



FCW Executive Trends Survey

October 2014

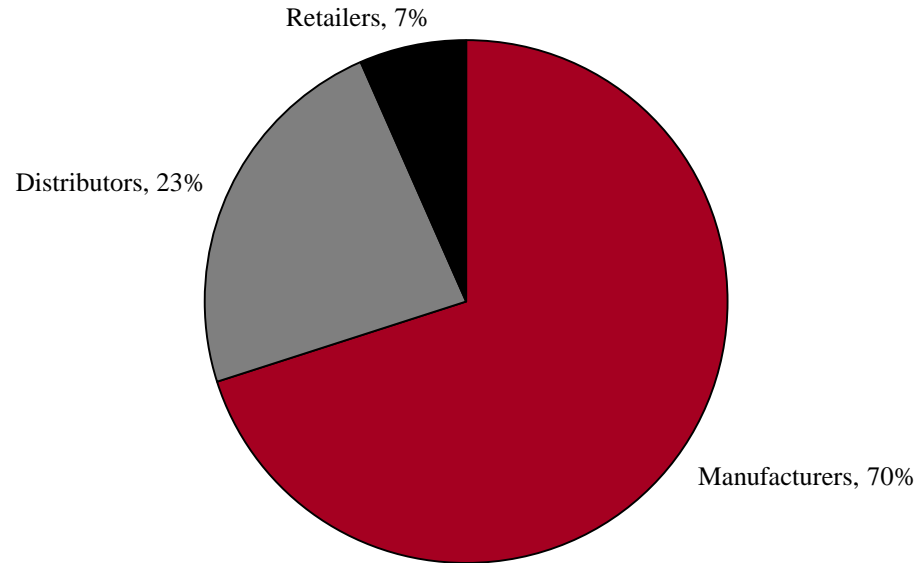
Table of Contents

Background	Slide 02
Key Conclusions	Slide 07
Near-Term Demand	Slide 09
Region Performance	Slide 20
2014 Forecasts	Slide 27
Category Analysis	Slide 32
End-Market Growth	Slide 43
Profits & Input Costs	Slide 50
Business Management	Slide 70
Online	Slide 75

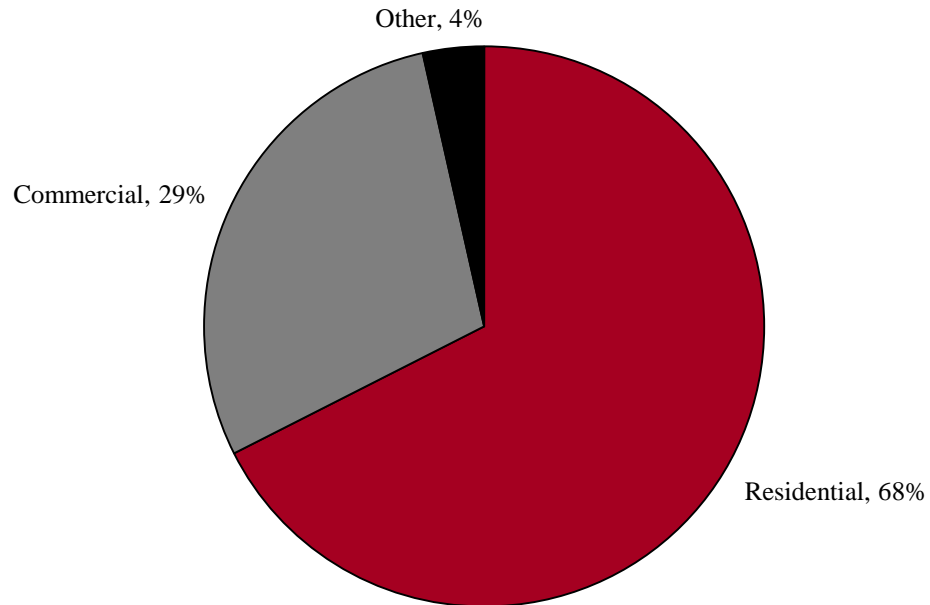
FCW Executive Quarterly Index

Background

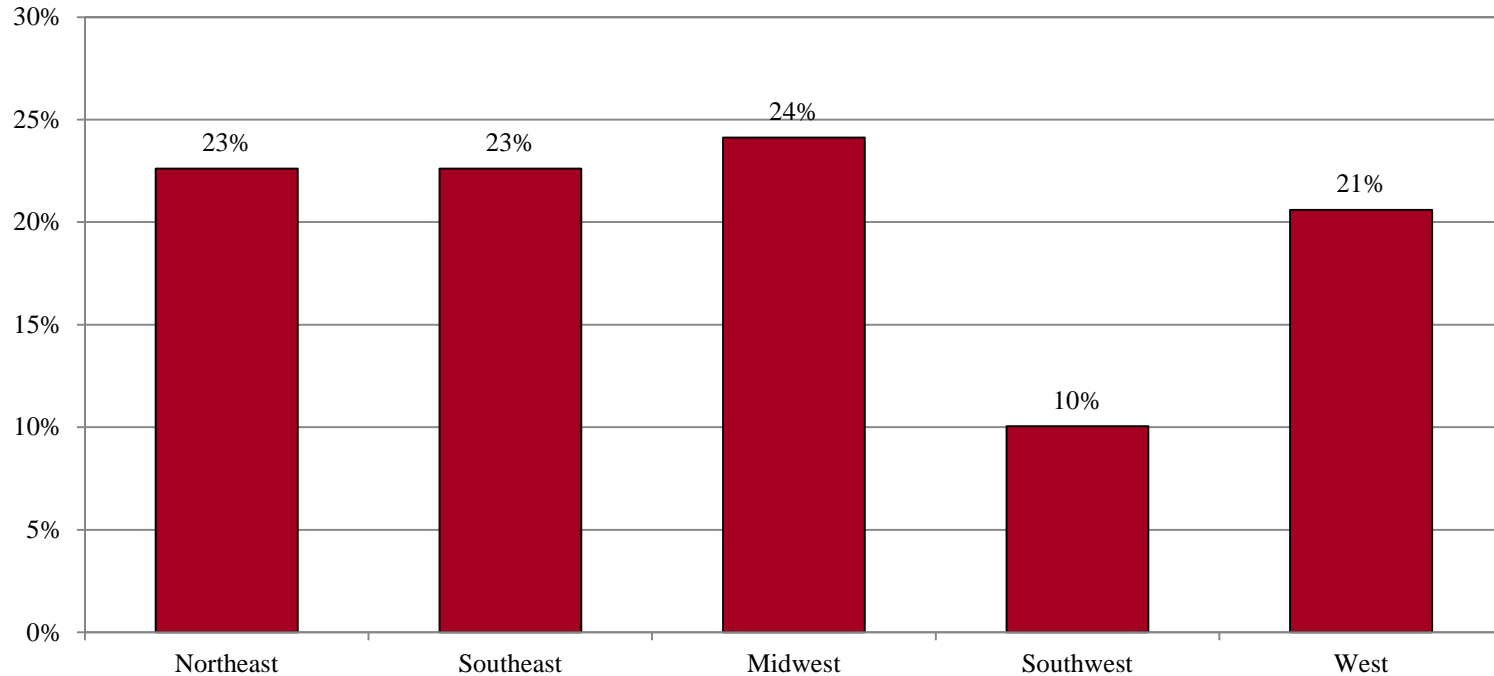
Respondent Breakdown - Mar 2014



End Market Exposure of Respondents - Mar 2014



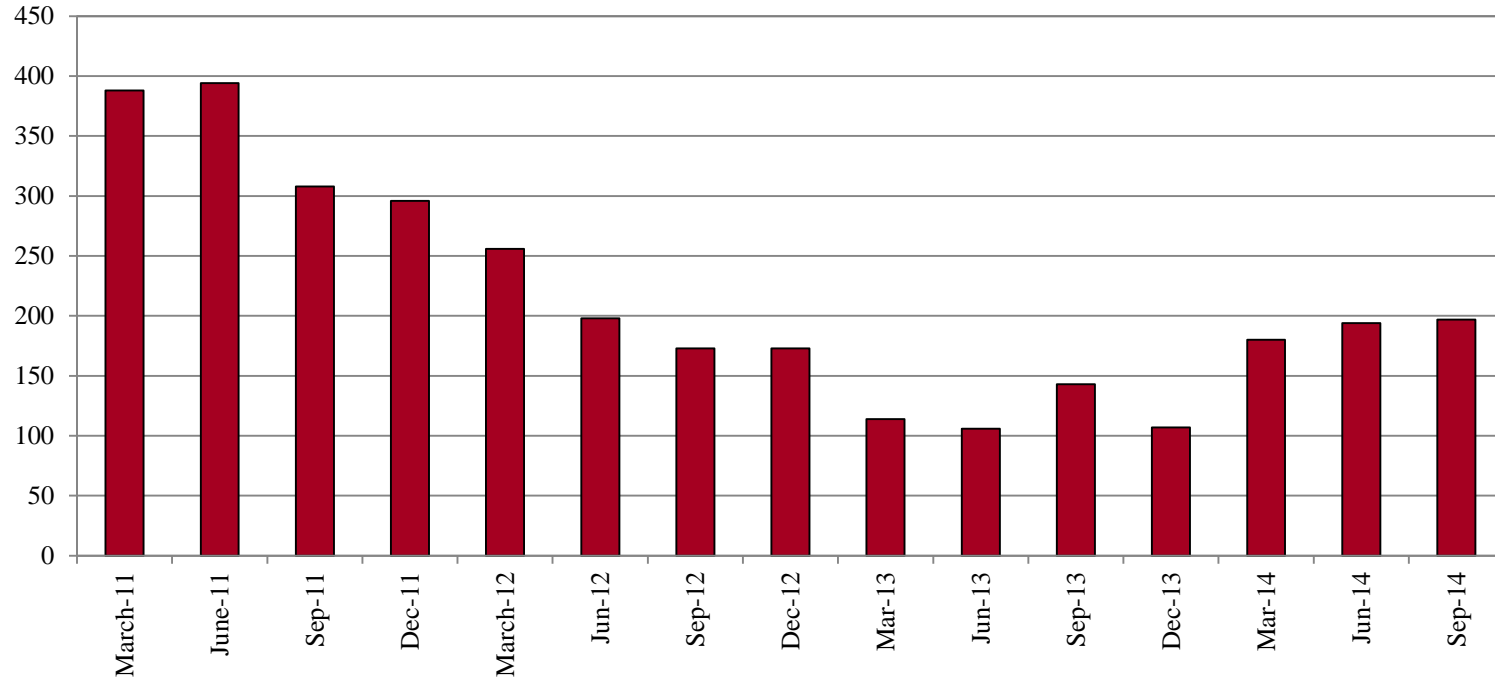
Geographic Distribution of Responses (US Only)



Source: FCW Executive Trends Survey

FCW Respondents' Participation Trend

Survey Response Trend



Source: FCW Executive Trends Survey

FCW Executive Quarterly Index

Key Conclusions

Key Conclusions

Near-term sales (3Q 2014)

- 3Q 2014 sales growth slowed slightly to 3.6% versus 2Q up 3.9%
 - Sales growth was steady during 3Q (July, August, and September all similar growth)
- 3Q sales growth was relatively in-line with expectations (net 6% better than expected)
- Flooring retailers outperformed manufacturers and distributors, reversing the trend over the last two years
 - Manufacturer growth slowed through 3Q (September slowest month in two years)
 - The Northeast was the softest region during 3Q (up 2%)

Sales forecasts (2014 & 2015)

- 2014 sales growth expected to increase 4.2%, 70bps below forecasts put in place 90 days ago (4.9%)
- Manufacturers decreased 2014 growth forecasts by nearly 4 points.
 - Distributors decreased growth forecasts by 1 point.
 - Retailers decreased by 0.2 points.
- 2014 sales growth forecasts by category: Carpet up 2.5% (similar to prior), Hardwood up 3% (vs prior 4%), Laminate down slightly (similar to prior), Tile up 2% (similar to prior), and Vinyl up 5% (similar to prior).
- 2015 forecasts suggest flooring growth up 4.6%, 0.4 points higher than current 2014 forecasts.

Other

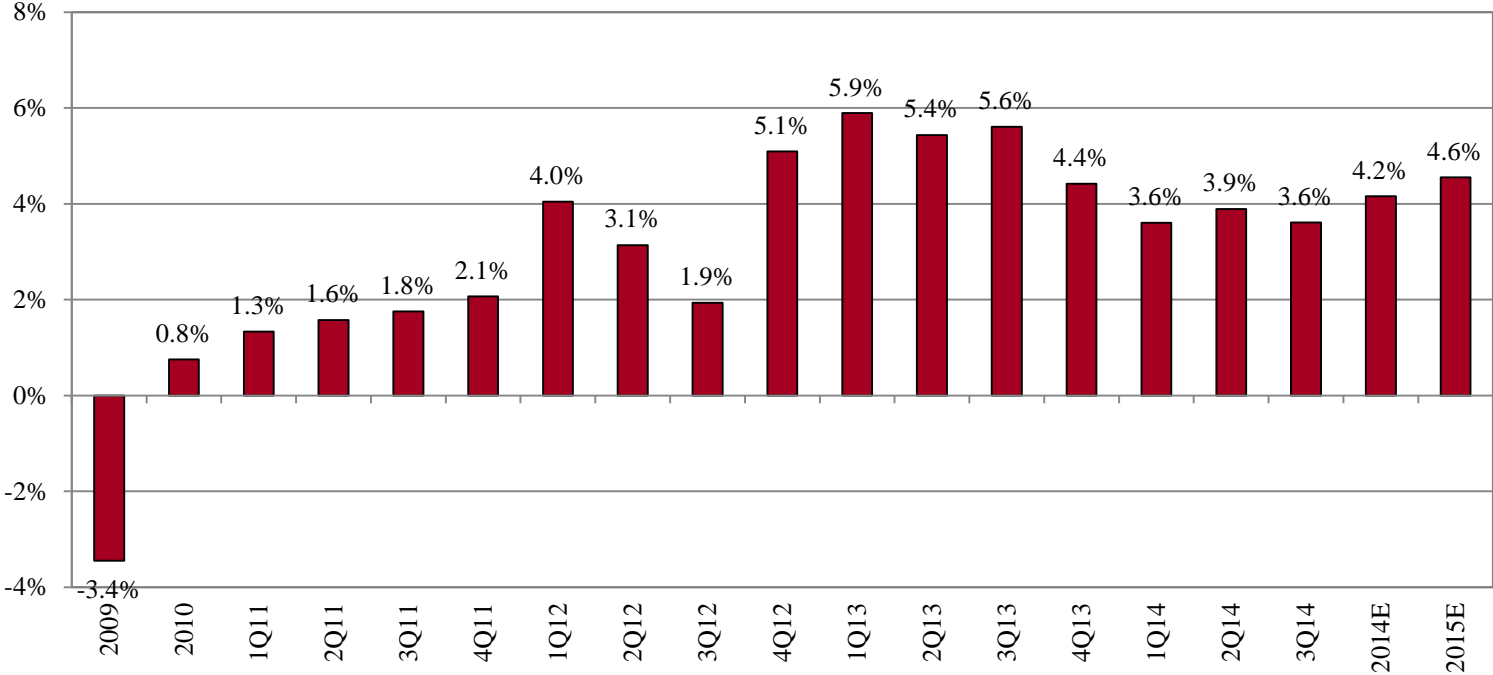
- Average selling price progress slowed in 3Q, up less than 2% versus prior 2%+
 - 3Q 2014 profits were slightly above expectations driven by better than expected profits at retail
 - 2014 cost inflation expected up 2.5%, better than the 3.0% forecast 90 days ago
 - Online sales represent roughly 1.1% of respondents sales (of those that sell online)
-

FCW Executive Quarterly Index

Near-Term Demand Trends

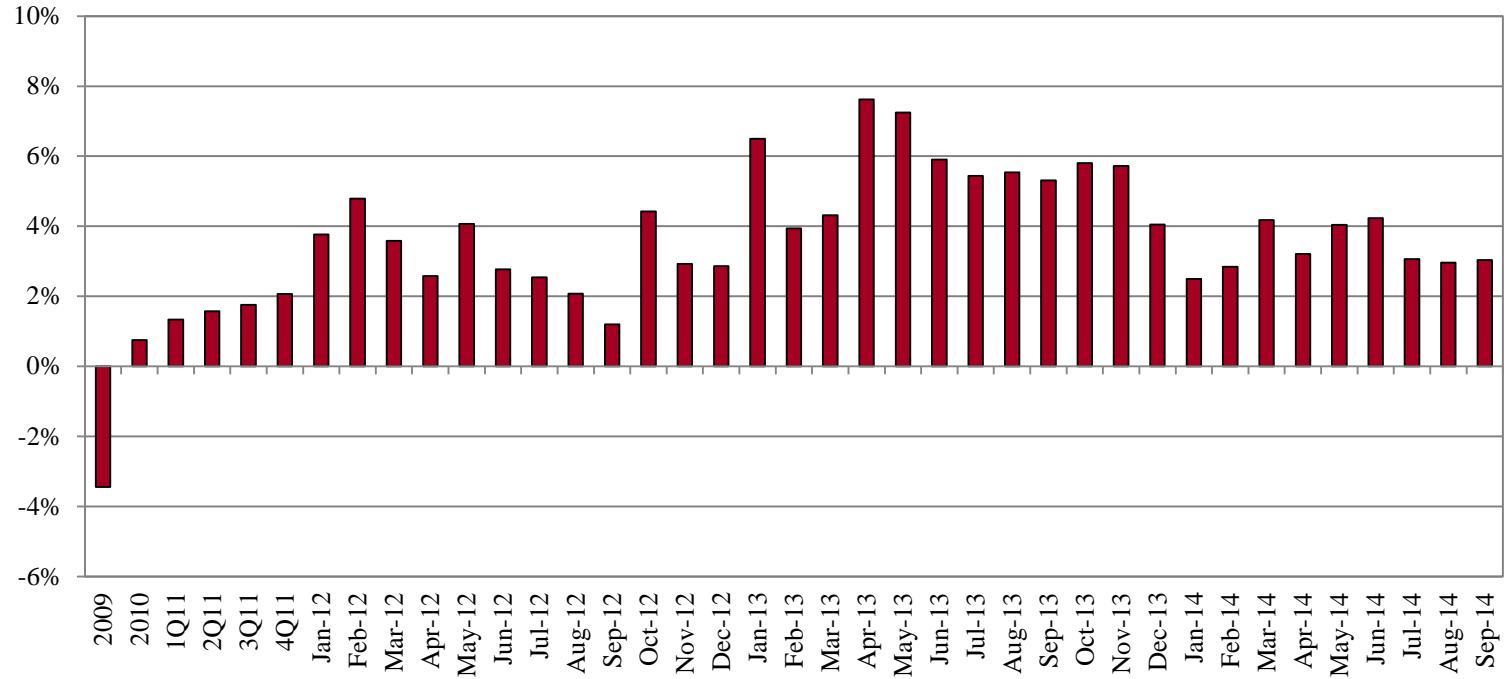
3Q Growth Similar to First Half

Comp Store Sales Trends (Total Survey)



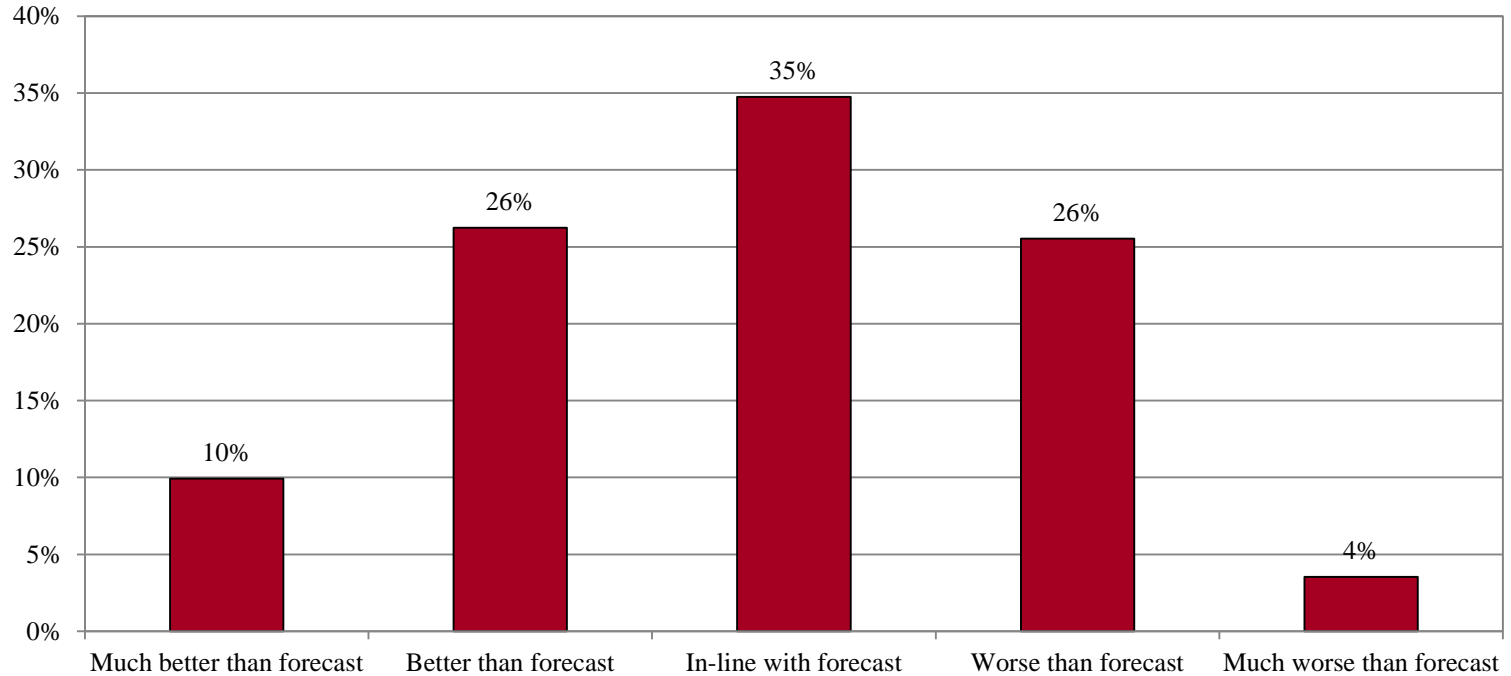
Source: FCW Executive Trends Survey

Comp Store Sales Trends (Total Survey)



Source: FCW Executive Trends Survey

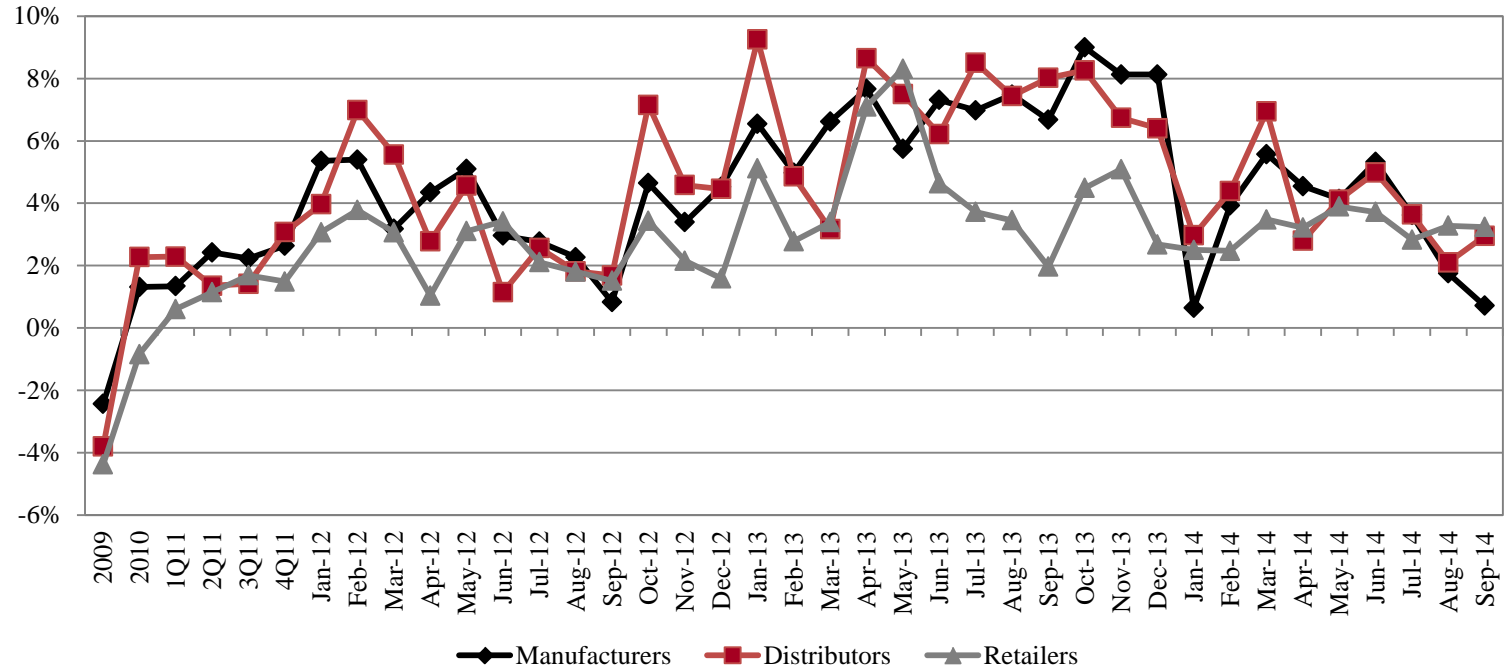
3Q14 Sales Versus Forecasts (Total Survey)



Source: FCW Executive Trends Survey

Flooring Retailers Outperform in 3Q, Reversing Prior Trend

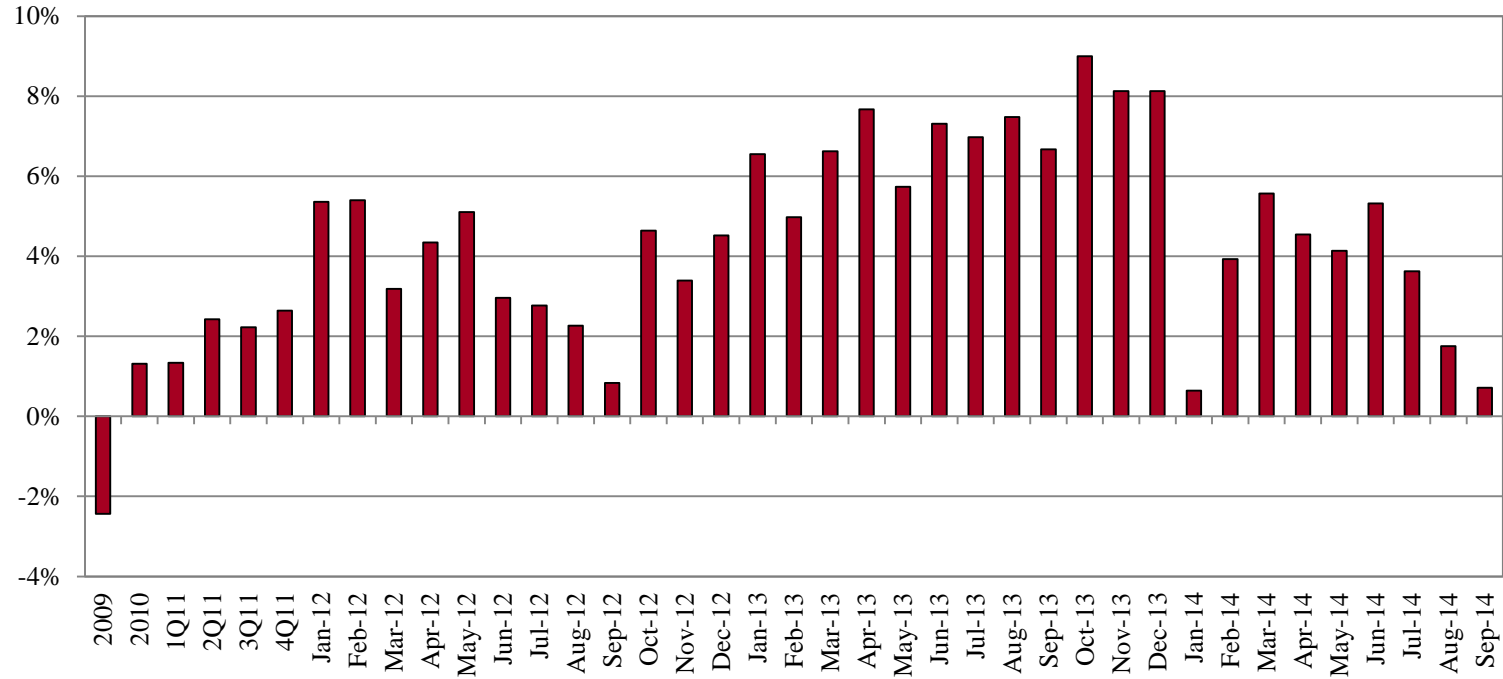
Comp Store Sales Trends by Type



Source: FCW Executive Trends Survey

Manufacturer Growth Slowed Through 3Q

Comp Store Sales Trends (Manufacturers)

