

ASCER

Spanish Ceramic Tile Manufacturers Association

US Industry Overview November 2022

Topics of discussion

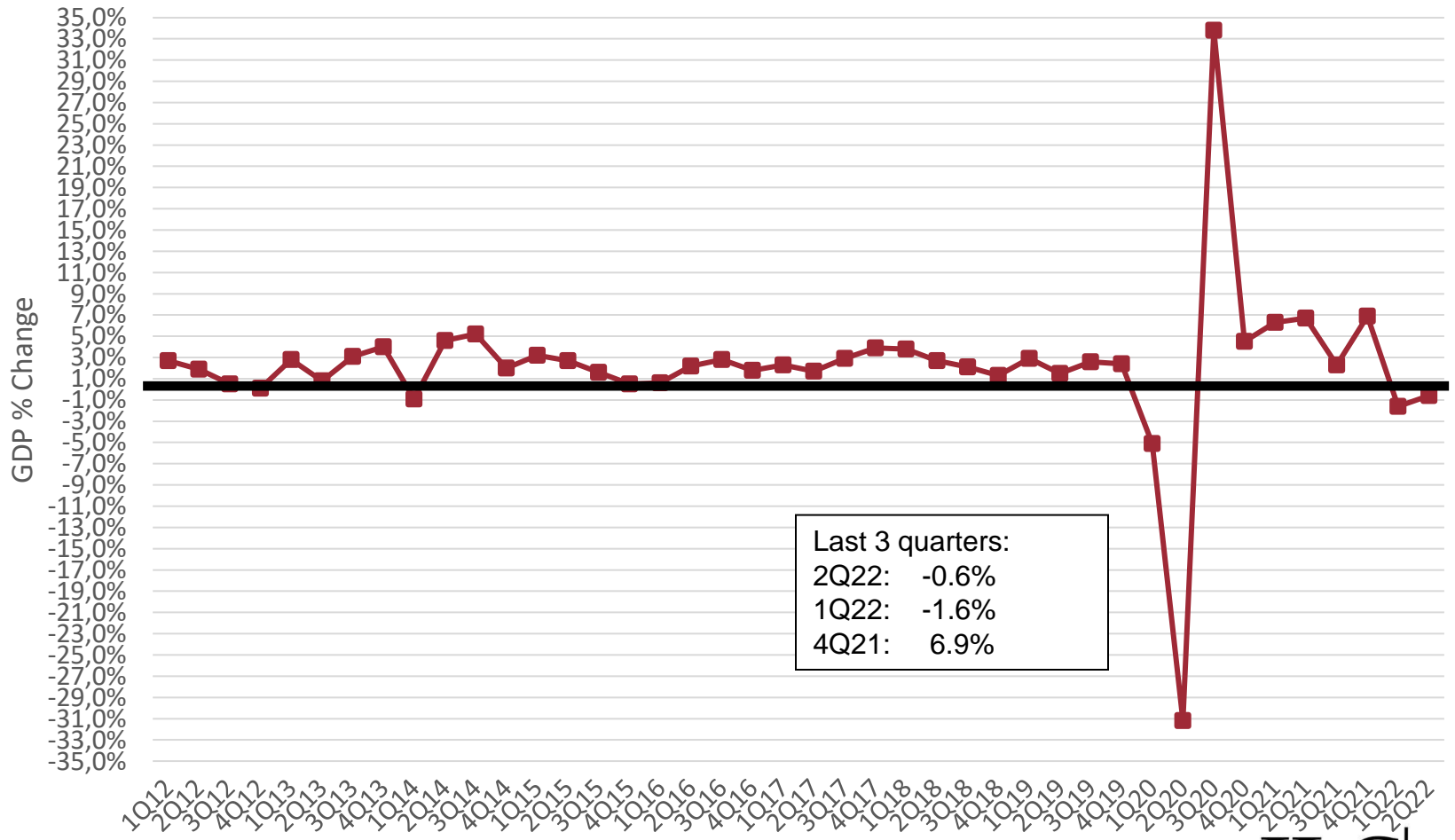
- Industry Indicators
- US Floor Covering by Type
- The Market
 - Size
 - Import vs. Domestic
 - Imports by Country
 - Industry Mix of product type
 - Consumption by state
- Distribution
 - Channels & definitions
 - Company owned stores
 - Specification customers
 - Mega Distributors
- E-Commerce
- The Market by Channel and Segment
- Floor & Décor Strategy
- Private equity acquisitions
- Who and where to buy from
- US Manufacturers Capacity
- Current state of US Ports
- Trends
- Manufacturing Plant Information

Economic Indicators September 2022

General Economy

U.S. GDP Growth

2 consecutive quarters of declining GDP is widely considered a recession, but there is no clear consensus



GDP Global Comparison

Global economies all slowing in 2022; south Asian economies showing relative strength

% GDP Growth

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022E |
|----------------|------|------|------|------|------|------|------|------|-------|------|-------|
| Mexico | 3.6 | 1.4 | 2.8 | 3.3 | 2.9 | 2.1 | 2.2 | -0.2 | -8.1 | 4.7 | 2.0 |
| Italy | -2.8 | -1.7 | 0.1 | 0.9 | 1.1 | 1.7 | 0.9 | 0.3 | -9.0 | 6.6 | 2.3 |
| Canada | 1.8 | 2.3 | 2.9 | 0.7 | 1.1 | 3.0 | 2.4 | 1.9 | -5.2 | 4.5 | 3.9 |
| China | 7.9 | 7.8 | 7.3 | 6.9 | 6.7 | 6.9 | 6.7 | 6.0 | 2.2 | 8.0 | 4.4 |
| Brazil | 1.9 | 3.0 | 0.5 | -3.6 | -3.3 | 1.3 | 1.8 | 1.4 | -3.8 | 4.6 | 0.8 |
| Spain | -2.9 | -1.7 | 1.4 | 3.7 | 3.2 | 3.0 | 2.4 | 2.1 | -10.8 | 5.1 | 4.8 |
| Turkey | 4.8 | 8.5 | 4.9 | 6.1 | 3.3 | 7.5 | 3.0 | 0.9 | 1.8 | 11.0 | 2.7 |
| India | 5.5 | 6.4 | 7.4 | 8.0 | 8.3 | 6.8 | 6.5 | 3.7 | -6.6 | 8.9 | 8.2 |
| Vietnam | 5.5 | 5.6 | 6.4 | 7.0 | 6.7 | 6.9 | 7.2 | 7.2 | 2.9 | 2.6 | 6.0 |
| Malaysia | 5.5 | 4.7 | 6.0 | 5.0 | 4.5 | 5.8 | 4.8 | 4.4 | -5.6 | 3.1 | 5.6 |
| United States | 2.2 | 1.8 | 2.5 | 2.9 | 1.6 | 2.3 | 3.0 | 2.3 | -3.4 | 5.6 | 3.7 |
| European Union | -0.4 | 0.3 | 1.7 | 2.5 | 2.2 | 3.0 | 2.3 | 1.9 | -5.9 | 5.4 | 2.5 |
| World | 3.5 | 3.5 | 3.6 | 3.5 | 3.4 | 3.8 | 3.6 | 2.8 | -3.4 | 5.8 | 3.5 |

Source: IMF World Economic Outlook update as of April 2022 – constant prices % change (updated semi-annually)

Unemployment Rate

Unemployment continues to hover at low levels; almost every state is below 5%

Selected State Data

Better than average:

