



*FCW Executive Quarterly Index*  
*May 2012*

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*FCW Executive Quarterly Index*

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*Key Conclusions*

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## ***Key Conclusions from the FCW Executive Quarterly Index***

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### **Near-term sales (1Q)**

- Sales growth across the flooring industry improved in 1Q relative to 4Q.
  - 1Q 2012 sales were up 4% versus 4Q 2011 sales up 2%.
- 1Q sales growth looks to be ahead of growth expectations/forecasts.
  - Retailers and Distributors outperformed expectations. Manufacturers were closer to in-line with expectations.
- The Southwest region saw the strongest sales growth year/year during 1Q.
  - The Southwest region is also the area with the most favorable new construction growth outlooks for 2012 (sales growth forecasts up 4% in Southwest versus total country forecasted up 1-2%).

### **Medium-term sales forecasts (2012)**

- Sales growth forecasts for 2012 have moved roughly 1 point higher over the last 90 days.
  - Manufacturers and Distributors have raised 2012 sales growth forecasts 1-2 points. Retailers are unchanged.
- The Residential Replacement end market is expected to be the strongest market in 2012 (up 5%, total industry up 4-5%).
  - The Commercial end market is expected up 4% range.
  - New Construction end market is expected up 1-2% range.

### **Input costs and profits**

- Input cost outlooks across the flooring industry moved a bit higher versus 90 days ago (up 4%+ range for 2012, now similar to 2011).
  - Manufacturers most notably seeing growing pressure on costs over the last 90 days.
  - The survey is near unanimous that there has been no move lower in input costs to begin the year.
- 2012 profit outlooks have moved slightly lower during 1Q (driven by some increased pressure from input costs).

### **Business management**

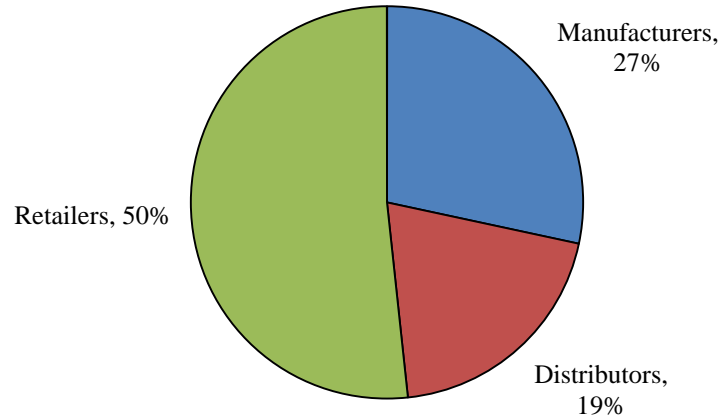
- Respondents are seeing net hiring across the flooring industry, led by Distributors. Manufacturers and Retailers also look to be net adding to staffs during 1Q.
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# *FCW Executive Quarterly Index*

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## *Background*

**Respondent Breakdown - April 2012**

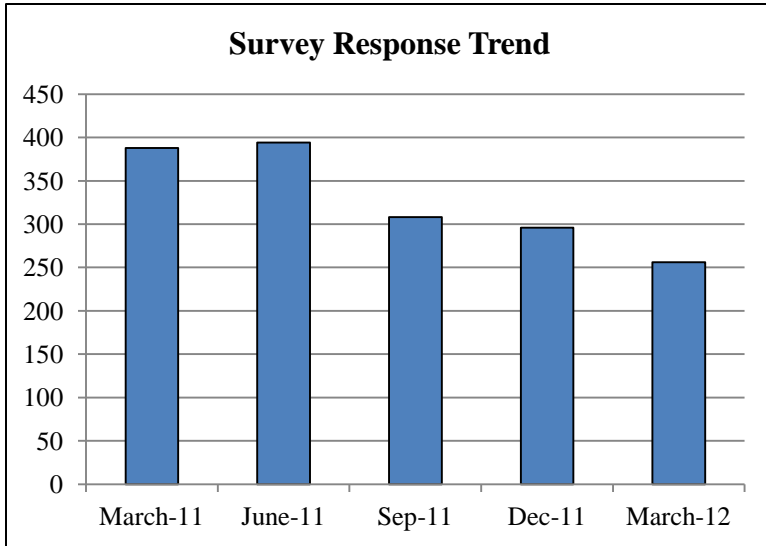


**Survey Responses - By Type**

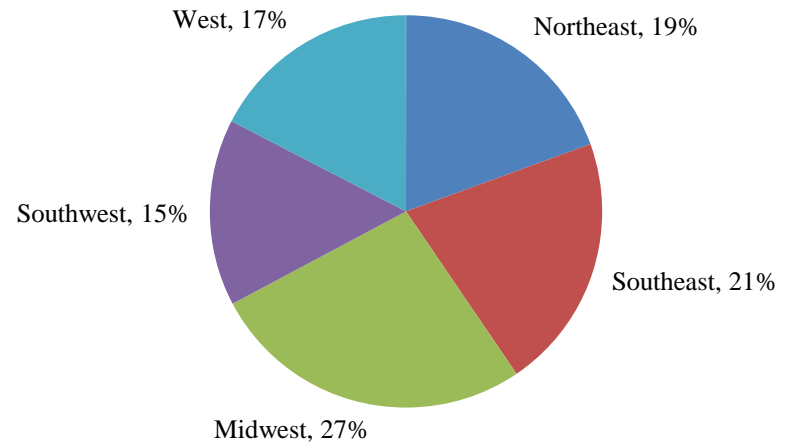
Responses	March-11	June-11	Sep-11	Dec-11	March-12
Manufacturers	144	118	106	84	67
Distributors	96	74	58	59	48
Retailers	148	202	144	153	141
<b>Total</b>	<b>388</b>	<b>394</b>	<b>308</b>	<b>296</b>	<b>256</b>

*Source: FCW Executive Trends Survey*

**Breakdown of FCW Respondents**



**Geographic Distribution of Responses (US Only)**

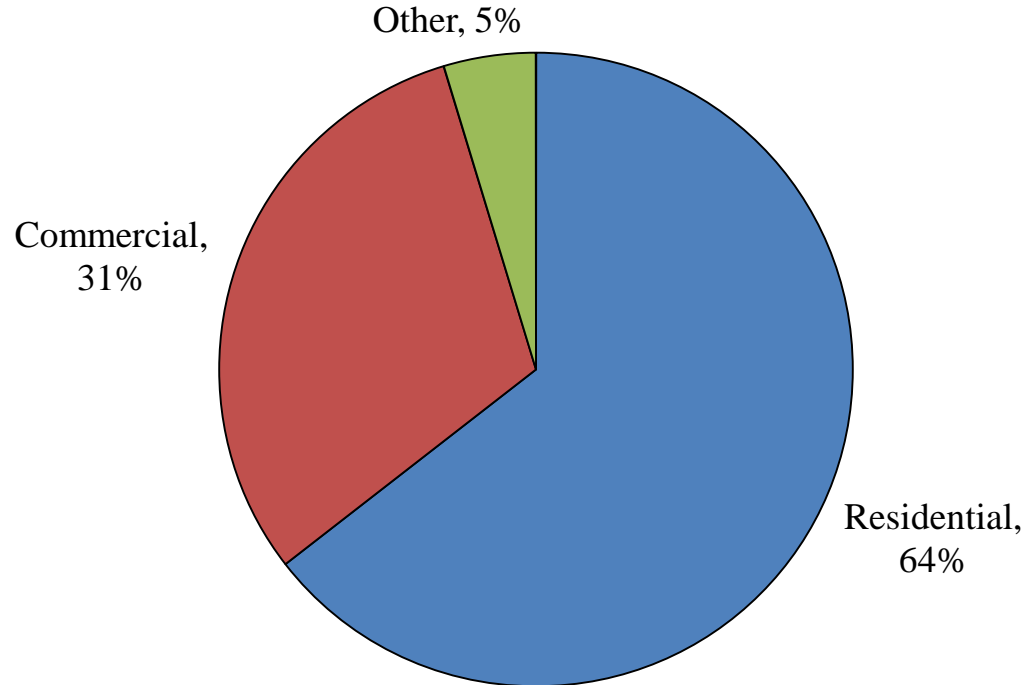


**Survey Responses - By Geography**

Northeast	48	Canada	11
Southeast	52	Europe	2
Midwest	66	Other/Global	3
Southwest	38		
West	43		
All US Regions	42		