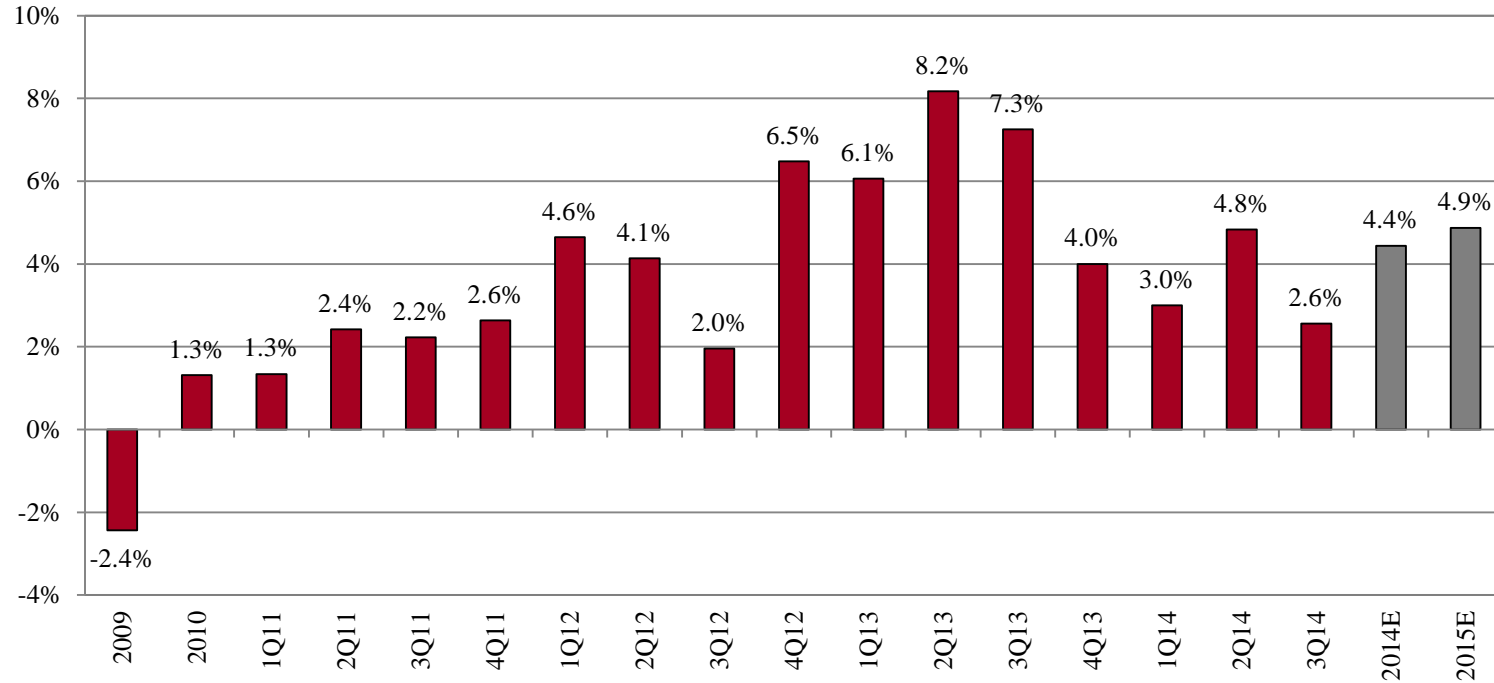


Source: FCW Executive Trends Survey

Manufacturer Growth Slowed 2.2 Points in 3Q

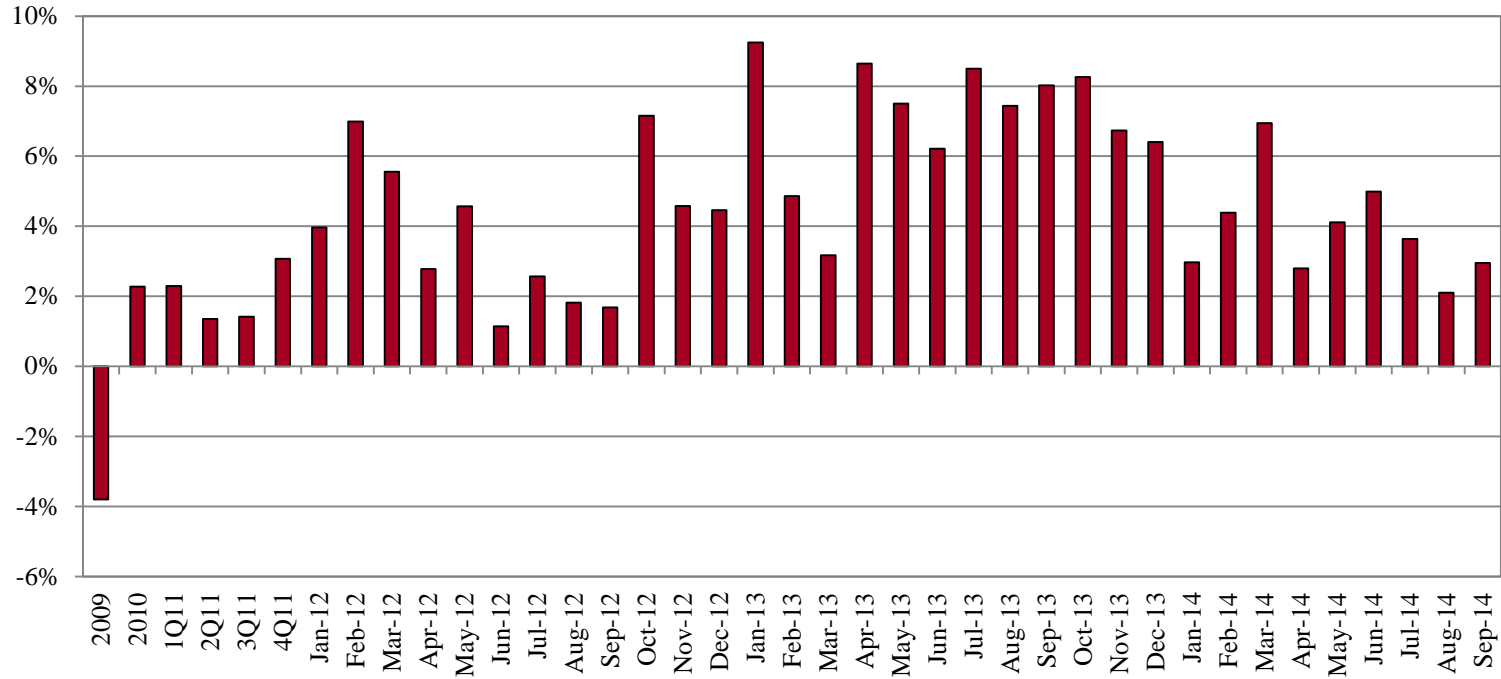
Note quarterly sales growth may not add to annual sales growth

Comp Store Sales Trends (Manufacturers)



Source: FCW Executive Trends Survey

Comp Store Sales Trends (Distributors)

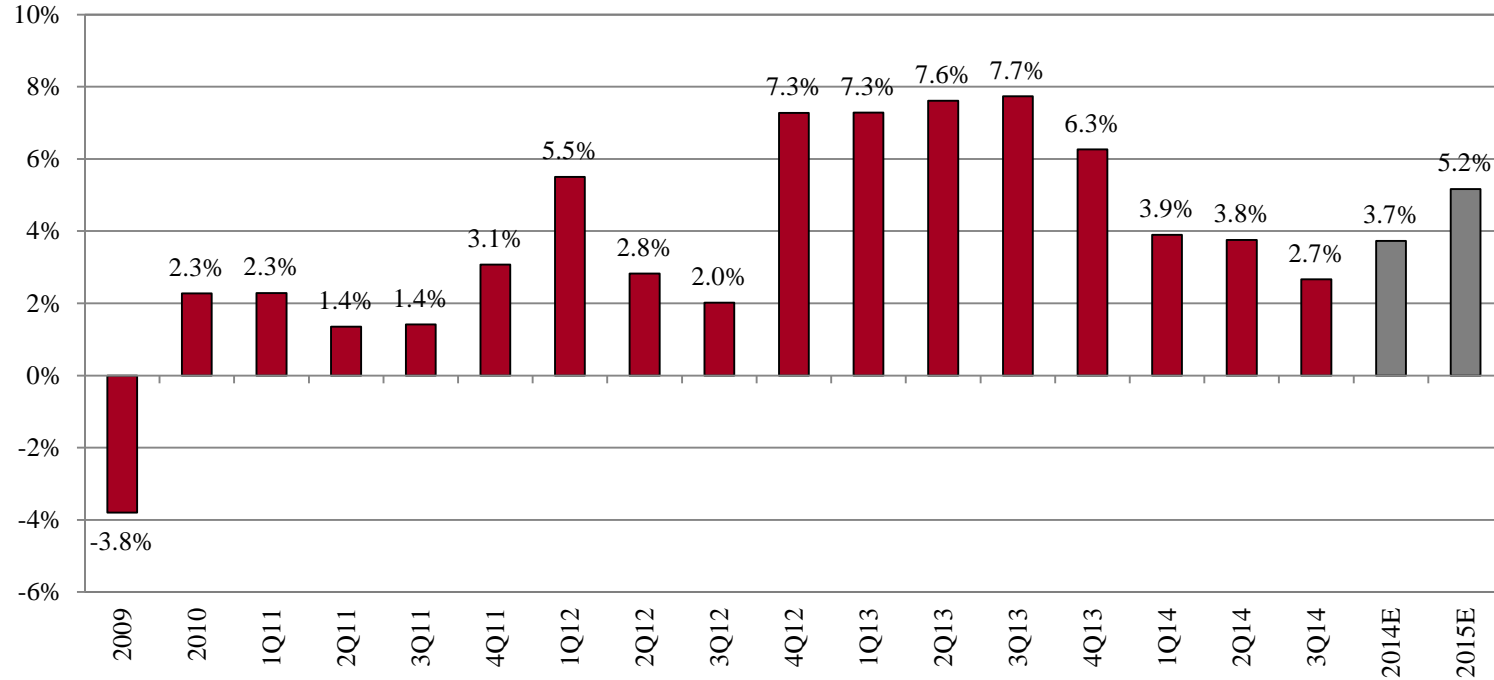


Source: FCW Executive Trends Survey

Distributor Growth Slowed 1.1 Points in 3Q

Note quarterly sales growth may not add to annual sales growth

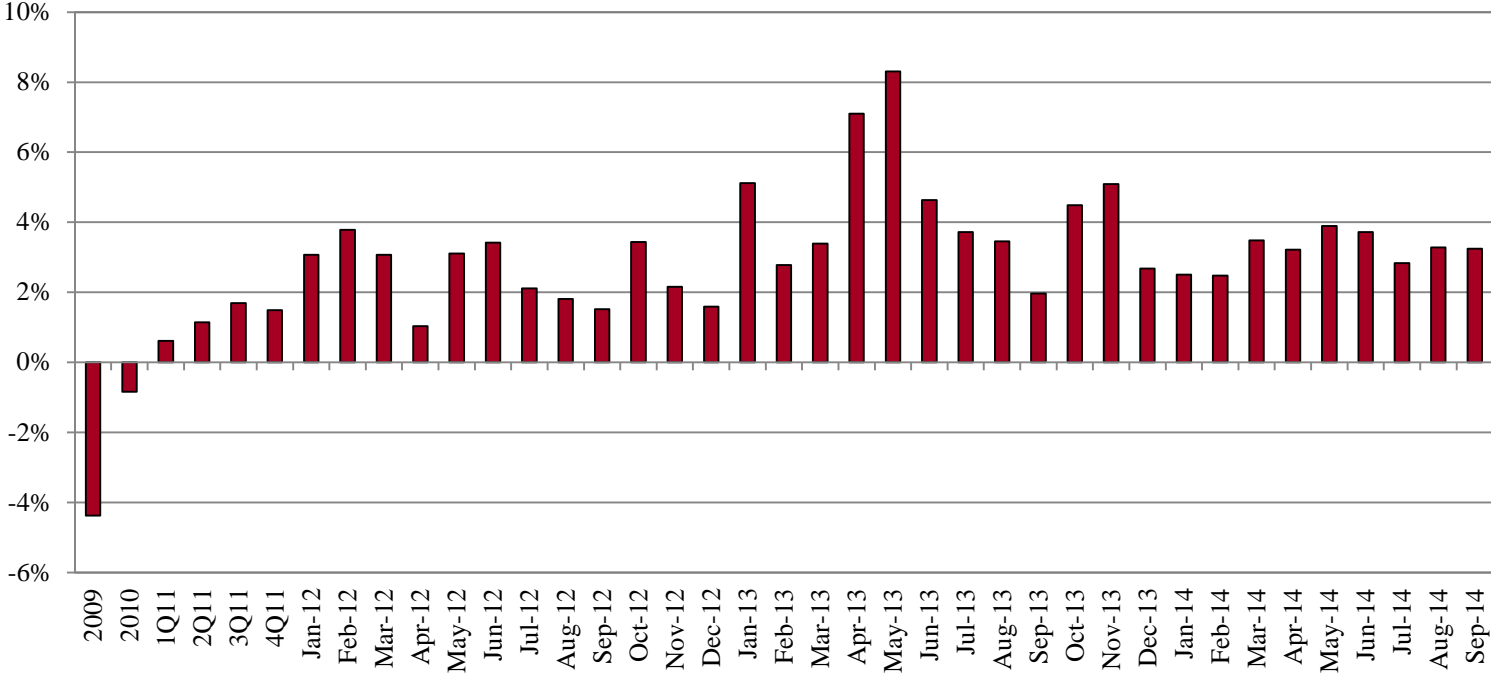
Comp Store Sales Trends (Distributors)



Source: FCW Executive Trends Survey

Retailer Growth Improved Slightly Through 3Q

Comp Store Sales Trends (Retailers)

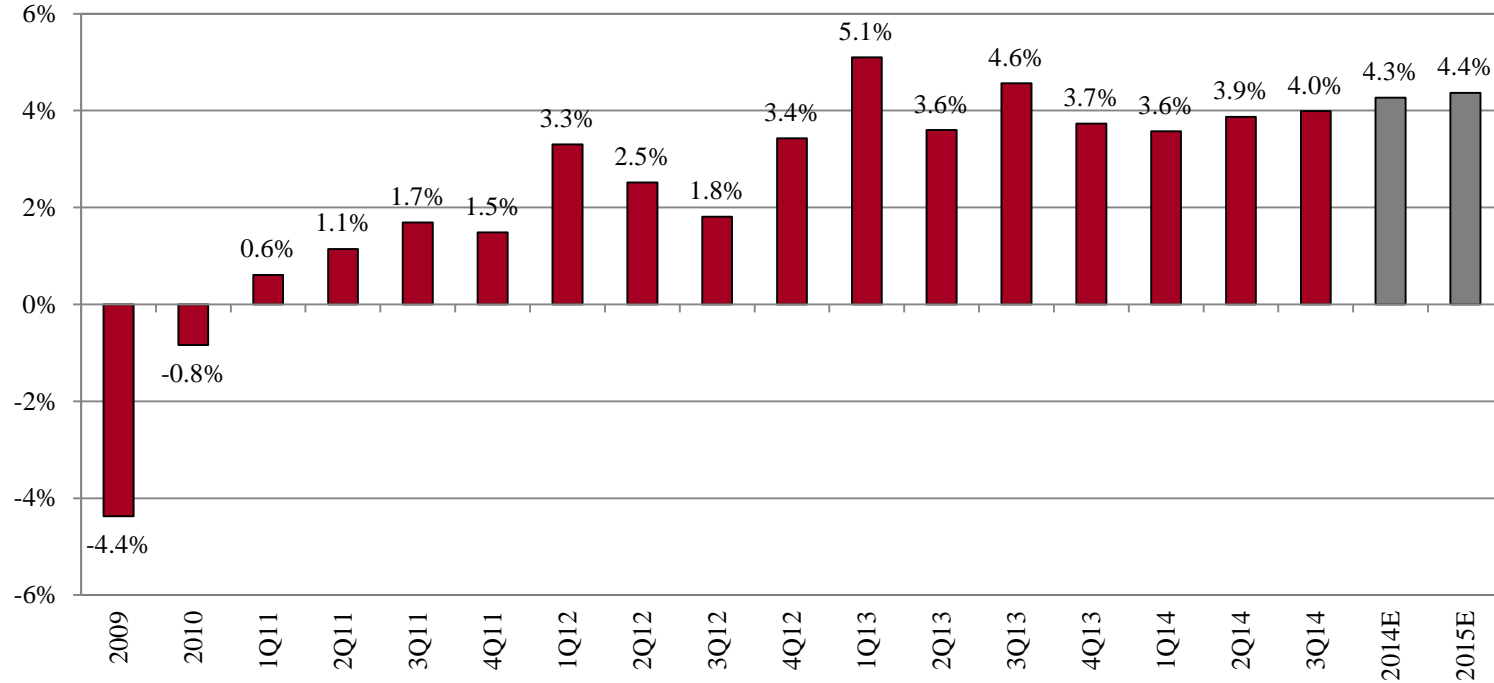


Source: FCW Executive Trends Survey

Retailer Growth Improved 0.1 Points in 3Q

Note quarterly sales growth may not add to annual sales growth

Comp Store Sales Trends (Retailers)



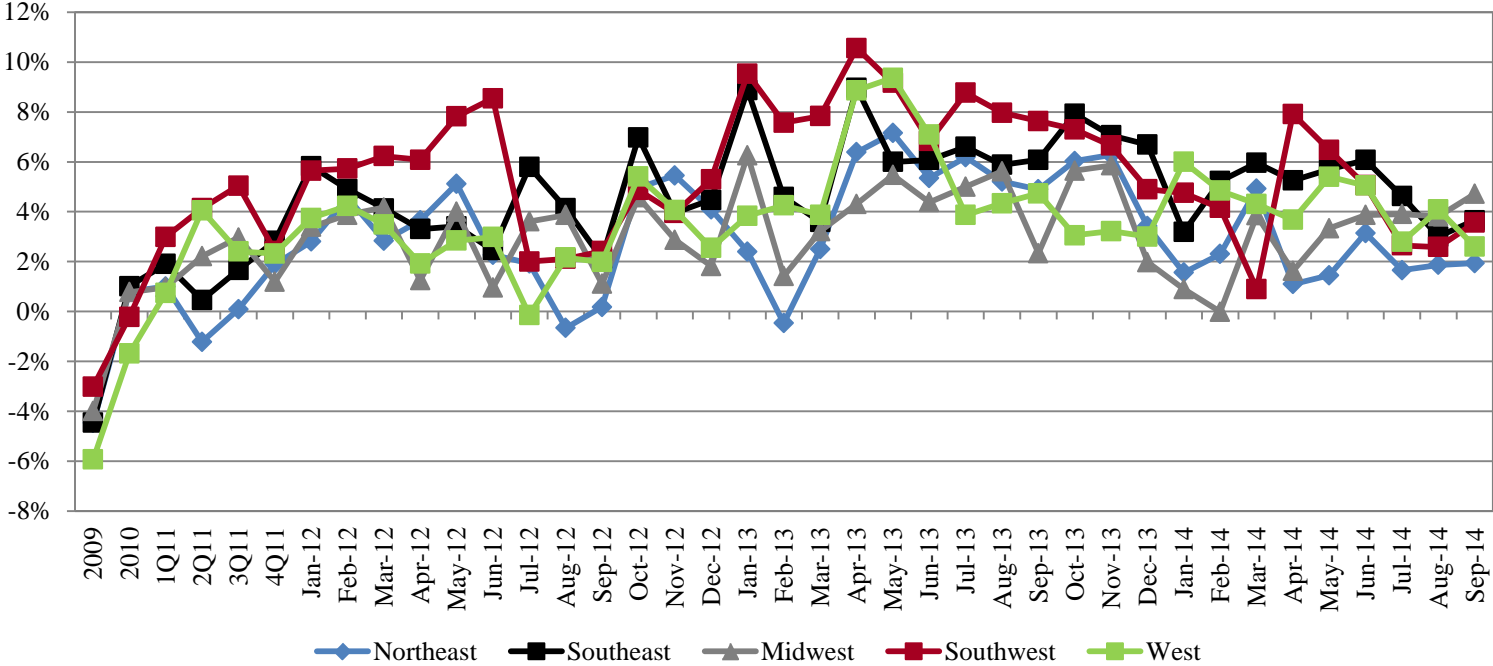
Source: FCW Executive Trends Survey

FCW Executive Quarterly Index

Region Performance

Growth Range by Region Narrowing Last 90 Days

Comp Store Sales Trends by Region

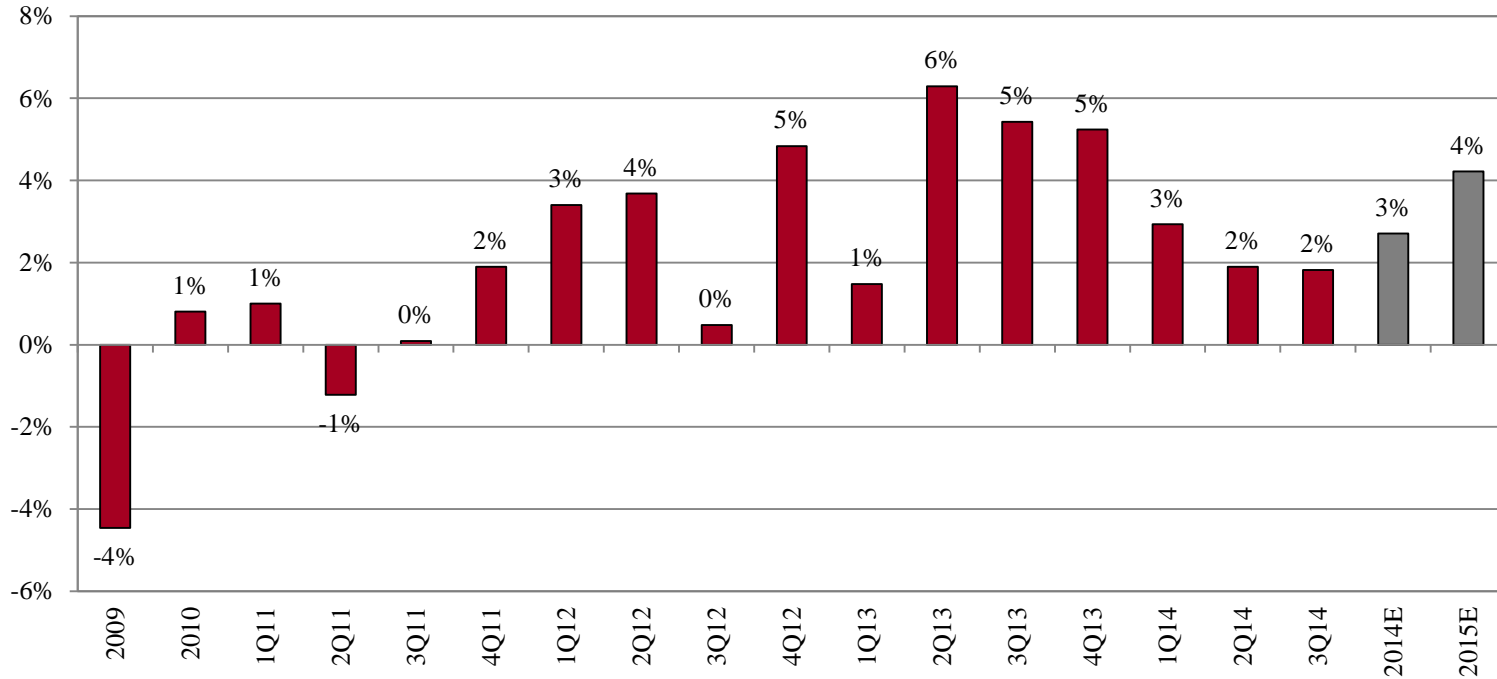


Source: FCW Executive Trends Survey

Northeast Region Forecasting 3% Growth in 2014

Note quarterly sales growth may not add to annual sales growth

Comp Store Sales Trends (Northeast)

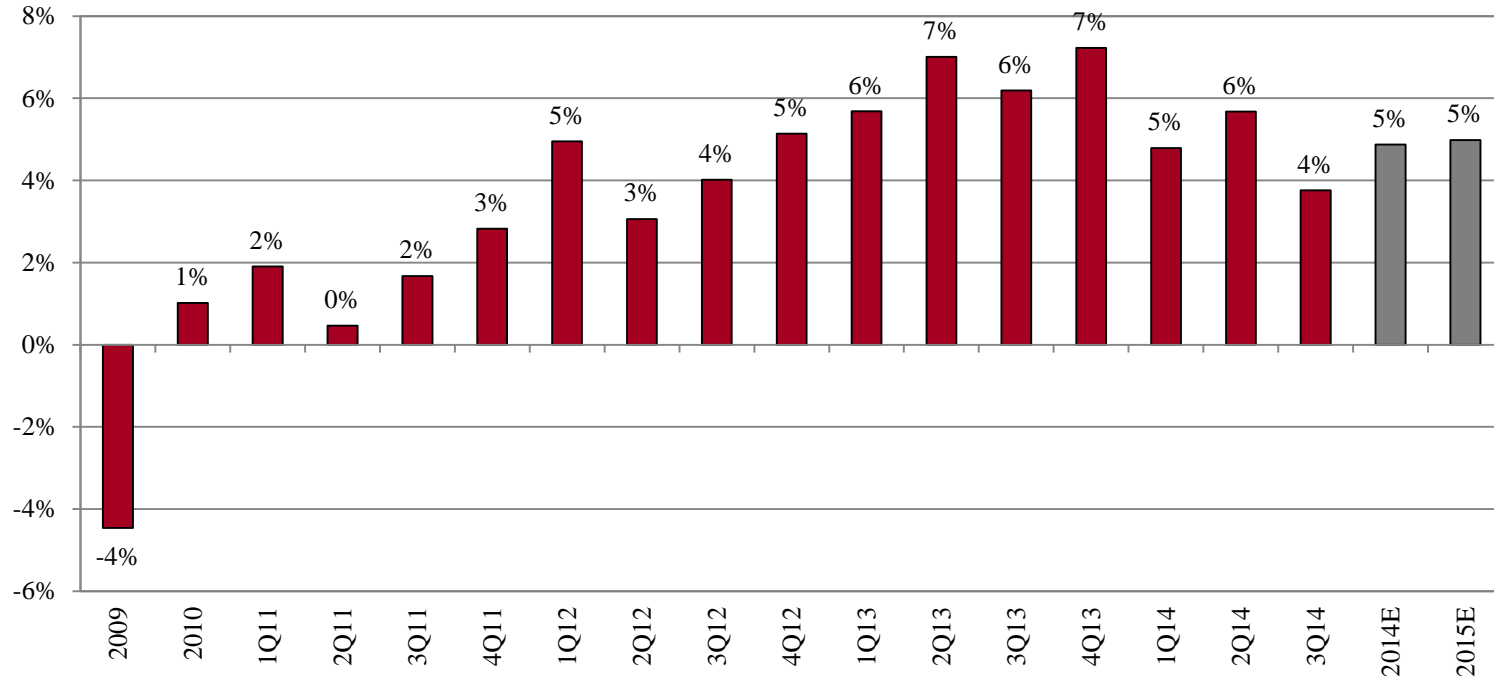


Source: FCW Executive Trends Survey

Southeast Region Forecasting 5% Growth in 2014

Note quarterly sales growth may not add to annual sales growth

Comp Store Sales Trends (Southeast)