Virginia: 2.6%
 Georgia: 2.8%
 Florida: 2.7%

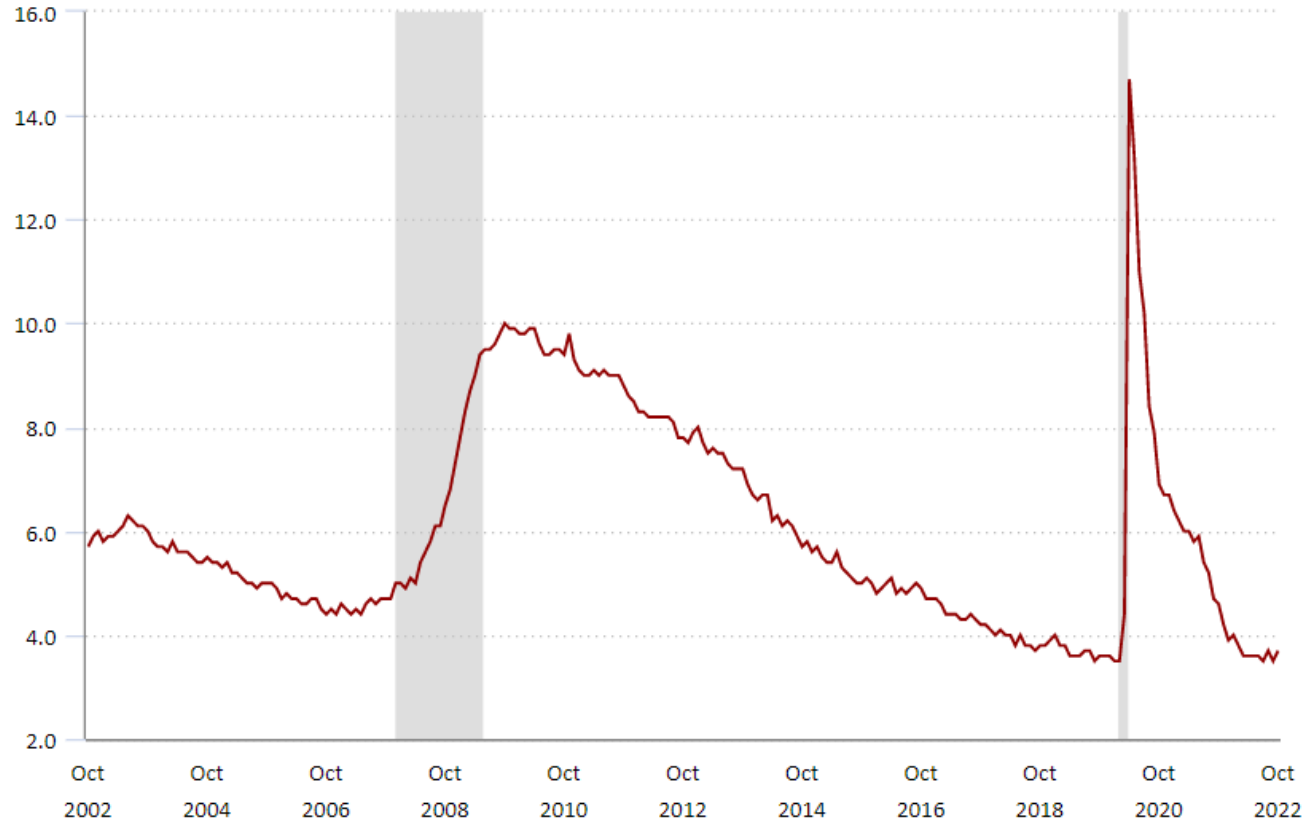
Worse than average:

California: 4.1%
 New York: 4.7%
 Pennsylvania: 4.2%
 Illinois: 4.5%
 Texas: 4.1%
 Michigan: 4.1%

Other key states:

Ohio: 4.0%
 New Jersey: 4.0%

U.S. national unemployment rate

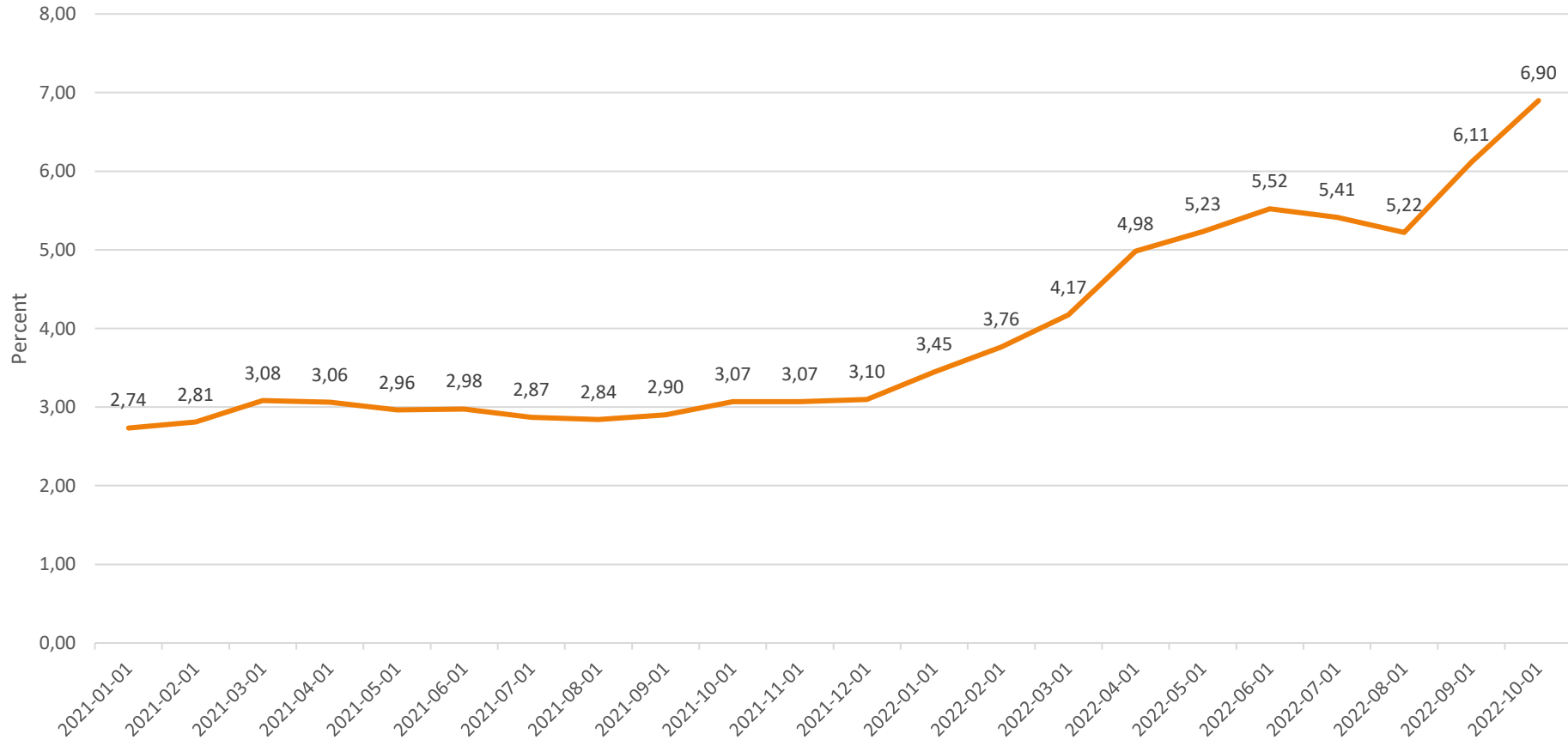


Last 3 months:

Aug 2022: 3.7%
 Sep 2022: 3.5%
 Oct 2022: 3.7%

Key Historical U.S. Interest Rates

Mortgage rates recently topped 6%, for the first time since 2008



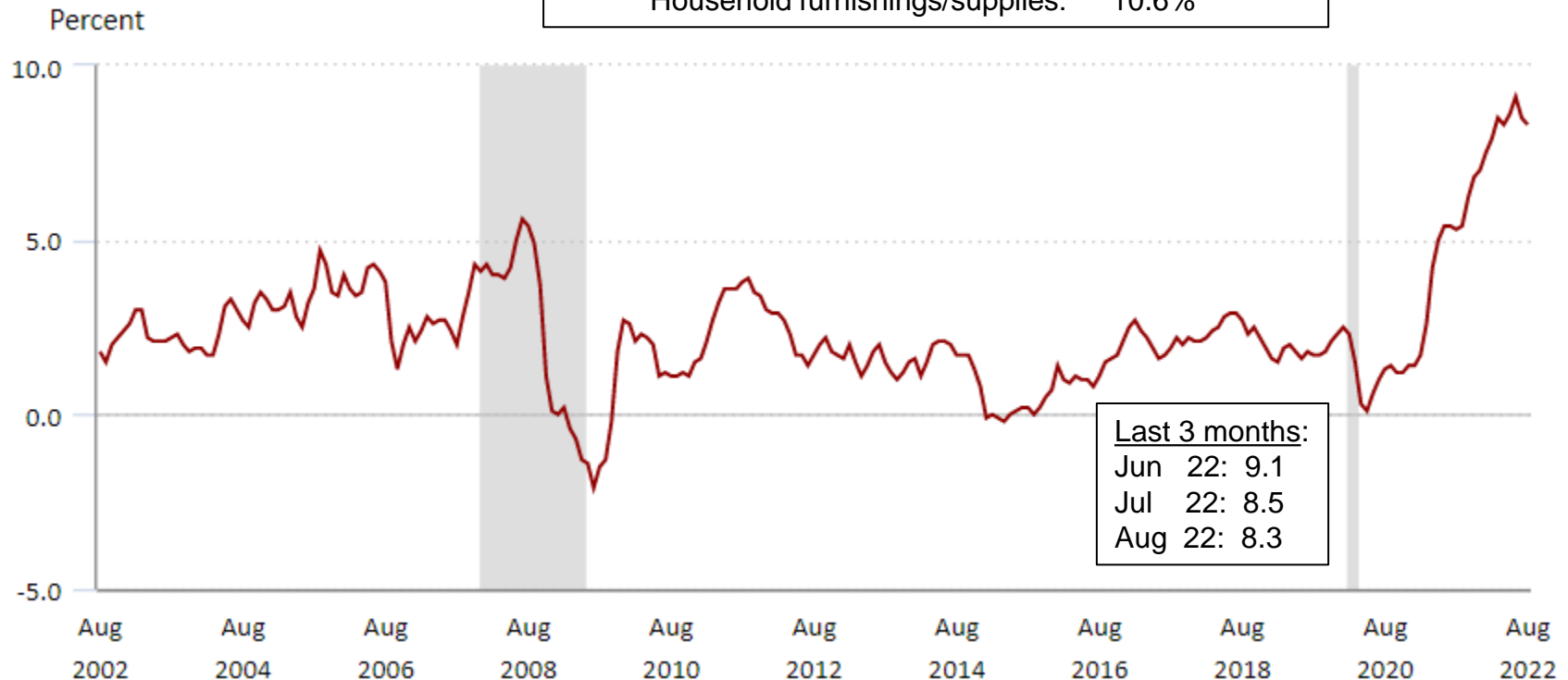
Source: St. Louis Fed (fred.stlouisfed.org)

