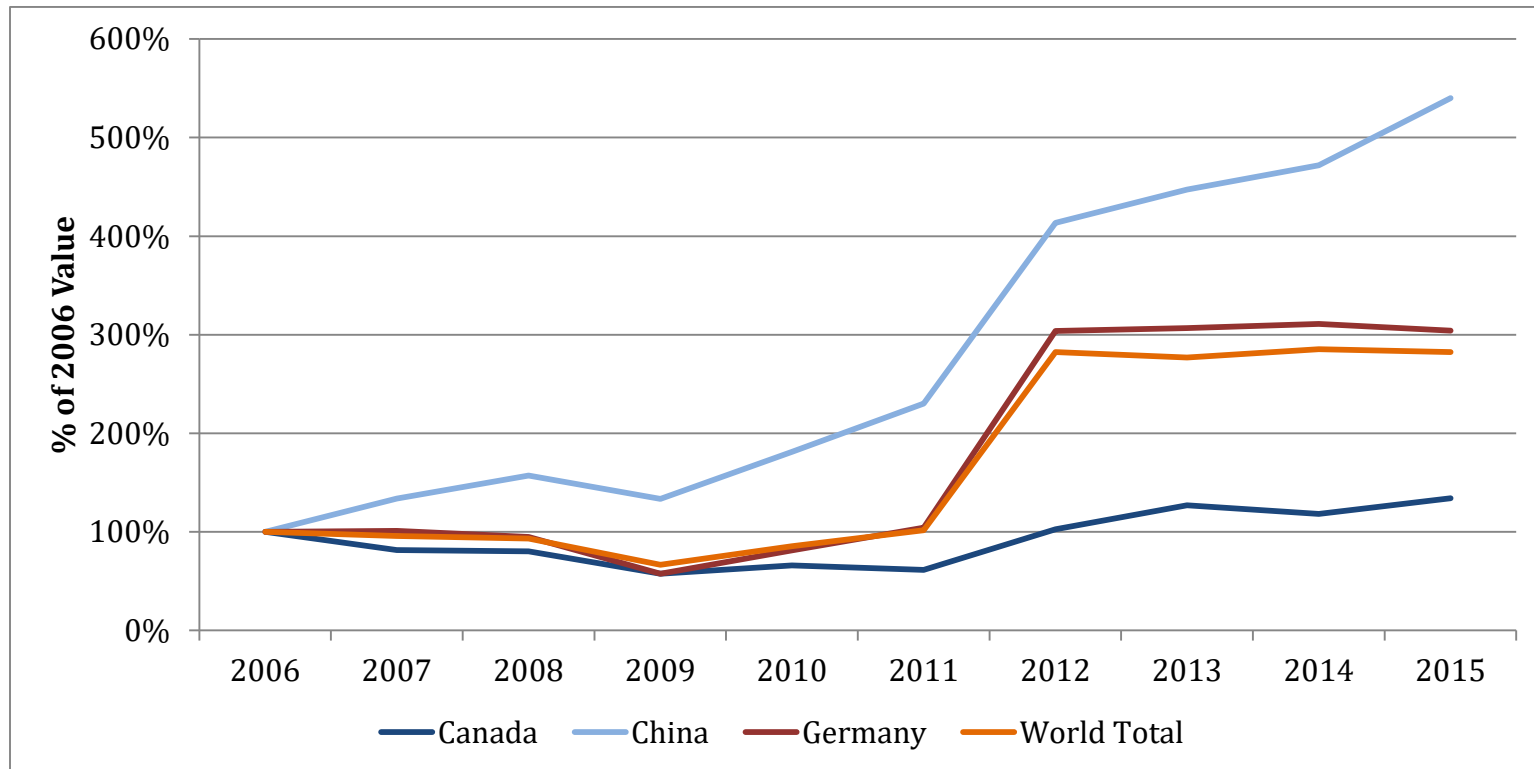


HVAC and Air Flow Imports (2012 - 2015) (\$MM)

| | 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



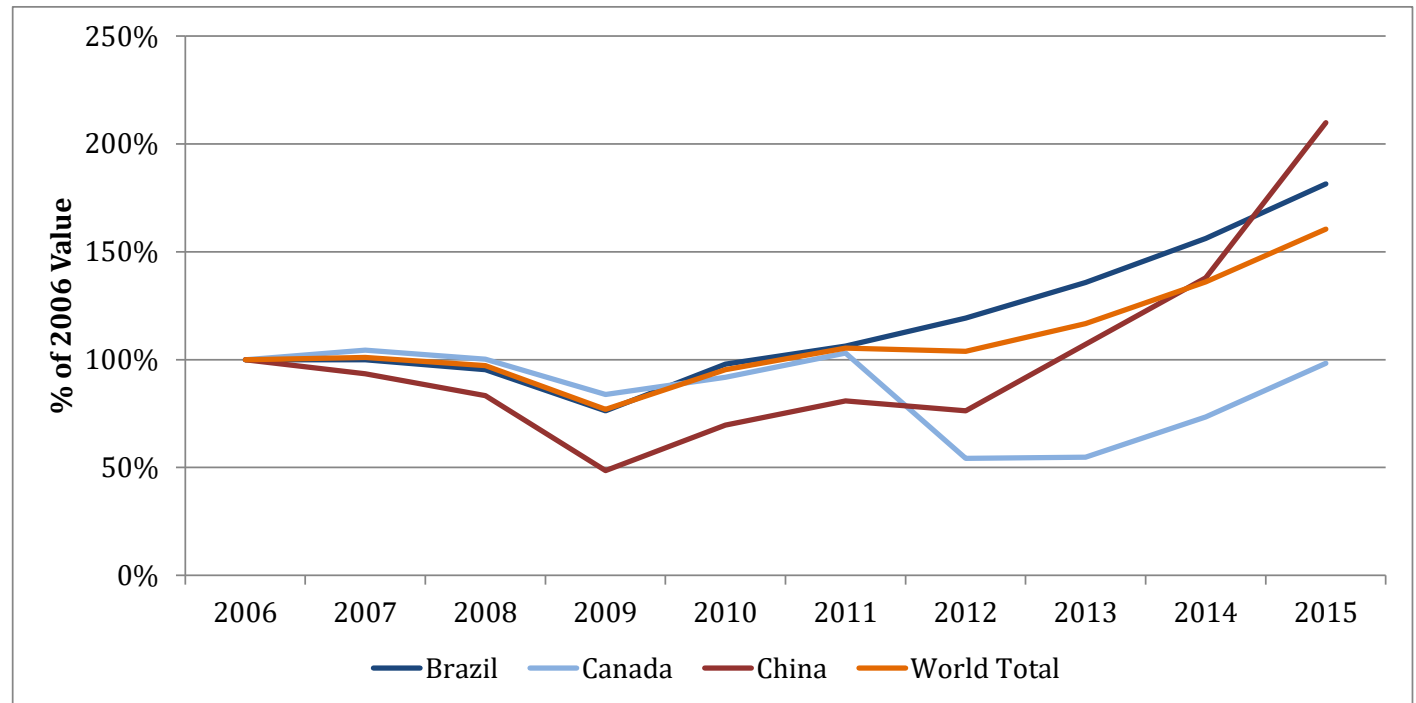
Tool, Die and Mold Imports (2012 - 2015) (\$MM)