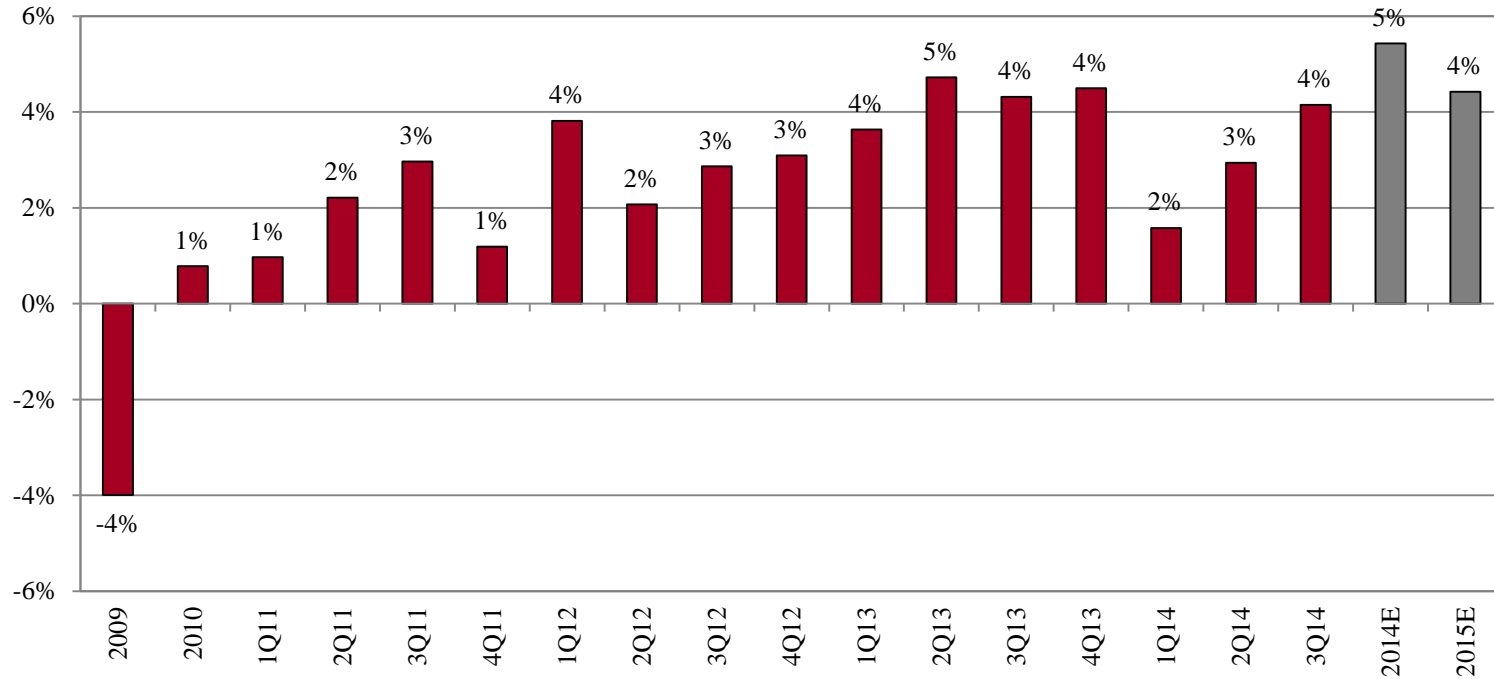


Source: FCW Executive Trends Survey

Midwest Region Forecasting 5% Growth in 2014

Note quarterly sales growth may not add to annual sales growth

Comp Store Sales Trends (Midwest)

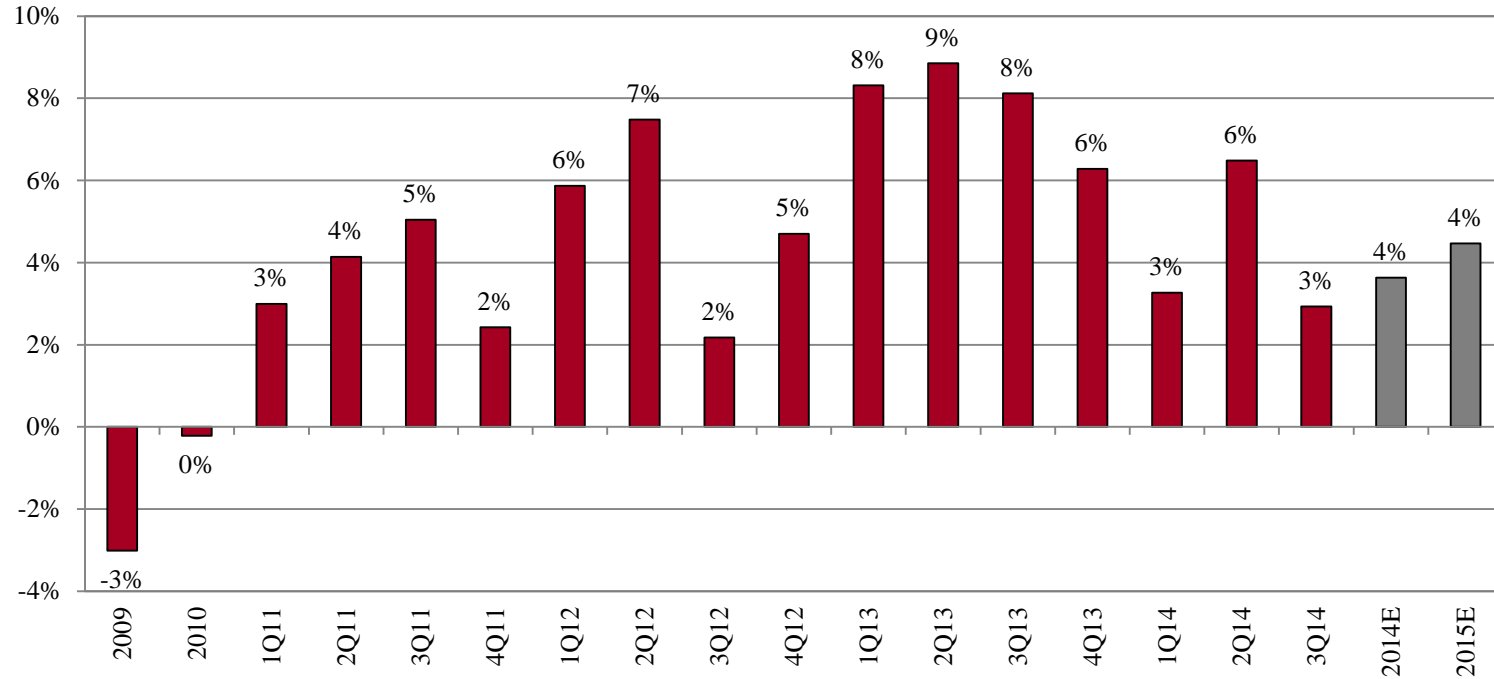


Source: FCW Executive Trends Survey

Southwest Region Forecasting 4% Growth in 2014

Note quarterly sales growth may not add to annual sales growth

Comp Store Sales Trends (Southwest)

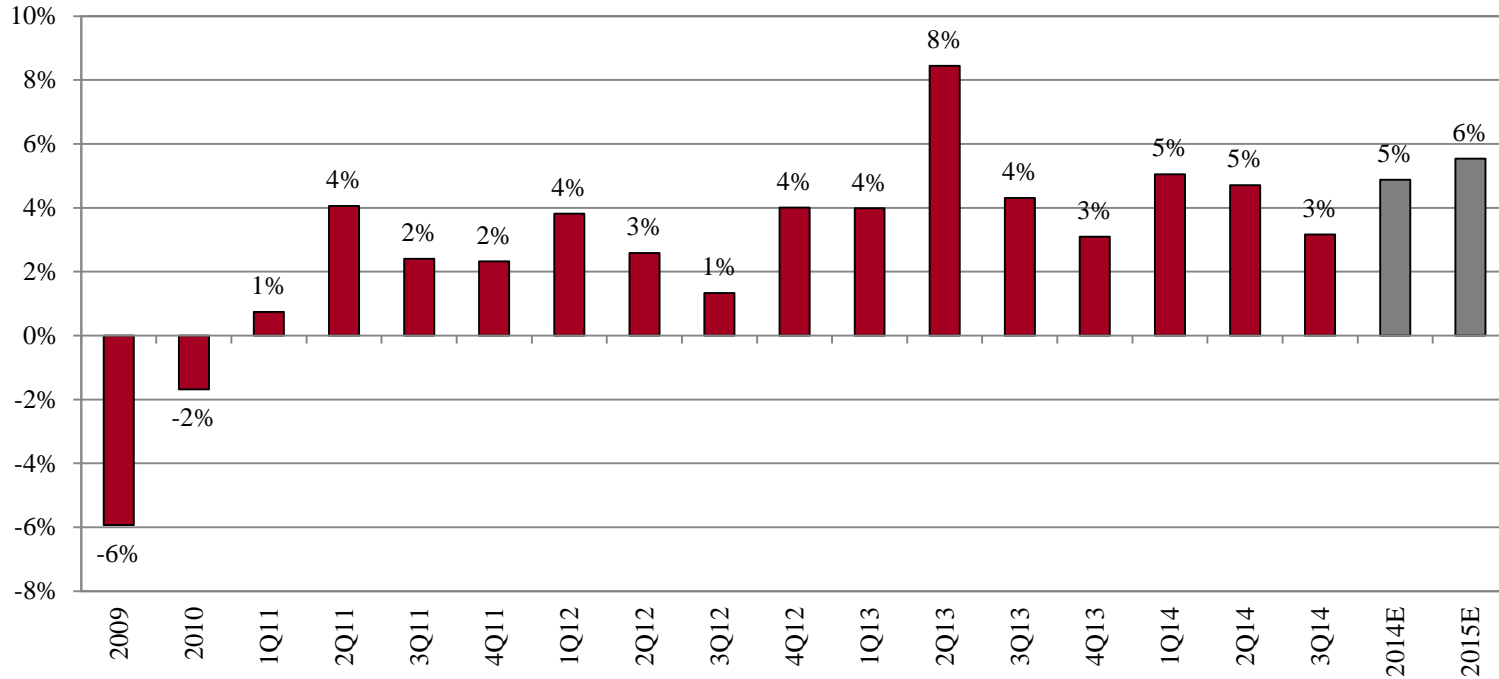


Source: FCW Executive Trends Survey

West Region Forecasting 5% Growth in 2014

Note quarterly sales growth may not add to annual sales growth

Comp Store Sales Trends (West)



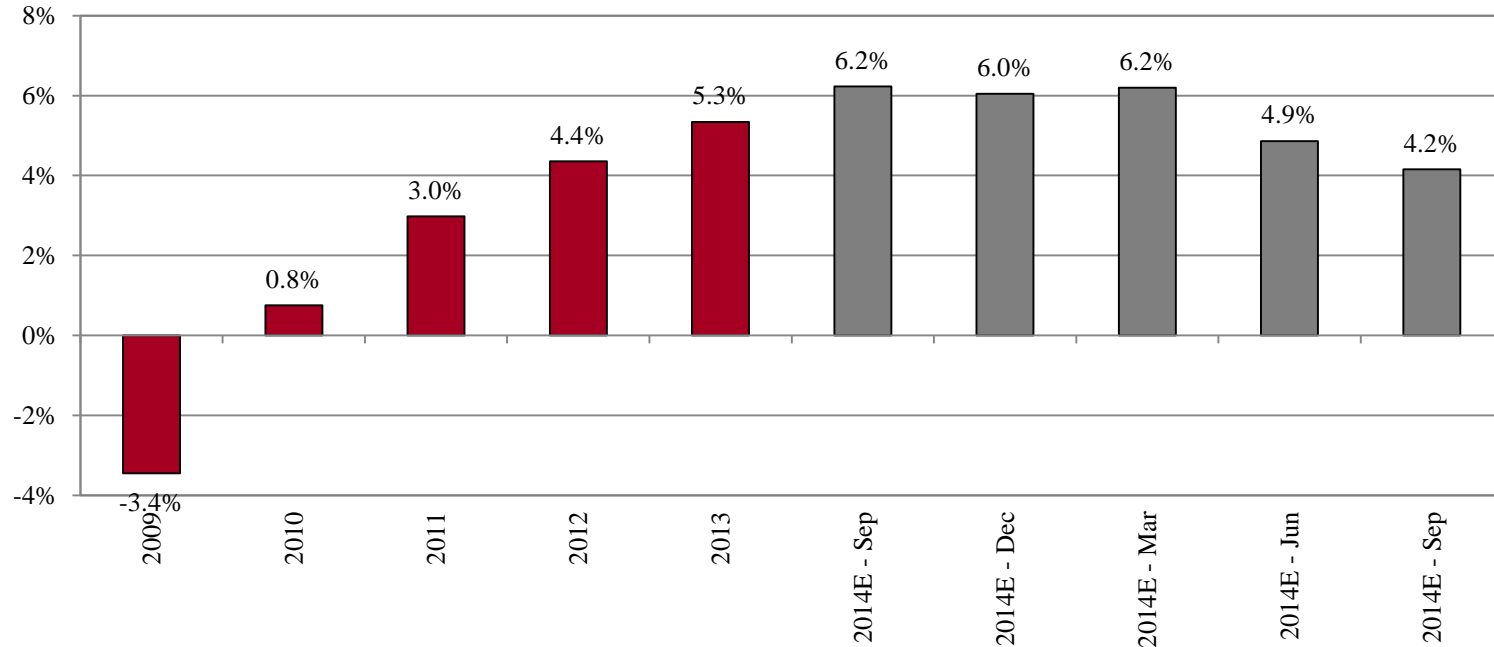
Source: FCW Executive Trends Survey

FCW Executive Quarterly Index

2014 Forecasts

2014 Sales Growth Forecasts Now 4.2%

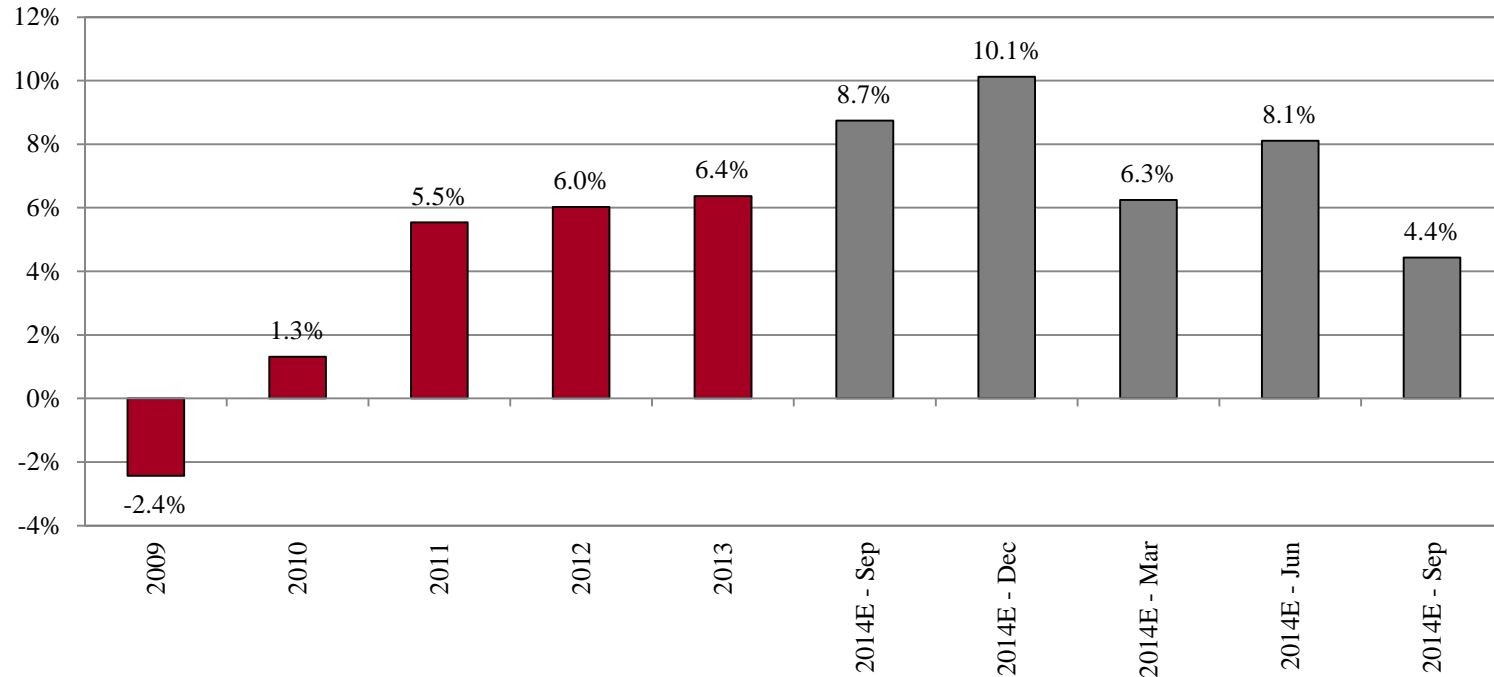
**2014 Forecasts versus 2009-2013 Sales Growth
 (Total Survey)**



Source: FCW Executive Trends Survey

Manufacturers Forecasting 4.4%

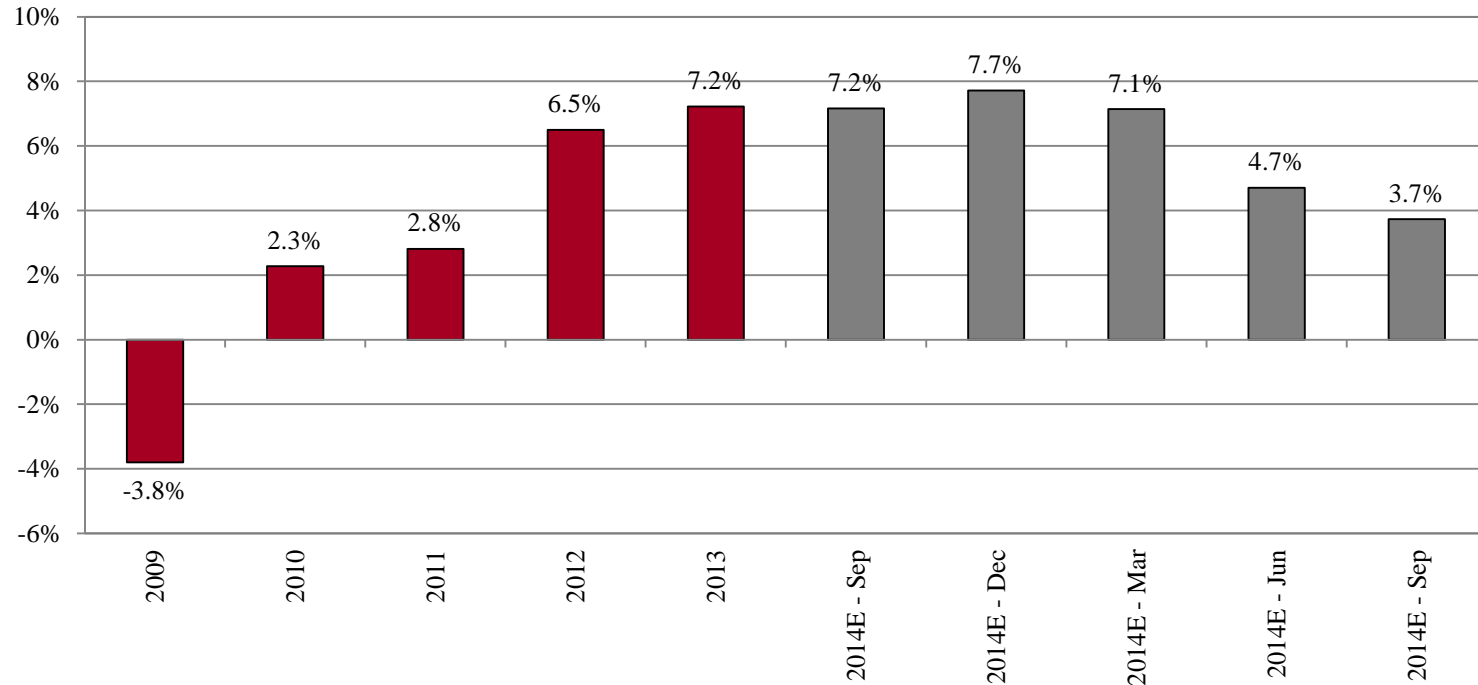
2014 Forecasts versus 2009-2013 Sales Growth (Manufacturer)



Source: FCW Executive Trends Survey

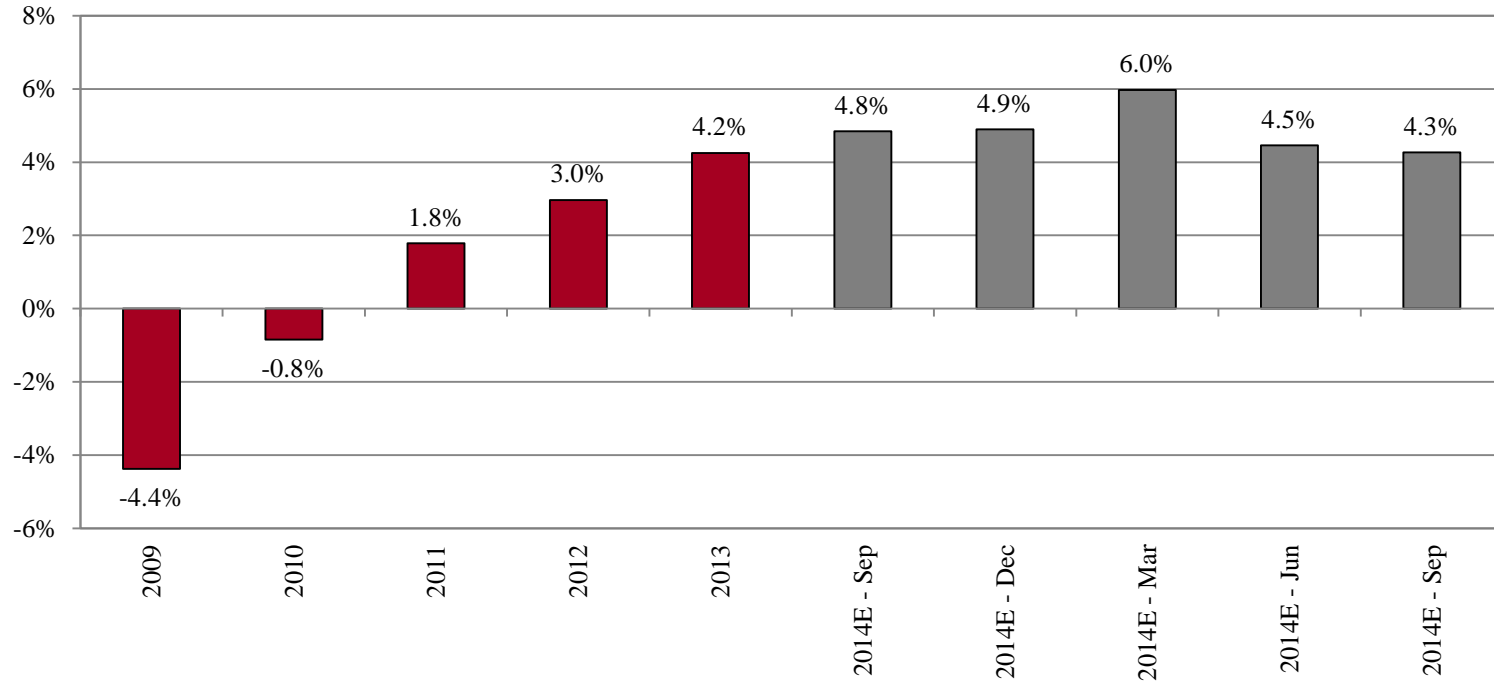
Distributors Forecasting 3.7%

2014 Forecasts versus 2009-2013 Sales Growth (Distributors)



Source: FCW Executive Trends Survey

2014 Forecasts versus 2009-2013 Sales Growth (Retailers)

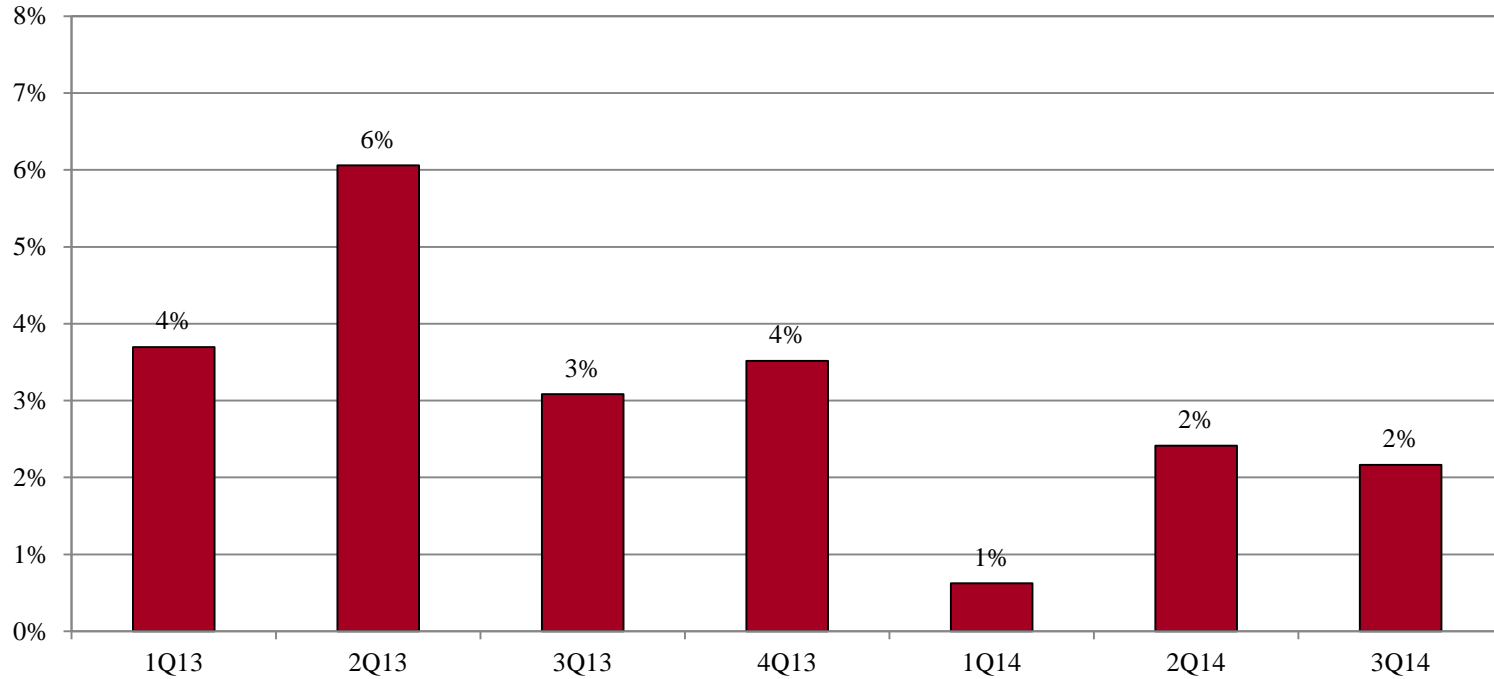


Source: FCW Executive Trends Survey

FCW Executive Quarterly Index

Category Growth

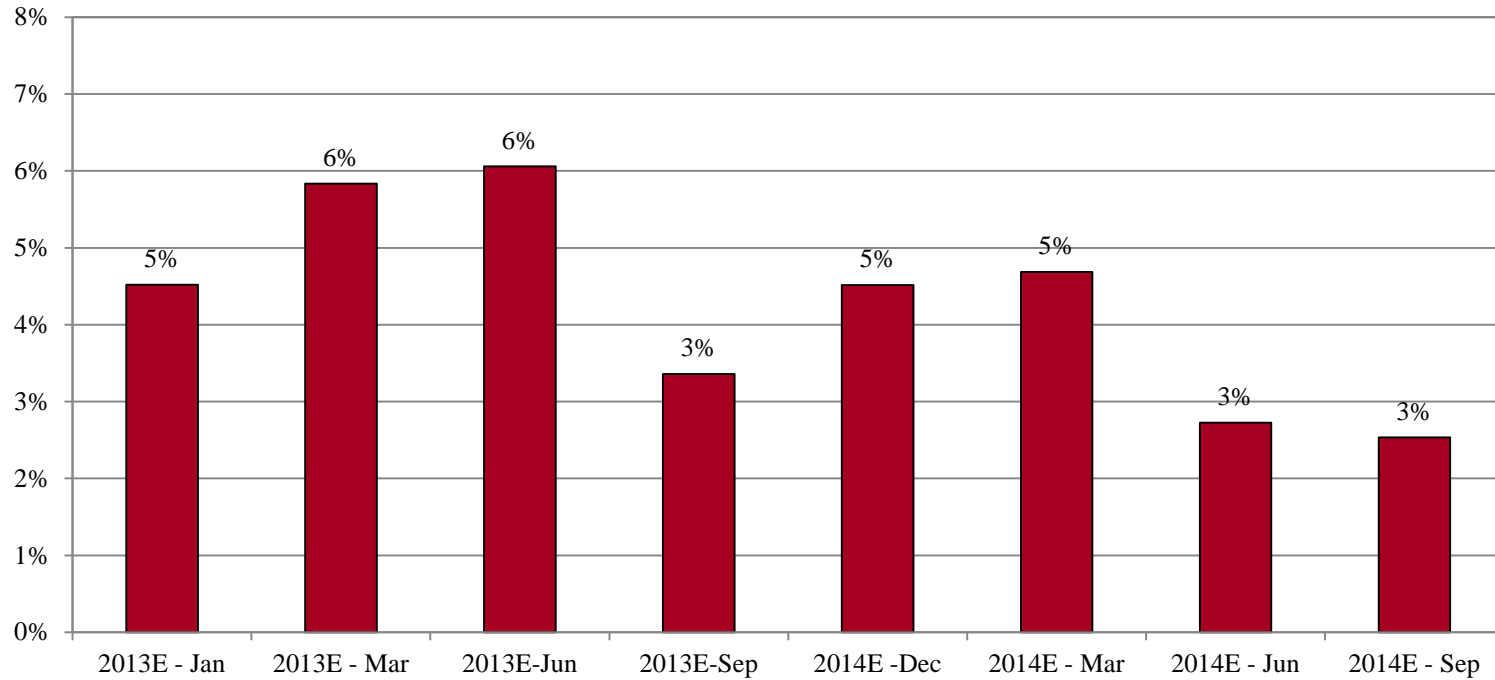
Carpet Growth (Total Survey)