Source: FCW Executive Trends Survey

### End Market Exposure of Respondents



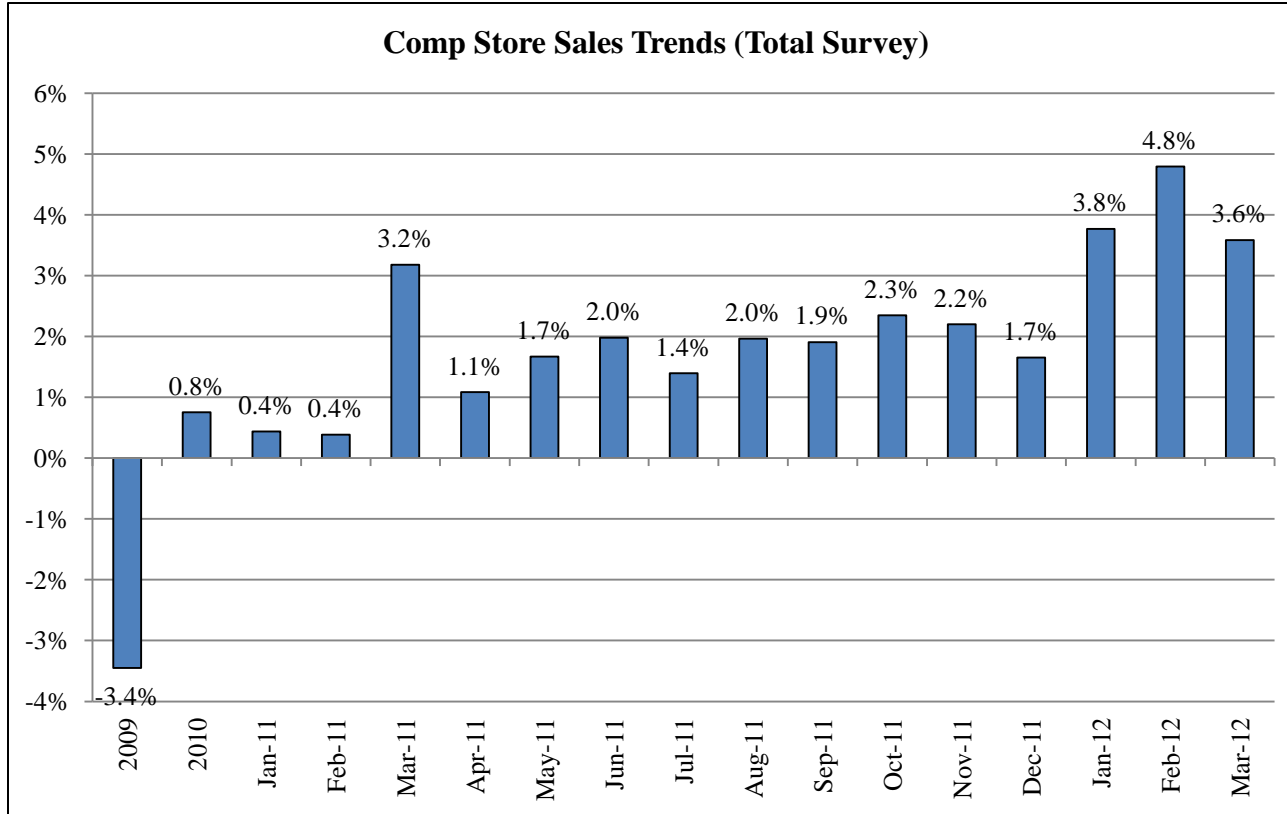
***FCW Executive Quarterly Index***

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***Demand Trends***

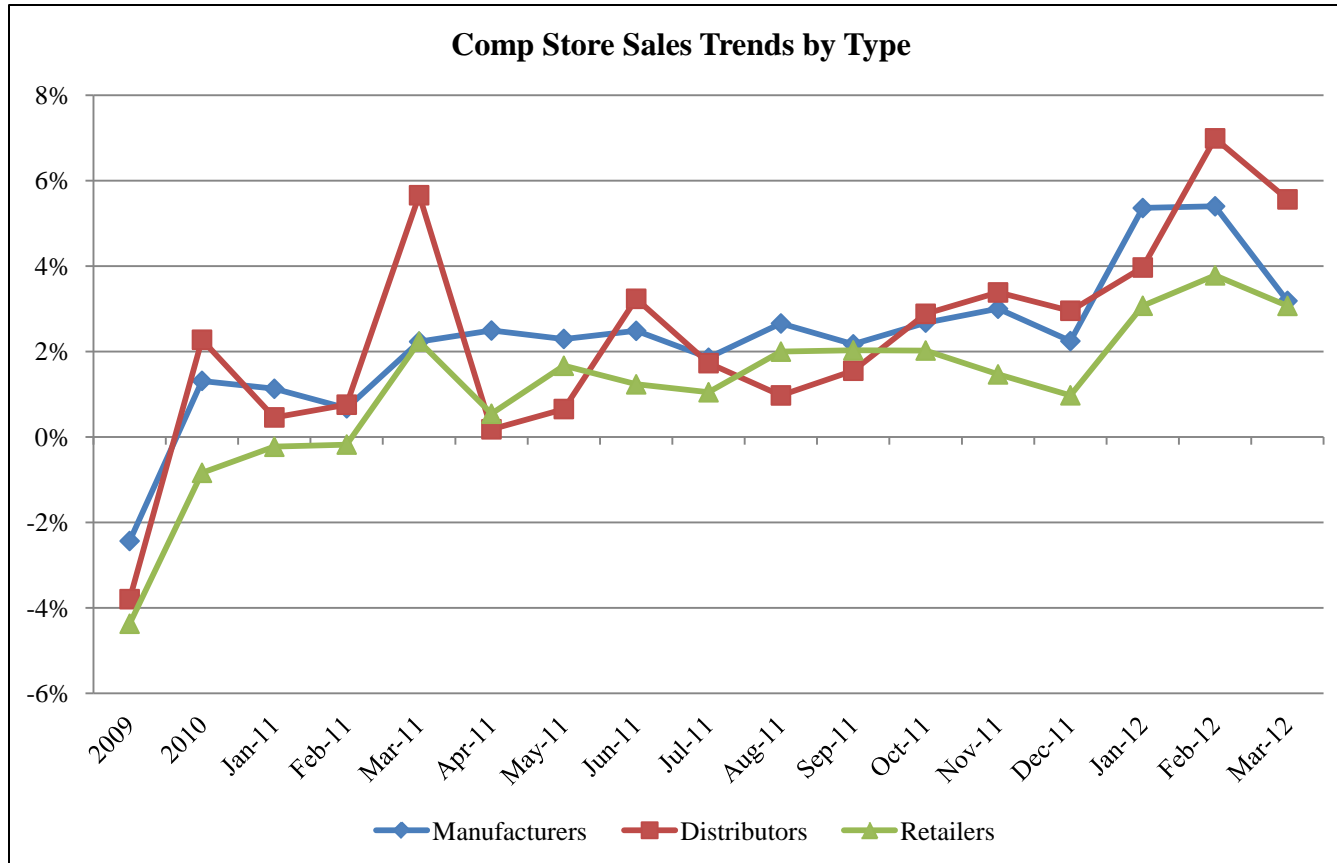


*1Q Growth Improves Versus 4Q, February Strongest Month*



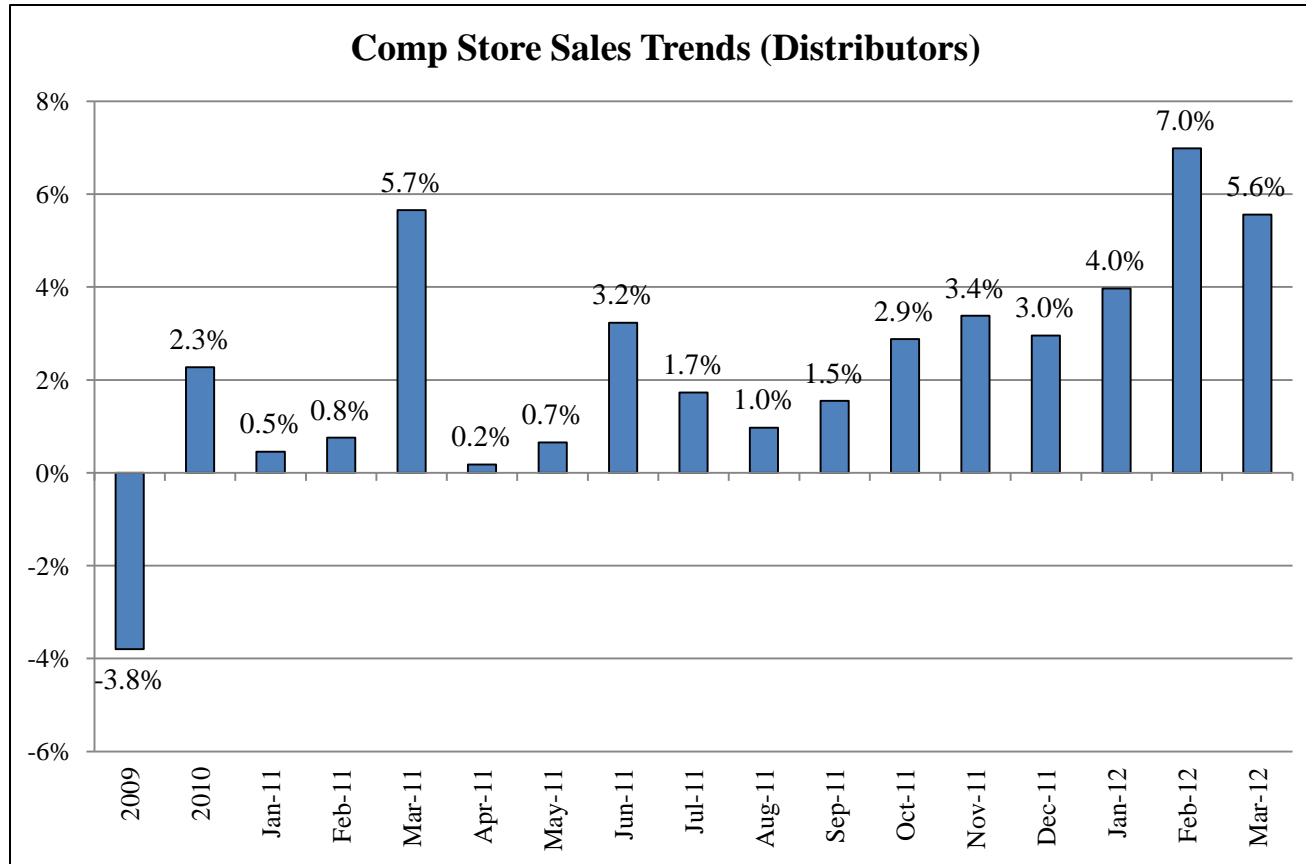
Source: FCW Executive Trends Survey

*Distributors Show Best Sales Growth Performance Year/Year in 1Q*



Source: FCW Executive Trends Survey

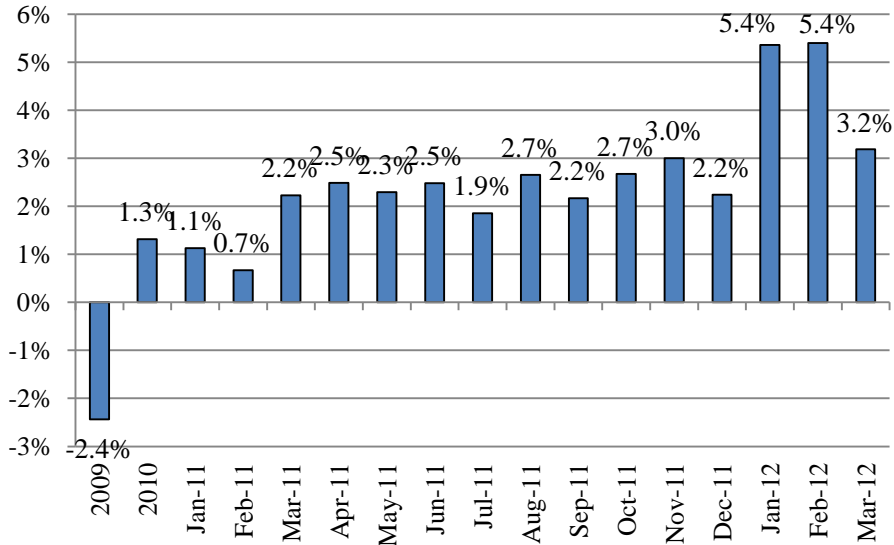
*All Segments Showed Sales Improvement in 1Q, Distributors Strongest*