Inflation

Inflation remains above 8% but has slowed slightly; outlook uncertain as Fed aggressively raises rates

Selected categories (August 2022)

| | |
|---------------------------------|-------|
| Energy: | 23.8% |
| Transportation commodities: | 9.1% |
| Household furnishings/supplies: | 10.6% |



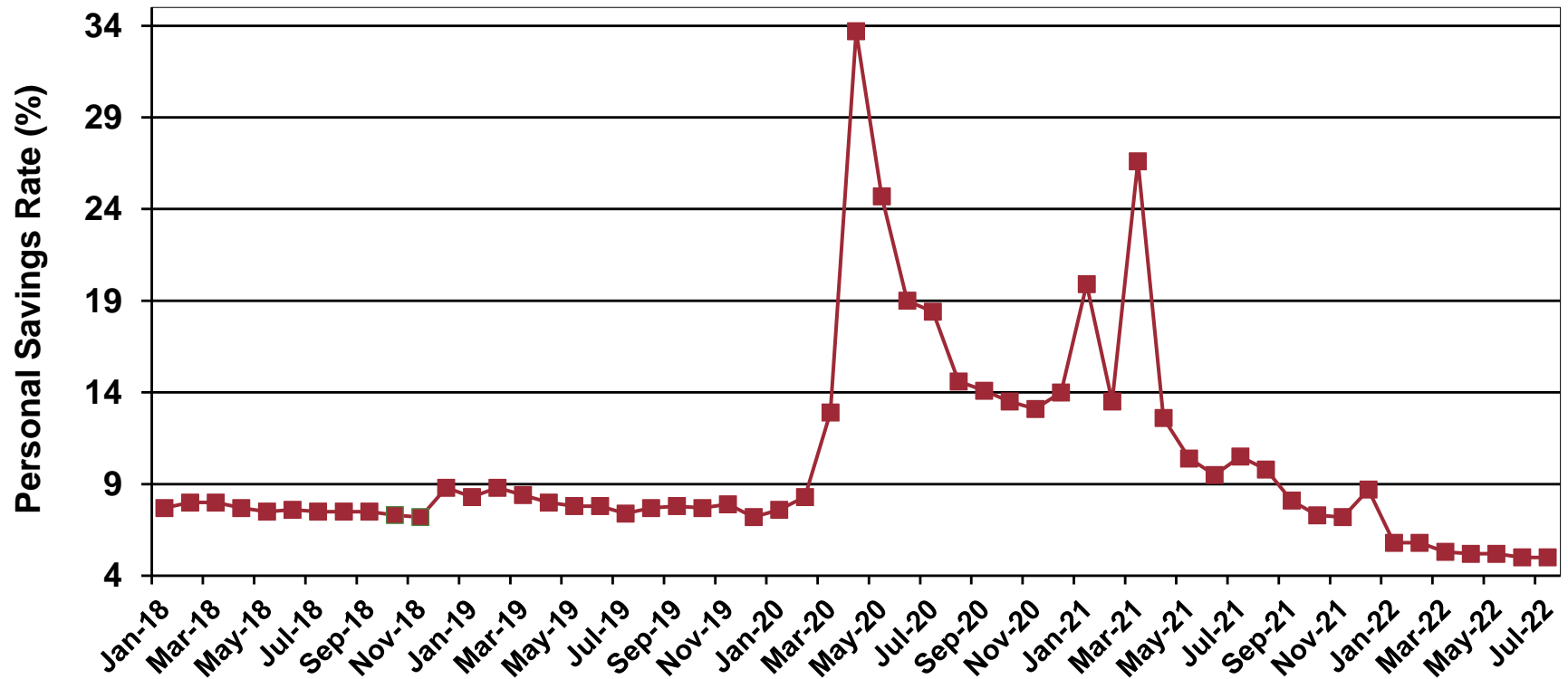
12-month percentage change, Consumer Price Index, not seasonally adjusted

Chart/historical source: <https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm>

Category source: BLS Economic Releases, CPI, Table 2

Personal Savings Rate

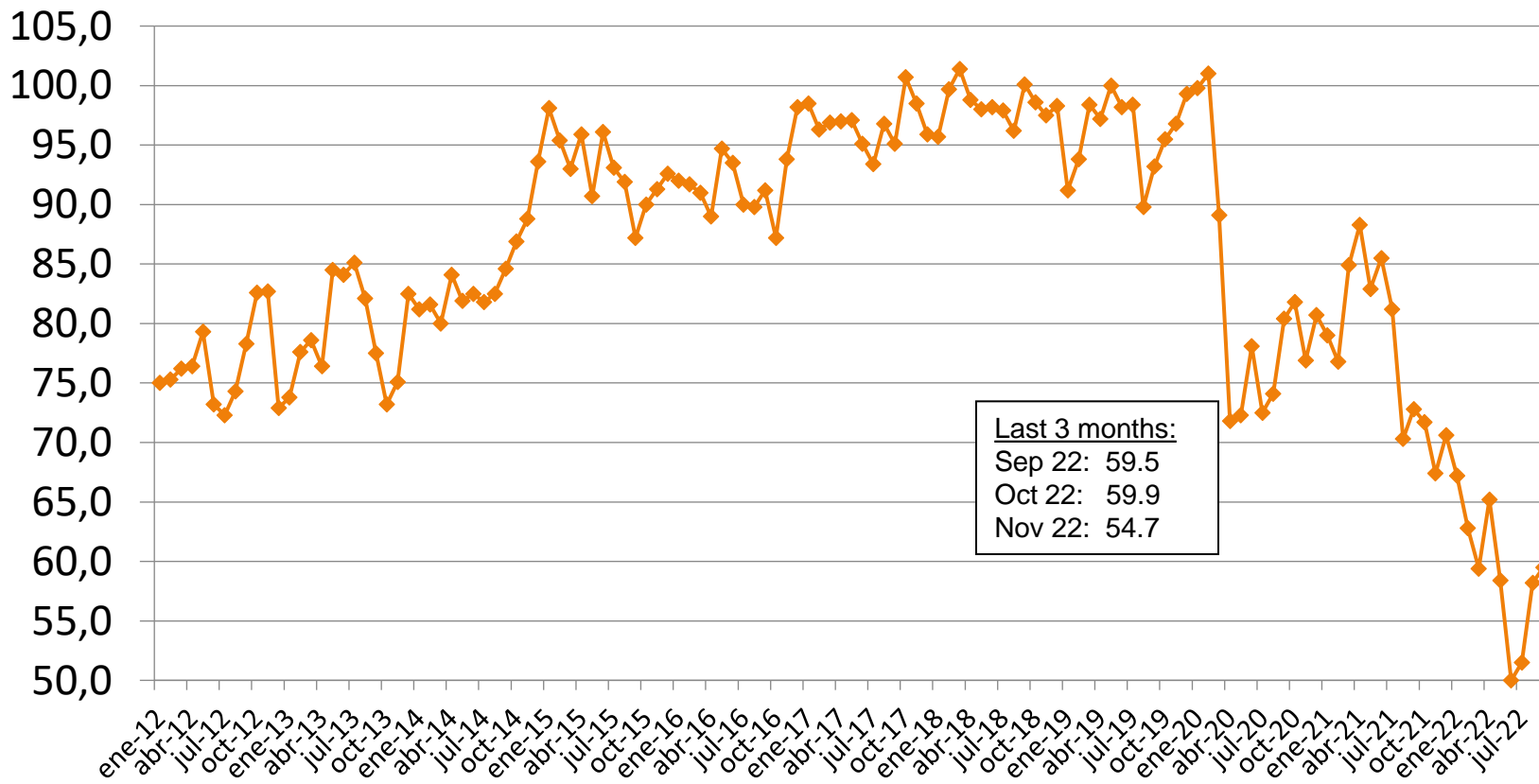
Savings rates continue to decline slowly, as inflation puts a strain on disposable income



Source: Bureau of Economic Analysis, Monthly Personal Income and Outlays, Table 1: personal savings as a % of disposable personal income. Prior months subject to revision.