Source: FCW Executive Trends Survey

Carpet Forecast Up 2.5% in 2014

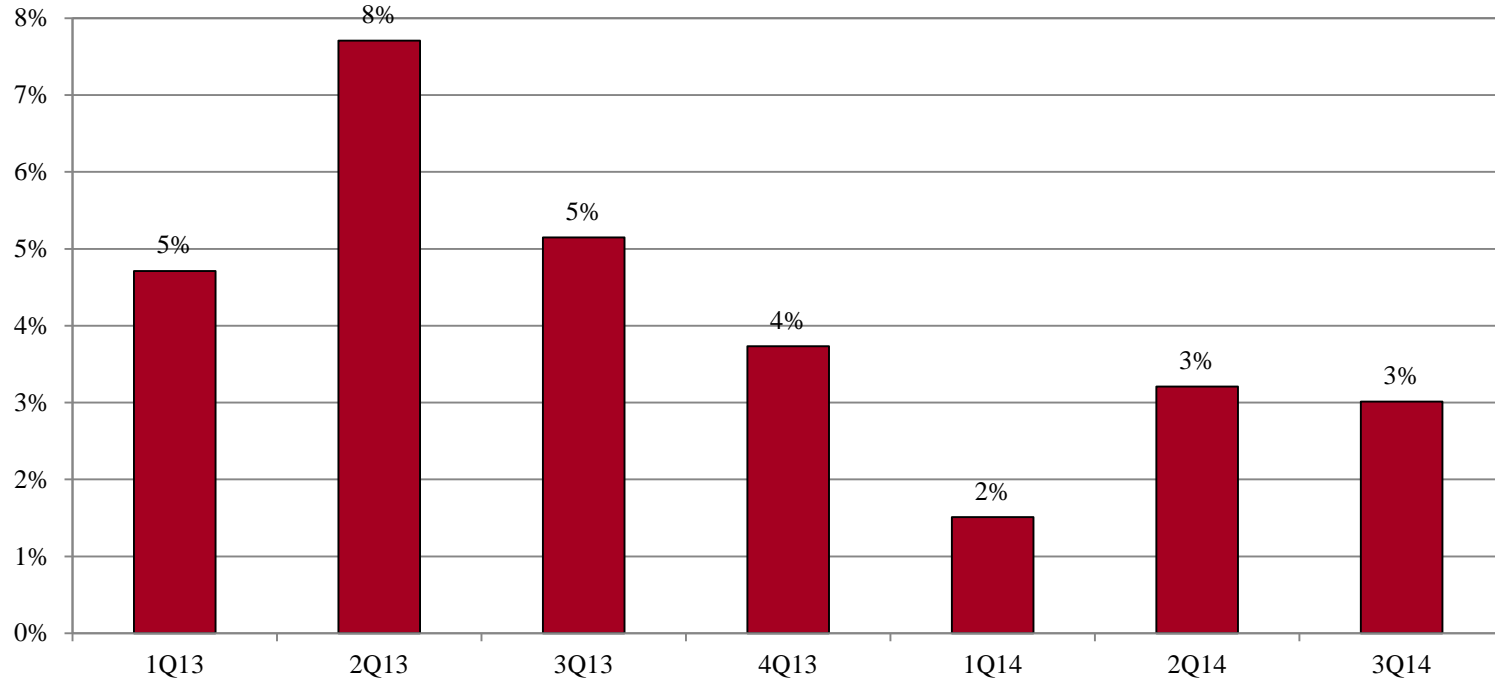
Carpet 2014 Growth Forecasts (Total Survey)



Source: FCW Executive Trends Survey

Hardwood Growth Up 3% in 3Q

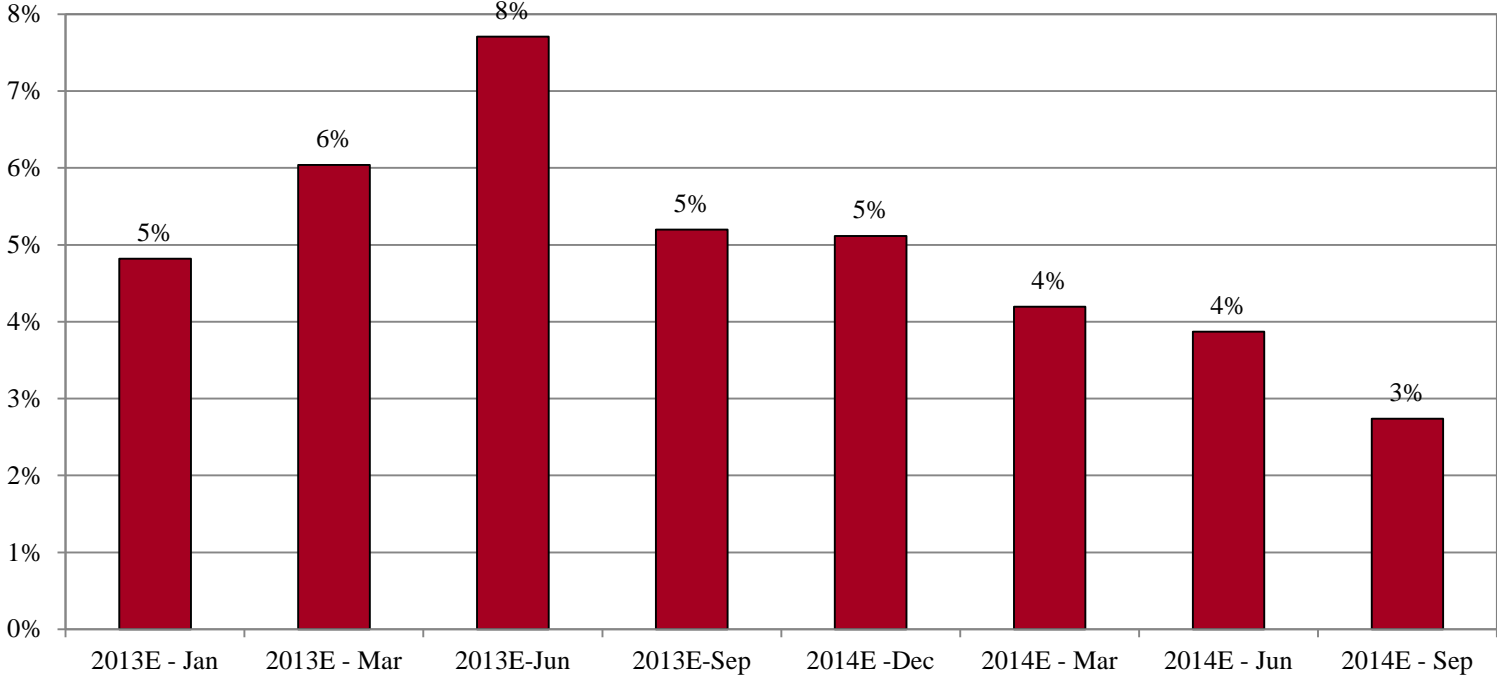
Hardwood Growth (Total Survey)



Source: FCW Executive Trends Survey

Hardwood Forecast Up 3% in 2014

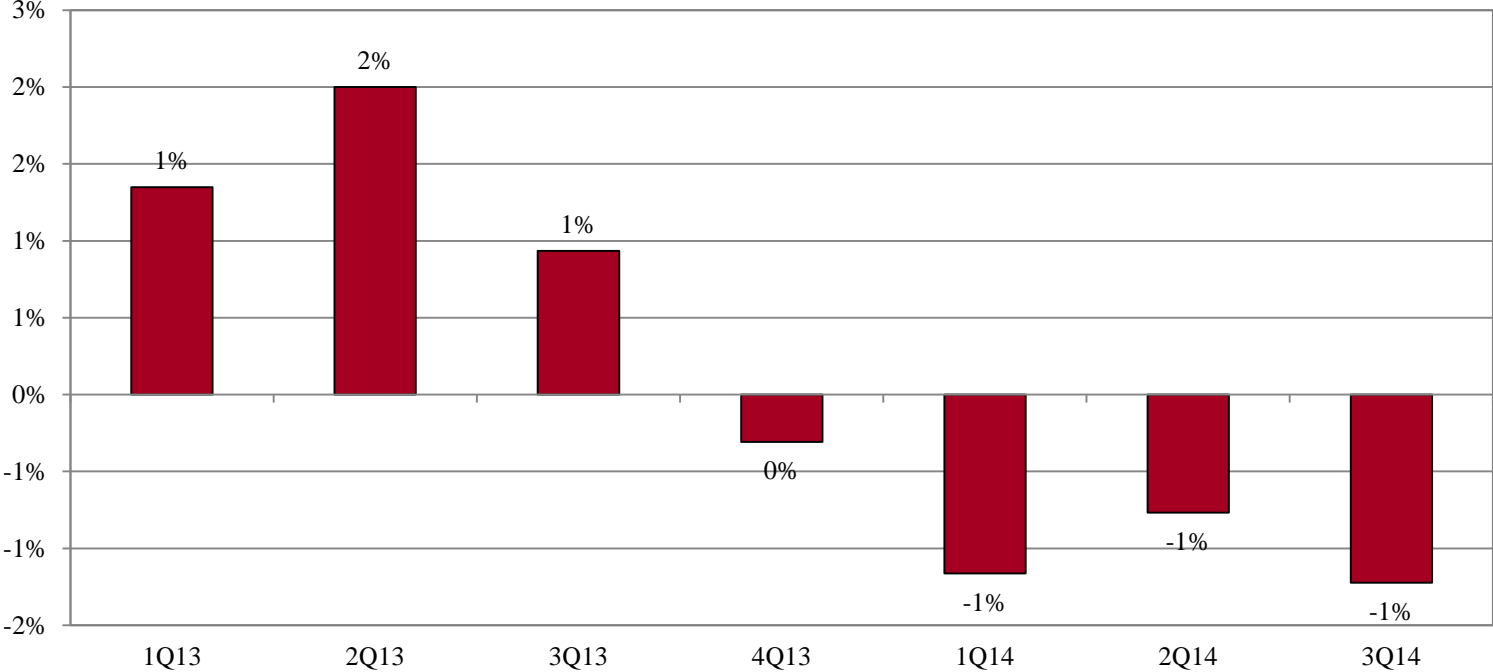
Hardwood 2014 Growth Forecasts (Total Survey)



Source: FCW Executive Trends Survey

Laminate Growth Declined Over 1% in 3Q

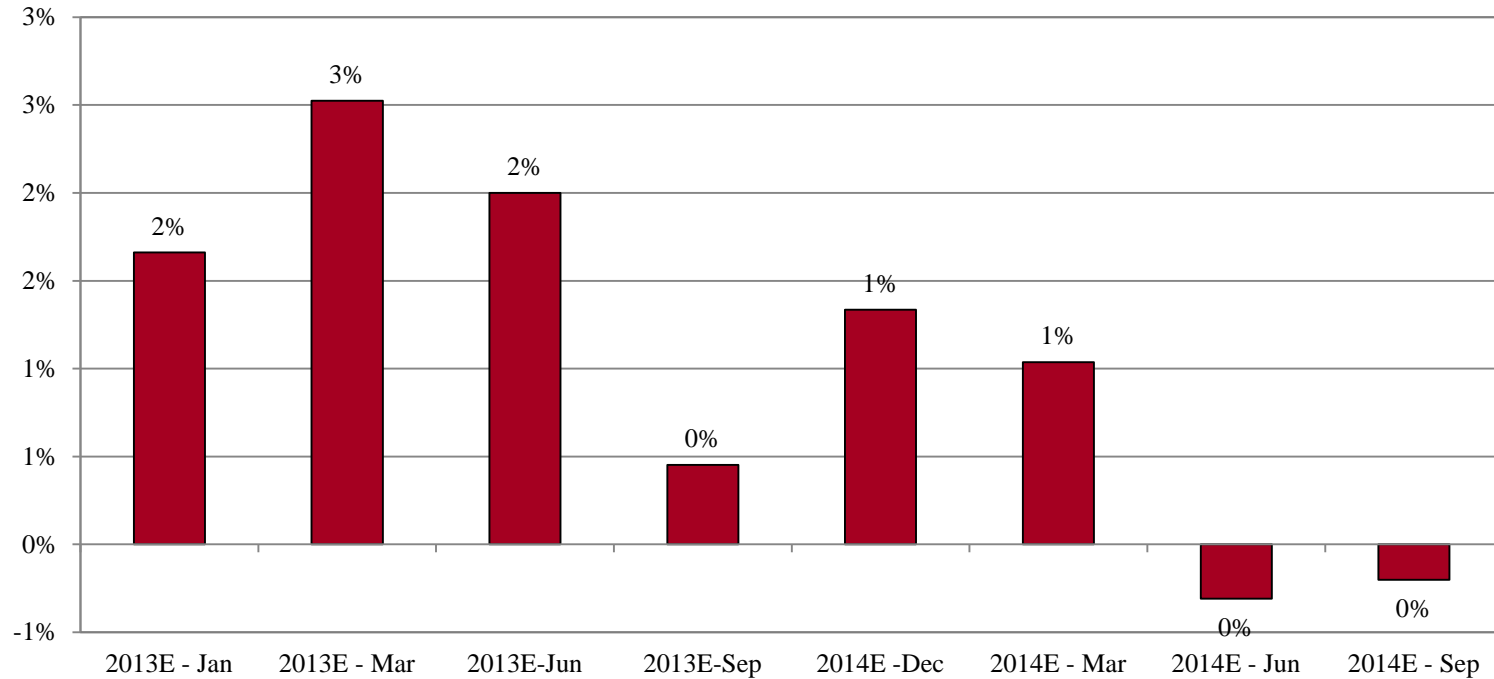
Laminate Growth (Total Survey)



Source: FCW Executive Trends Survey

Laminate Forecast Flat in 2014

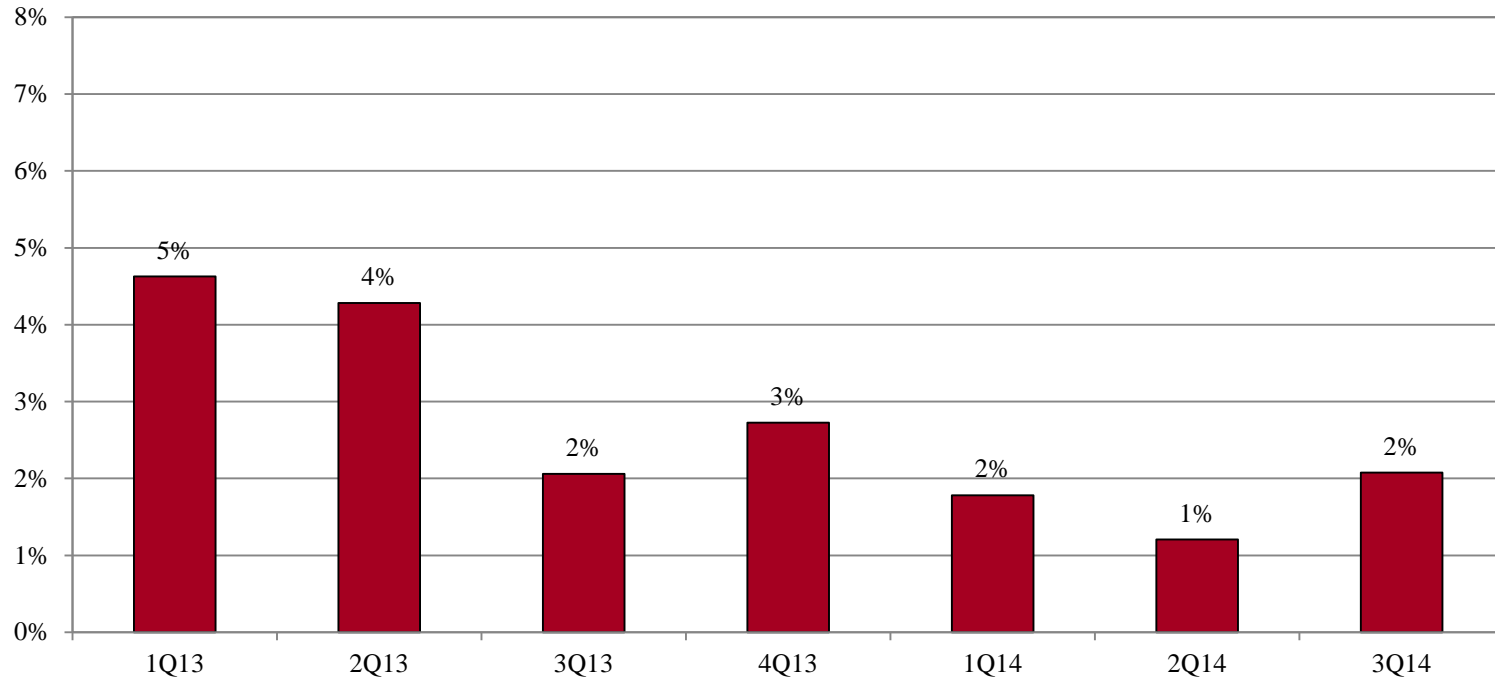
Laminate 2014 Growth Forecasts (Total Survey)



Source: FCW Executive Trends Survey

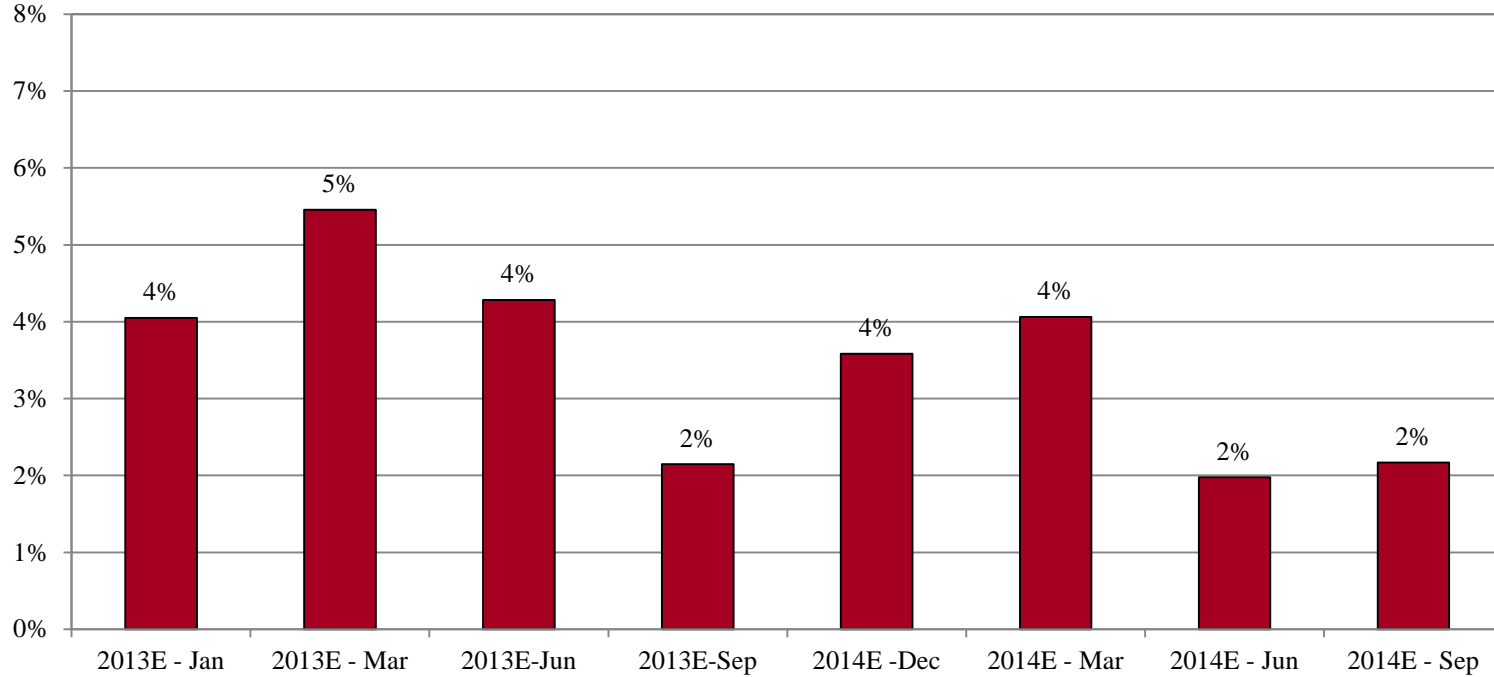
Tile Growth Up 2% in 3Q

Tile Growth (Total Survey)



Source: FCW Executive Trends Survey

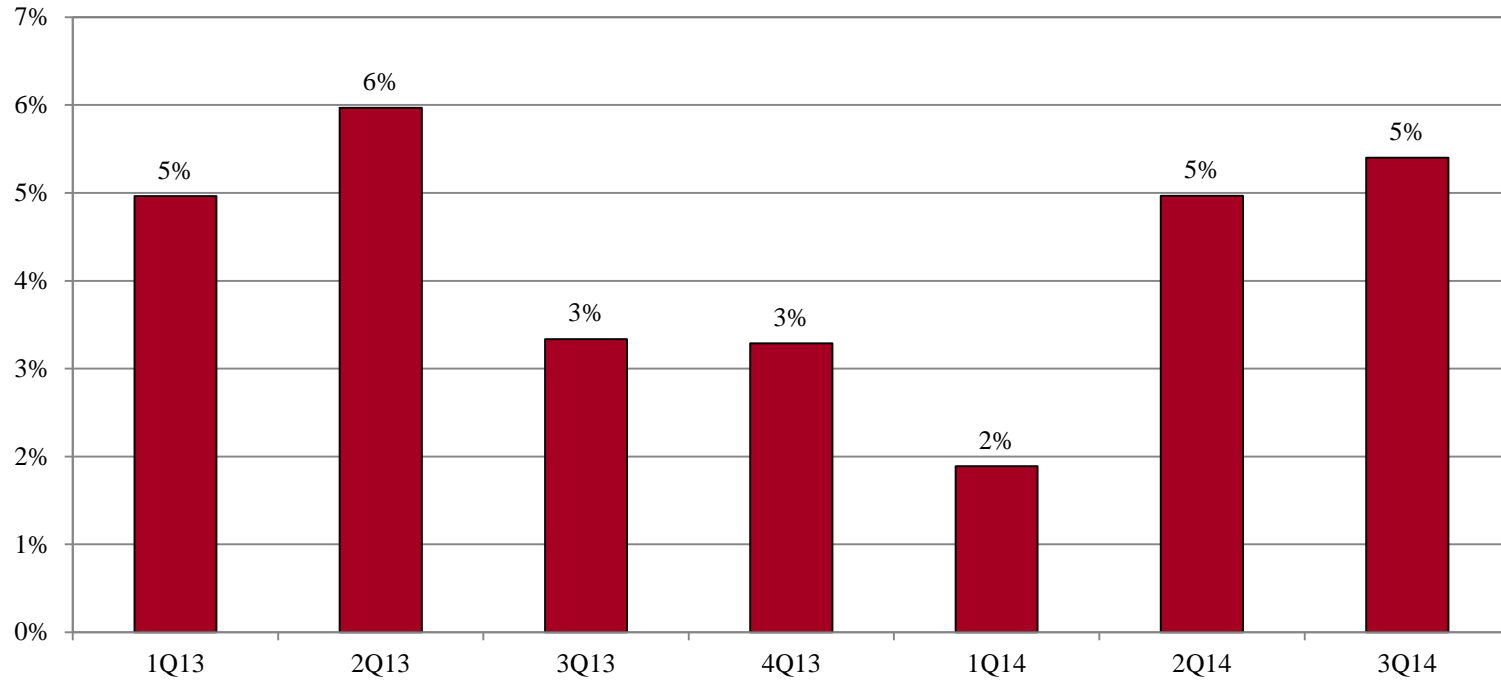
Tile 2014 Growth Forecasts (Total Survey)