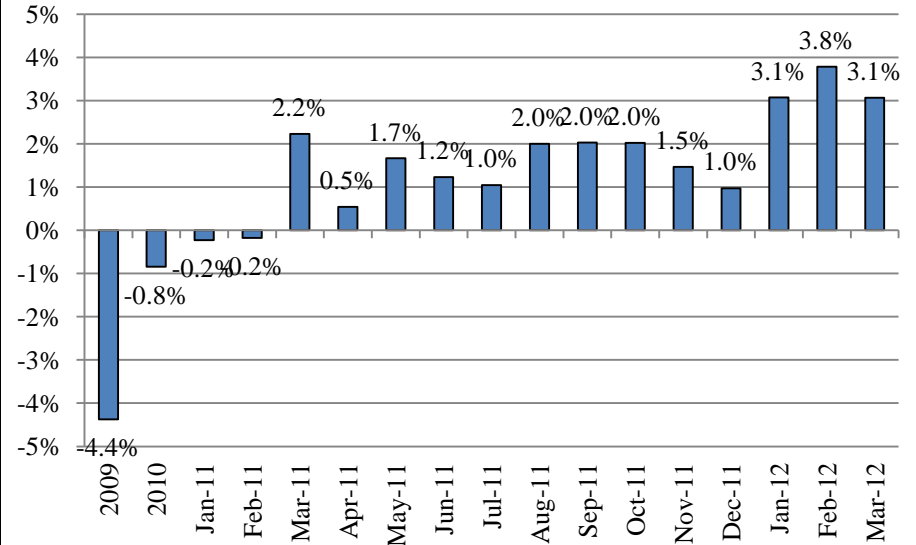
Source: FCW Executive Trends Survey

**Manufacturer Sales Improvement in 1Q Outpaced Retail, March Softest Month**

**Comp Store Sales Trends (Manufacturers)**

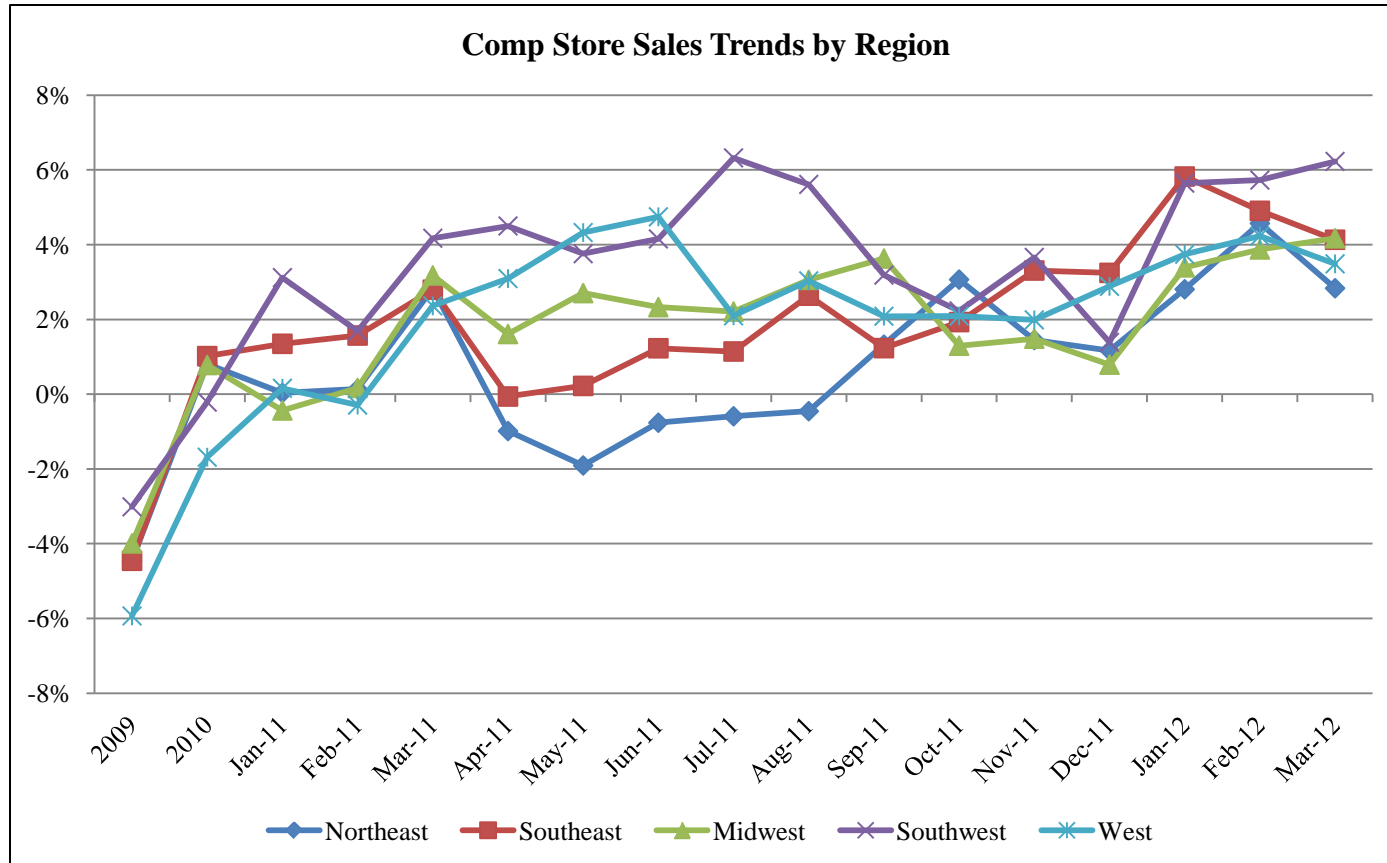


**Comp Store Sales Trends (Retailers)**



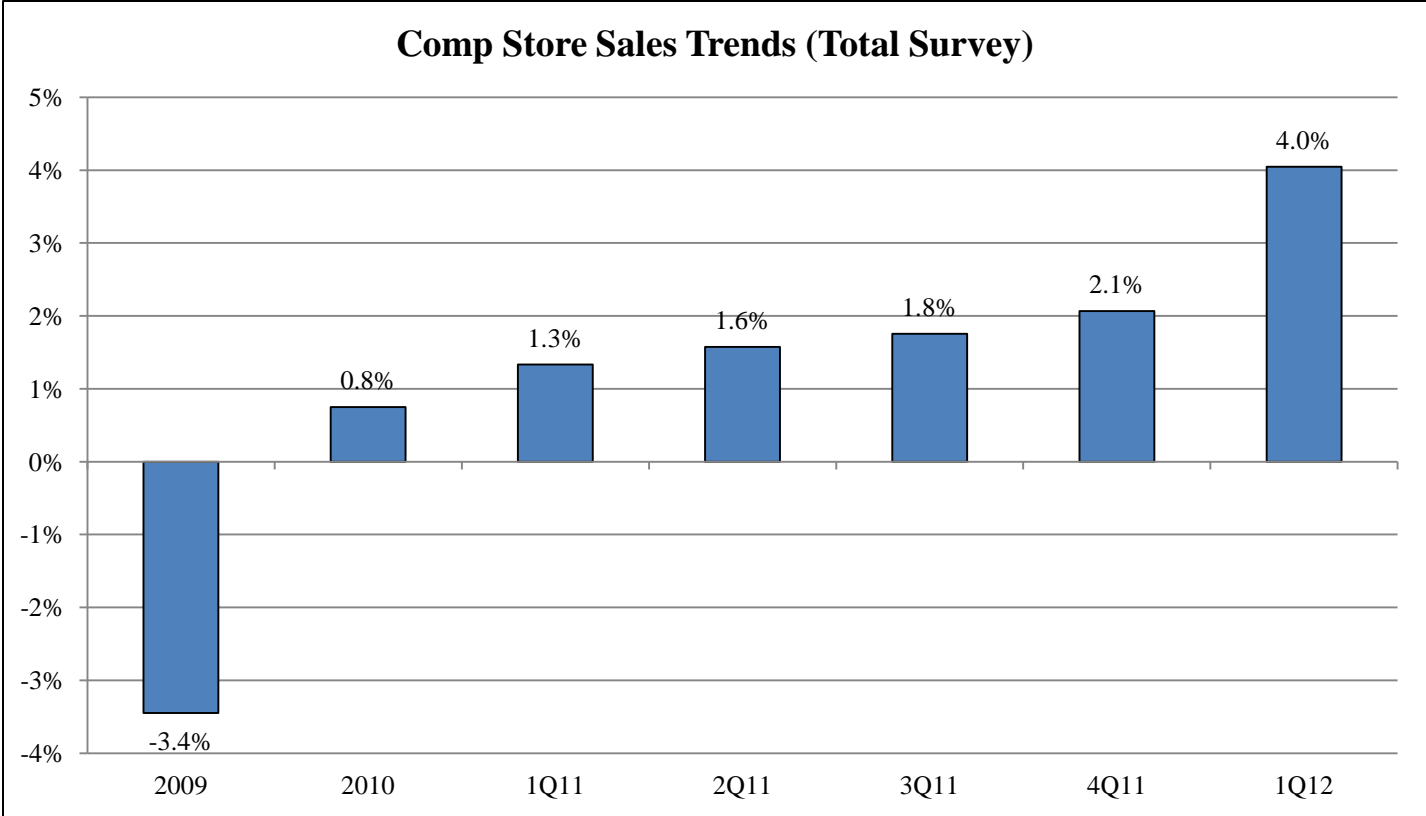
Source: FCW Executive Trends Survey

*Southwest Region Strongest, Southwest and Midwest Improve Thru Quarter*



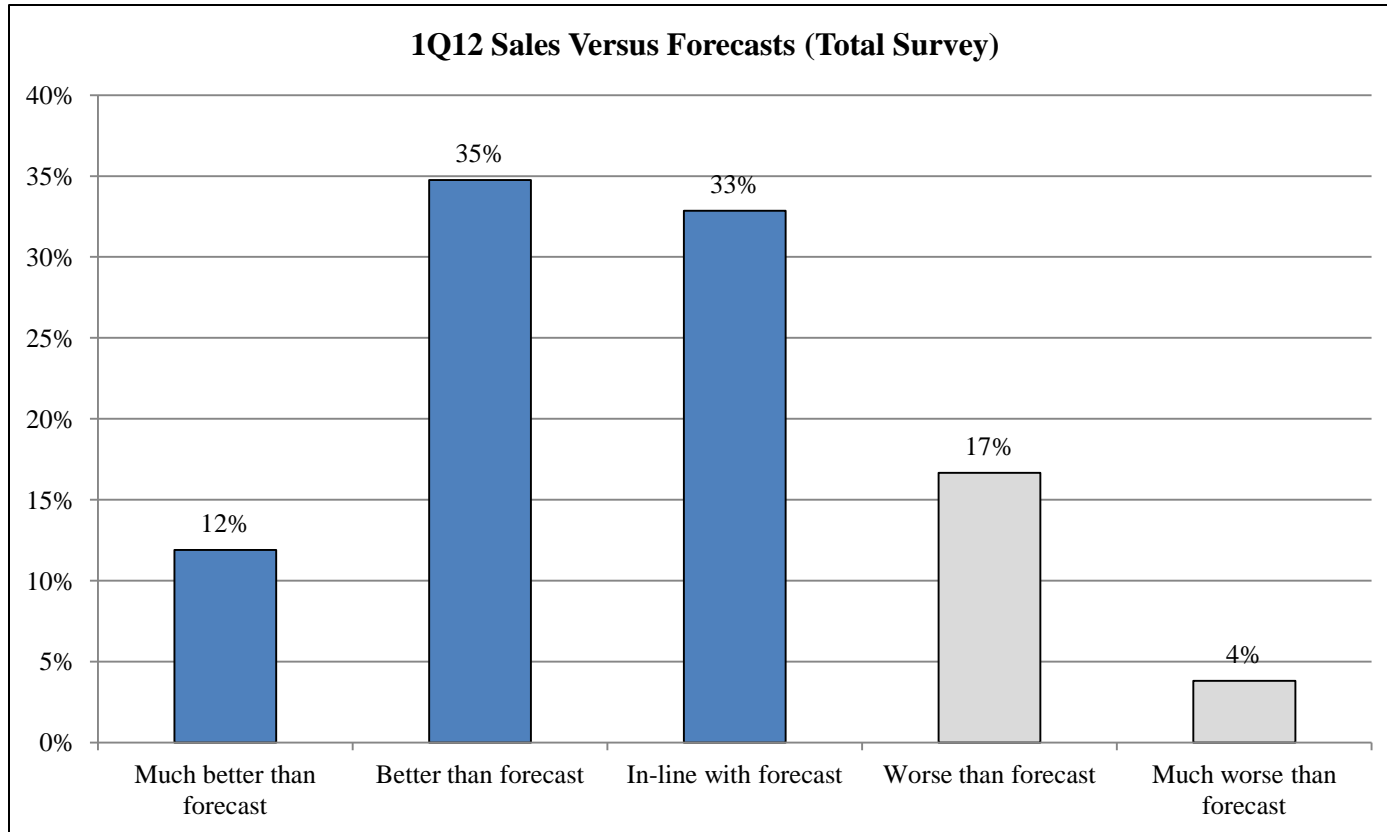
Source: FCW Executive Trends Survey

*Respondents Sales Growth Improved 2 Points Year/Year in 1Q Versus 4Q*



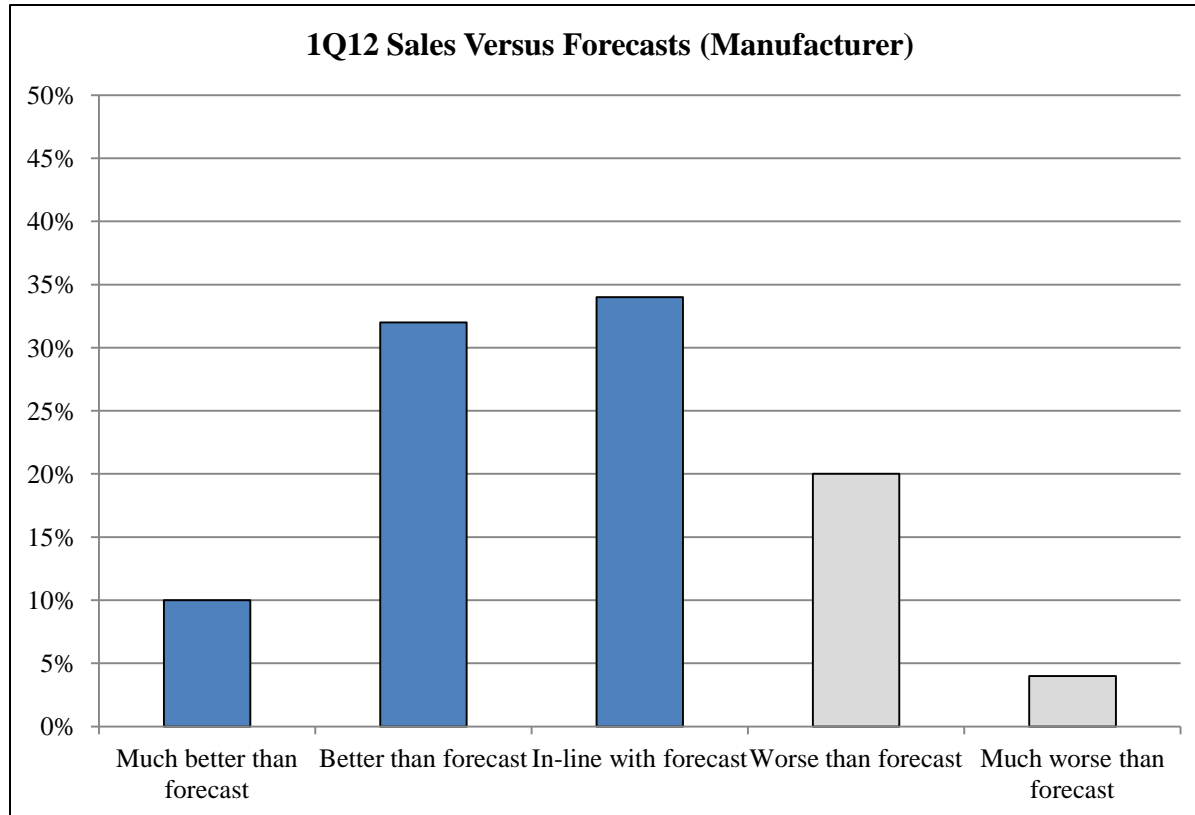
Source: FCW Executive Trends Survey

## 1Q Sales Growth Mostly Ahead of Expectations



Source: FCW Executive Trends Survey

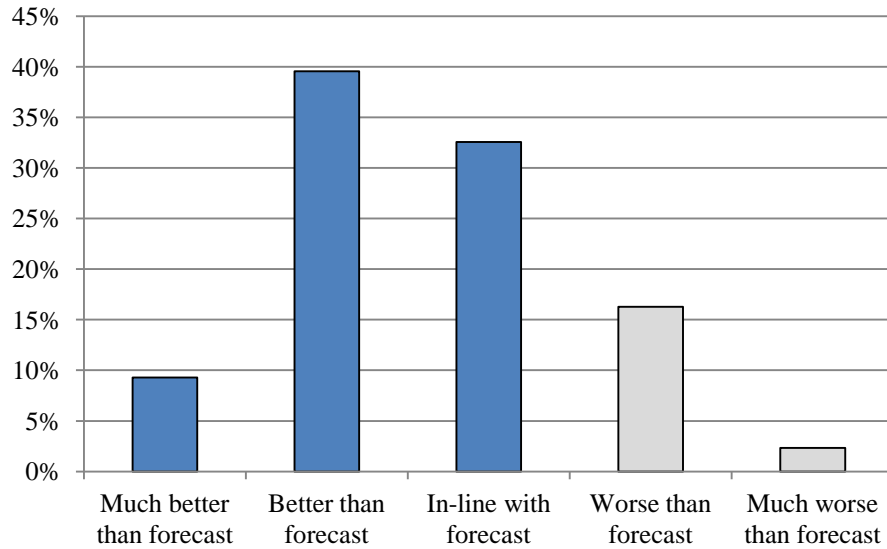
*Manufacturers Were Relatively Closer to Plan in 2012...*



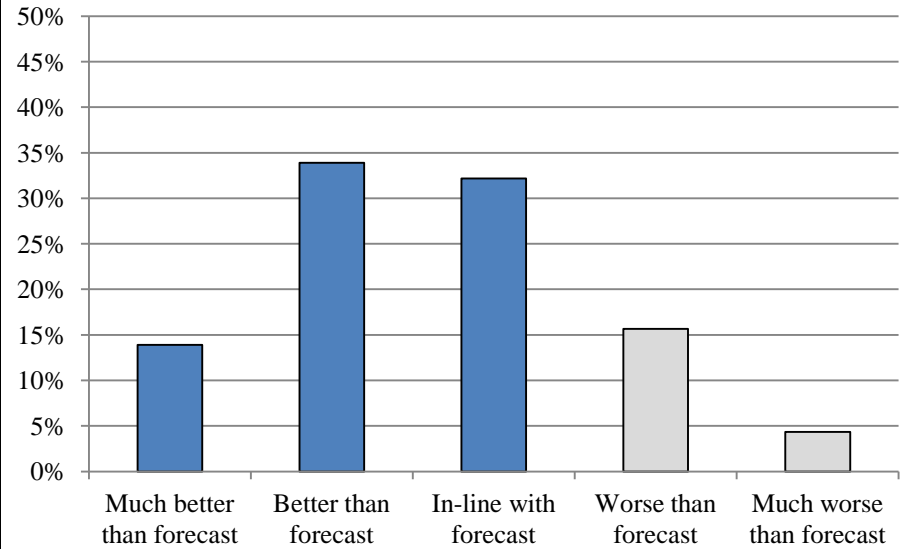


*... While Distributors Were More Broadly Ahead of Expectations*

**1Q12 Sales Versus Forecasts (Distributor)**

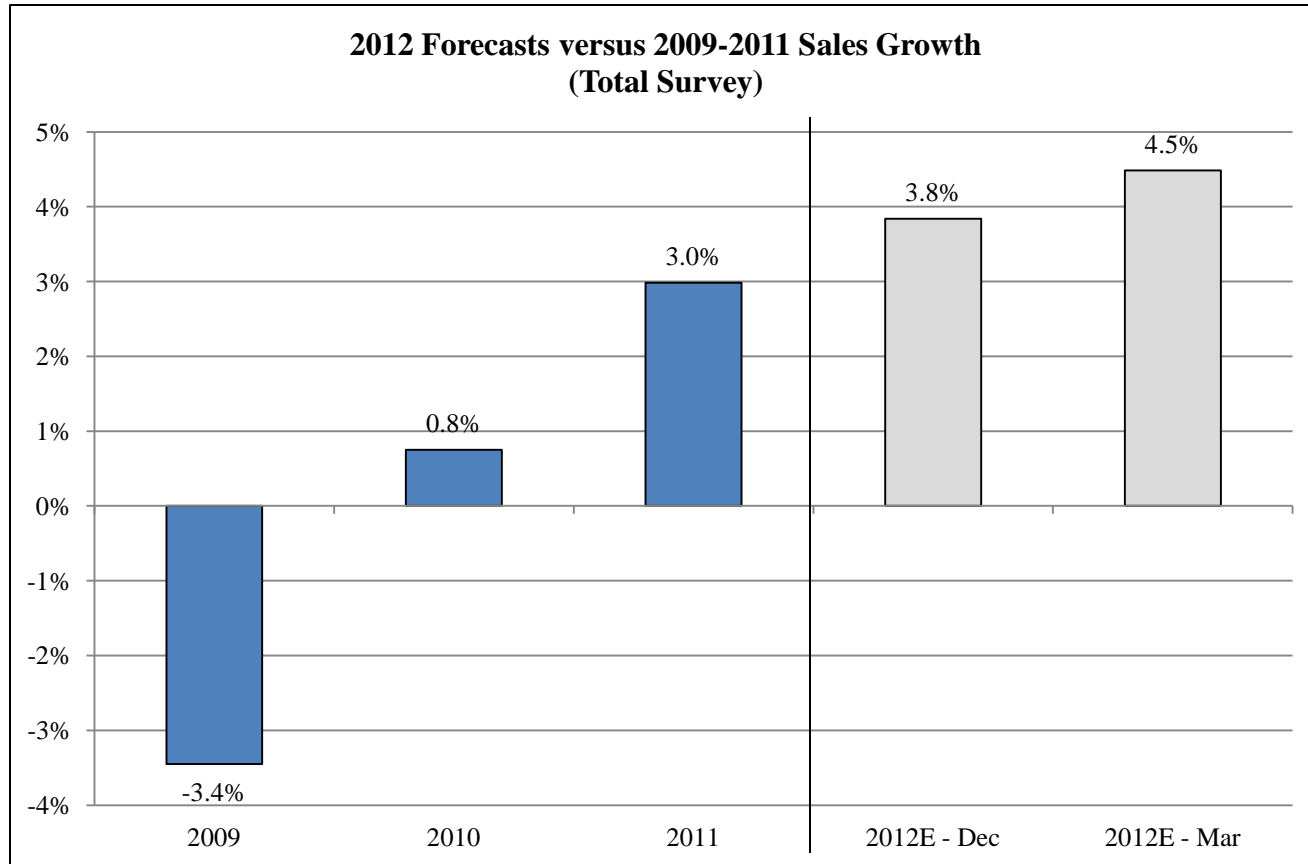


**1Q12 Sales Versus Forecasts (Retailer)**



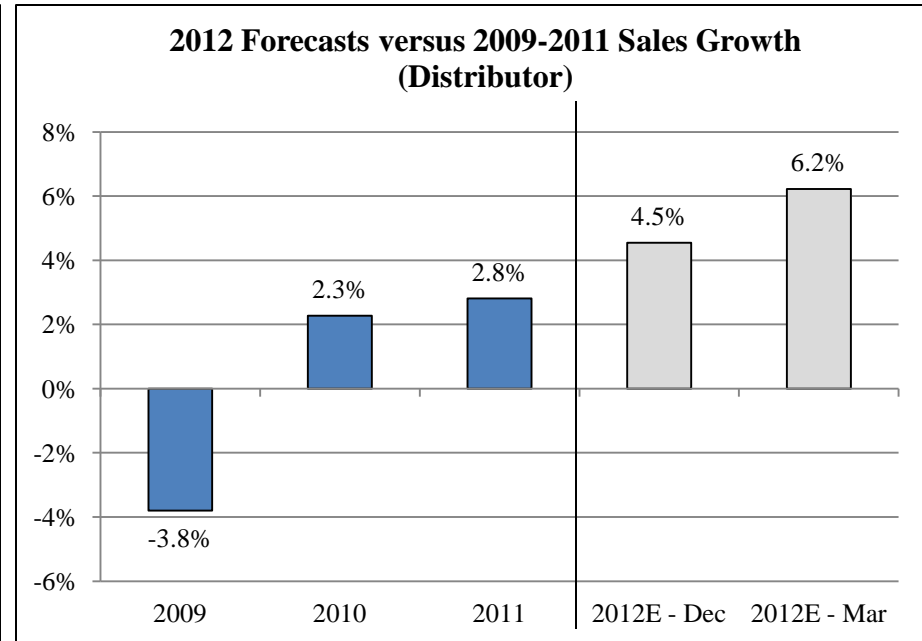
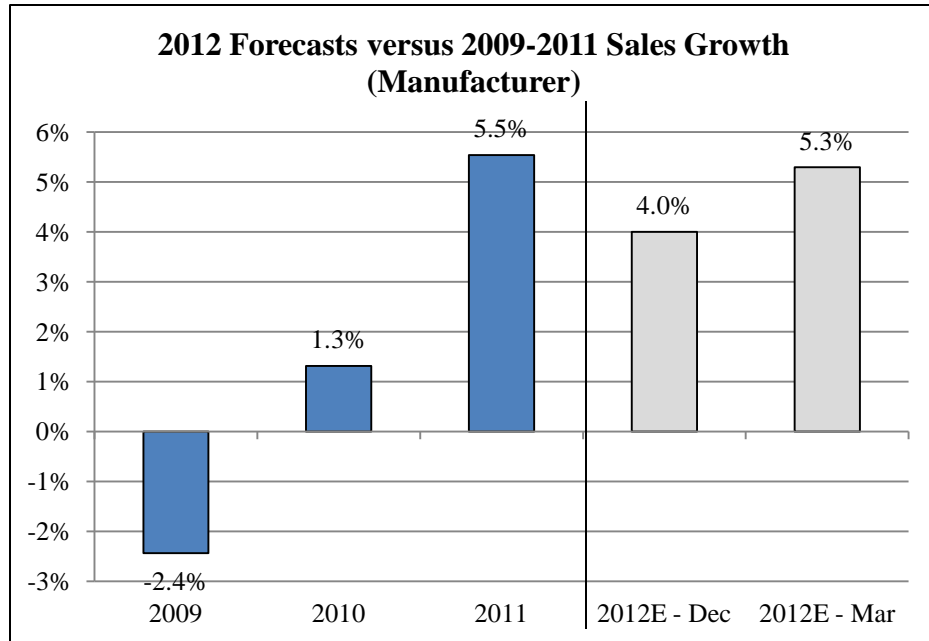
Source: FCW Executive Trends Survey