| | 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.

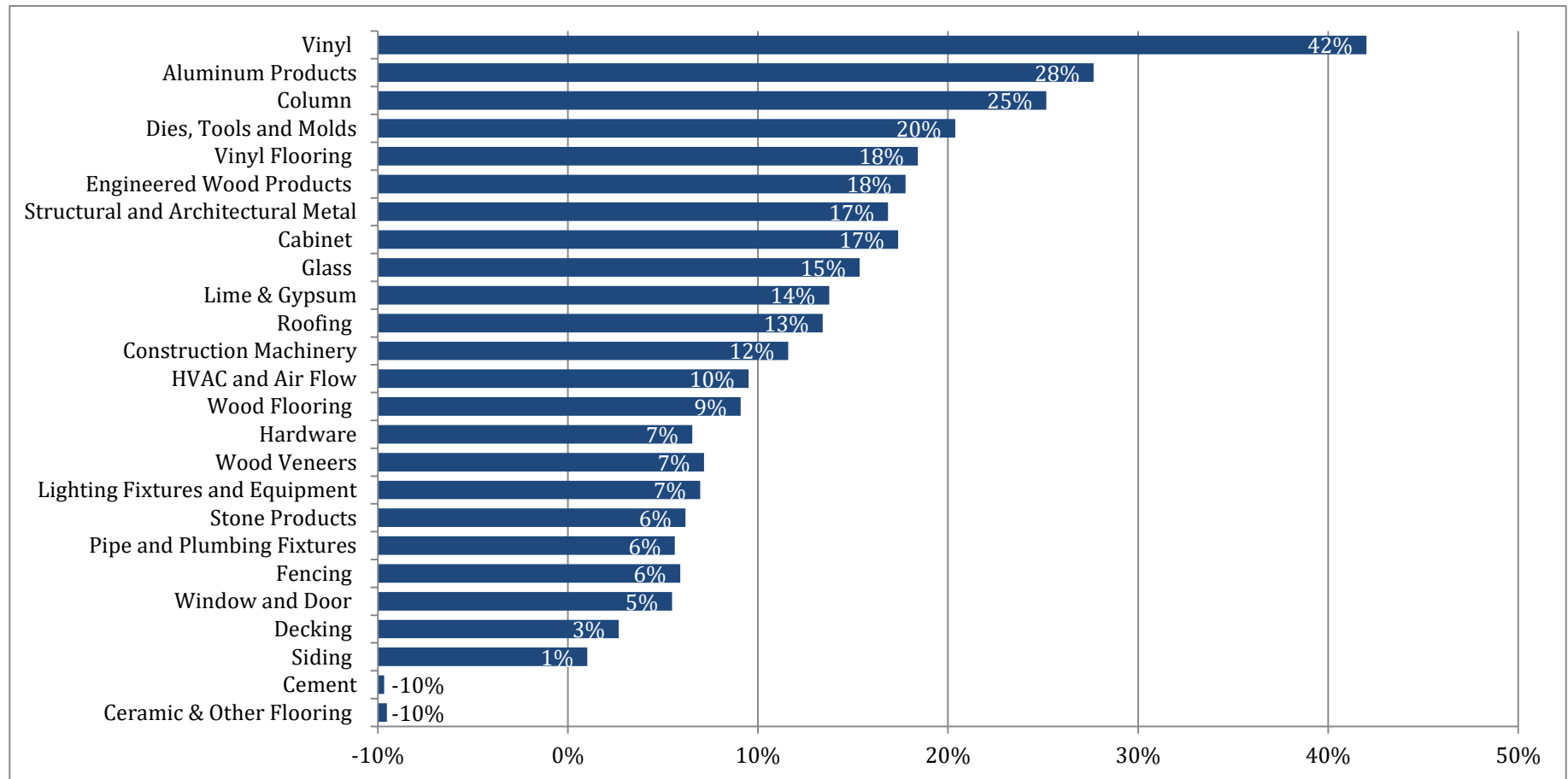


Lighting Fixture and Equipment Imports (2012 - 2015) (\$MM)

| | 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:

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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.



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