Source: FCW Executive Trends Survey

Vinyl Growth Up 5% in 3Q

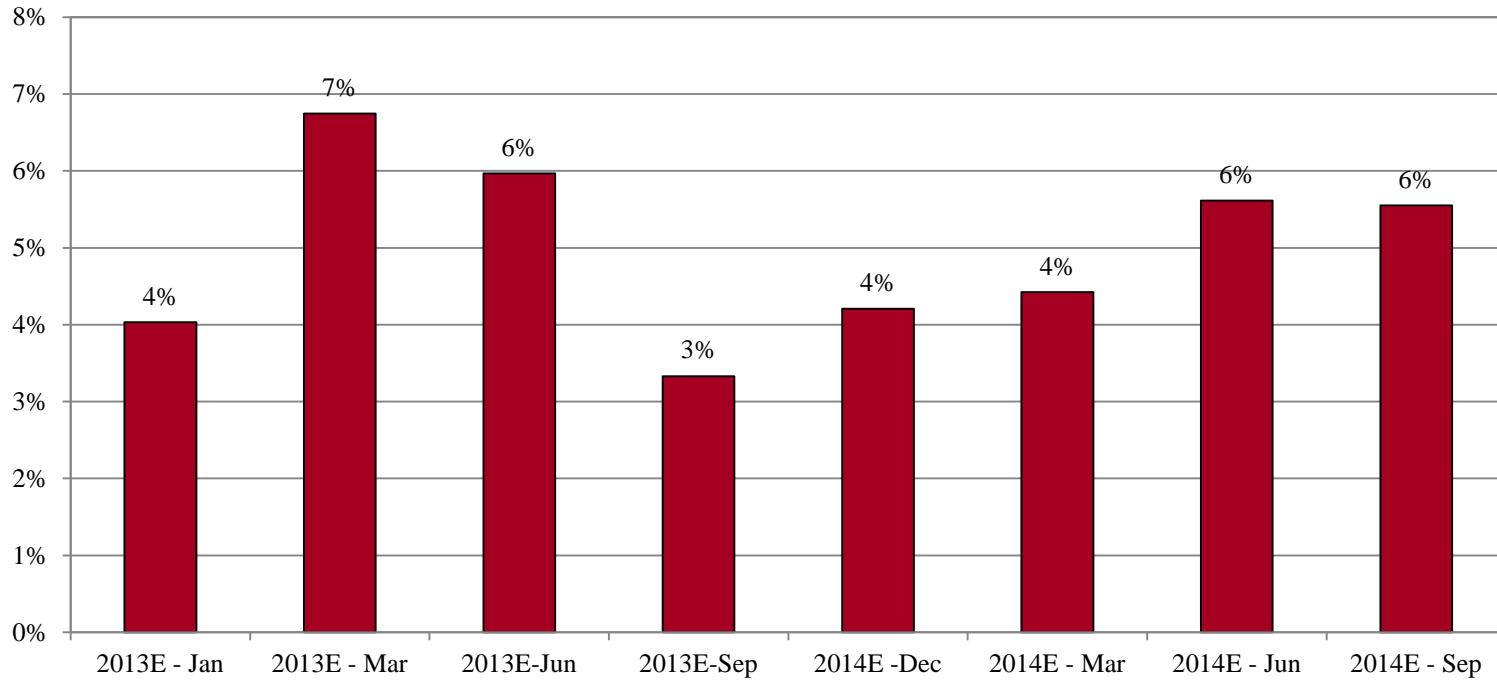
Vinyl Growth (Total Survey)



Source: FCW Executive Trends Survey

Vinyl Forecast Up 5.5% in 2014

Vinyl 2014 Growth Forecasts (Total Survey)



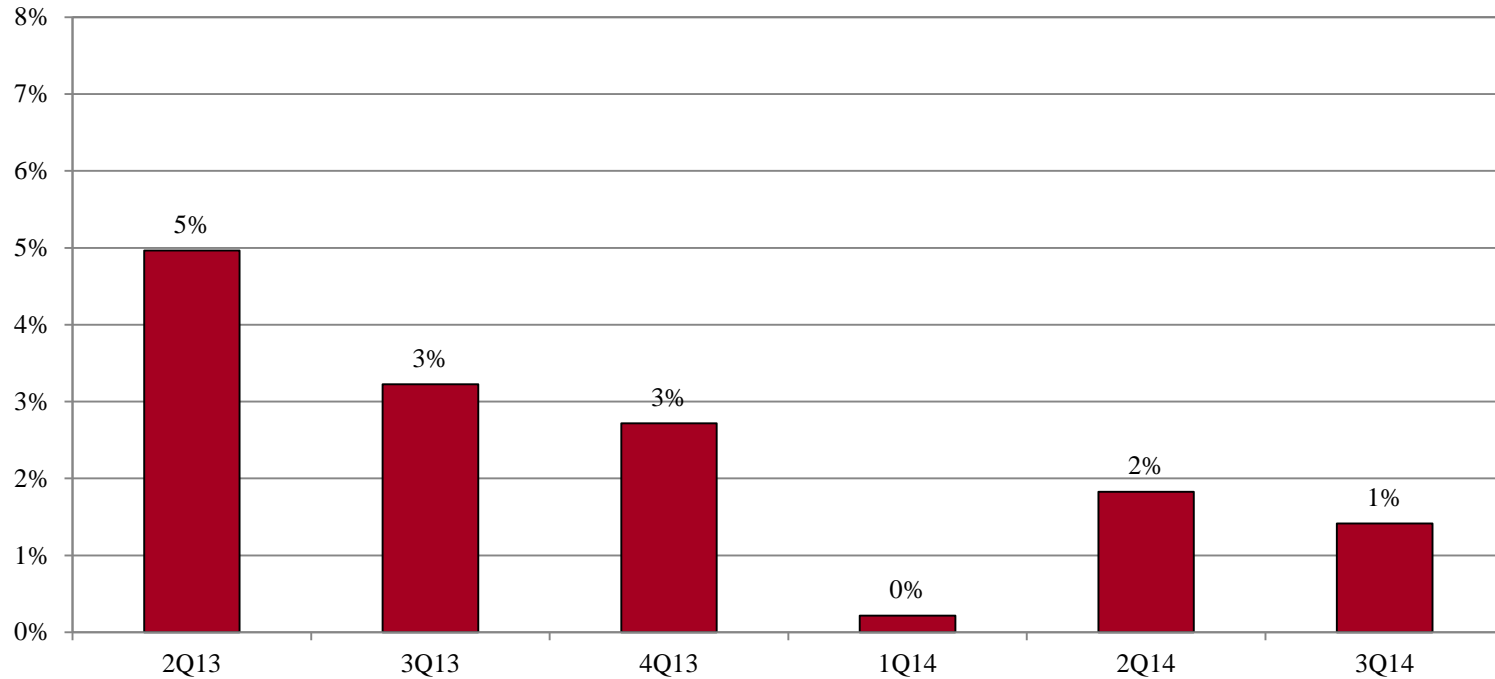
Source: FCW Executive Trends Survey

FCW Executive Quarterly Index

End-Market Growth

New Residential Construction Growth Up 1.5% in 3Q

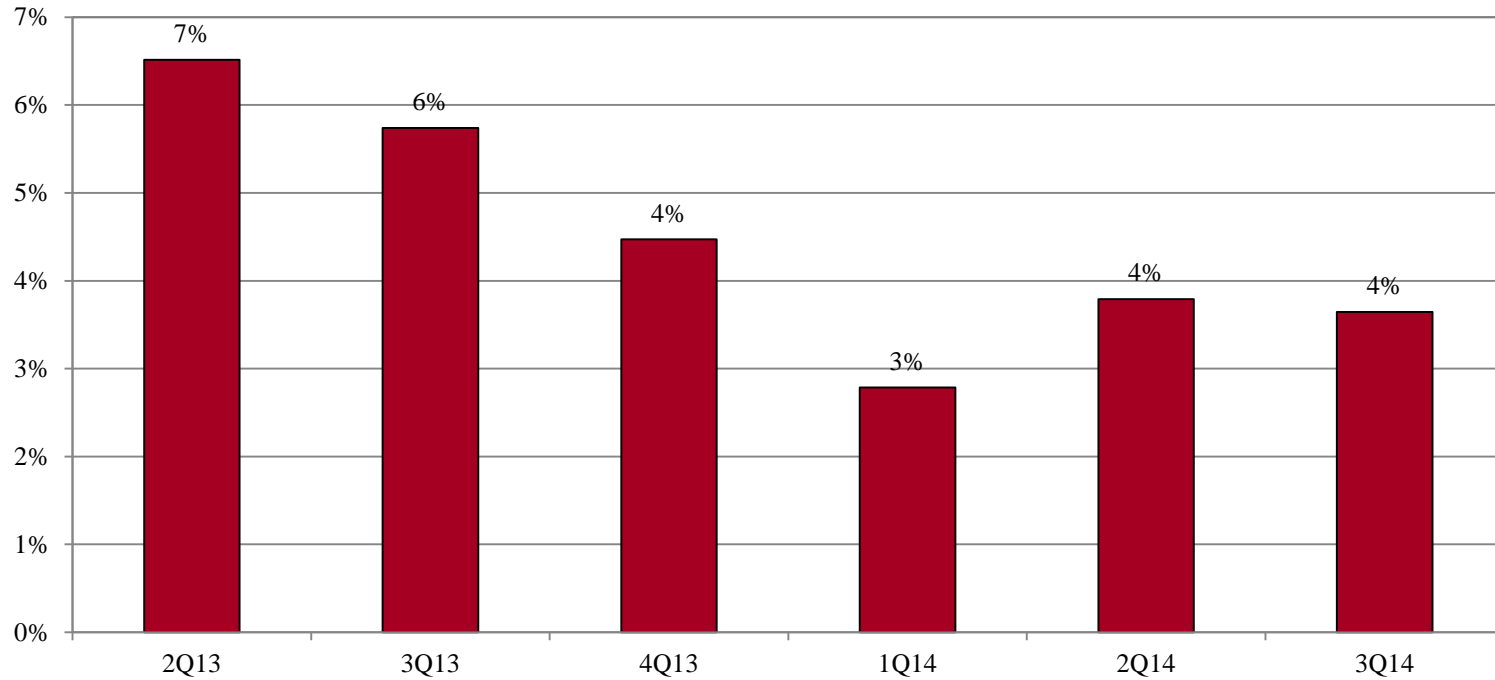
End Market Sales Growth (New Residential)



Source: FCW Executive Trends Survey

Residential Replacement Growth Up 3.5% in 3Q

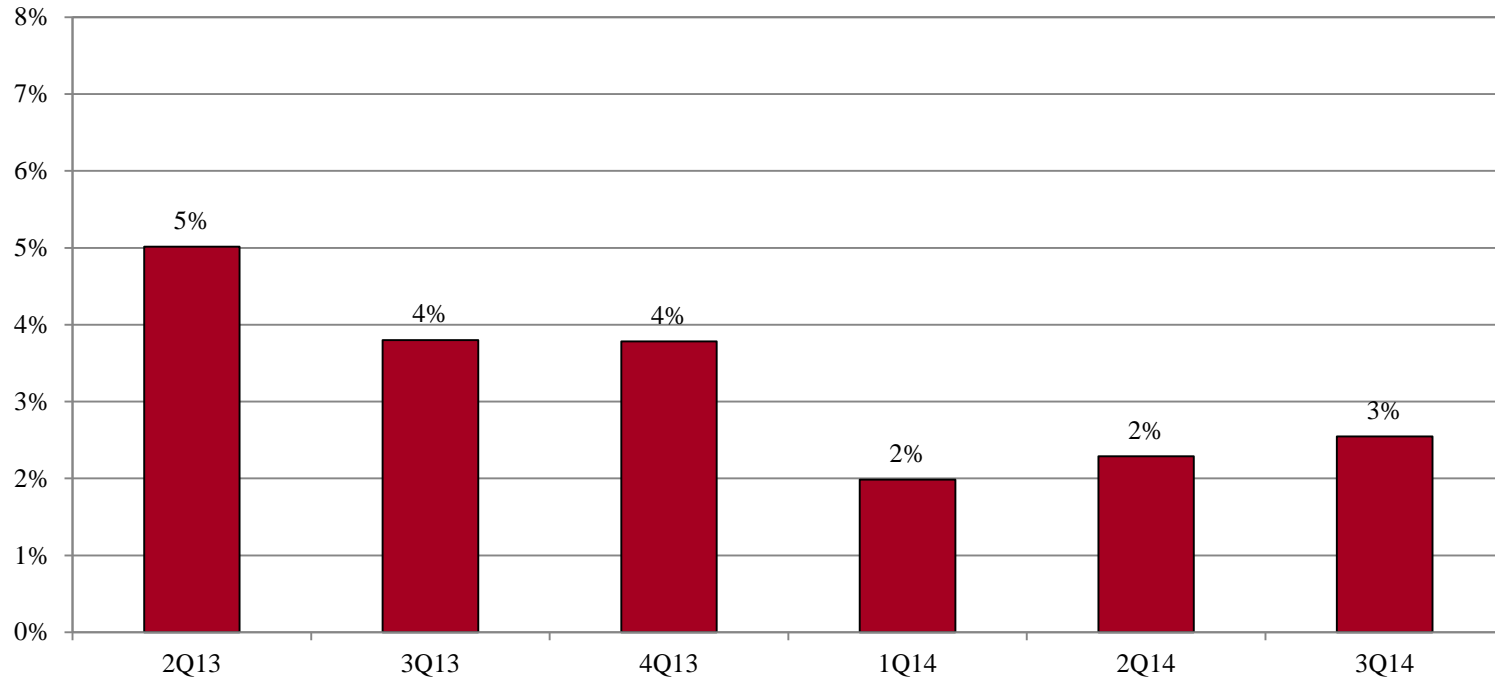
End Market Sales Growth (Residential Replacement)



Source: FCW Executive Trends Survey

Commercial Growth Up 2.5% in 3Q

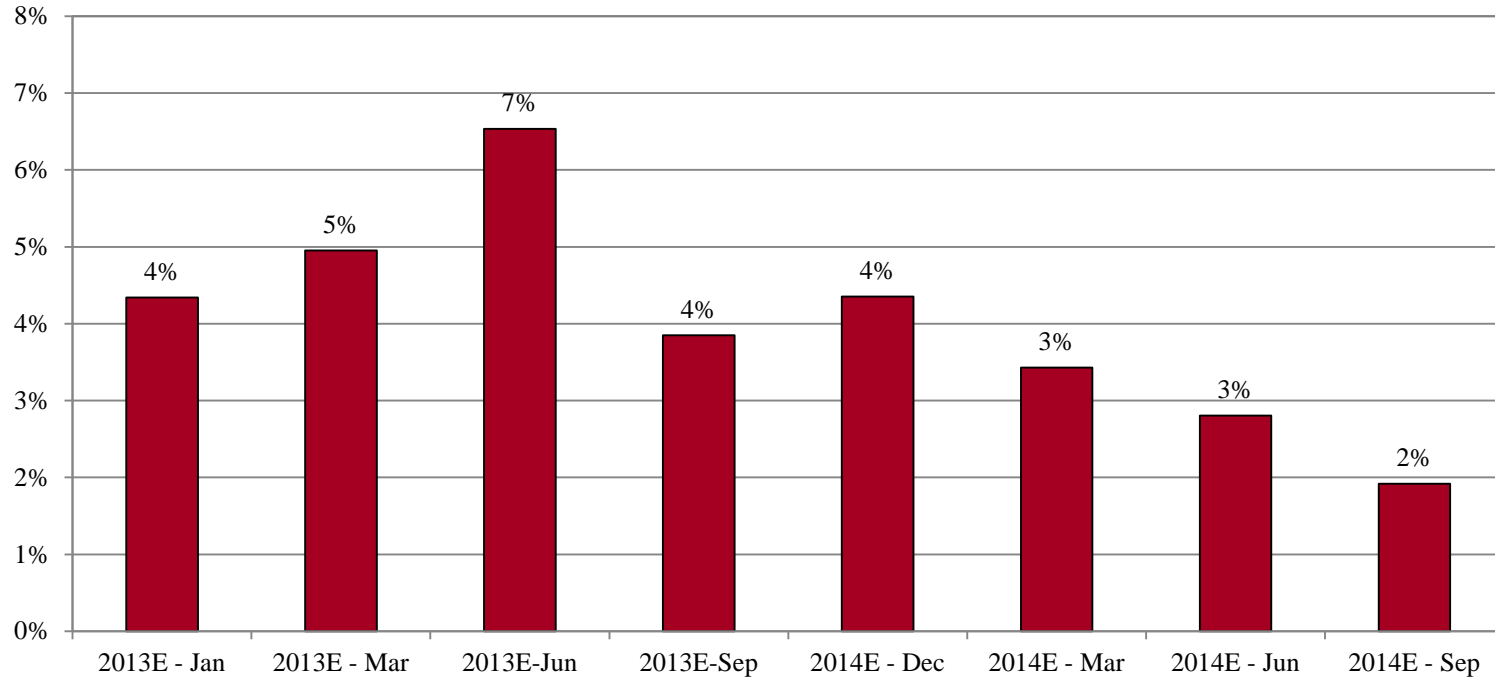
End Market Sales Growth (Commercial)



Source: FCW Executive Trends Survey

New Residential Construction Forecast Up 2% in 2014

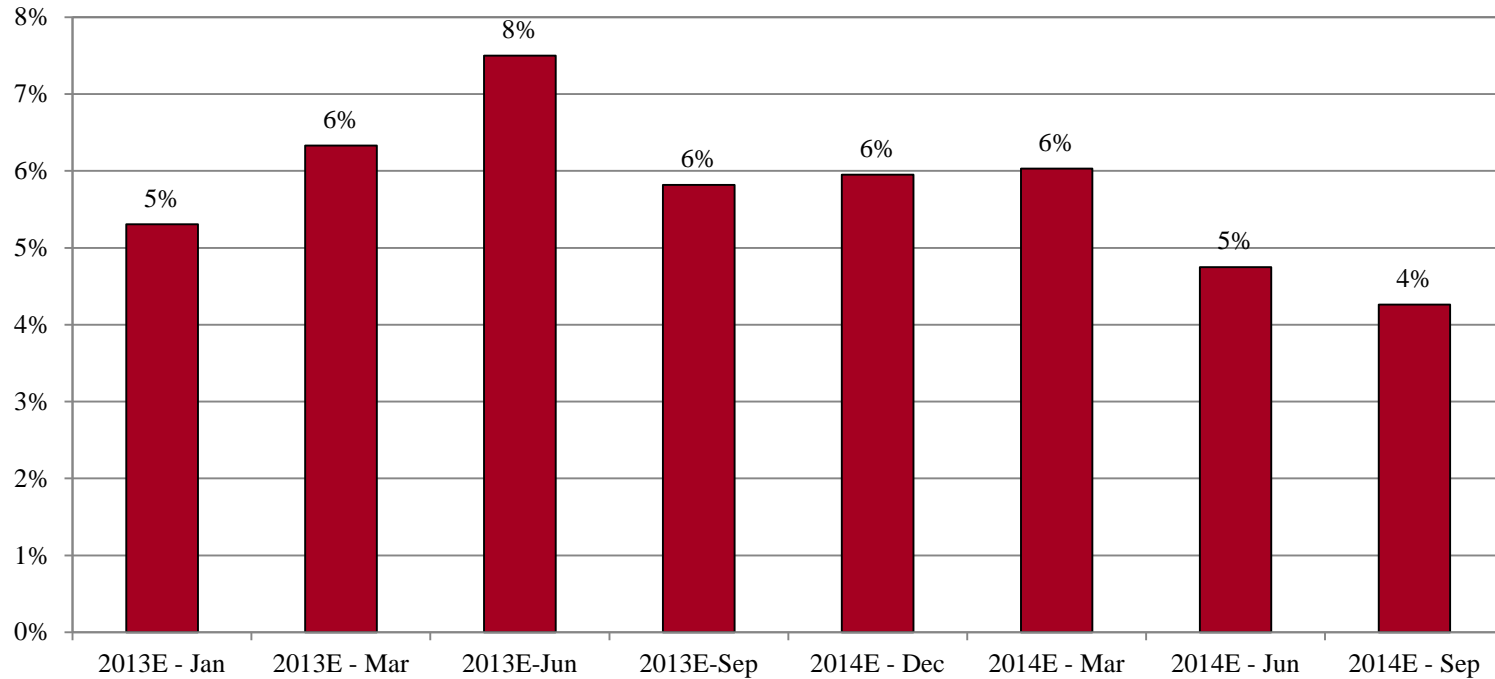
End Market Sales Growth Forecast (New Residential)



Source: FCW Executive Trends Survey

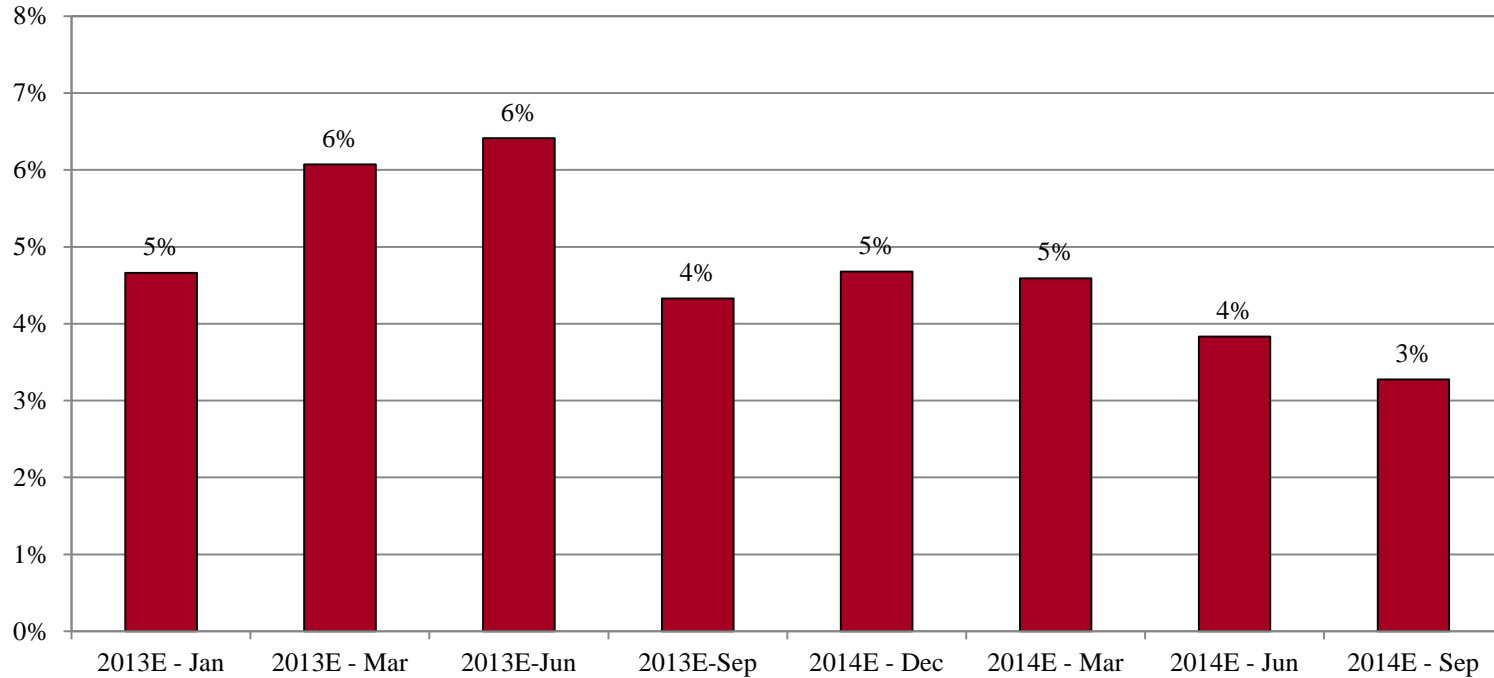
Residential Replacement Forecast Up 4% in 2014

End Market Sales Growth Forecast (Residential Replacement)



Source: FCW Executive Trends Survey

End Market Sales Growth Forecast (Commercial)



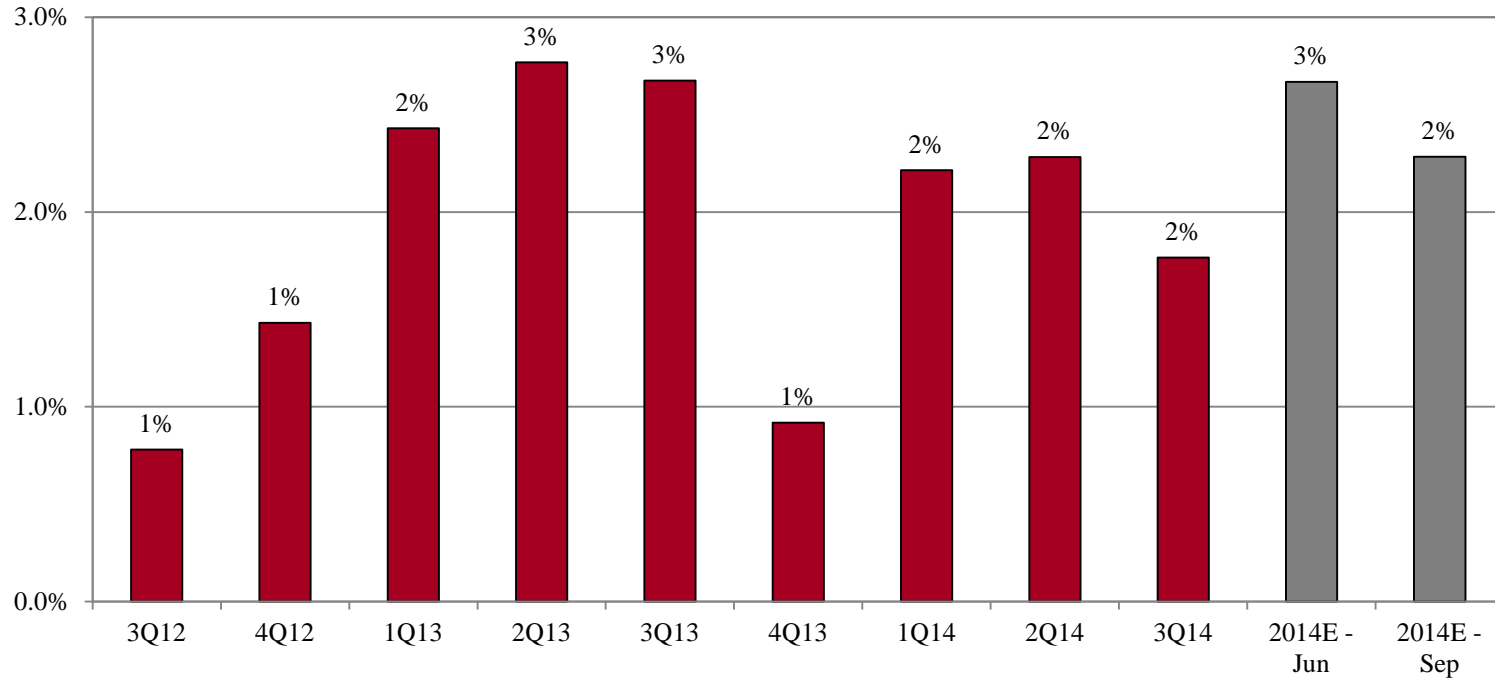
Source: FCW Executive Trends Survey

FCW Executive Trends Survey

Profits and Input Costs

Average Selling Price Progress Slowed in 3Q

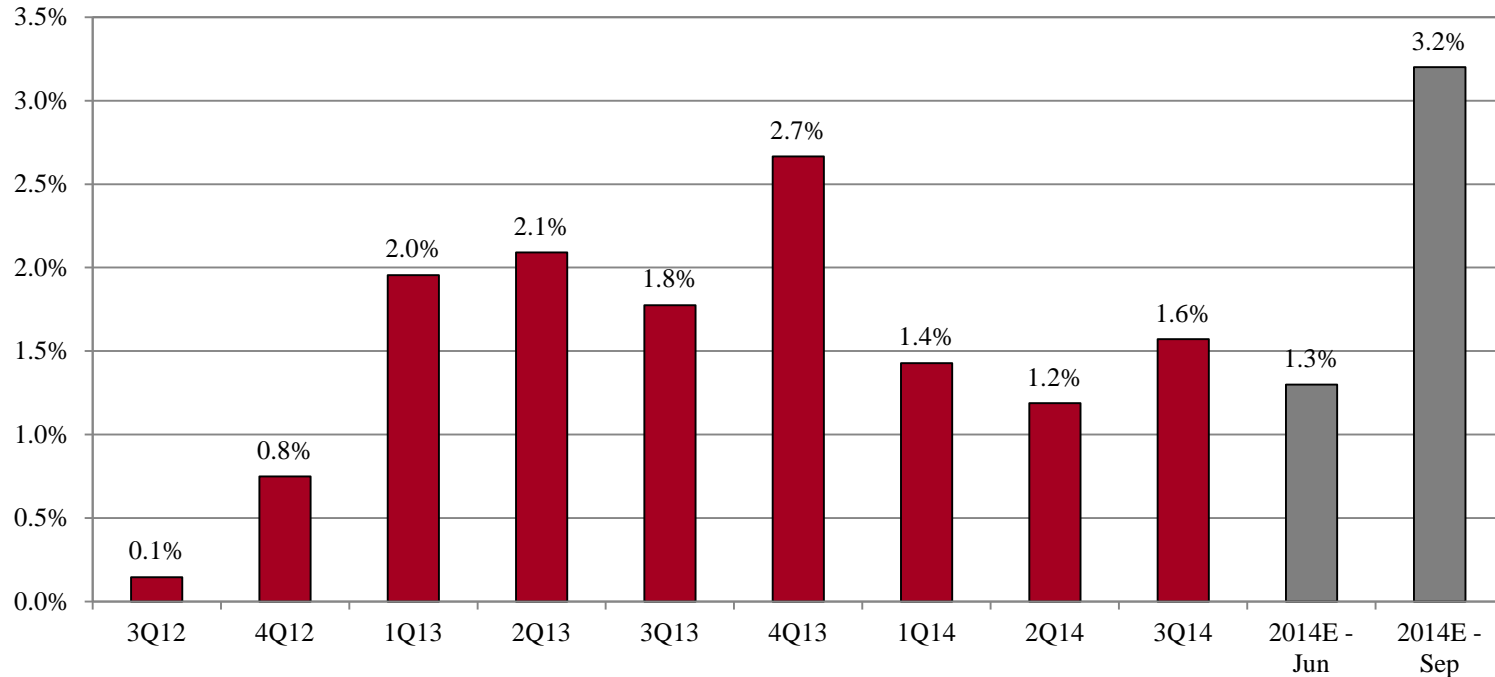
ASP Year/Year (Total Survey)