**2012 Forecasts Now Up 4.5% Versus Prior 3.8%**



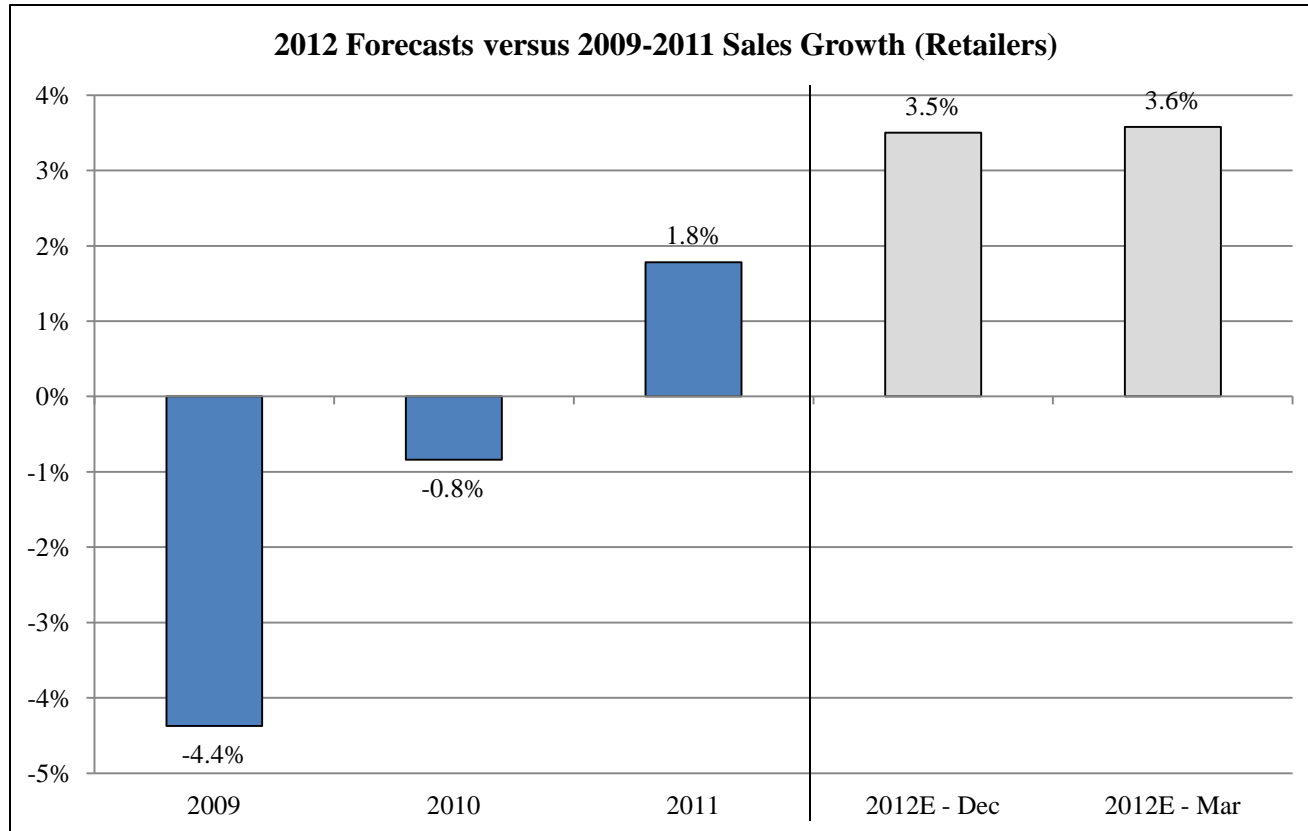
Source: FCW Executive Trends Survey

***Manufacturers and Distributors Are Raising Outlooks 1-2 Points...***



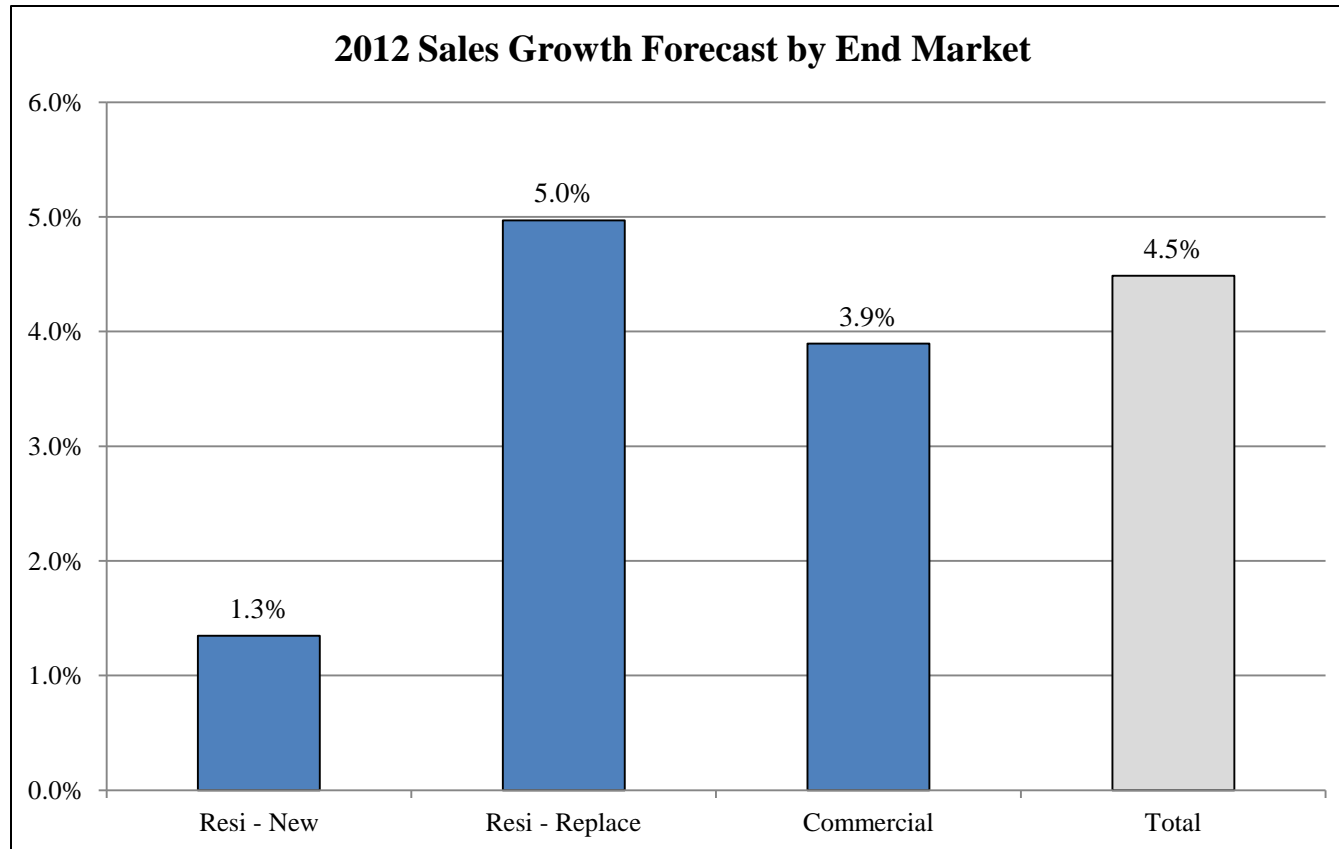
Source: FCW Executive Trends Survey

*Retailers' 2012 Sales Growth Forecasts Appear Unchanged in 1Q*

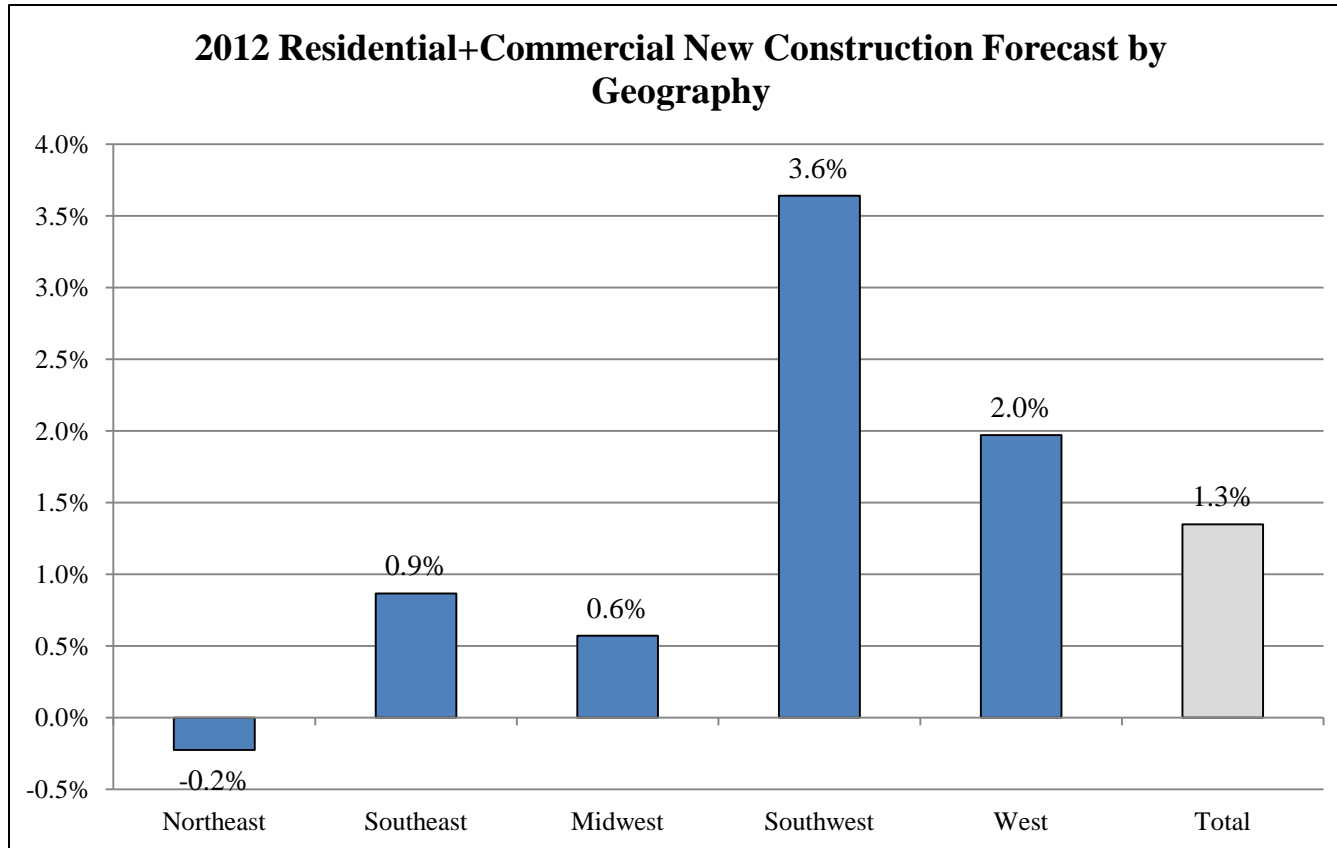


Source: FCW Executive Trends Survey

*Growth in Residential Replacement Leads Growth Outlooks for 2012*



Source: FCW Executive Trends Survey



Source: FCW Executive Trends Survey

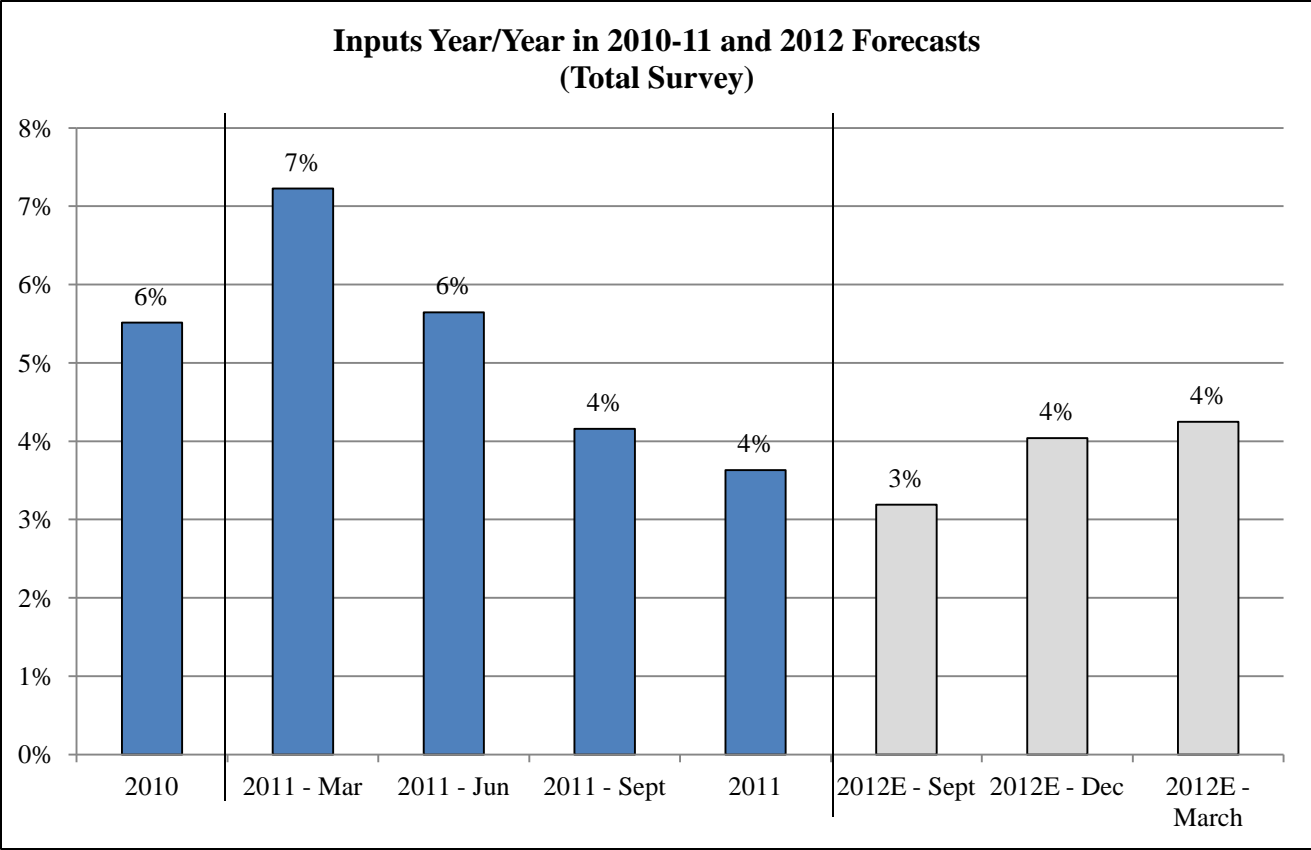
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***FCW Executive Trends Survey***

***Input Costs and Profit Outlooks***

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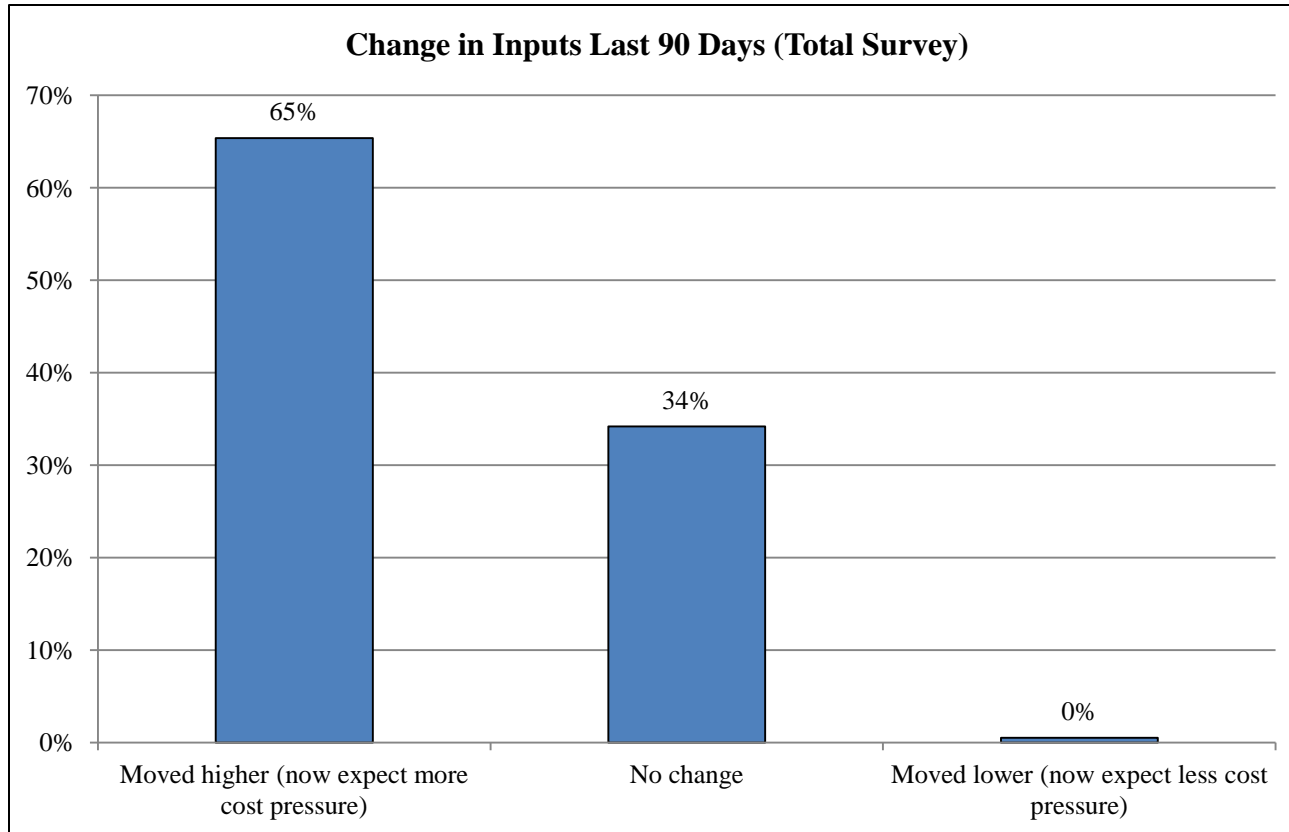
*Flooring Input Cost Forecasts Move Slightly Higher*