Consumer Sentiment Index

Consumer sentiment for the US fell to 54.7 in November of 2022, the lowest since July, from 59.9 in October and below market forecasts of 59.5

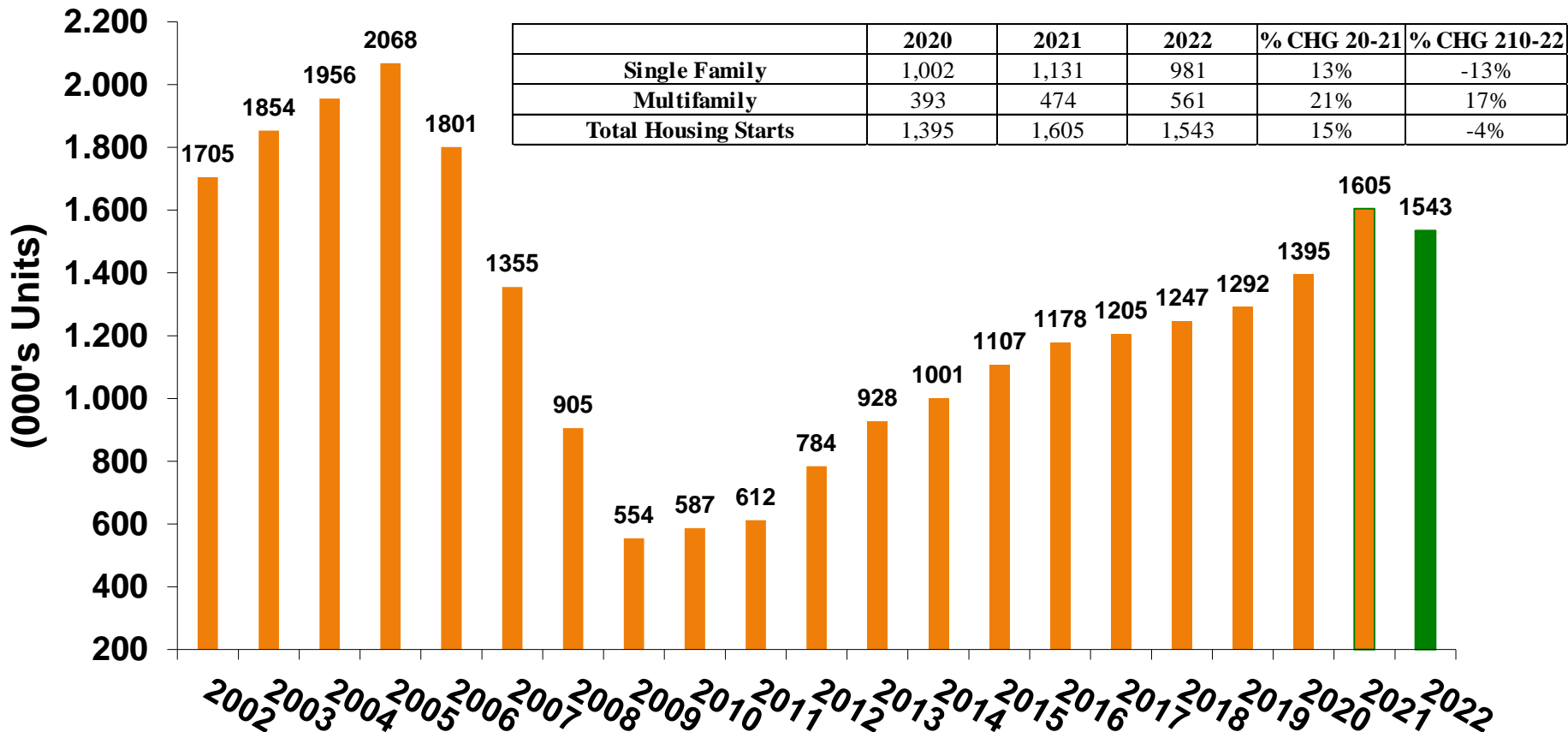


Source: University of Michigan Survey of Consumer Sentiment as reported in www.tradingeconomics.com.
Previous months subject to revision

Residential Housing Economy / Residential Remodel

Annual Housing Starts

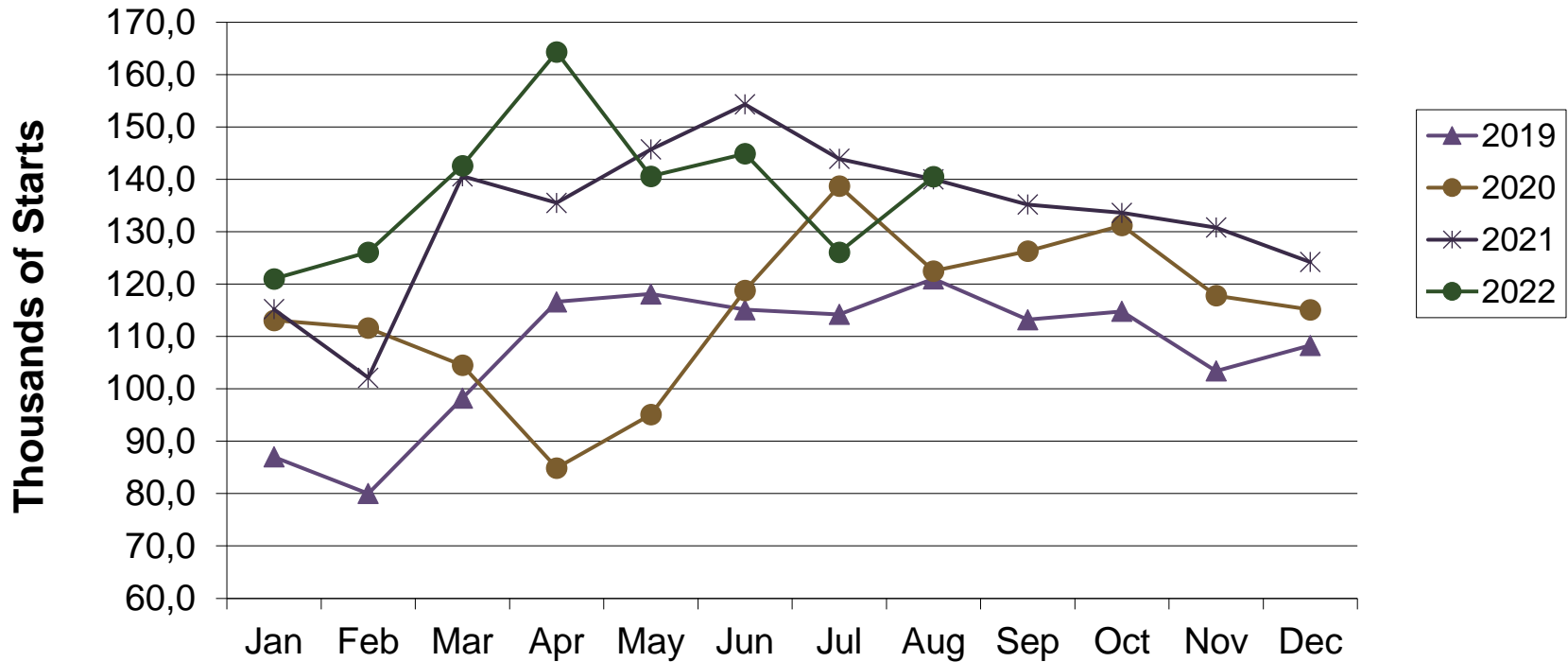
Latest projections show a decline in single family for 2022; multi-family expected to rise



Source: NAHB Housing and Interest Rate Forecast (most recent update as of August 2022)

Housing Starts – Seasonal Trend

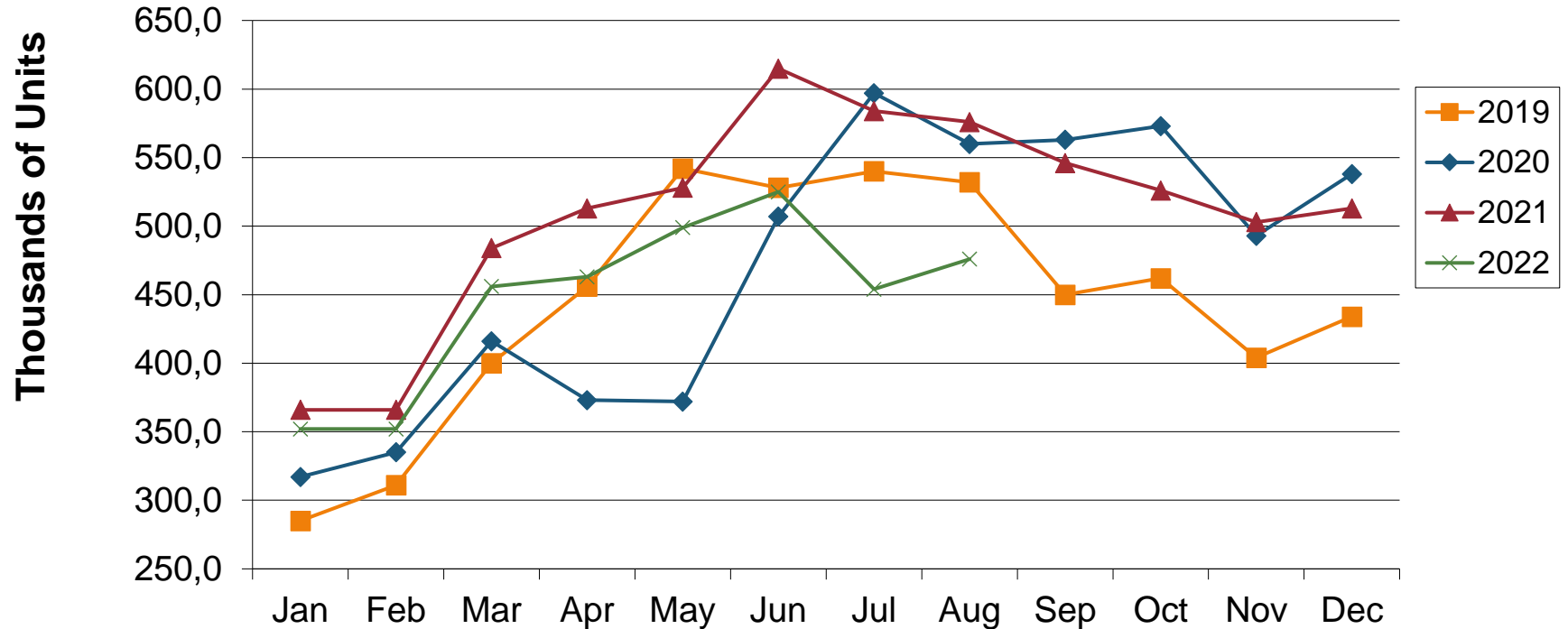
Growth was 3% in Q2 vs same quarter last year, representing a slowing pace