Source: FCW Executive Trends Survey

Manufacturers Expecting Better Price Progress Going Forward

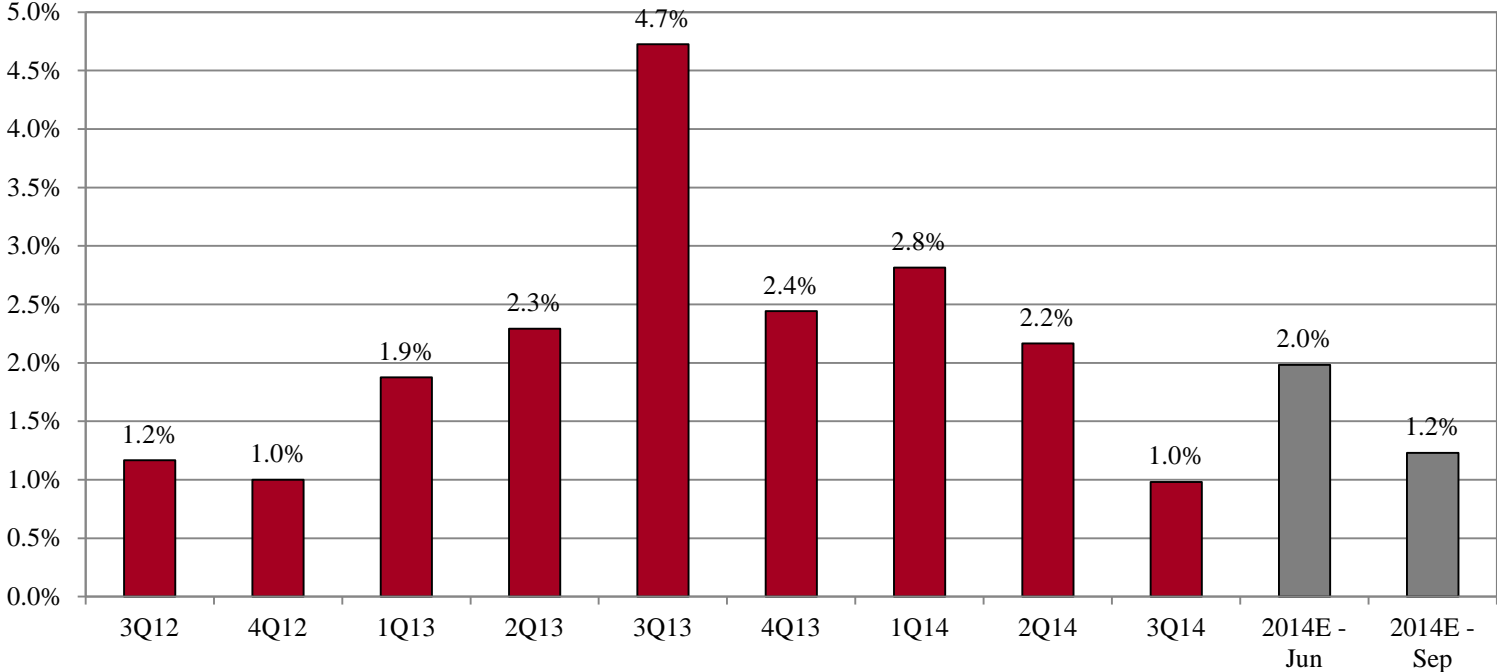
ASP Year/Year (Manufacturers)



Source: FCW Executive Trends Survey

Distributors See Less Price Progress Going Forward

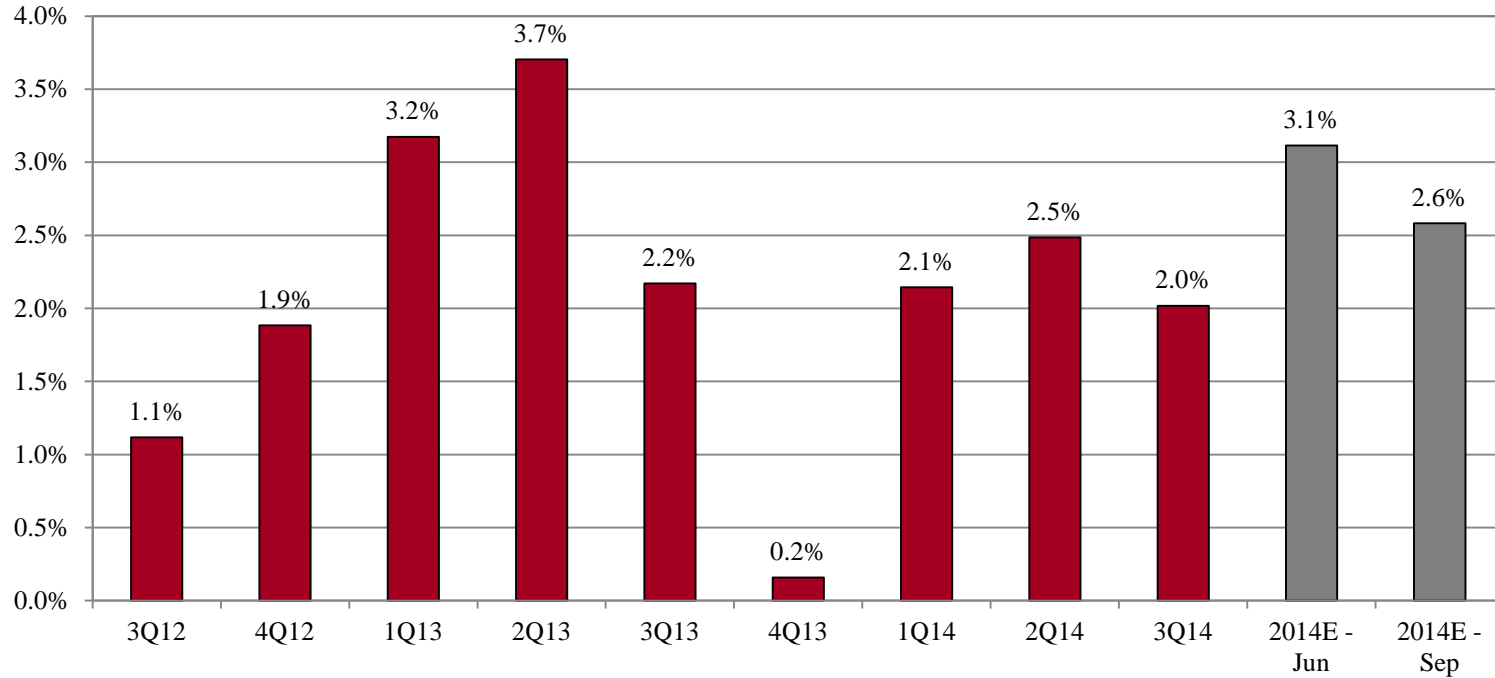
ASP Year/Year (Distributors)



Source: FCW Executive Trends Survey

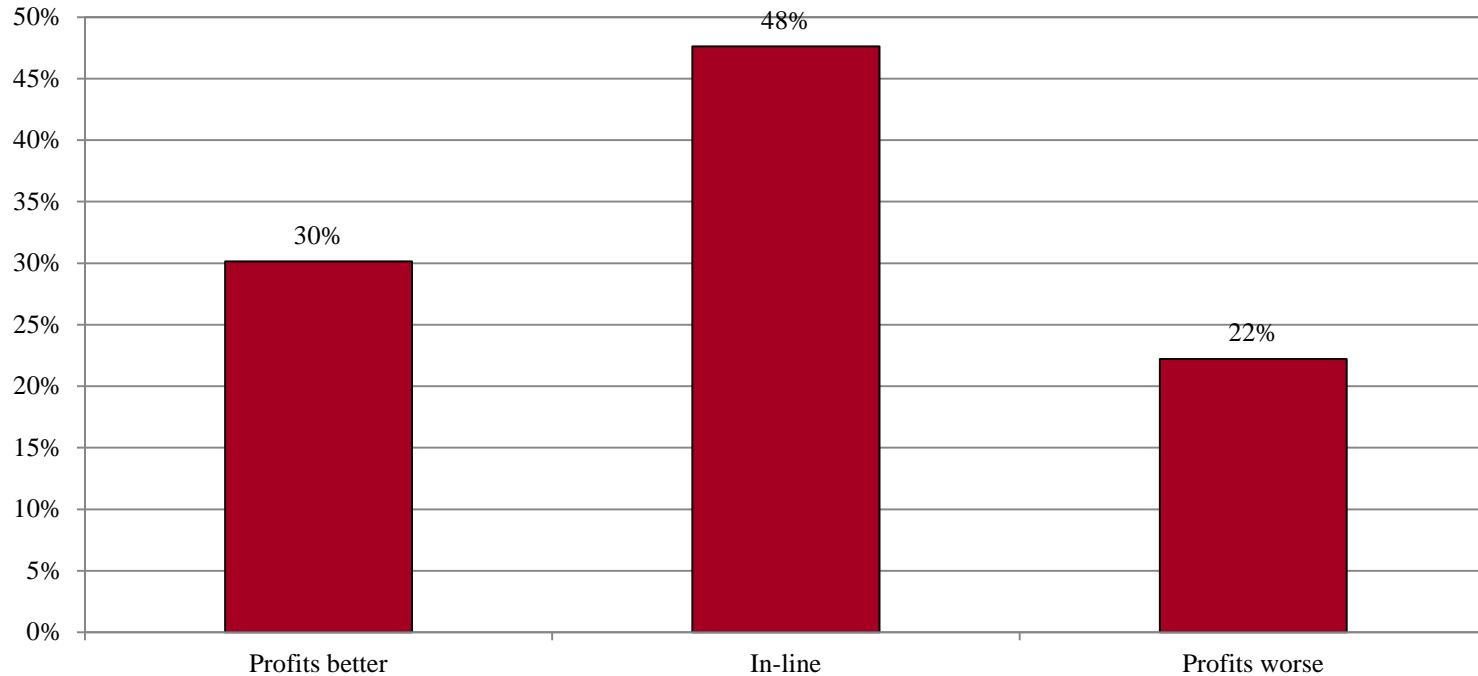
Retailers See Less Price Progress Going Forward

ASP Year/Year (Retailers)



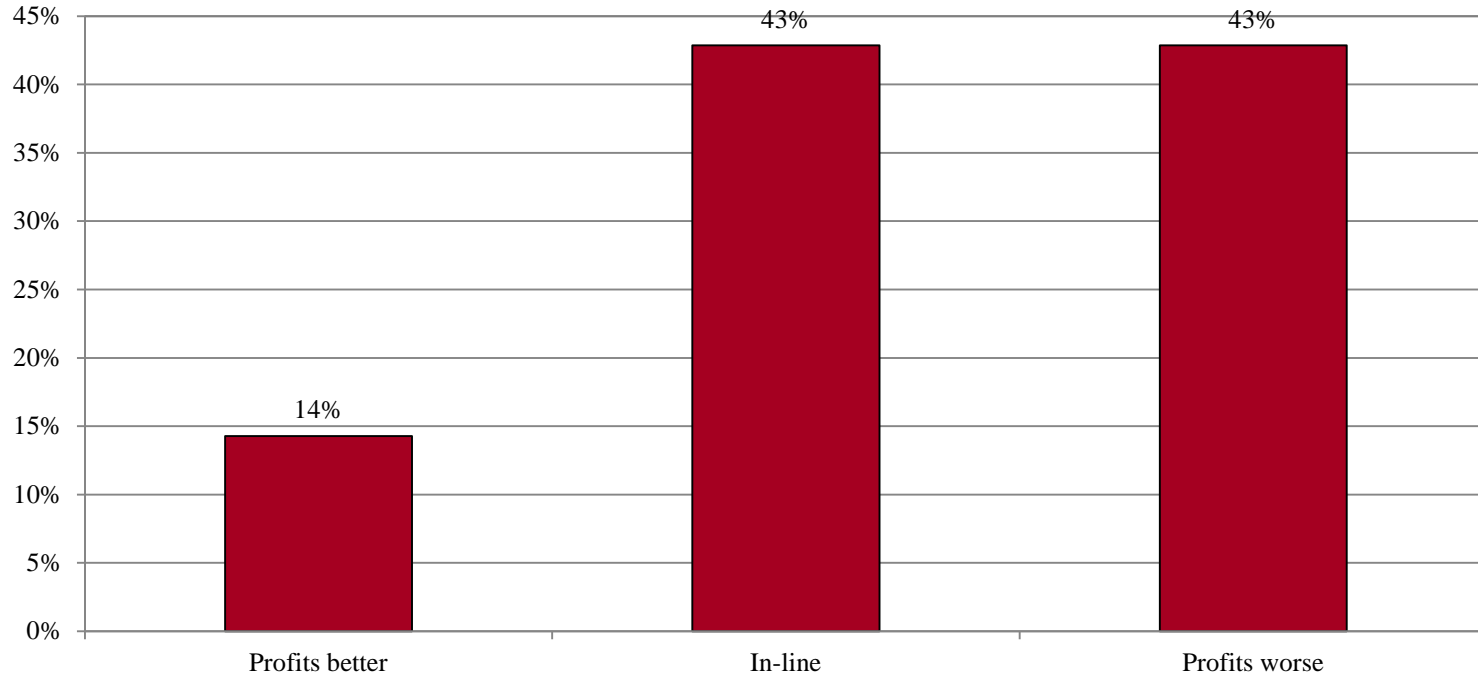
Source: FCW Executive Trends Survey

3Q Profits versus Expectations (Total Survey)



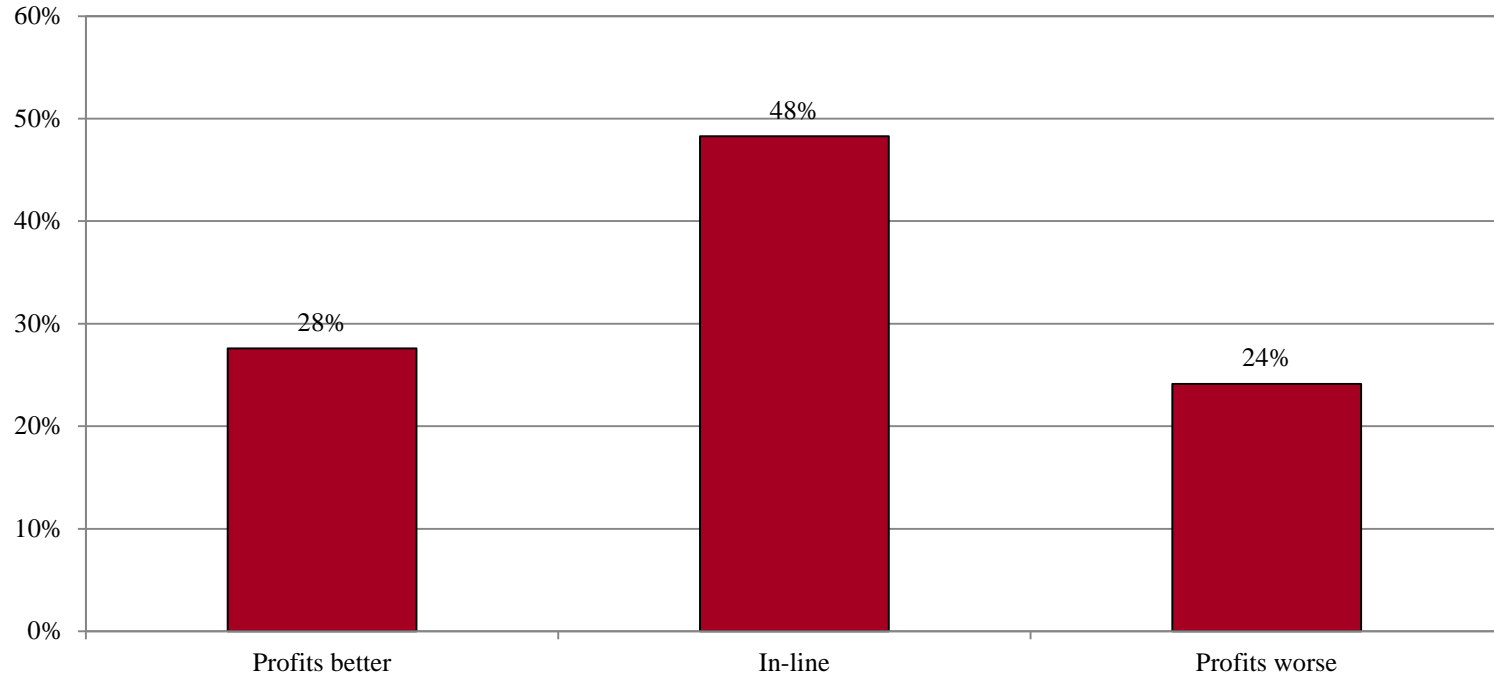
Source: FCW Executive Trends Survey

3Q Profits versus Expectations (Manufacturers)

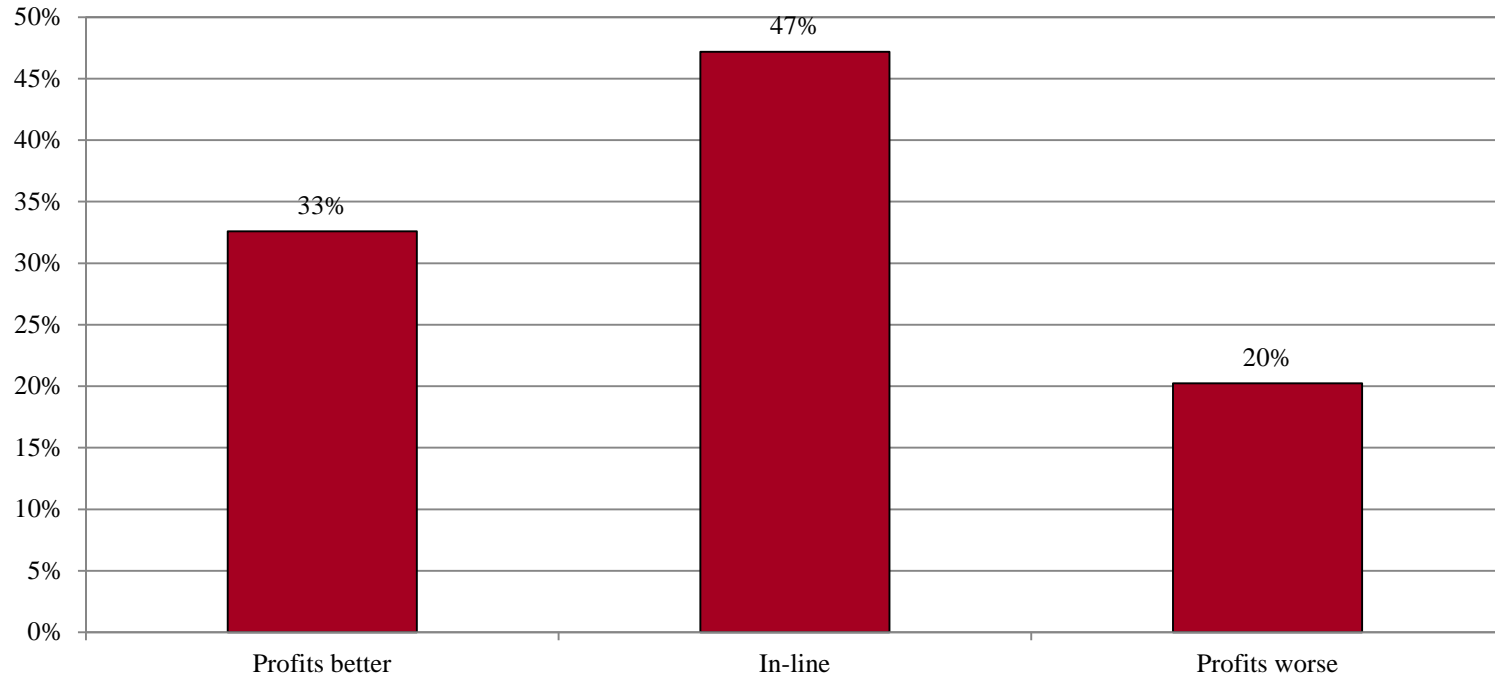


Source: FCW Executive Trends Survey

3Q Profits versus Expectations (Distributors)



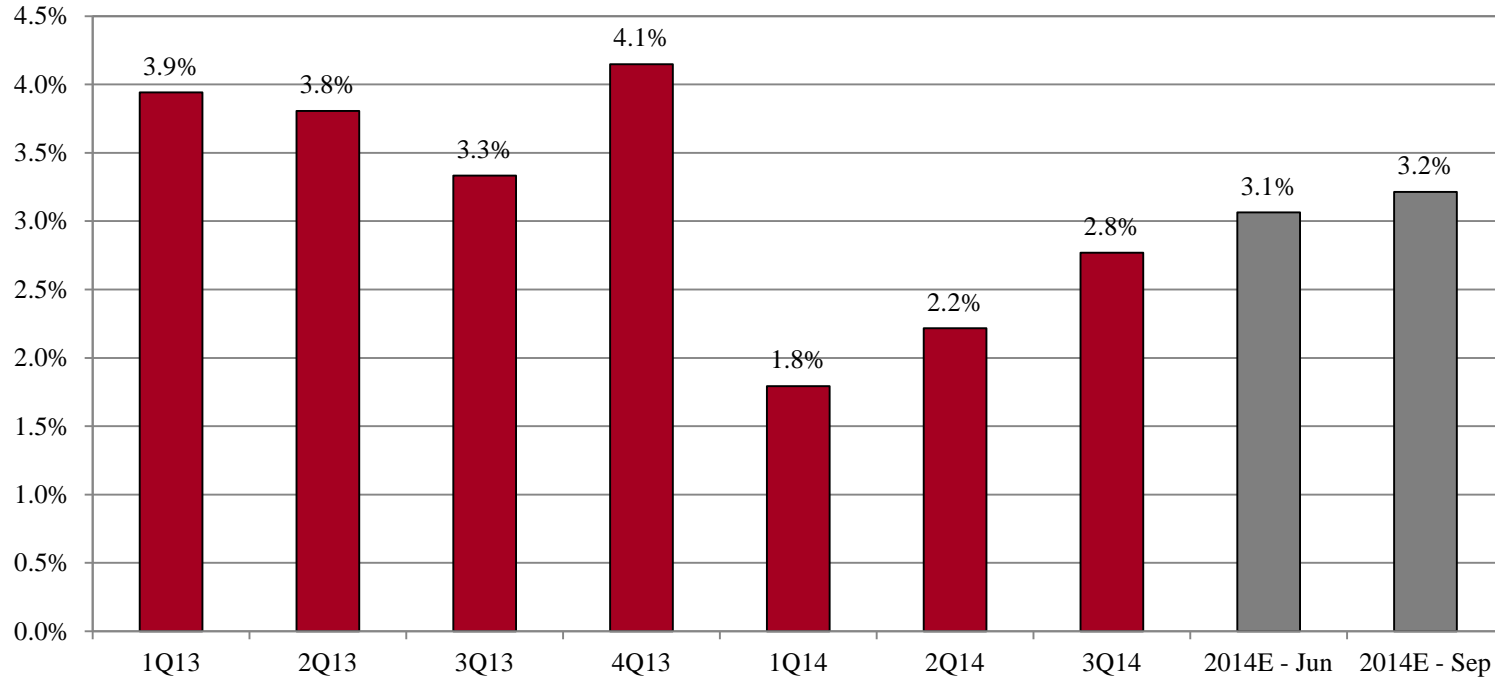
3Q Profits versus Expectations (Retailers)