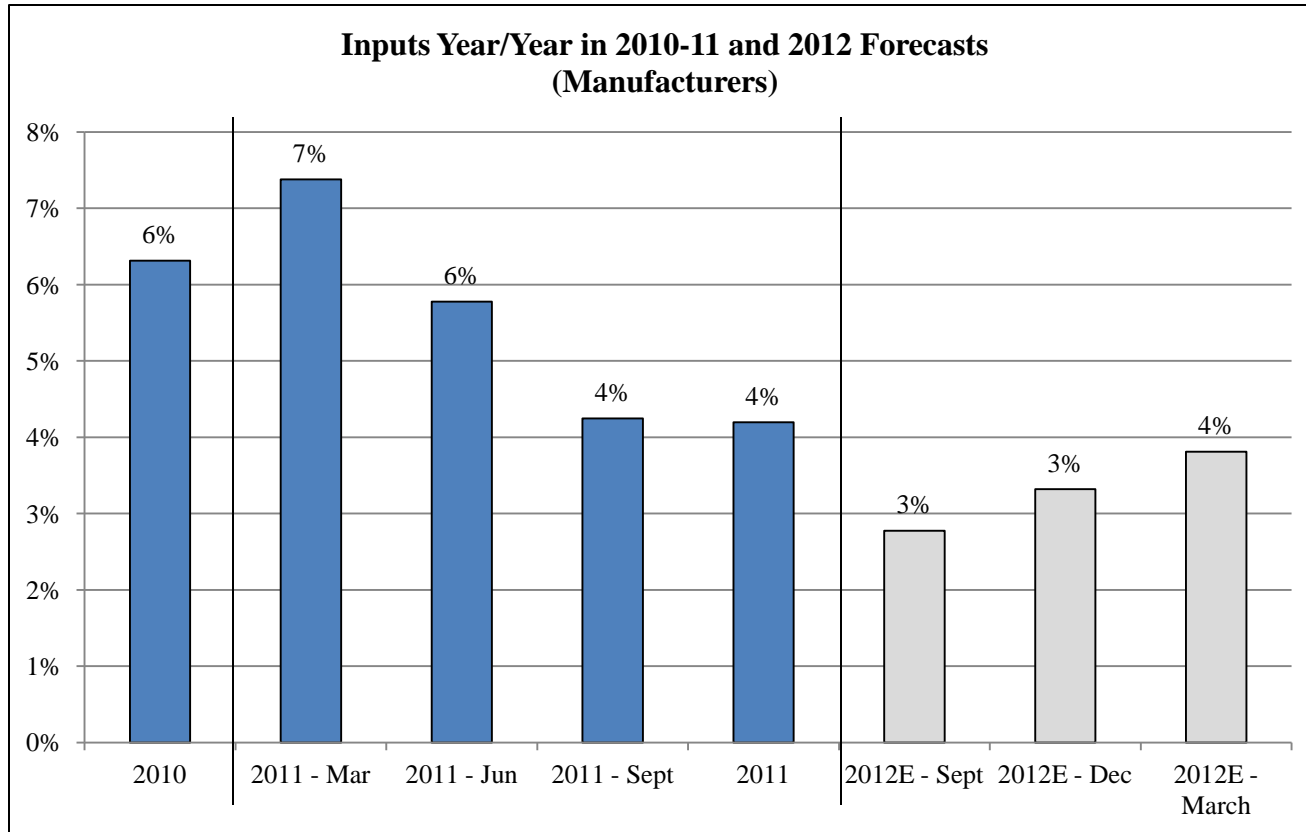
Source: FCW Executive Trends Survey



*Notable That 0% of Respondents Have Seen Costs Move Lower in 1Q*

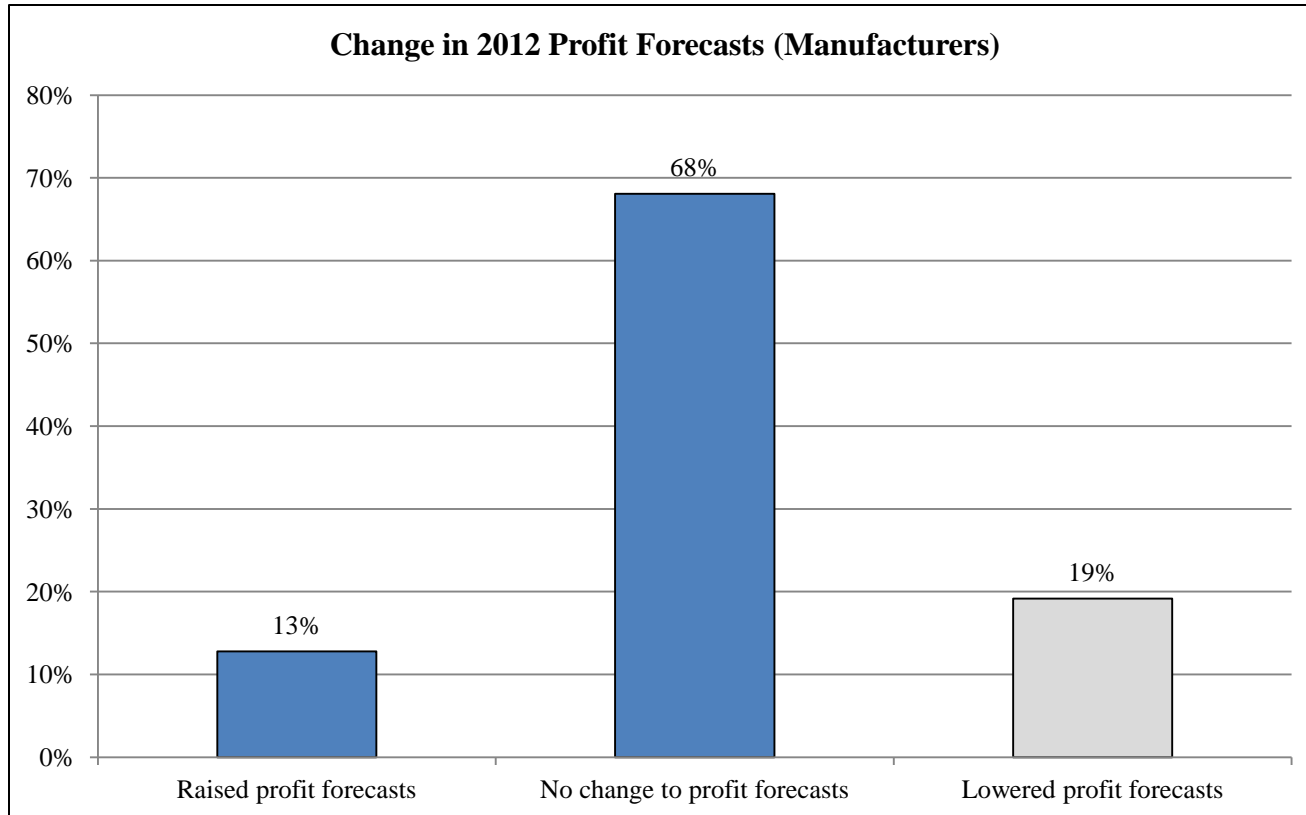


*Manufacturer Responses Suggest A Bit More Input Pressure in 2012...*



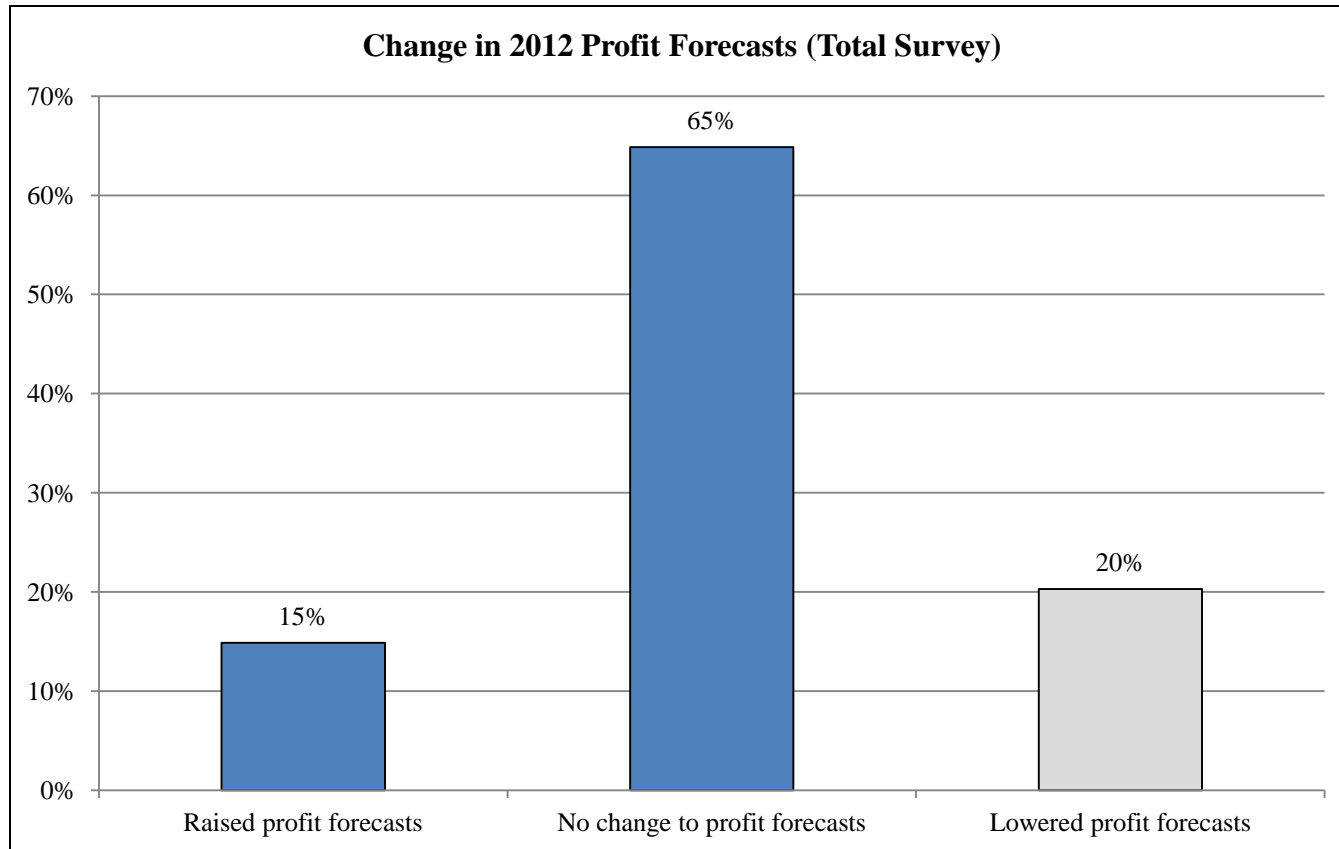
Source: FCW Executive Trends Survey

*...Leading to Profit Outlooks Slightly More Conservative for 2012*



Source: FCW Executive Trends Survey

**Total Survey: 2012 Profit Forecasts Also Move Slightly Lower (Last 90 Days)**



Source: FCW Executive Trends Survey

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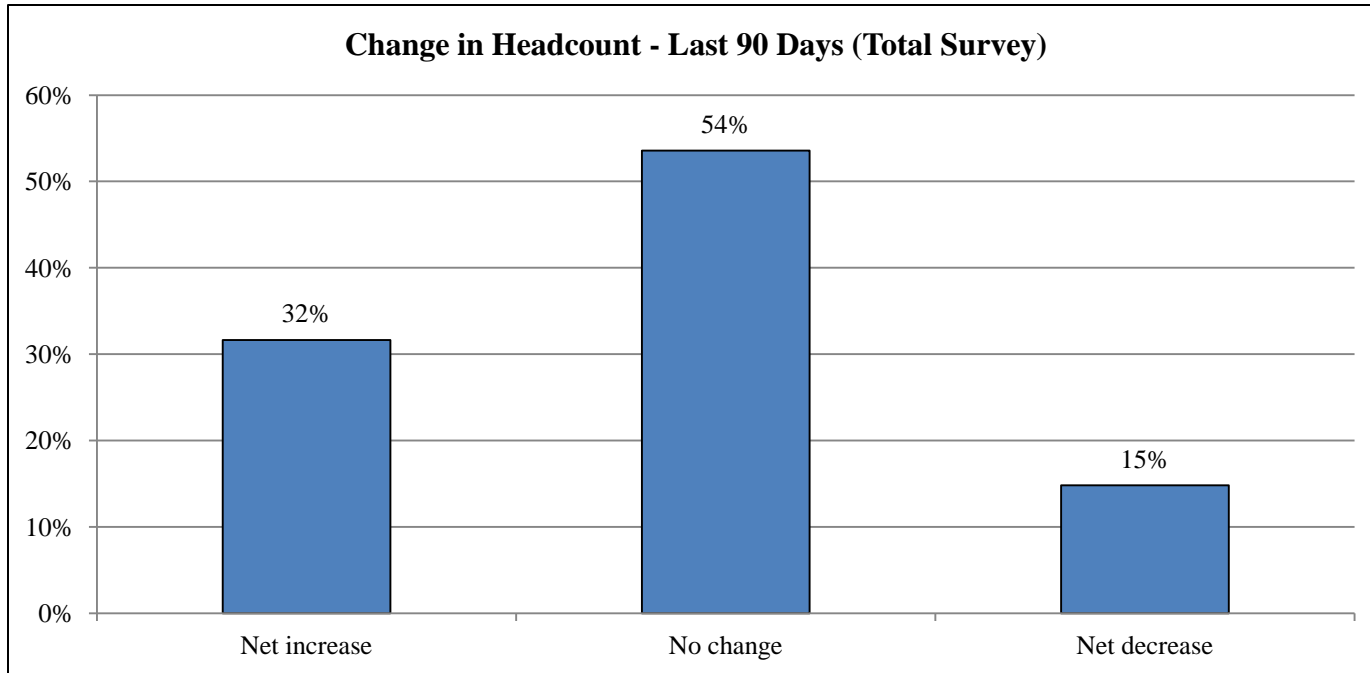
*FCW Executive Trends Survey*

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*Business Management Trends*

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***Flooring Industry Adding Headcount in 1Q Versus Net Neutral in 4Q***