| Starts (000's): | 1Q | 2Q | 3Q | 4Q | Total |
|-----------------|-------|-------|-------|-------|--------|
| 2019 | 265.2 | 351.3 | 348.4 | 326.5 | 1291.4 |
| 2020 | 329.2 | 298.8 | 387.5 | 364.1 | 1379.6 |
| 2021 | 357.9 | 435.5 | 419.1 | 388.6 | 1601.1 |
| 2022 | 389.7 | 449.8 | | | |

Existing Home Sales

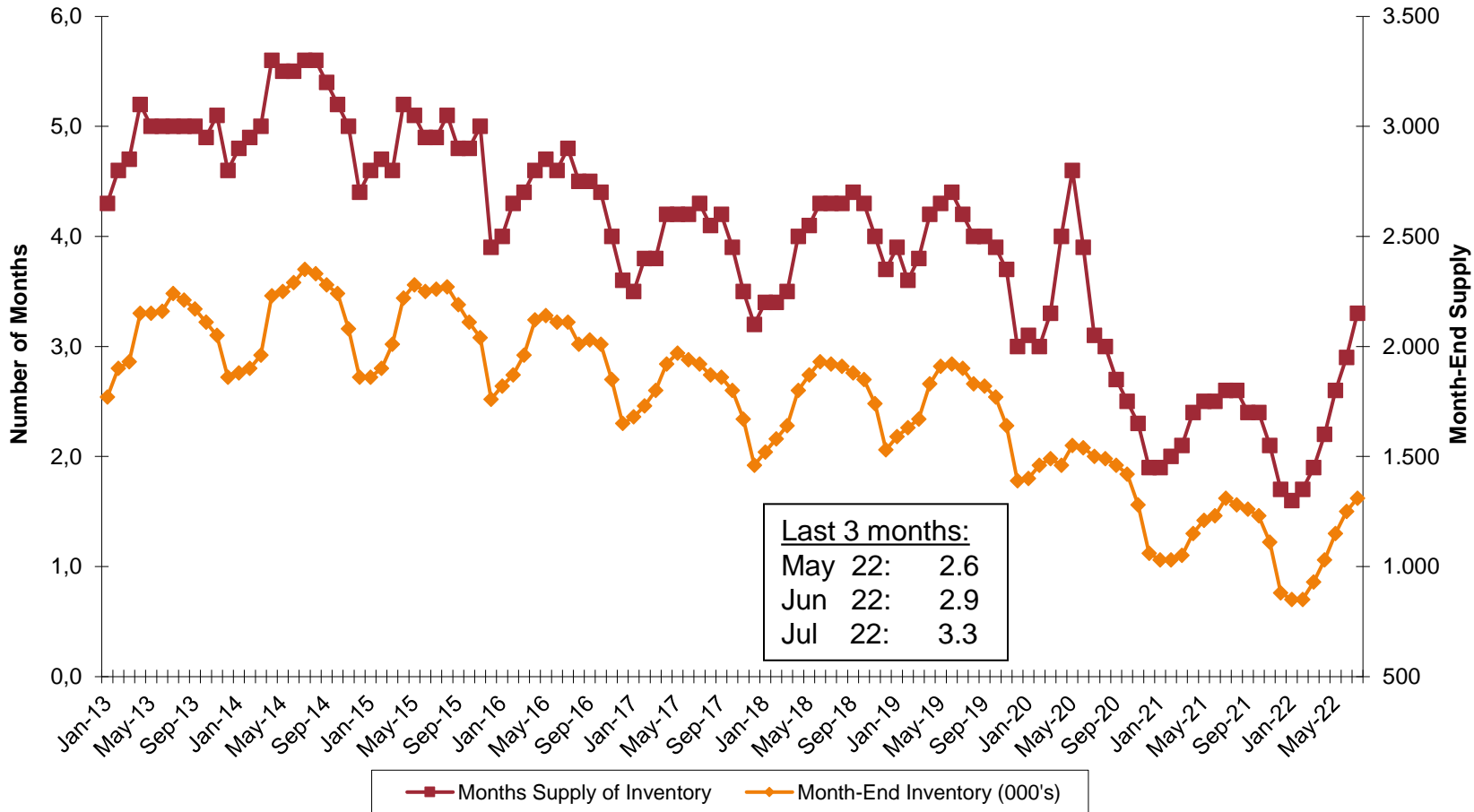
After dipping sharply in July, August improved slightly



| Sales (000's): | 1Q | 2Q | 3Q | 4Q | Total |
|----------------|------|------|------|------|-------|
| 2019 | 996 | 1526 | 1522 | 1300 | 5344 |
| 2020 | 1068 | 1252 | 1720 | 1604 | 5644 |
| 2021 | 1216 | 1656 | 1706 | 1542 | 6120 |
| 2022 | 1160 | 1487 | | | |

Existing Home Supply

Inventory levels are beginning to increase following months of tight supply



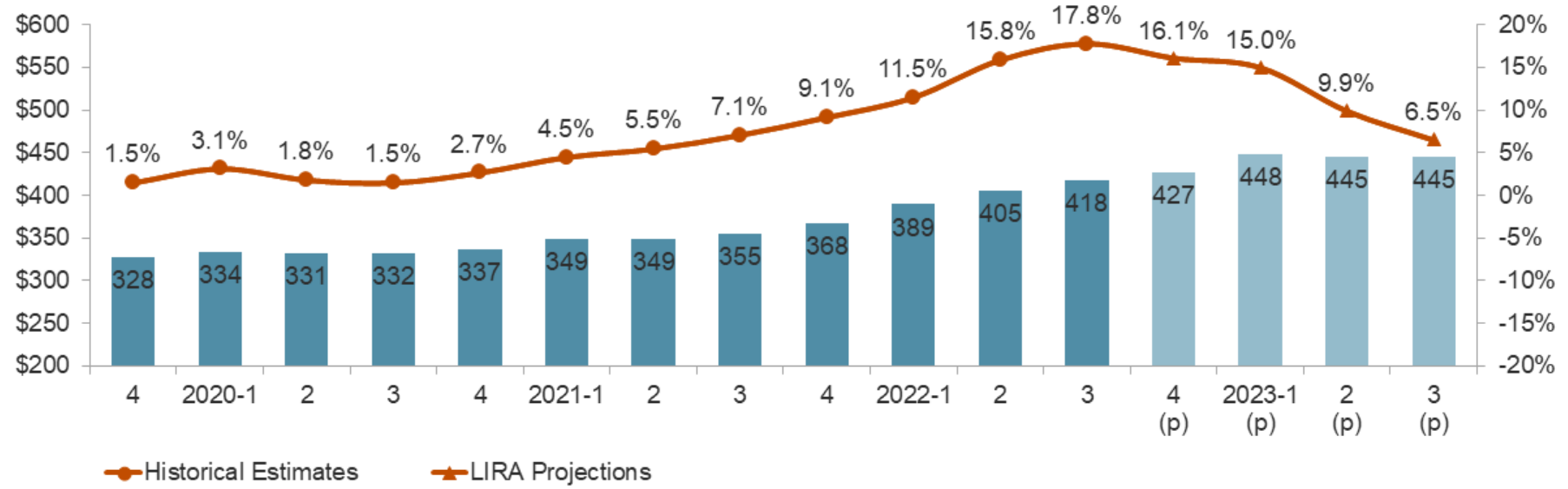
LIRA Remodeling Index

Leading Indicator of Remodeling Activity – Third Quarter 2022

Projections revised downward from Q1. Slower growth forecast heading into 2023.

Homeowner Improvements & Repairs
Four-Quarter Moving Totals
Billions

Four-Quarter Moving Rate of Change



Notes: Improvements include remodels, replacements, additions, and structural alterations that increase the value of homes. Routine maintenance and repairs preserve the current quality of homes. Historical estimates since 1919 are produced using the LIRA model until American Housing Survey benchmark data become available.

