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ABSTRACT FOR THE CATALINA REPORT ON FLOOR COVERINGS INDUSTRY TRENDS AND END-USE MARKETS

SUMMARY OF MAJOR FINDINGS

The U.S. floor coverings market is estimated to increase 4.7% in dollars and 3.2% in square feet during 2015. Growth is currently being led by strengthening gains in the commercial market as construction of hotels, office buildings, and retail stores increase sharply. Stronger commercial market sales are benefiting the ceramic tile and resilient flooring sectors. These sectors are also receiving a boost from the introduction of digitally-printed wood-look ceramic planks and click-installed LVT planks. At the same time, commercial customers are increasingly turning to carpet tile. In addition, wood flooring manufacturers are introducing commercial grade-products to take advantage of growing commercial demand. Wood flooring demand is also growing in the builder and residential replacement markets. On the other hand, wall-to-wall carpet sales are being adversely affected by sluggish consumer demand. In any case, domestic manufacturers are developing a Made in USA marketing strategy as they sharply increase their investment in new plant and equipment. As U.S. floor coverings production capacity increases, competition from foreign-sourced products is estimated to level off. As import penetration levels moderate, industry profit margins could improve as production increases in the relatively profitable ceramic tile and resilient flooring sectors. Profit margins could also improve as material cost pressures moderate.

FLOORING SECTOR TRENDS

Catalina Research uncovered these findings in our in-depth 235-page report on U.S. floor coverings industry trends and an analysis of end-use markets. U.S. shipments, exports, imports, and price trends are evaluated for carpet and area rugs, wood flooring, ceramic tile, vinyl sheet and floor tile, other resilient flooring, laminate flooring, and stone flooring. Soft surface floor covering sales are further segmented into wall-to-wall carpet, carpet tile, and area rugs. Data is in dollars and square feet. Import sales are tracked by major country of origin, which uncover the inroads made by Chinese and other foreign-based manufacturers. U.S. export shipments are analyzed by major country of destination.

PROFIT MARGINS AND THE COMPETITIVE ENVIRONMENT

In addition, Catalina Research investigated the cost structure and profit margins of U.S. floor coverings plants. Data trends are compiled for material, labor, and capital inputs. As part of this analysis, Catalina Research profiled 17 leading U.S. manufacturers, compiled company sales and profit margins, and calculated company market shares. Market shares were also calculated for the soft and hard surface flooring sectors. Company profiles cover product lines, manufacturing and distribution, capital investments, acquisitions, and new products.

END-USE MARKET ANALYSIS

Catalina investigates the industry's end-use markets in three separate sections: Residential Replacement Sales, Builder and Manufactured Home Producer Purchases, and Commercial and Transportation Equipment Markets. Each section evaluates end-use market sales trends, purchases by flooring type, share of total flooring sales, and floor coverings share of inputs for each end-use market. For example, Catalina examines flooring material's share of total builder spending and the average value per square foot of flooring purchased. For the residential replacement market, Catalina Research tracks the number of replacement jobs for hard surfaces and wall-to-wall carpet. This data was used to estimate the spending and square footage for each type of job. Existing home sales, housing characteristics, and household income and



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demographics are analyzed to evaluate the drivers of residential replacement demand. A similar analysis was conducted for the builder and manufactured home markets. In this section, Catalina analyzed new home completions, total square footage built, housing starts and permits to uncover opportunities in this market. For commercial markets, Catalina tracked flooring purchases for new construction and remodeling projects. Construction spending by type of building and region was analyzed as part of this process. Catalina also segmented the commercial soft surface market into wall-to-wall carpet and carpet tile sales.

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