Source: FCW Executive Trends Survey

Respondents Expect Profit Growth to Improve in 4Q

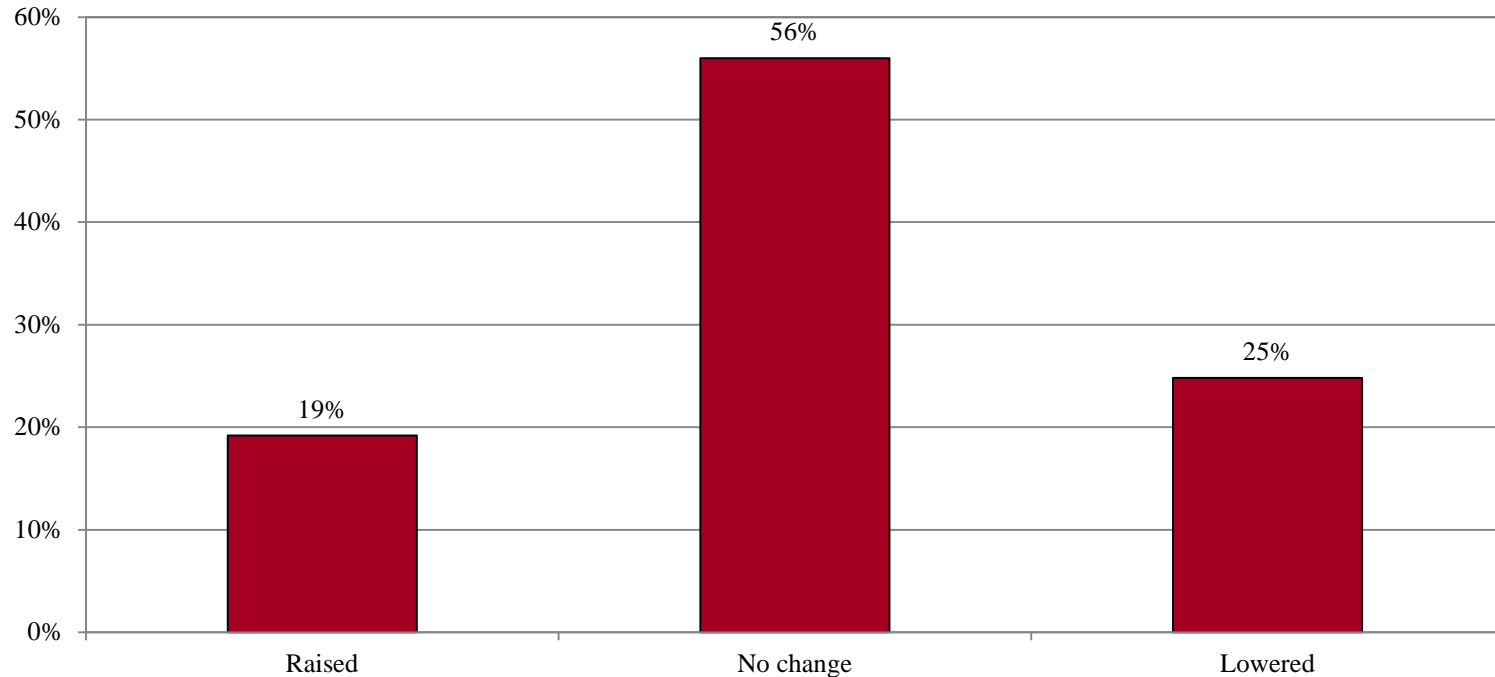
Profit Growth Y/Y - 2013, 2014E (Total Survey)



Source: FCW Executive Trends Survey

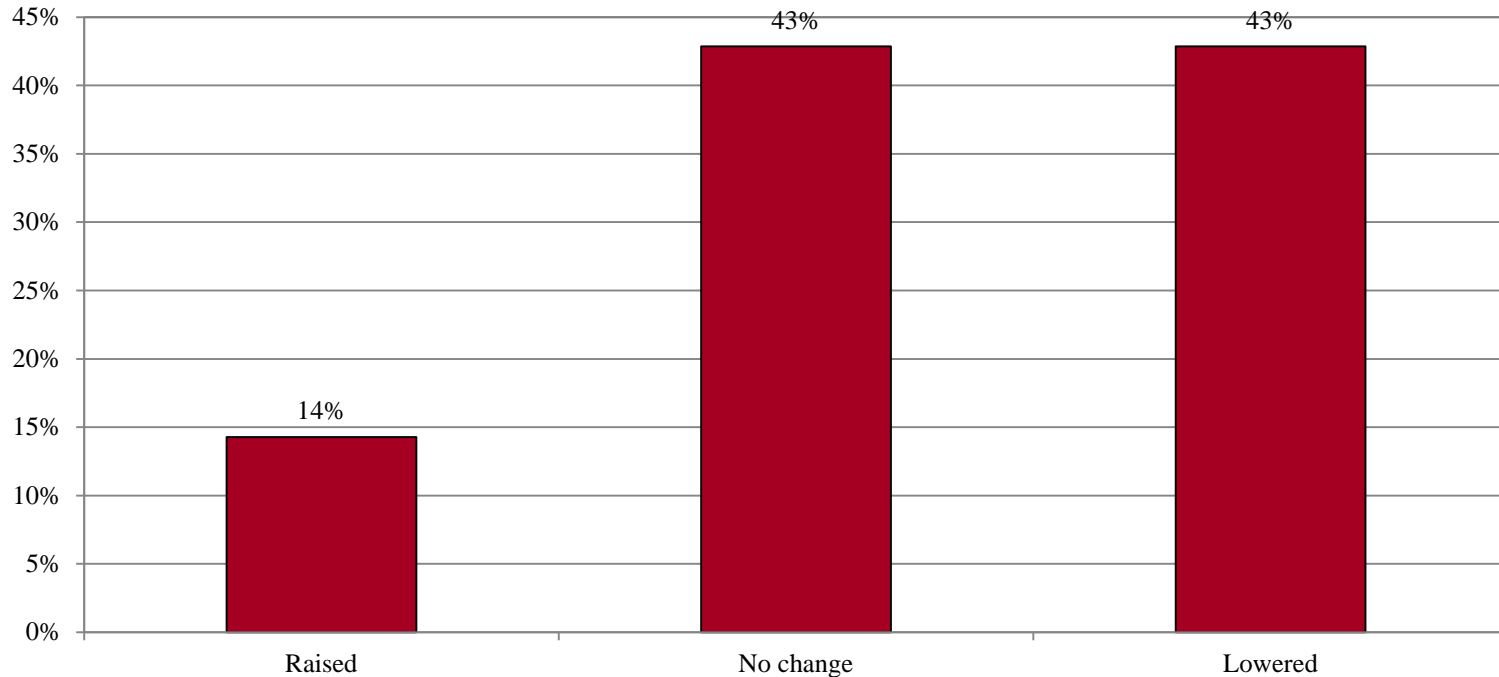
Respondents Lowered 2014 Profit Forecasts Last 90 Days

Change in 2014 Profit Forecasts (Total Survey)



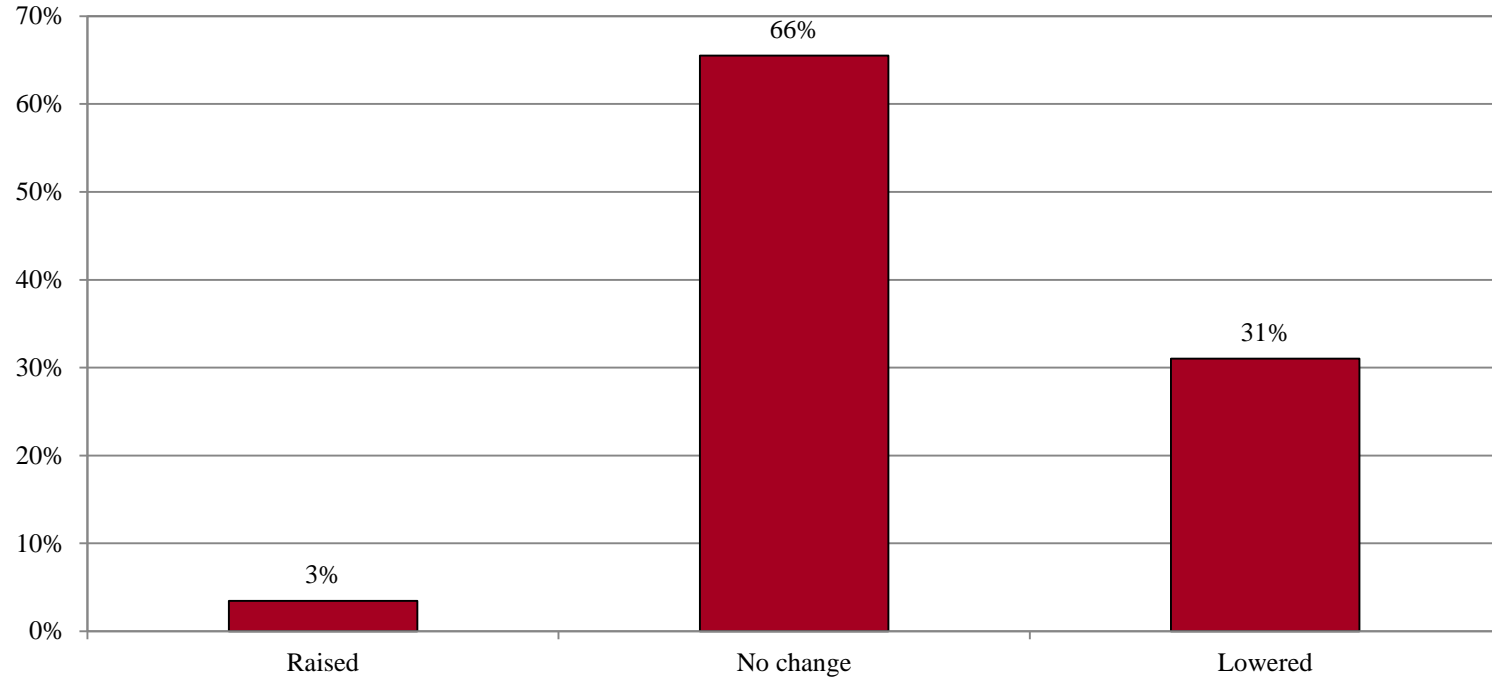
Manufacturers Lowered 2014 Profit Forecasts Last 90 Days

Change in 2014 Profit Forecasts (Manufacturers)



Source: FCW Executive Trends Survey

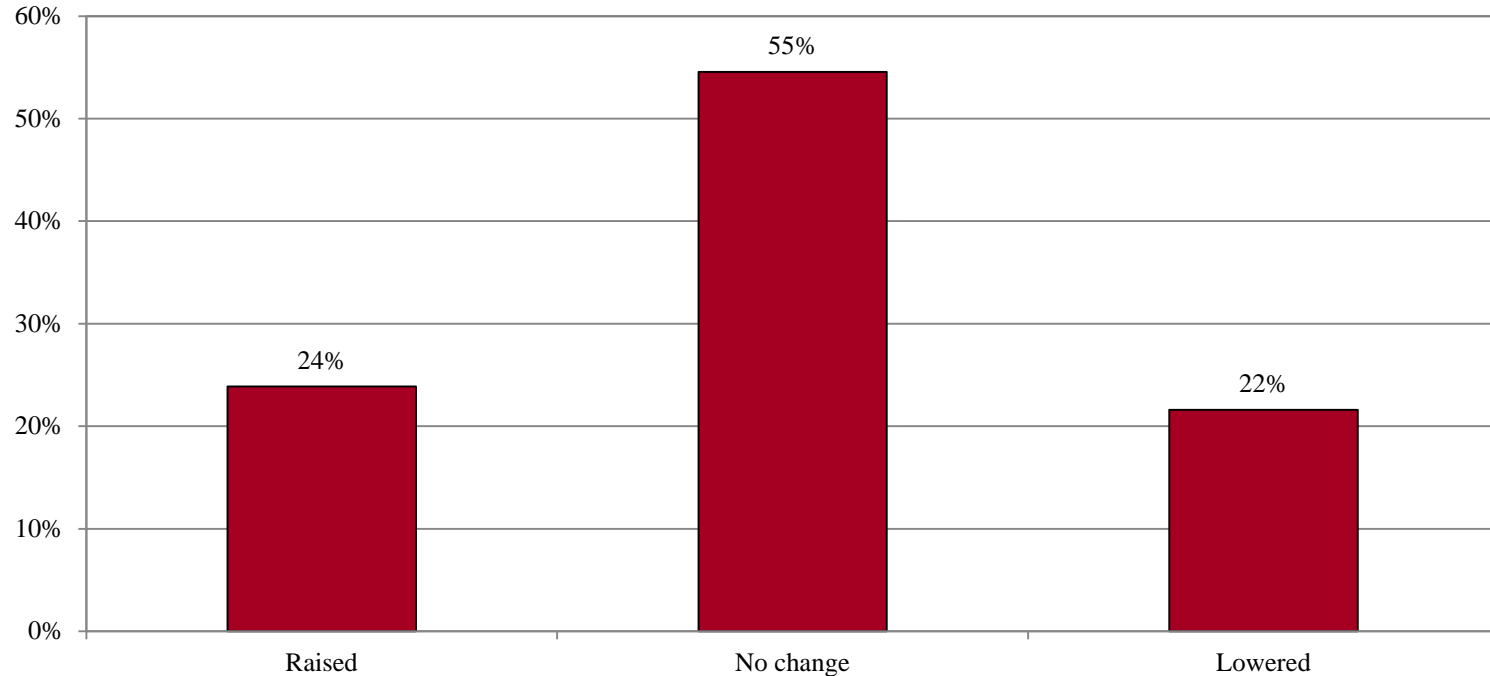
Change in 2014 Profit Forecasts (Distributors)



Source: FCW Executive Trends Survey

Retailers Raised Slightly 2014 Profit Forecasts Last 90 Days

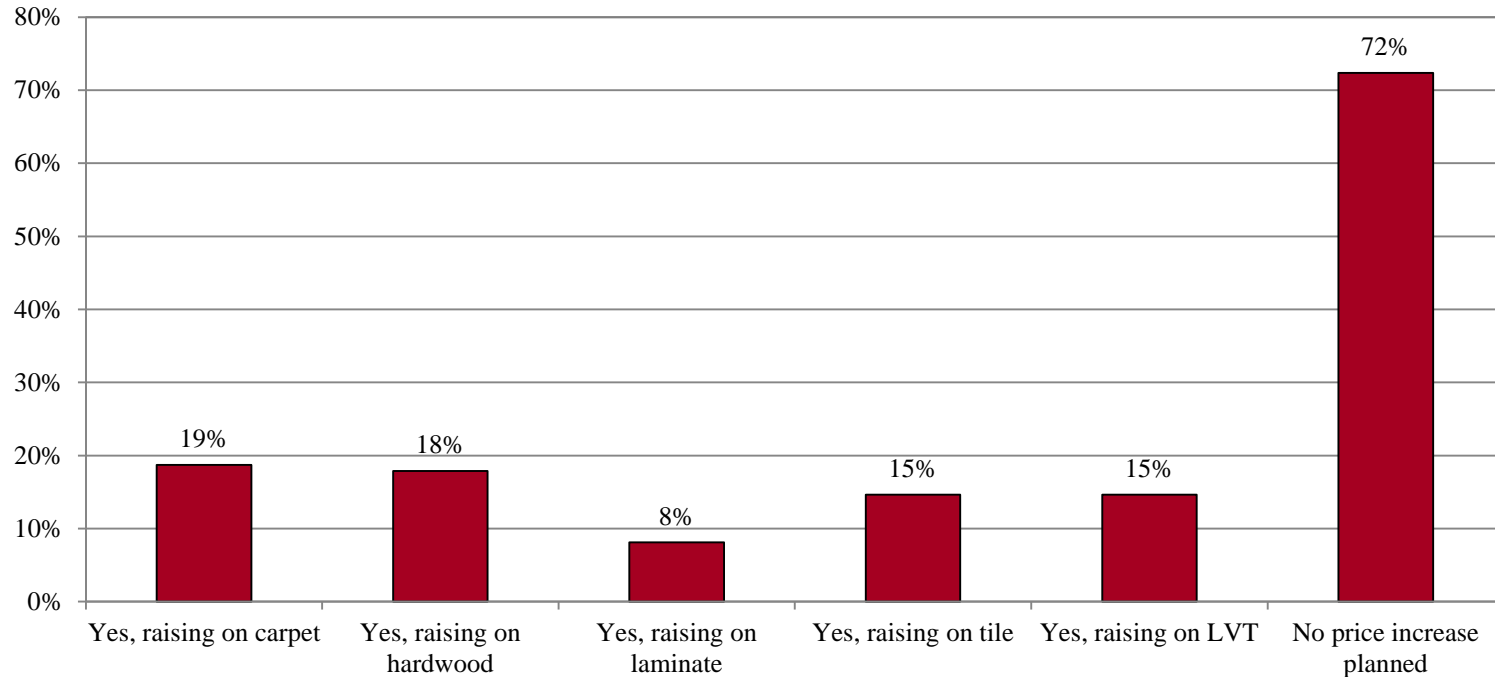
Change in 2014 Profit Forecasts (Retailers)



Source: FCW Executive Trends Survey

Respondents Expecting Modest Price Increases in 2015

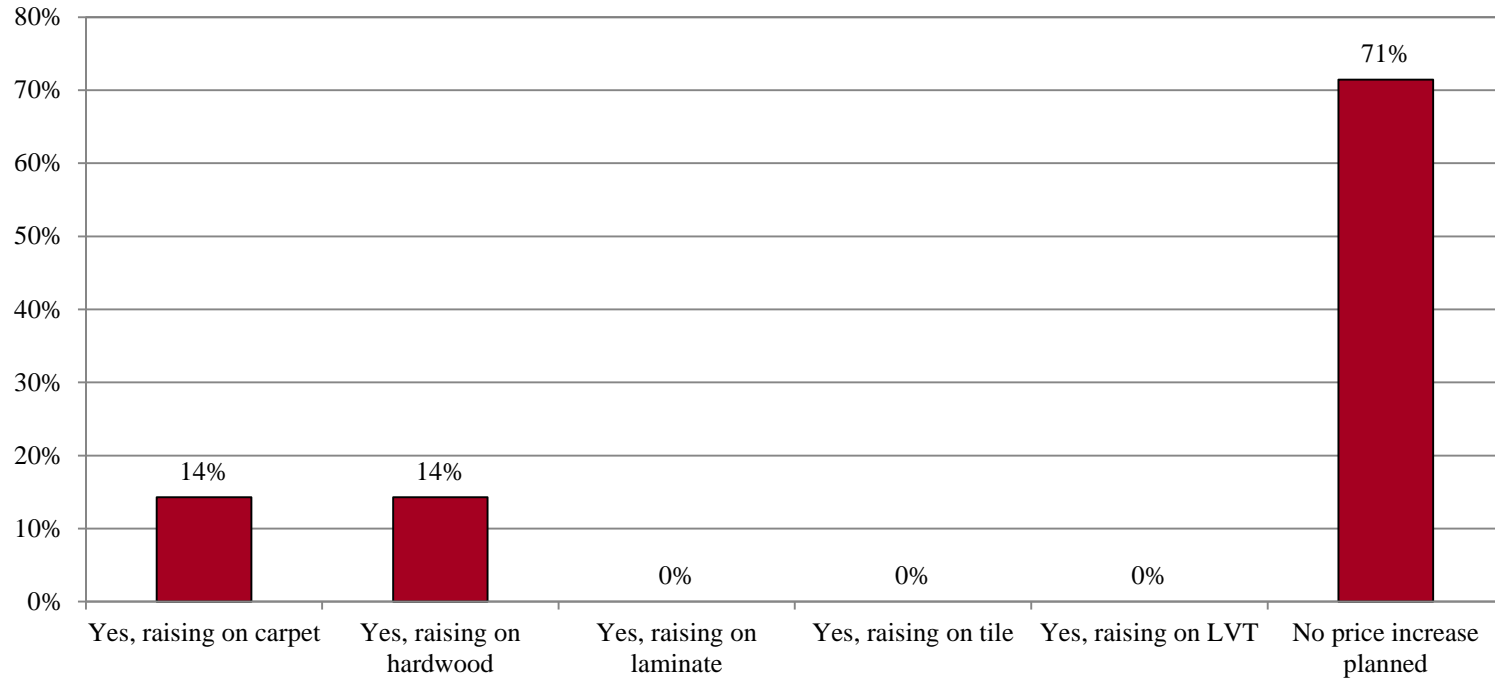
Products Price Raising (Total Survey)



Source: FCW Executive Trends Survey

Manufacturers Anticipate Raising Prices on Carpet and Hardwood

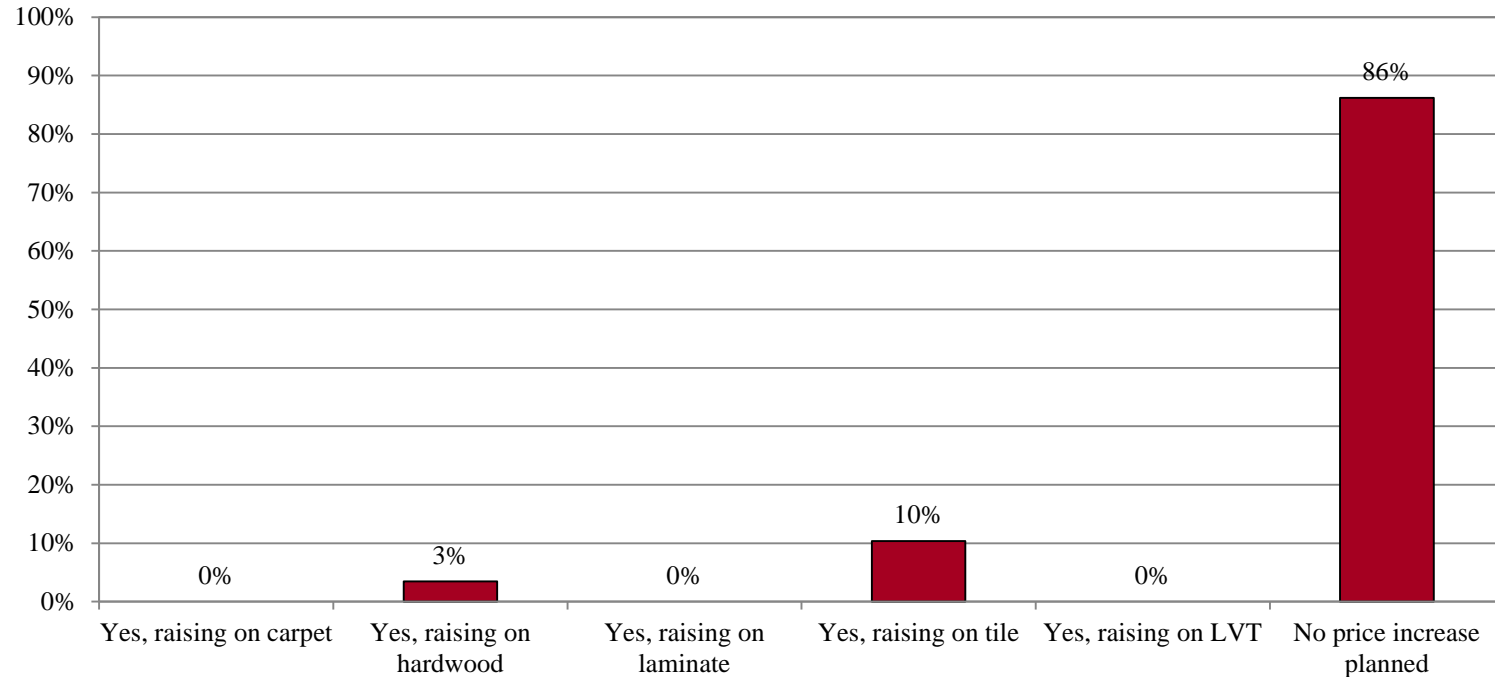
Products Price Raising (Manufacturers)



Source: FCW Executive Trends Survey

Distributors Expect to Keep Prices Pretty Stable

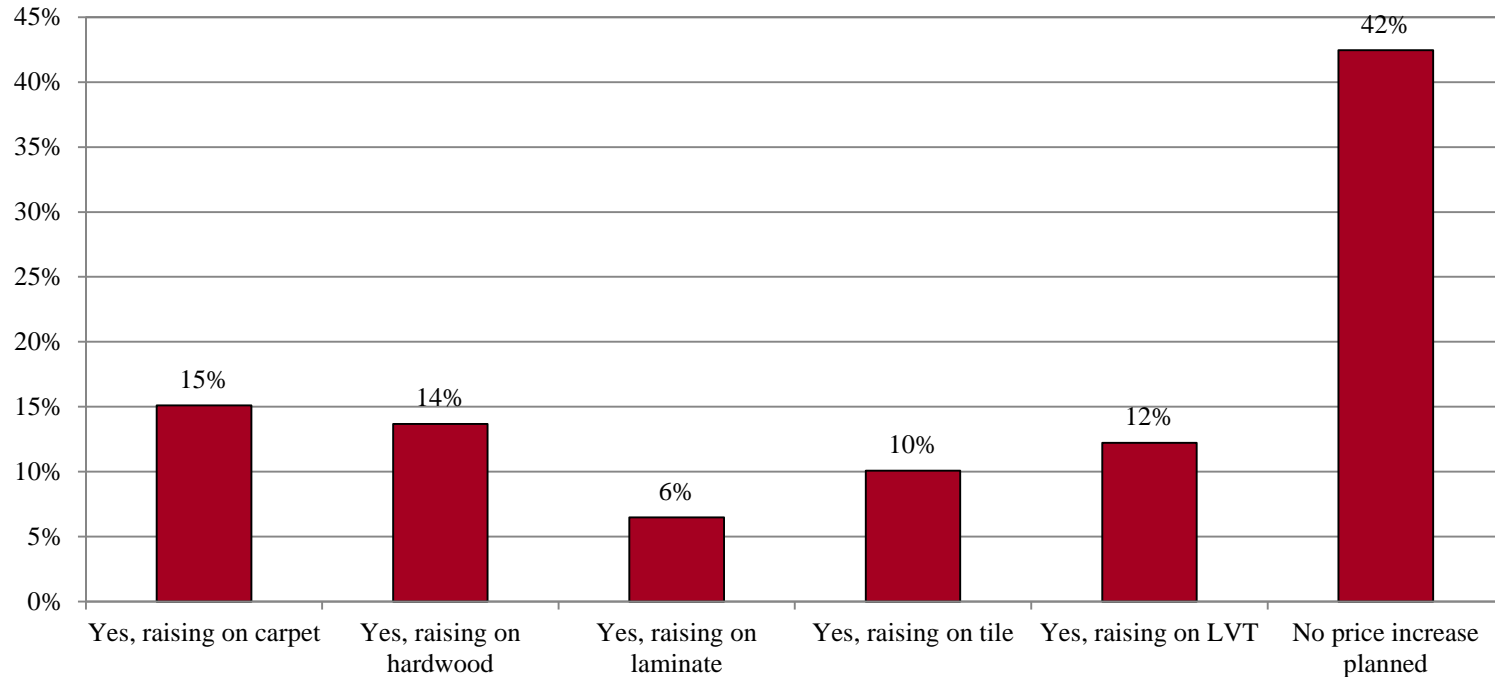
Products Price Raising (Distributors)



Source: FCW Executive Trends Survey

Retailers Anticipate Raising Prices Modestly and Broadly Across Categories

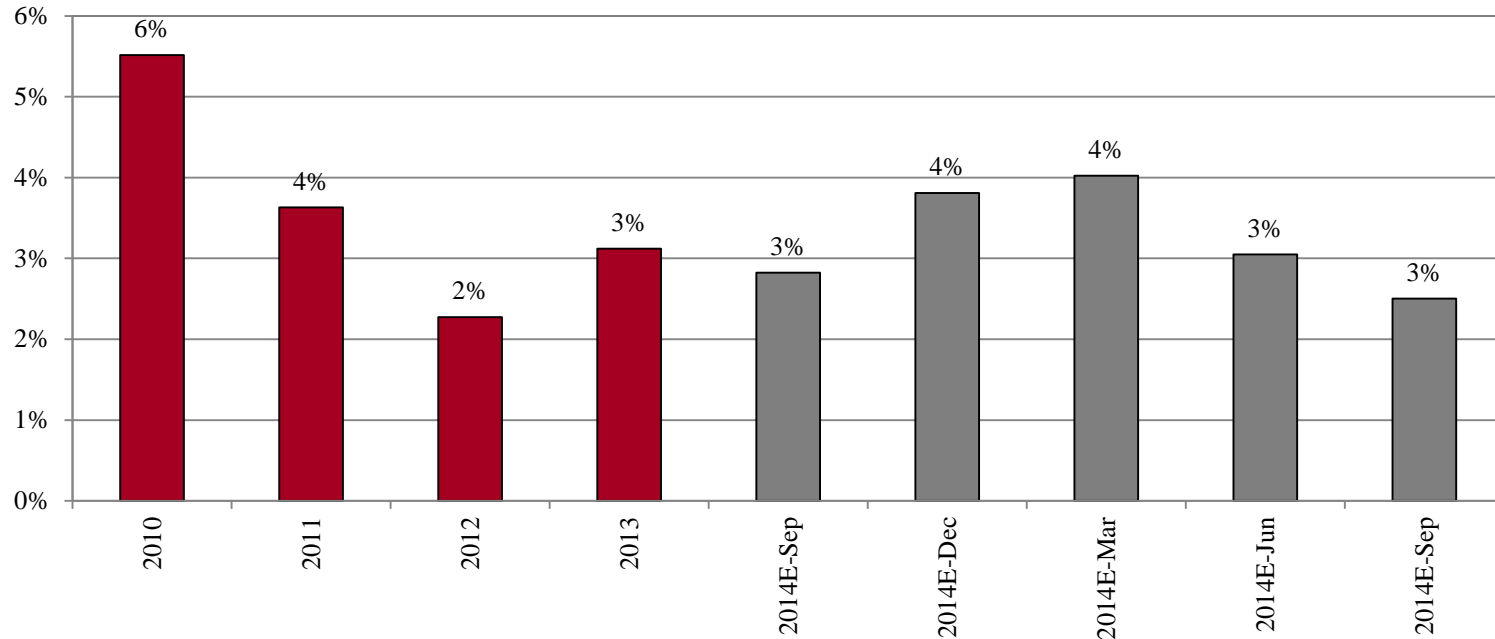
Products Price Raising (Retailers)