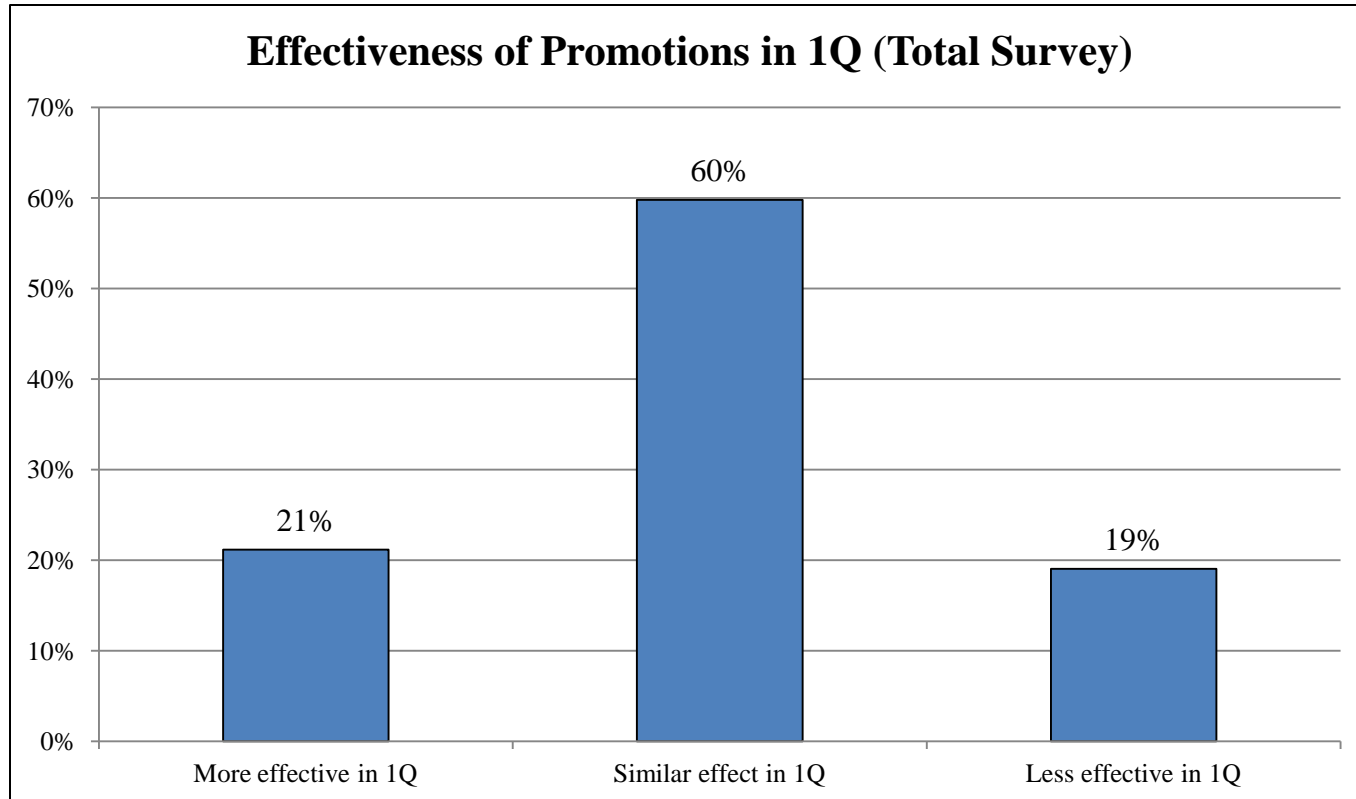


***Headcount Changes Last 90 Days?***

- FCW respondents reported net additions to headcount over the last 90 days. This follows stable headcount in 3Q and 4Q.
- Distributors look to be leading the hiring process. Manufacturers and Retailers also look to be adding headcount.

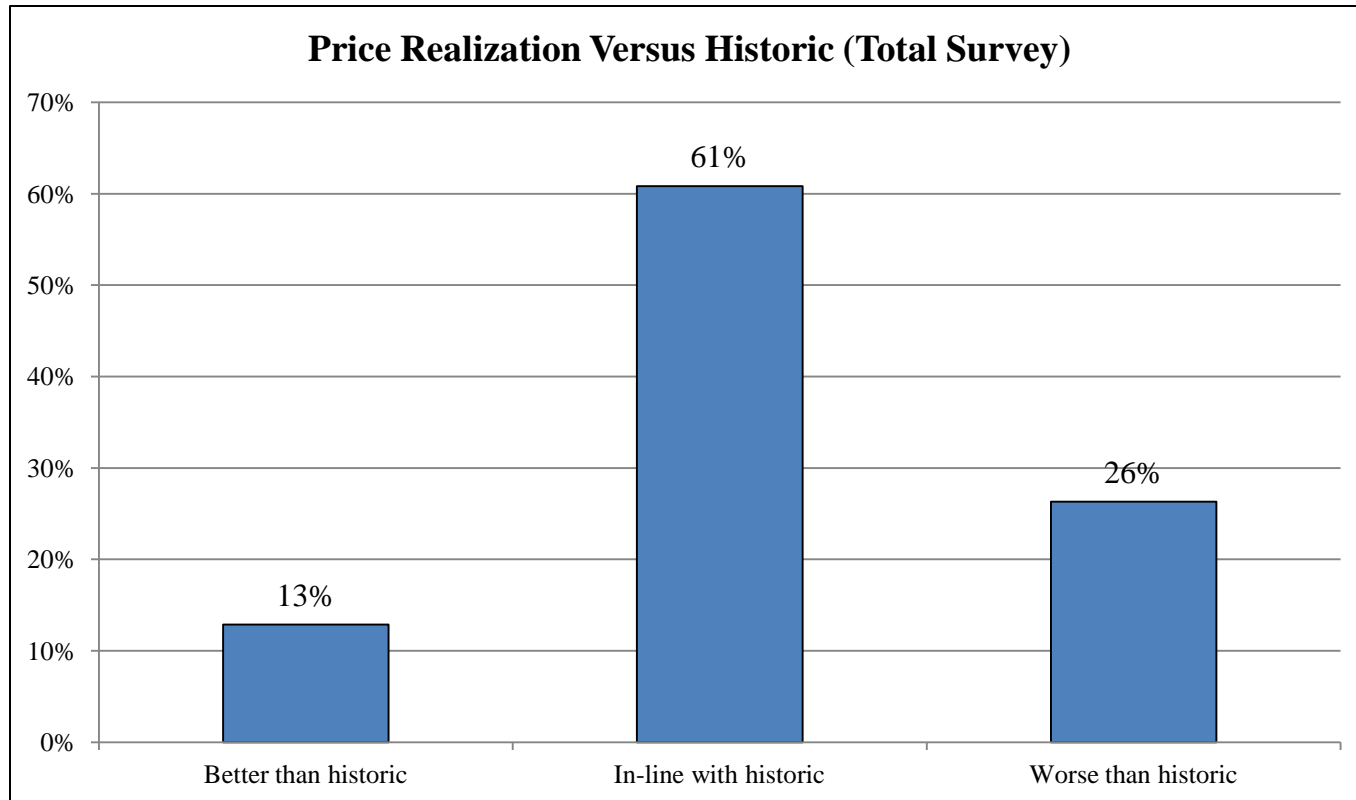
Source: FCW Executive Trends Survey

*Effect of Promotions Stable in 1Q, Had Been Decreasing Through 2011*



Source: FCW Executive Trends Survey

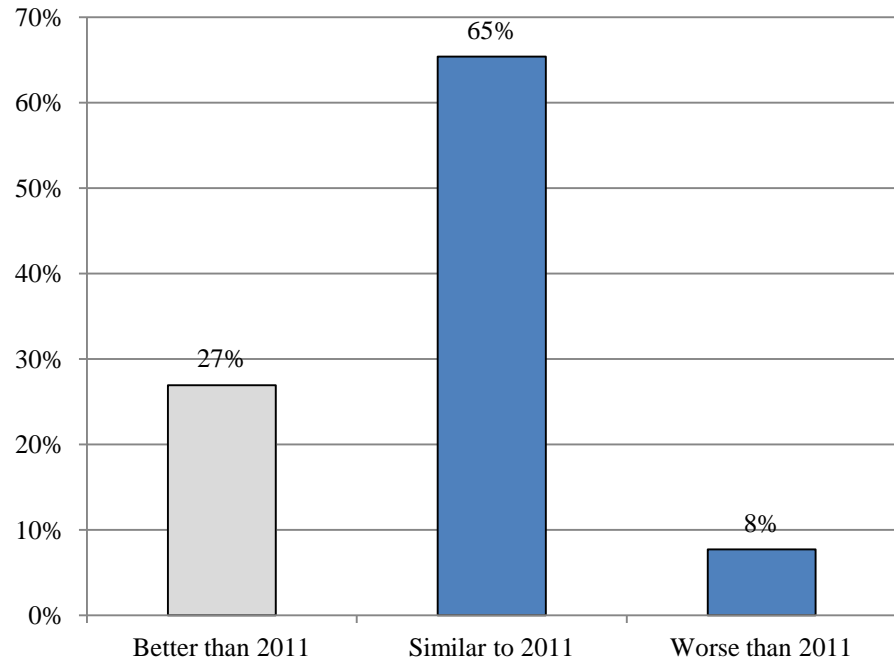
*Price Realization Across Industry Below Historic Levels...*



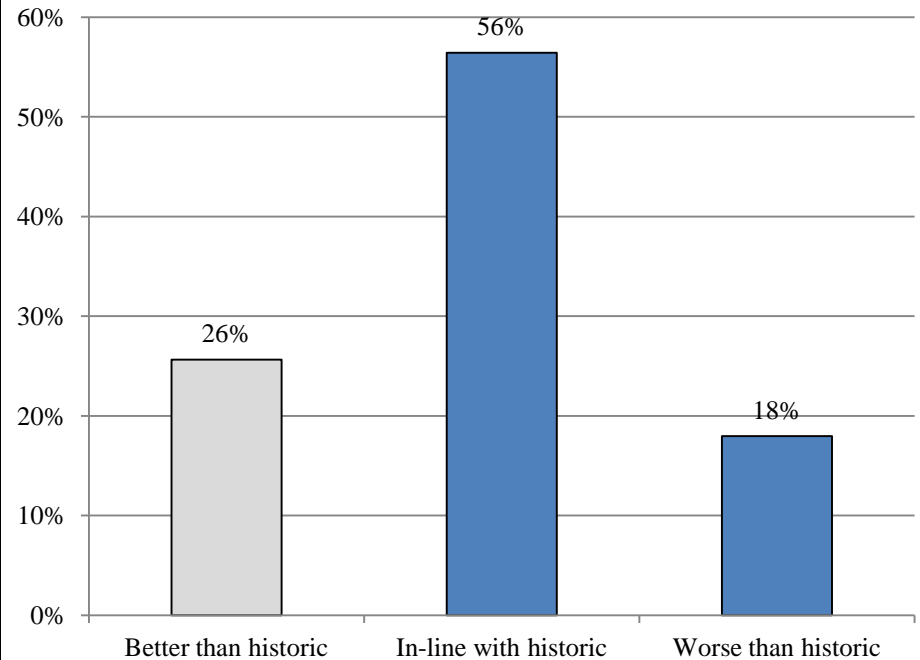


*Distributors and Manufacturers Seeing Stable/Better Realization...*

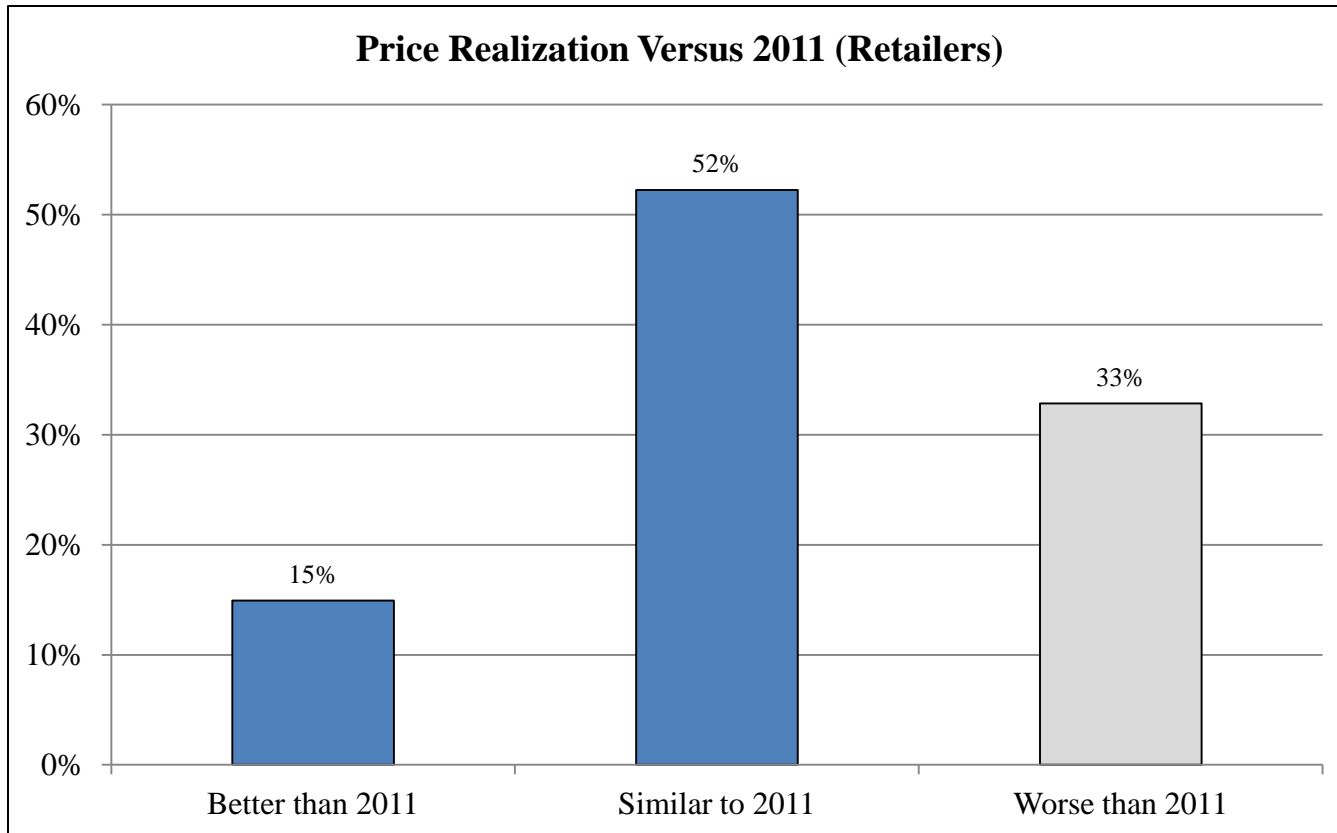
**Price Realization Versus 2011 (Distributors)**