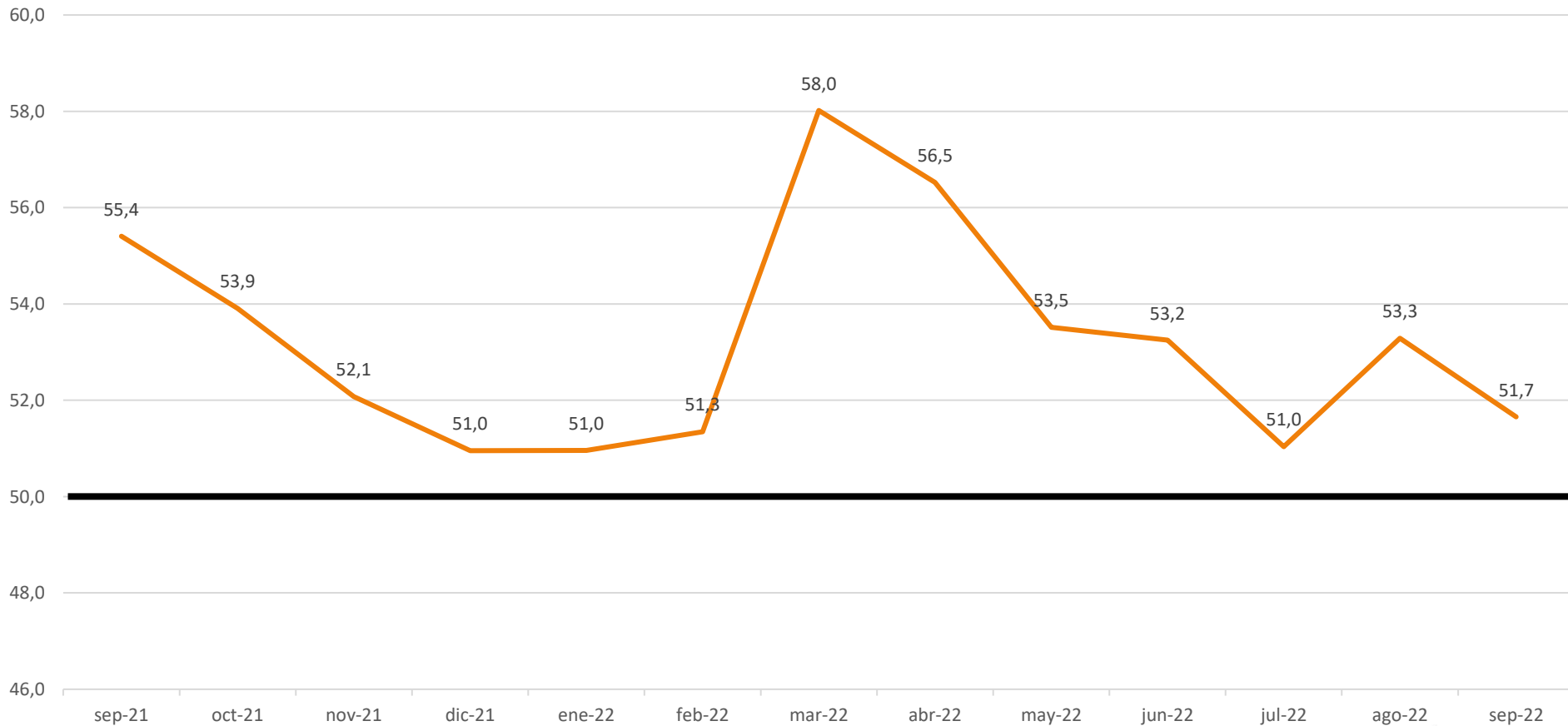
- Factors in Harvard's LIRA Index:
- Pending home sales
 - Building material shipments
 - Contractor sentiment and hours worked

- Cash out refinancing data
- General economic indicators

Commercial Construction Economy

Architecture Billings Index

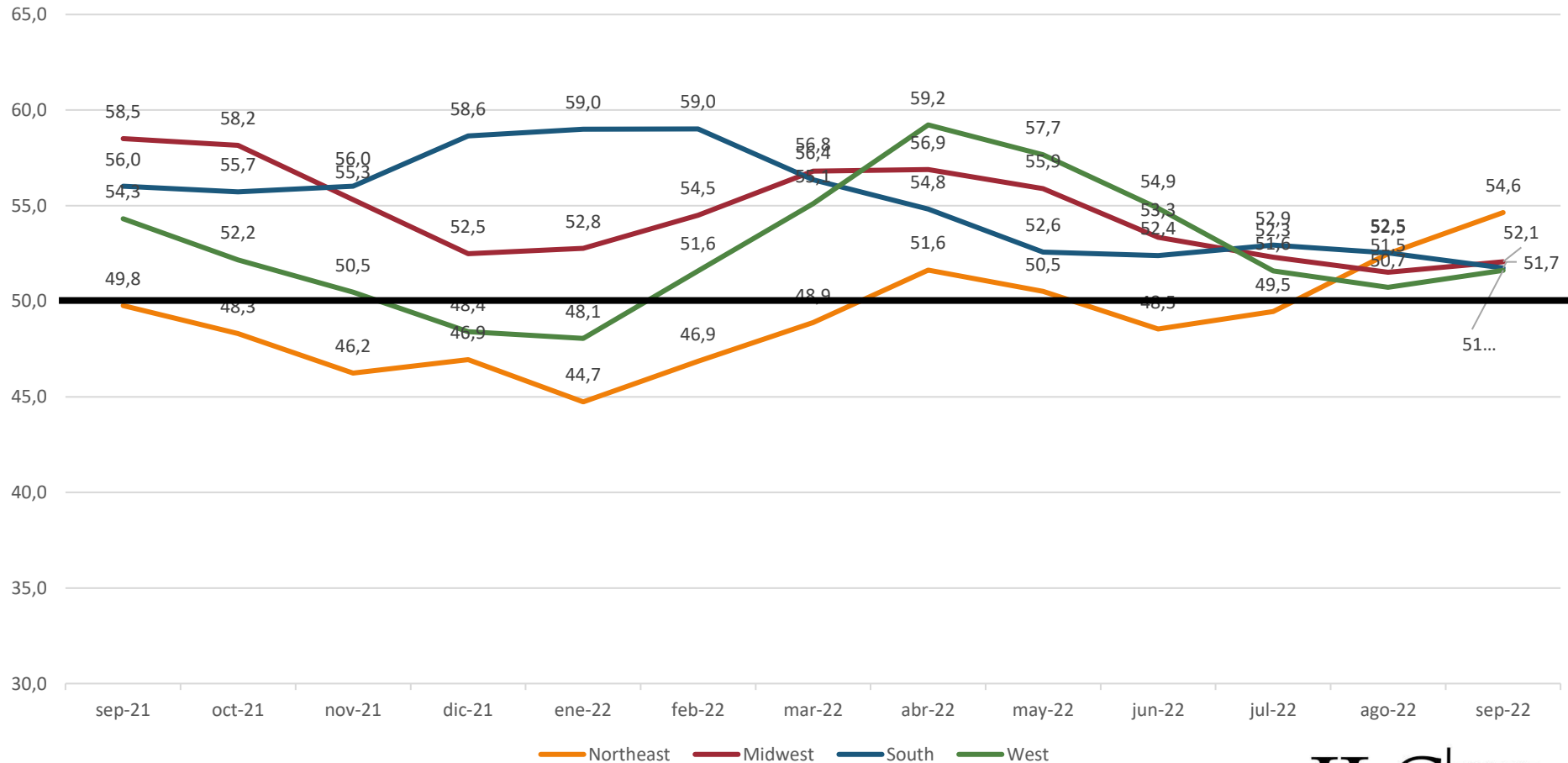
ABI is a leading indicator of future construction activity (50 = no change from prior month)



Source: American Institute of Architects (www.aia.org).
Prior months subject to revision
Inquiries numbers are approximate