Source: FCW Executive Trends Survey

Inputs Forecast Up 2.5% in 2014

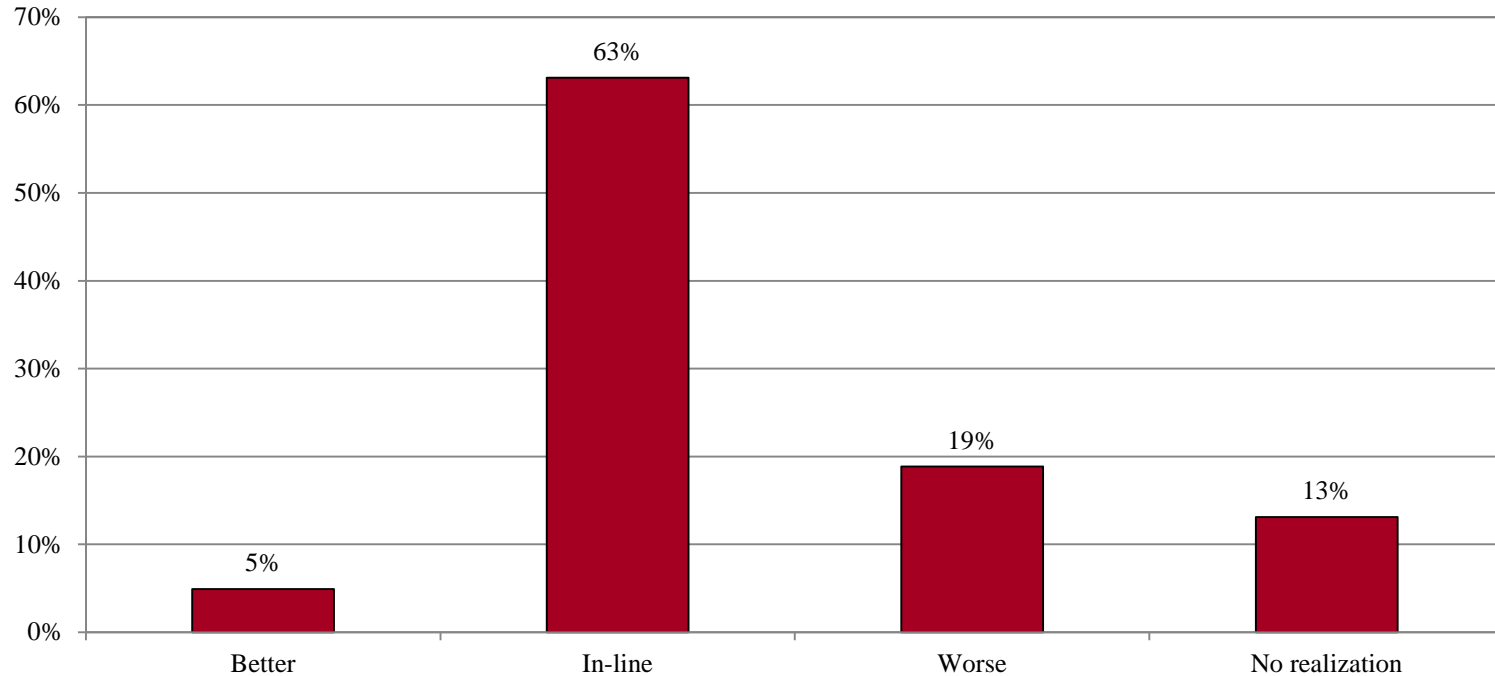
**Inputs Year/Year in 2010-13 and 2014 Forecasts
(Total Survey)**



Source: FCW Executive Trends Survey

Price Increase Realization Lagging Historic Increases

Price Increase Realization vs Historic (Total Survey)



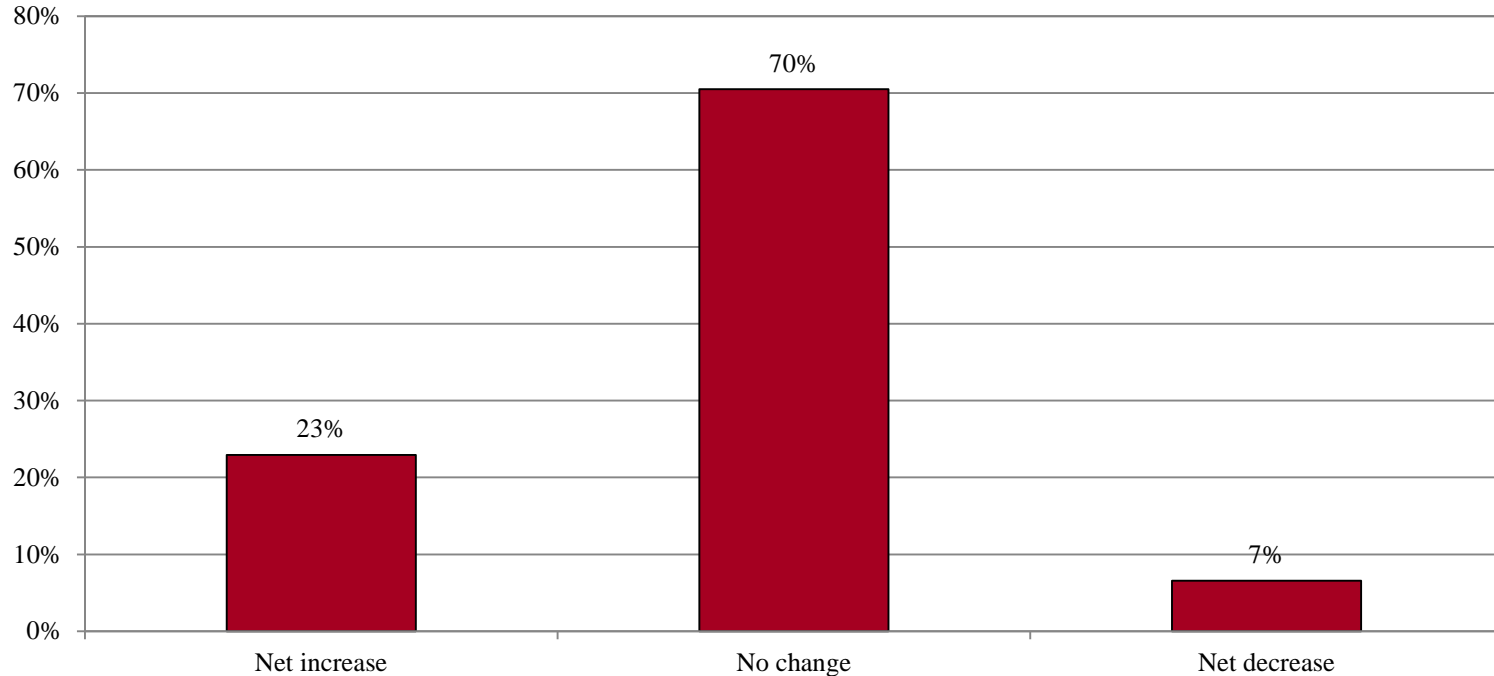
Source: FCW Executive Trends Survey

FCW Executive Trends Survey

Business Management Trends

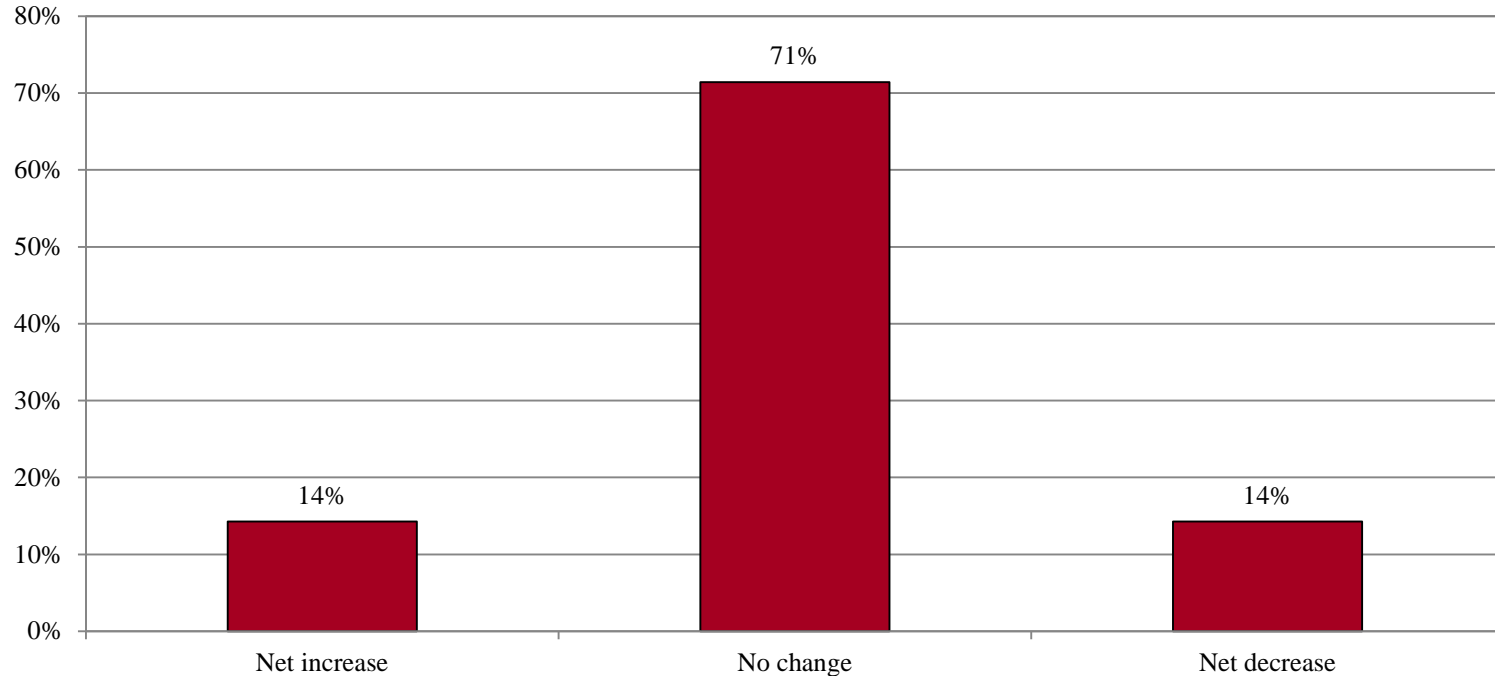
Respondents Increasing Headcount Next 90 Days

Change in Headcount -Next 90 Days (Total Survey)



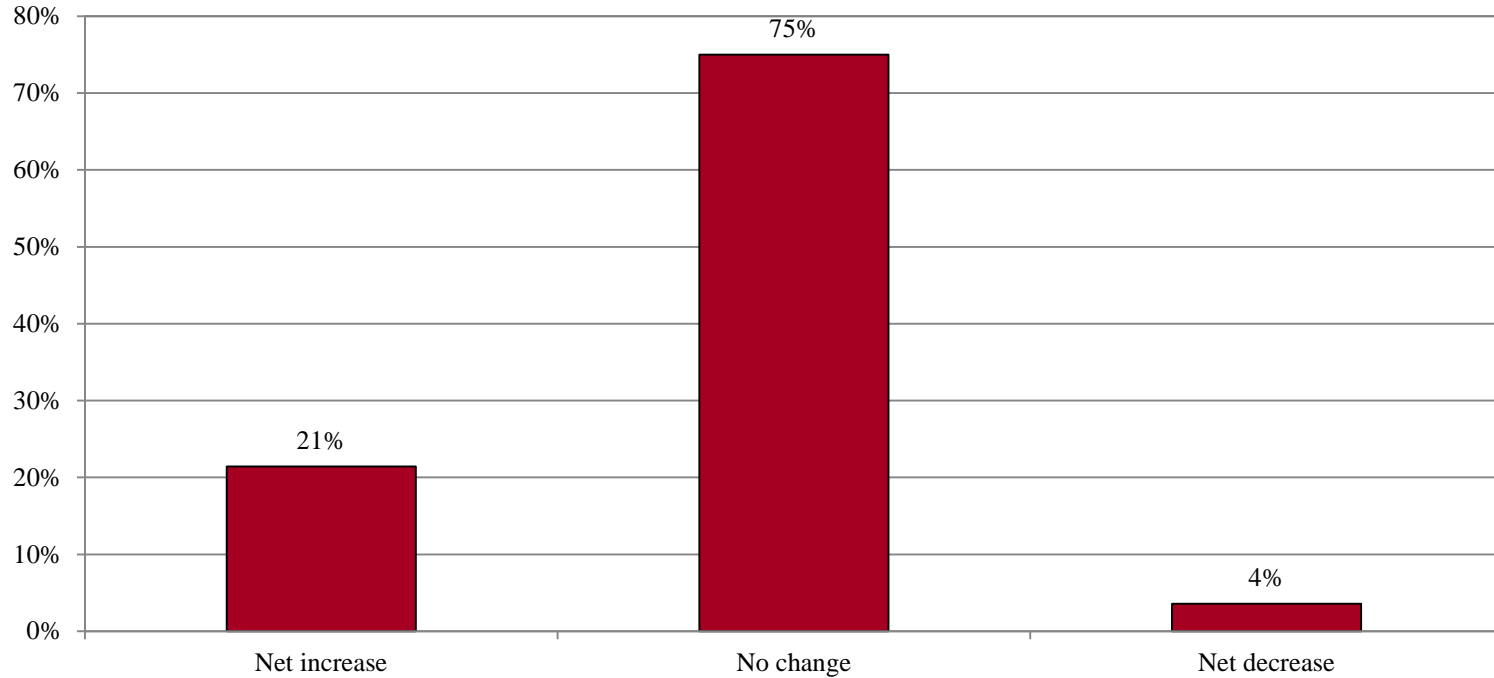
Source: FCW Executive Trends Survey

Change in Headcount -Next 90 Days (Manufacturers)



Source: FCW Executive Trends Survey

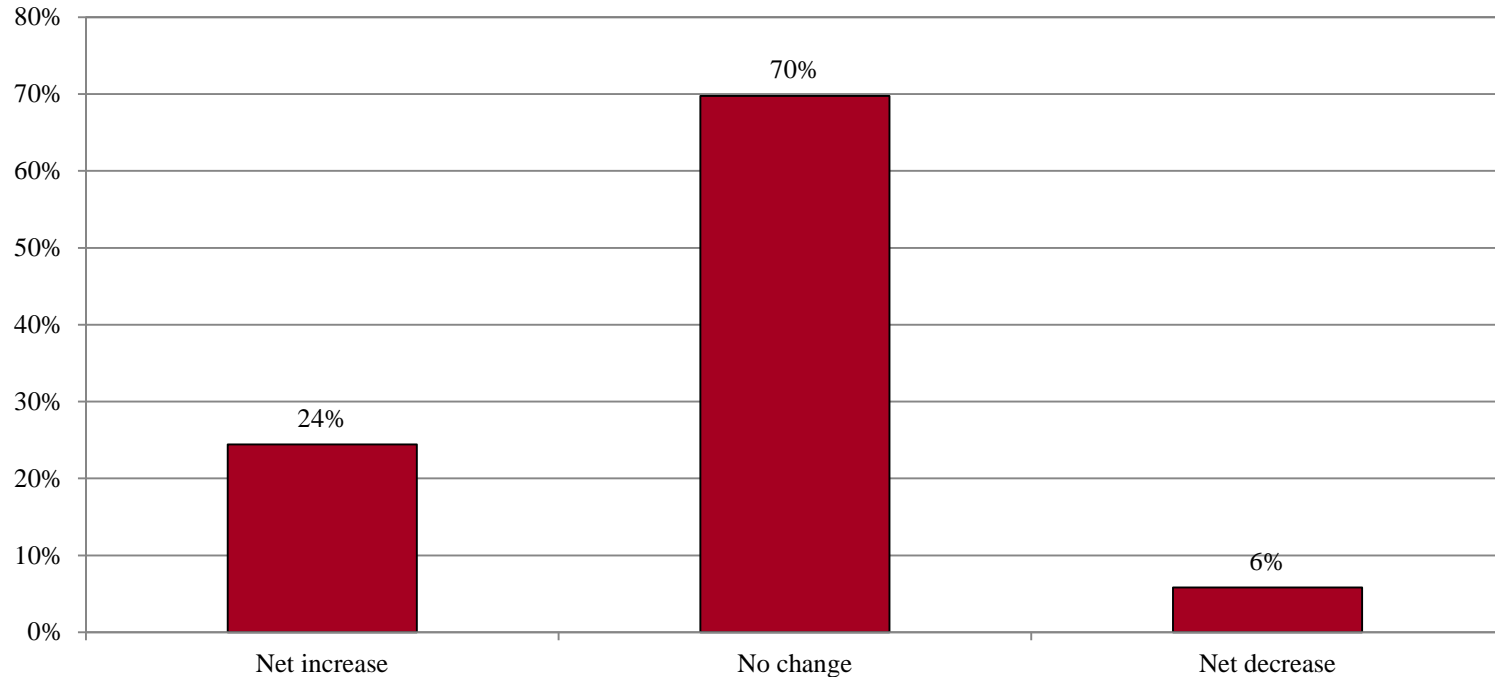
Change in Headcount -Next 90 Days (Distributors)



Source: FCW Executive Trends Survey

Retailers Increasing Headcount Next 90 Days

Change in Headcount - Next 90 Days (Retailers)



Source: FCW Executive Trends Survey

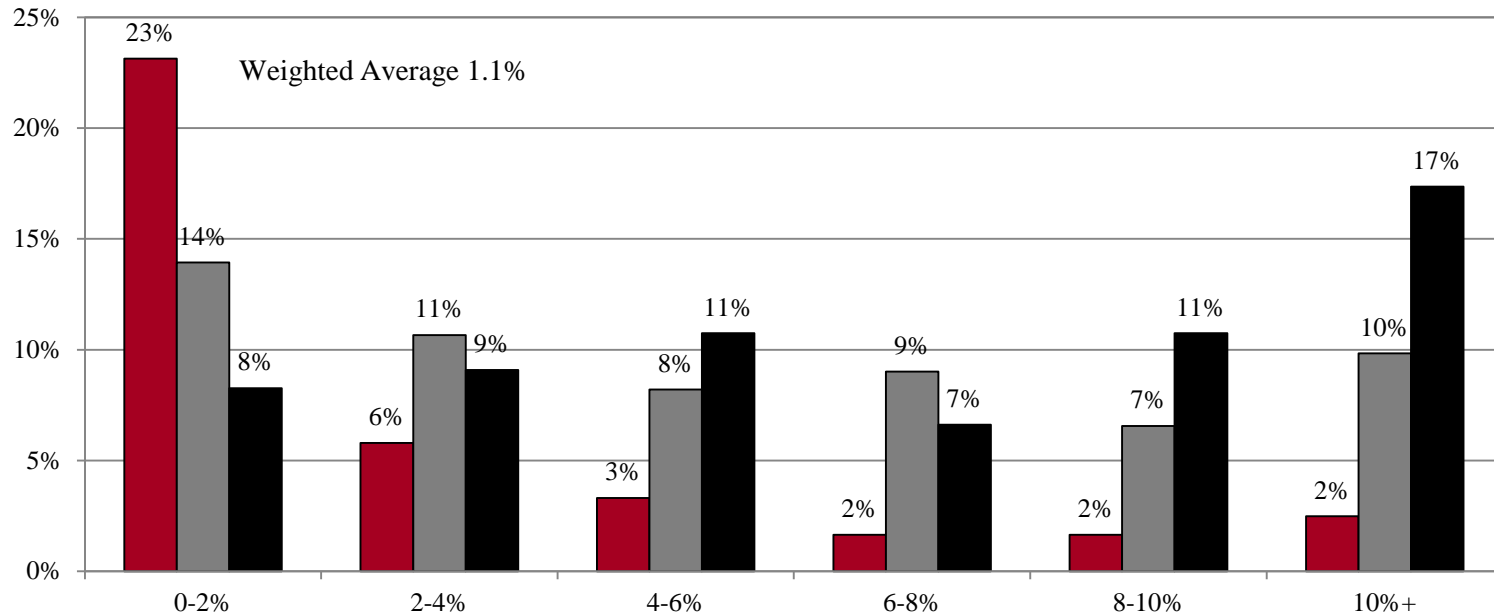
FCW Executive Trends Survey

Online

Of Respondents With Online Exposure, Weighted Average Penetration is 1.1%

Percentage of Sales Online (Total Survey)

■ Currently ■ In Three Years ■ In Long term

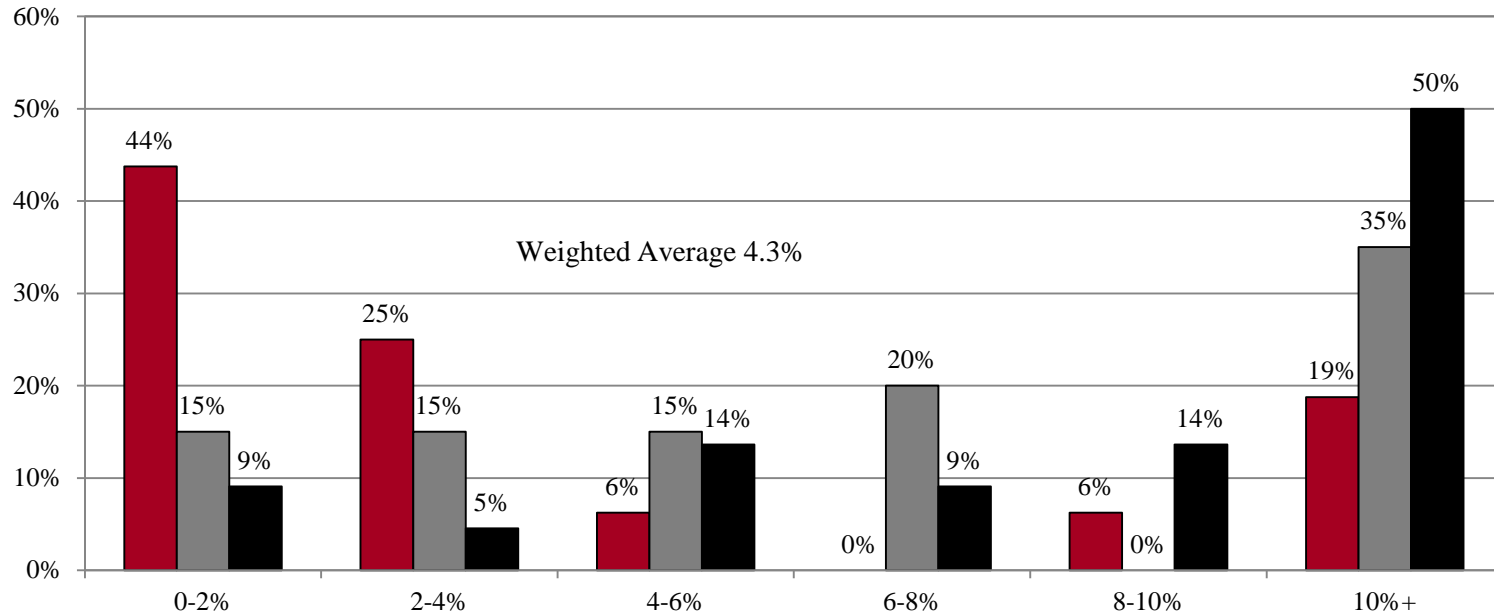


Source: FCW Executive Trends Survey

Of Distributors With Online Exposure, Weighted Average Penetration is 4.3%

Percentage of Sales Online (Distributors)

■ Currently ■ In Three Years ■ In Long term

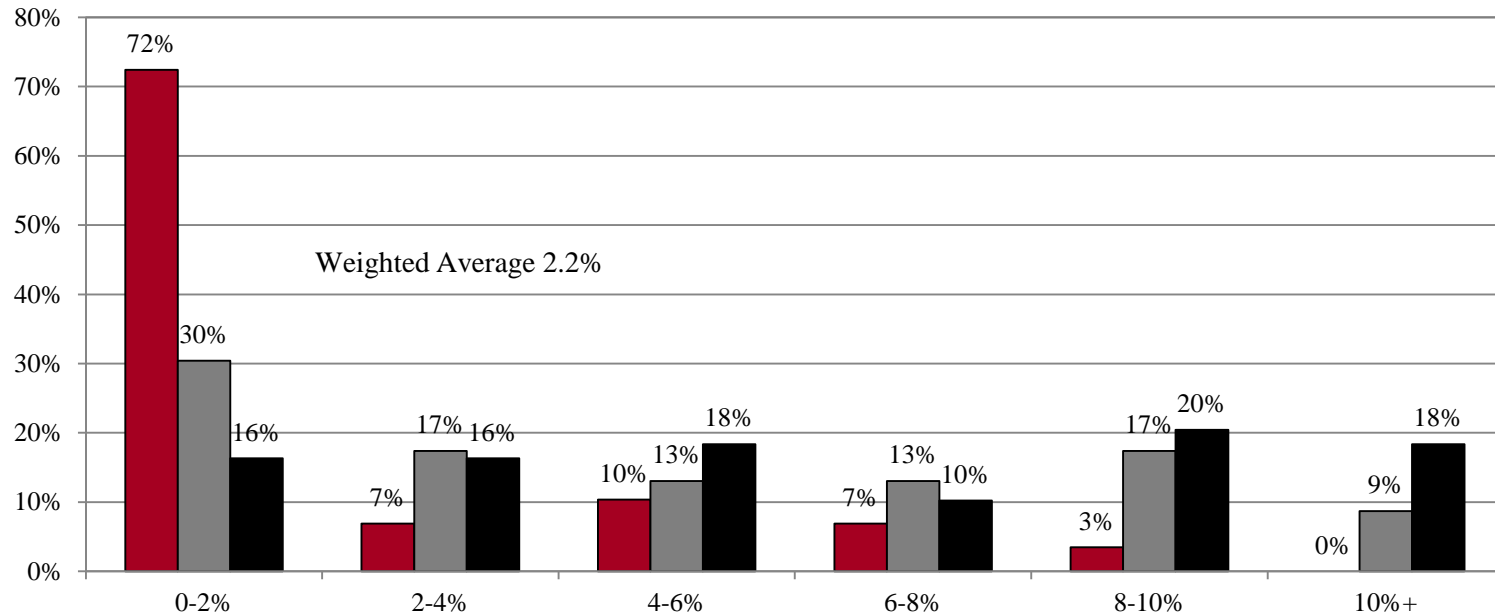


Source: FCW Executive Trends Survey

Of Retailers With Online Exposure, Weighted Average Penetration is 2.2%

Percentage of Sales Online (Retailers)

■ Currently ■ In Three Years ■ In Long term



Source: FCW Executive Trends Survey

Please Look for the Next FCW Quarterly Index

Thank You For Participating!