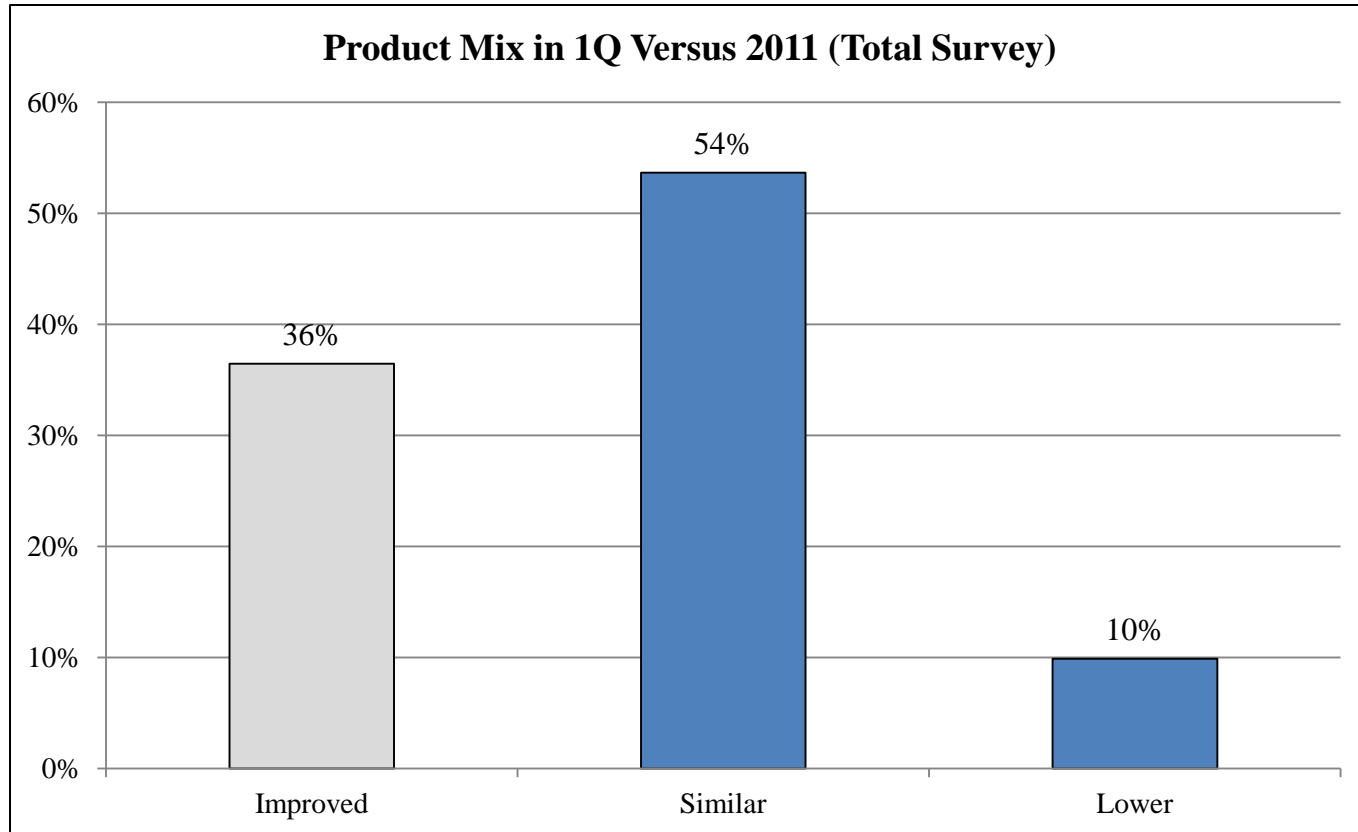
**Price Realization Versus Historic (Manufacturers)**



Source: FCW Executive Trends Survey



*Product Mix Showing Improvement in 1Q Across All Respondents*



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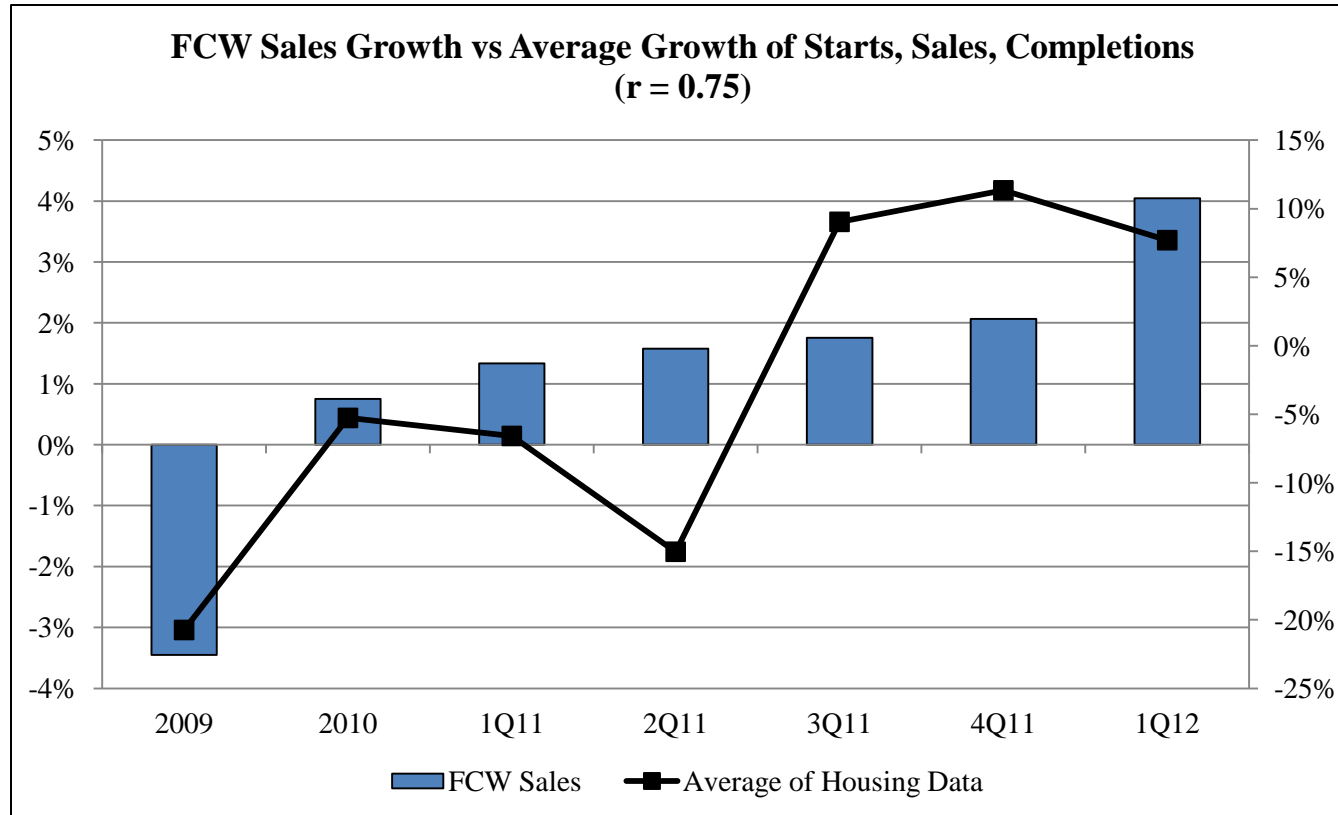
***FCW Executive Trends Survey***

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***Trend Versus Selected Macroeconomic Indicators***

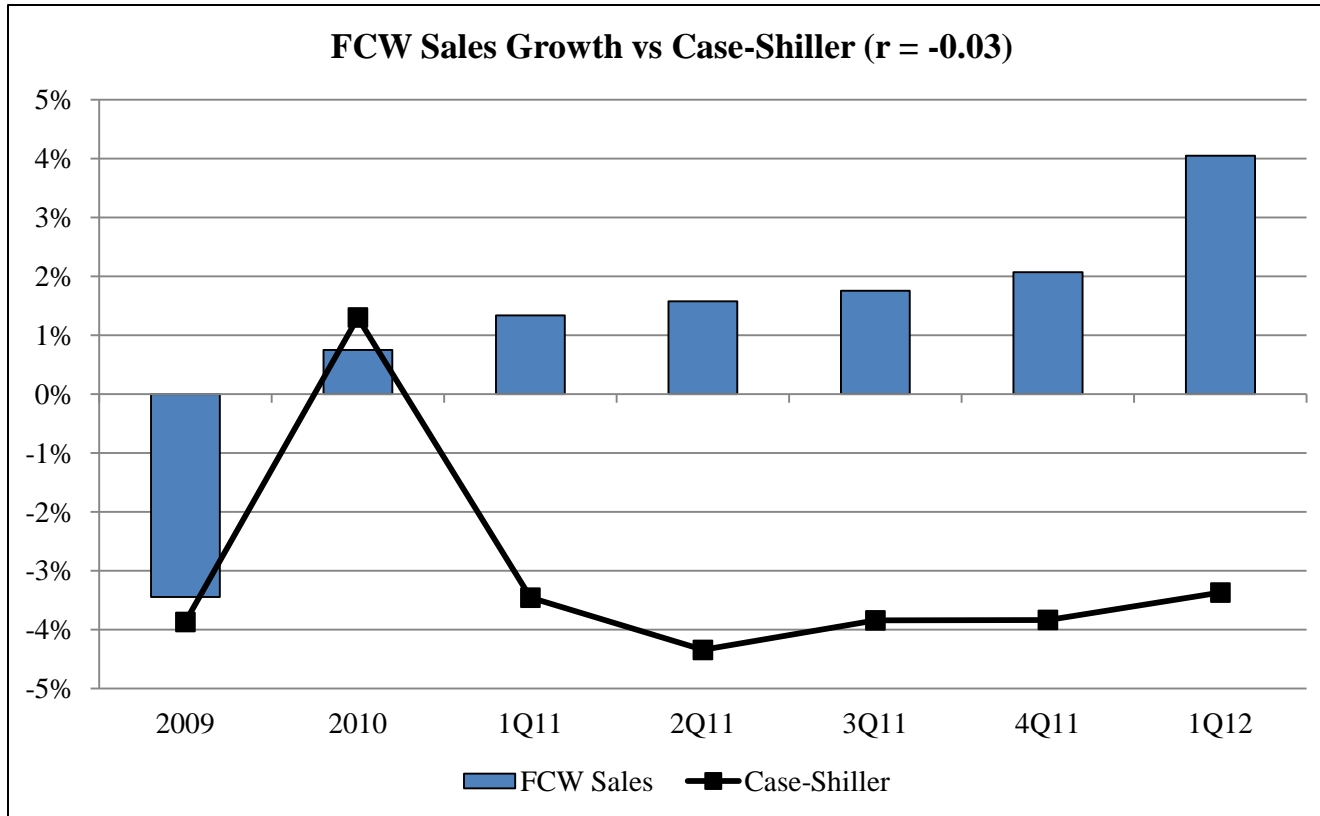
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*FCW Sales Growth Versus Growth in Housing Starts, Existing Home Sales, and New Home Completions*



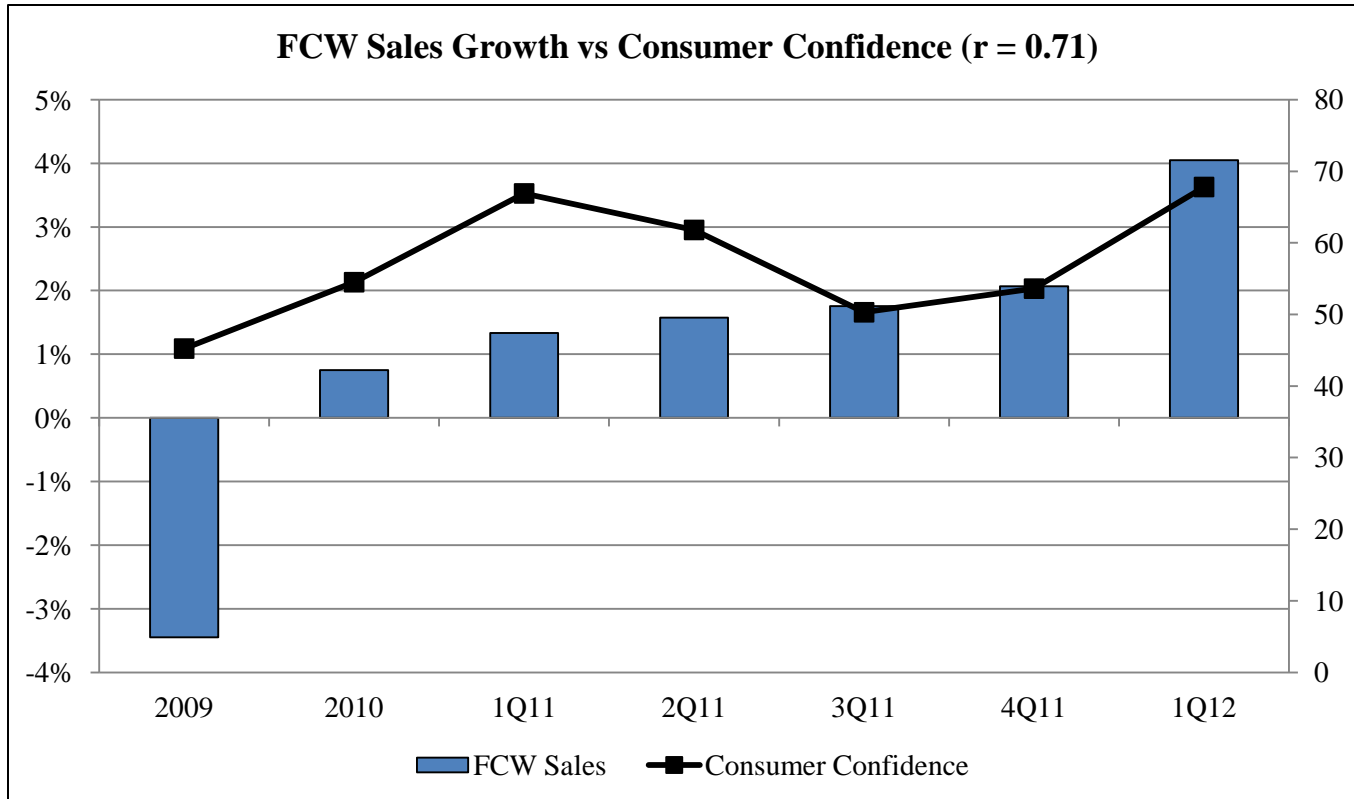
Source: FCW Executive Trends Survey, NAR, US Census

*FCW Sales Growth Versus Case-Shiller Home Prices (No Correlation)*



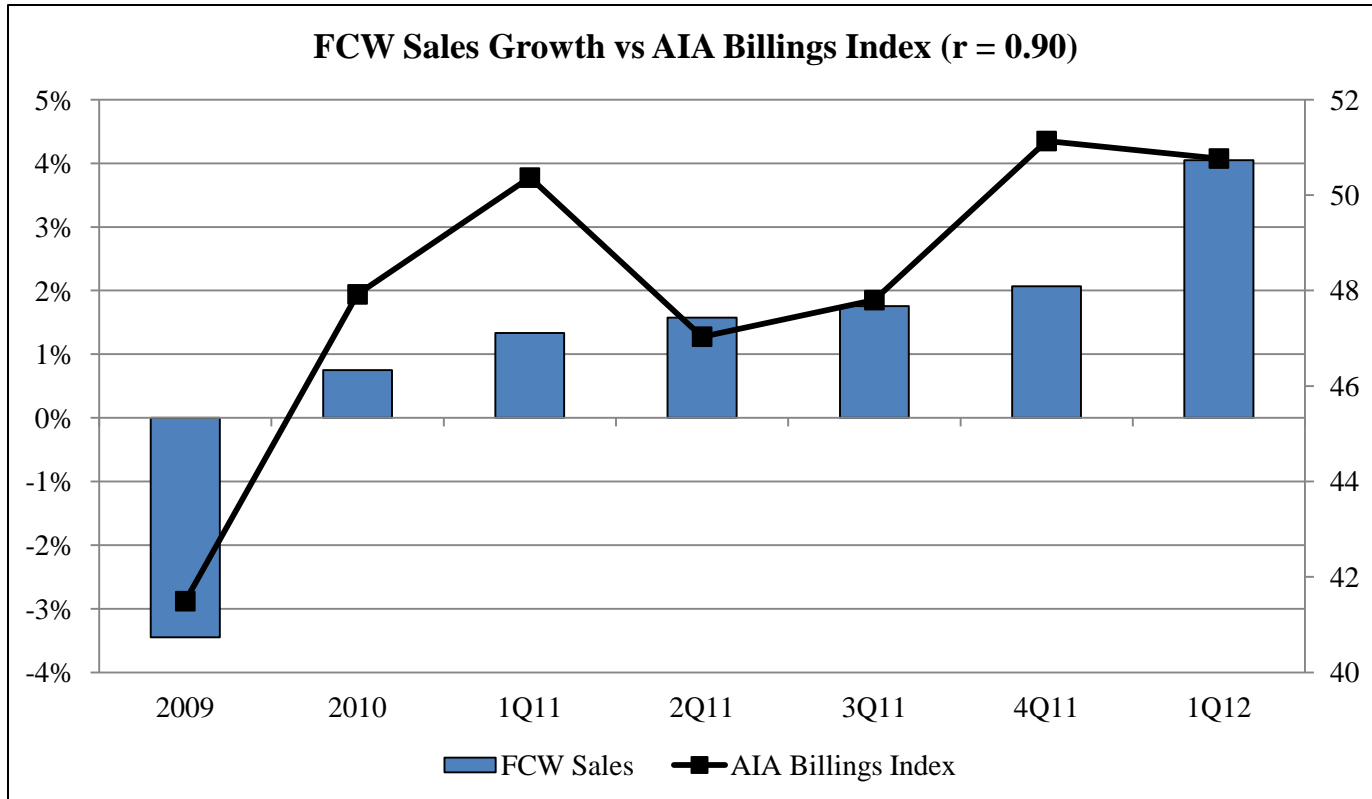
Source: FCW Executive Trends Survey, S&P Case-Shiller