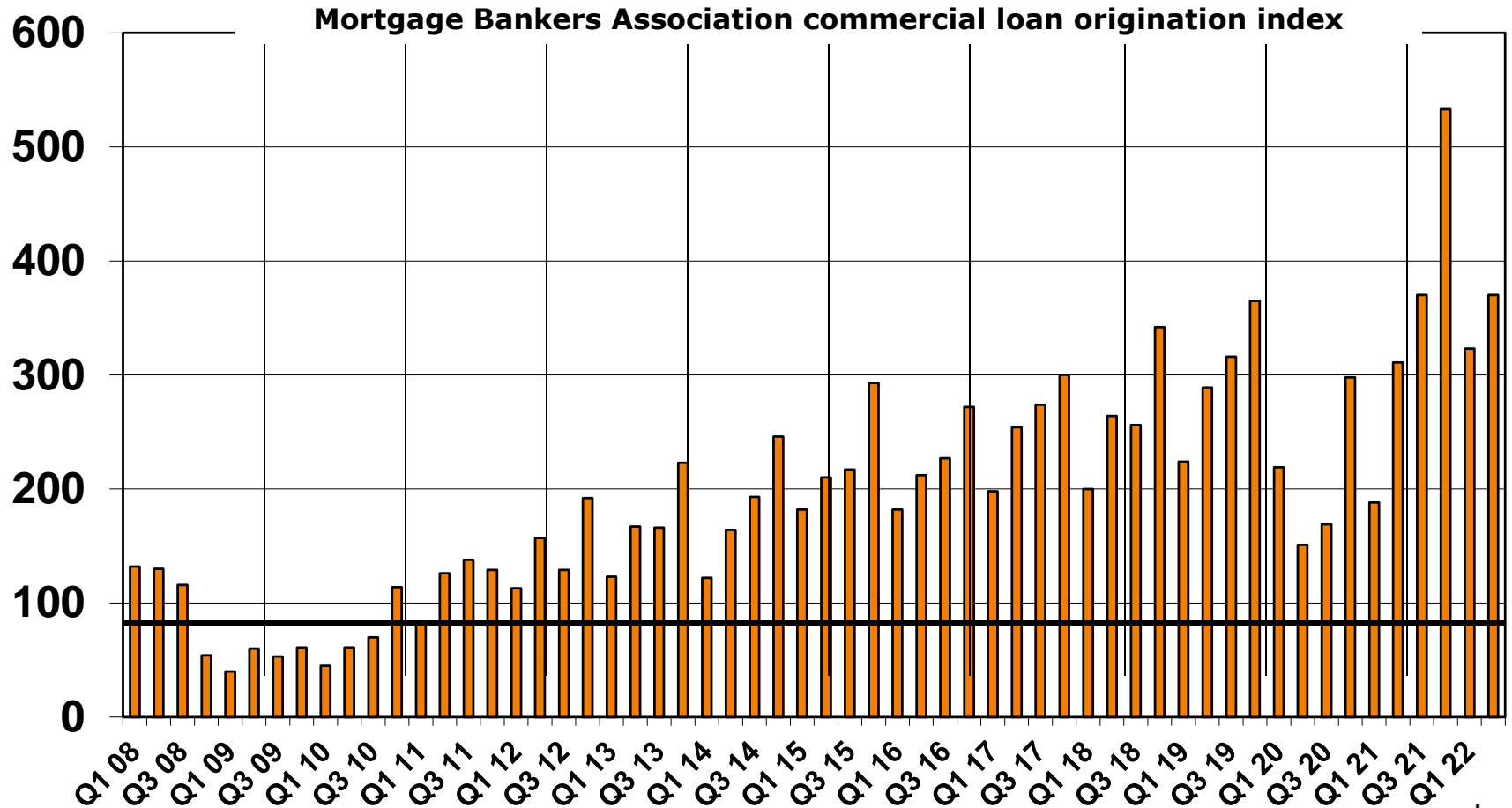
Architecture Billings Index - Regions

ABI is a leading indicator of future construction activity (50 = no change from prior month)



Commercial Lending Market

Growth continued in Q2 2022 but commercial lending is expected to slow in the 2nd half

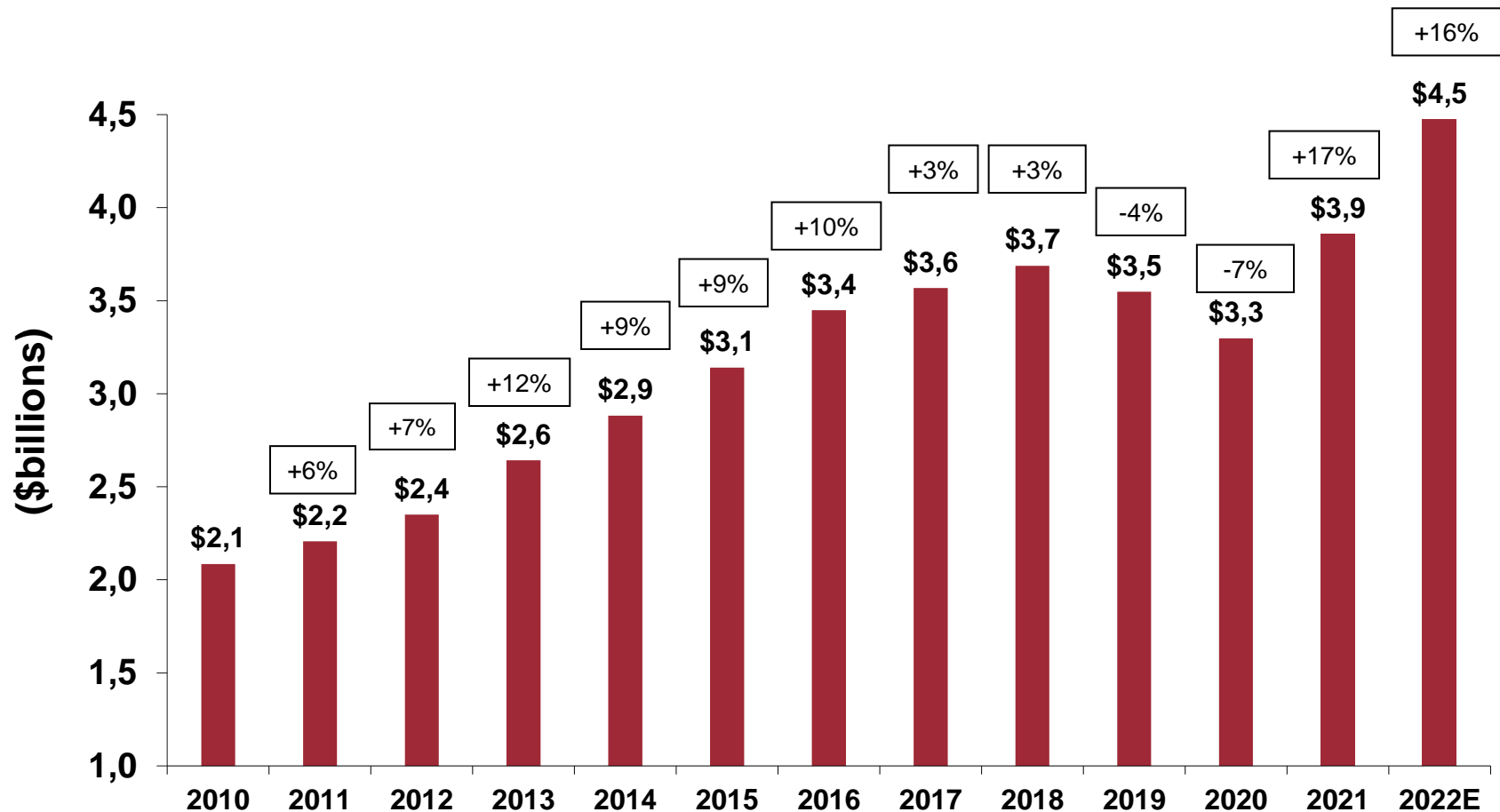


Source: Mortgage Bankers Assoc. (mba.org) Quarterly index: 2001 = 100.

Ceramic Tile Industry

U.S. Ceramic Tile Market (\$)

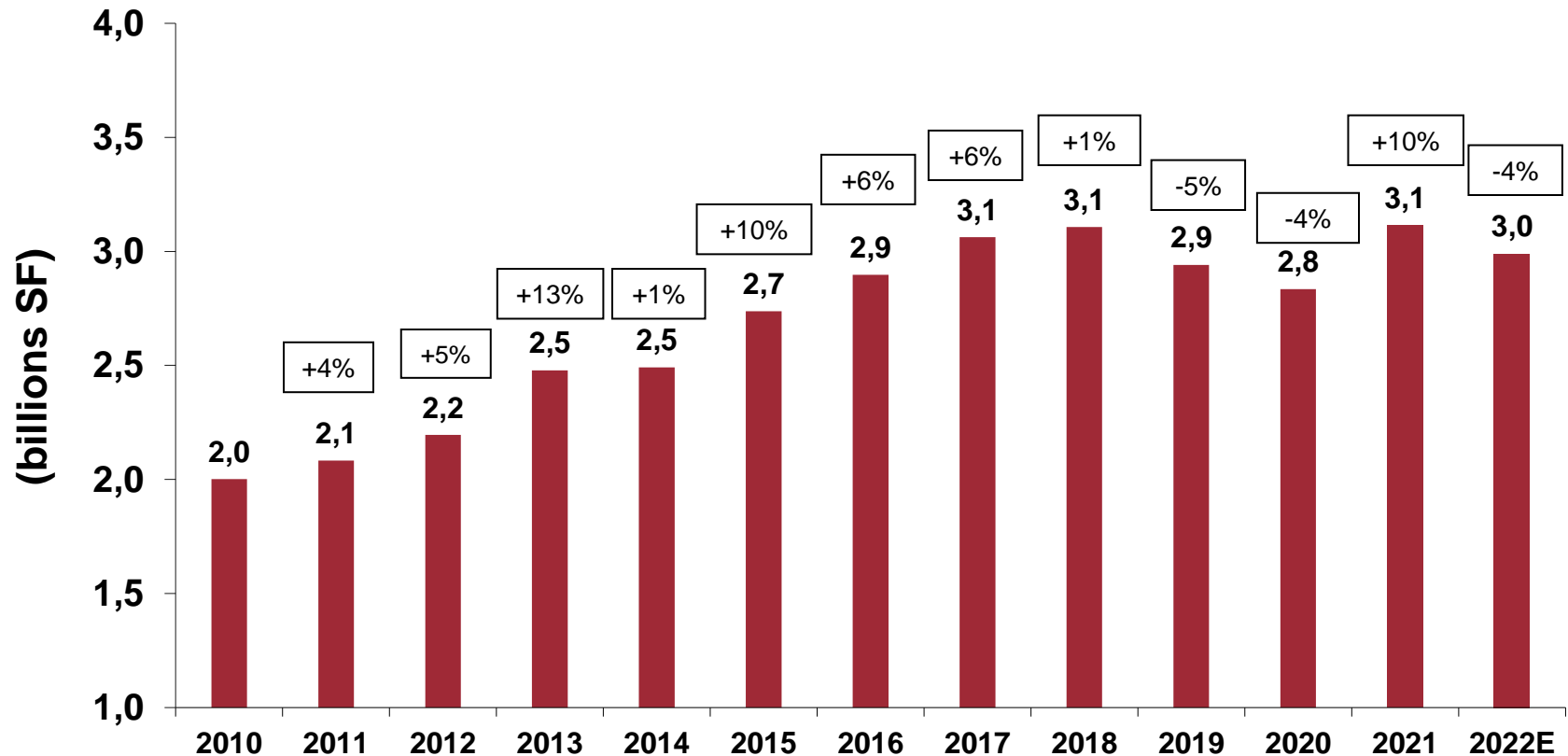
High inflation across the tile industry has caused abnormal market growth in dollar terms



Source: Floor Covering Weekly, TCNA and internal estimates. Prior year data subject to periodic restatement.