*FCW Sales Growth Versus Consumer Confidence*



Source: FCW Executive Trends Survey, Thomson Baseline

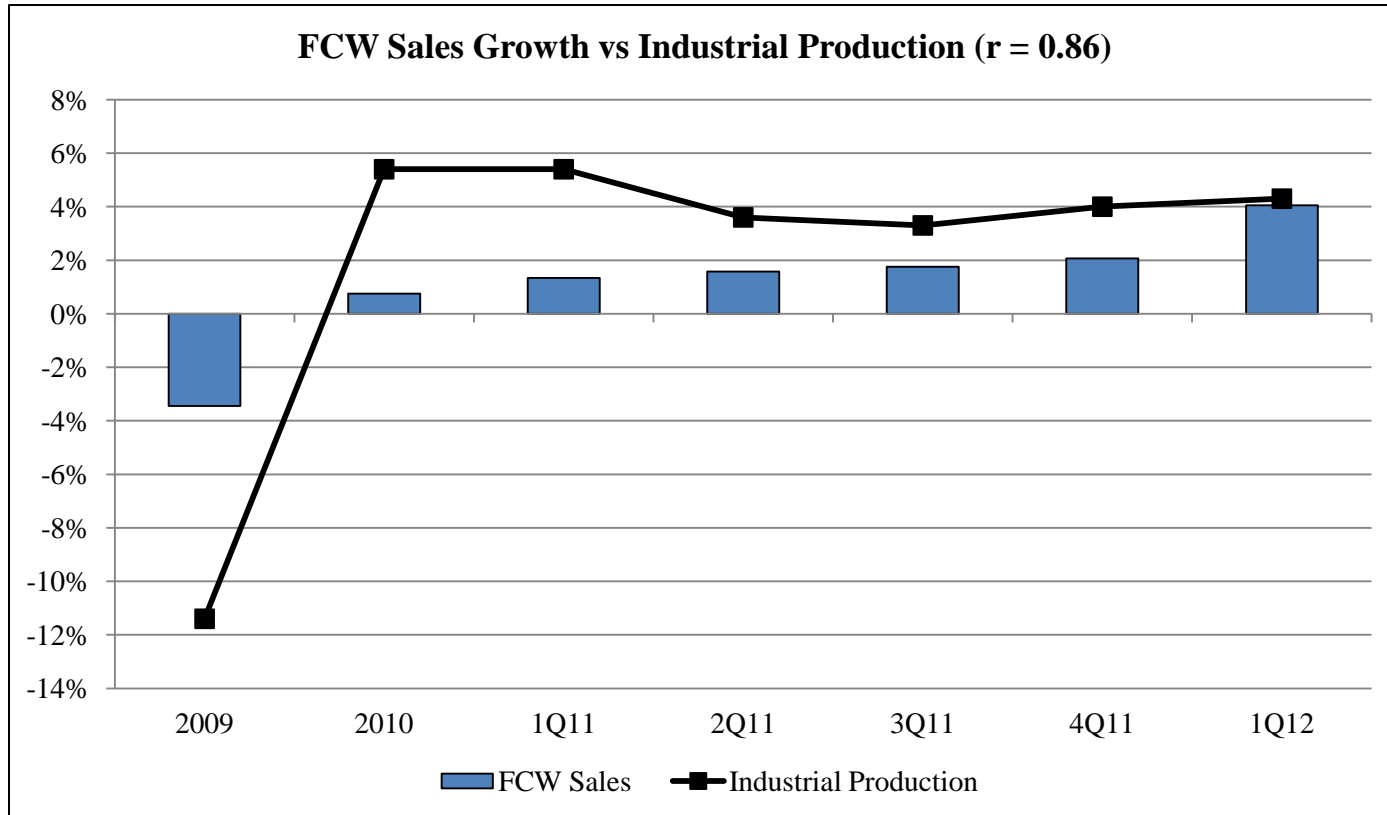
*FCW Sales Growth Versus AIA Billings Index*



Source: FCW Executive Trends Survey, AIA

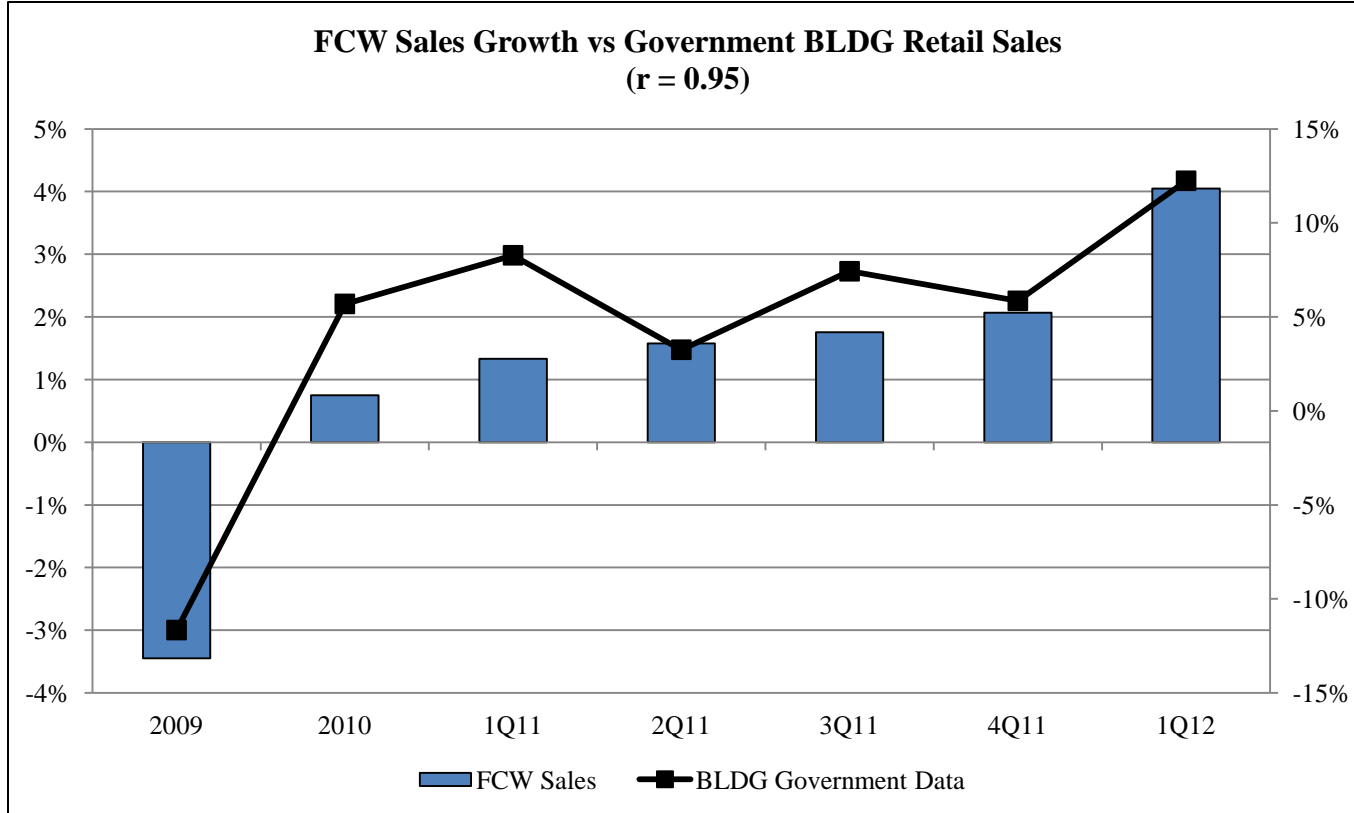


*FCW Sales Growth Versus Industrial Production*



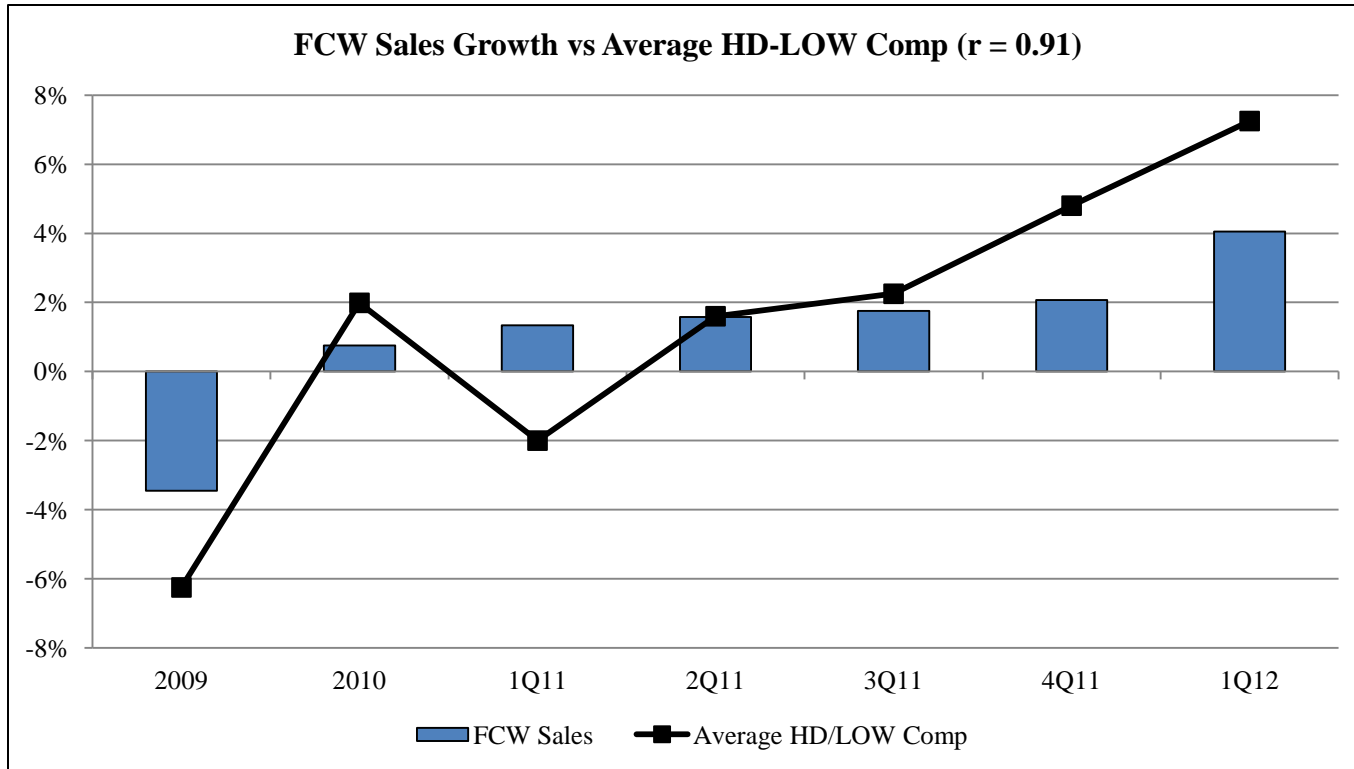
Source: FCW Executive Trends Survey, Thomson Baseline

*FCW Sales Growth Versus Building Products Category Retail Sales Growth*



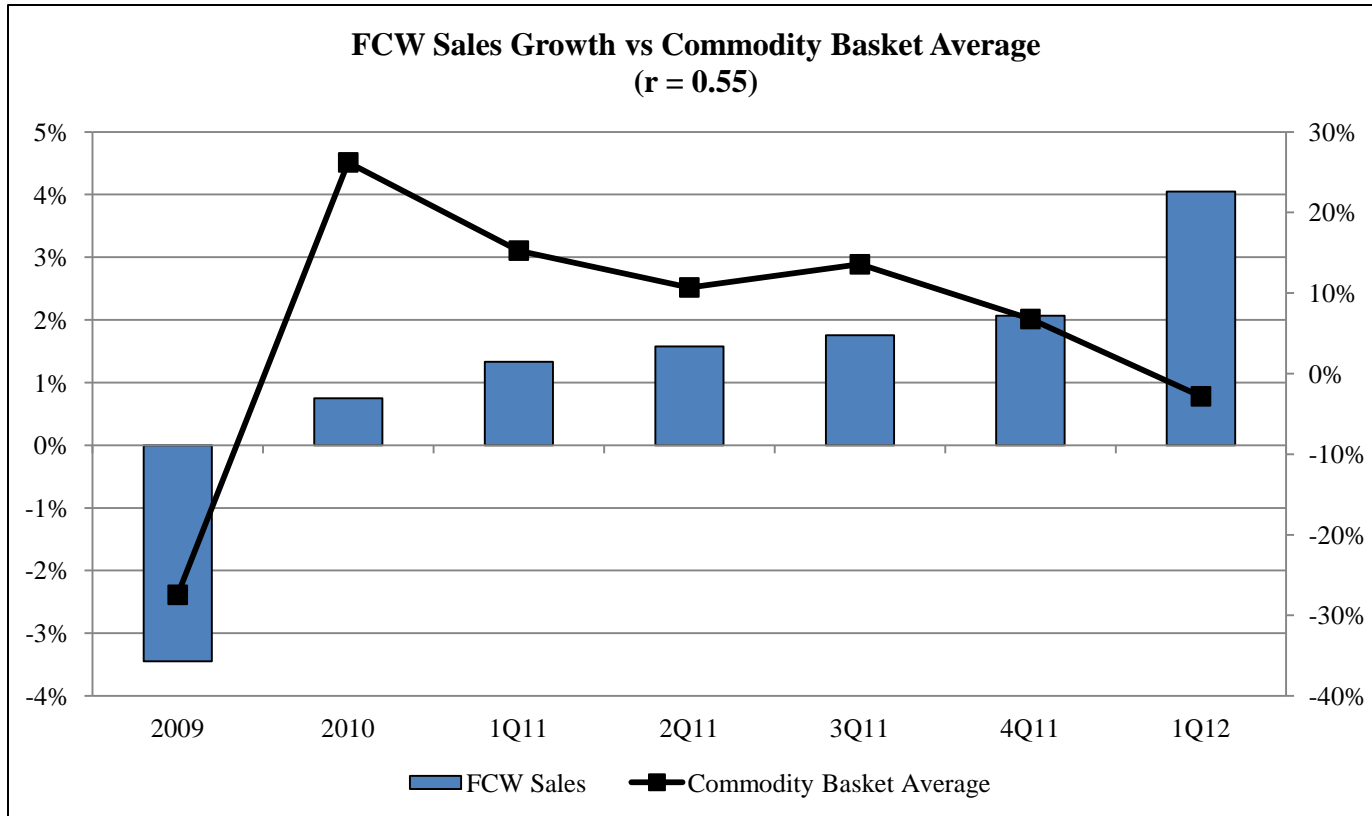
Source: FCW Executive Trends Survey, US Census

*FCW Sales Growth Versus Average HD/LOW Comp Sales Growth*



Source: FCW Executive Trends Survey, company reports

*FCW Sales Growth Versus Average Commodity Basket (Oil, Resin, etc)*



Source: FCW Executive Trends Survey, Thomson Baseline

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*FCW Executive Trends Survey*

*Most Interesting Themes/Anecdotes*

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## *Key Themes from “What is the Biggest Surprise” Question*

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### **Demand**

- The improvement in demand during 1Q, especially among builder/new construction customers and the commercial end market.
- Strength in multifamily construction and property management businesses.
- There are indications that larger remodel projects are moved forward in 1Q, including instances of year/year volume increases outperforming increases in showroom traffic.
- Strong performance in hard surface categories: Luxury Vinyl Tile, Laminate, and Wood Flooring performed ahead of expectations during 1Q.

### **Prices and Input Costs**

- Pressure on costs and additional price increases were called out as key surprises during 1Q 2012.
- A key surprise is consumer expectations on pricing and the importance of price points in the final buying decision.
- Aggressive bids have continued.

### **Other**

- As the pace of business has improved, companies are seeing more engaged employees.
- Manufacturers point to a slower-than-expected recovery in open-to-buy dollars from retailers.

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*Please Look for the Next FCW Quarterly Index*

*Thank You For Participating!*

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