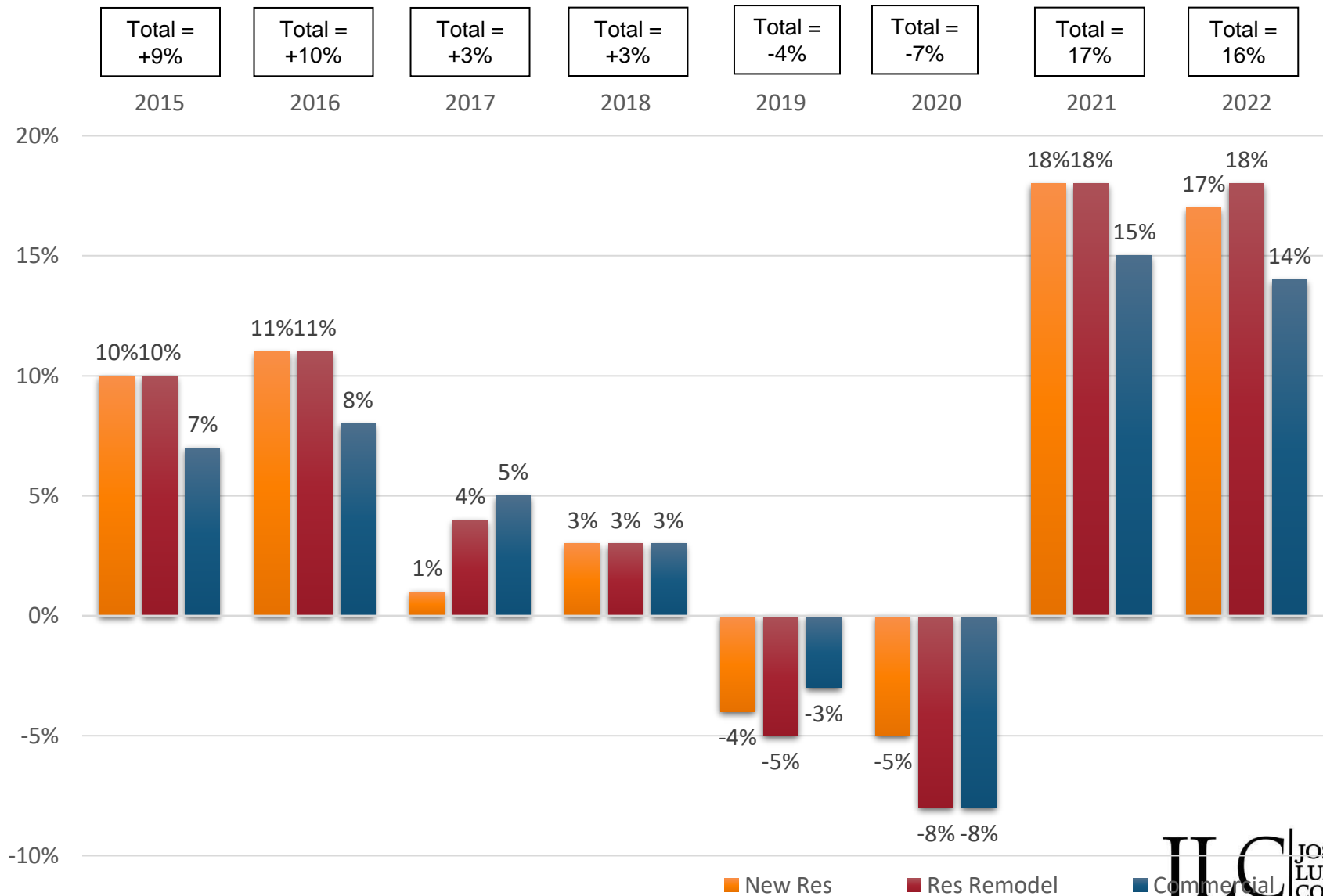
U.S. Ceramic Tile Market (SF)

Volume has decreased slightly in 2022, in contrast to the inflation-fueled dollar growth



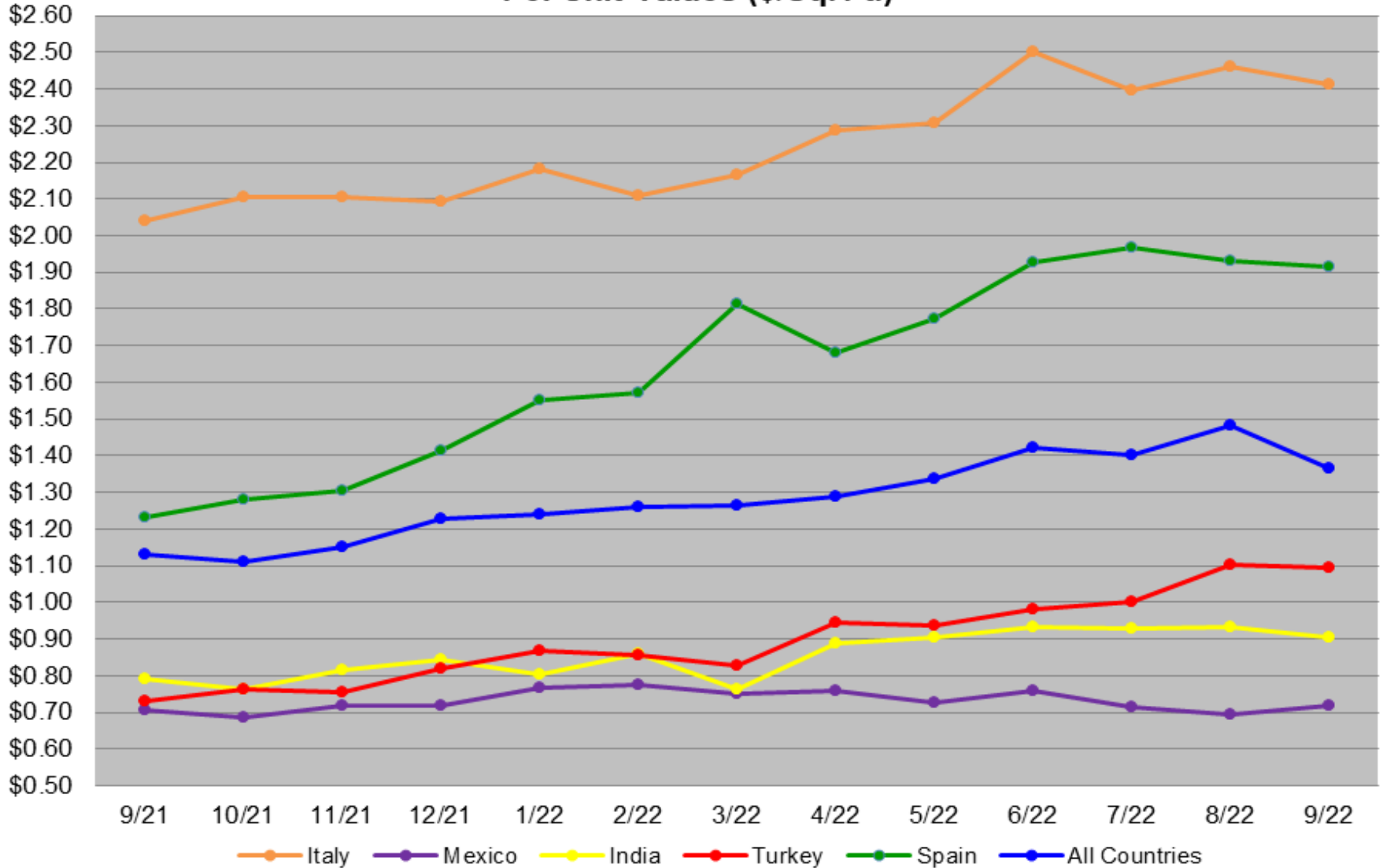
Source: Floor Covering Weekly, TCNA and internal estimates. Prior year data subject to periodic restatement.

U.S. Market by Segment in US \$'s

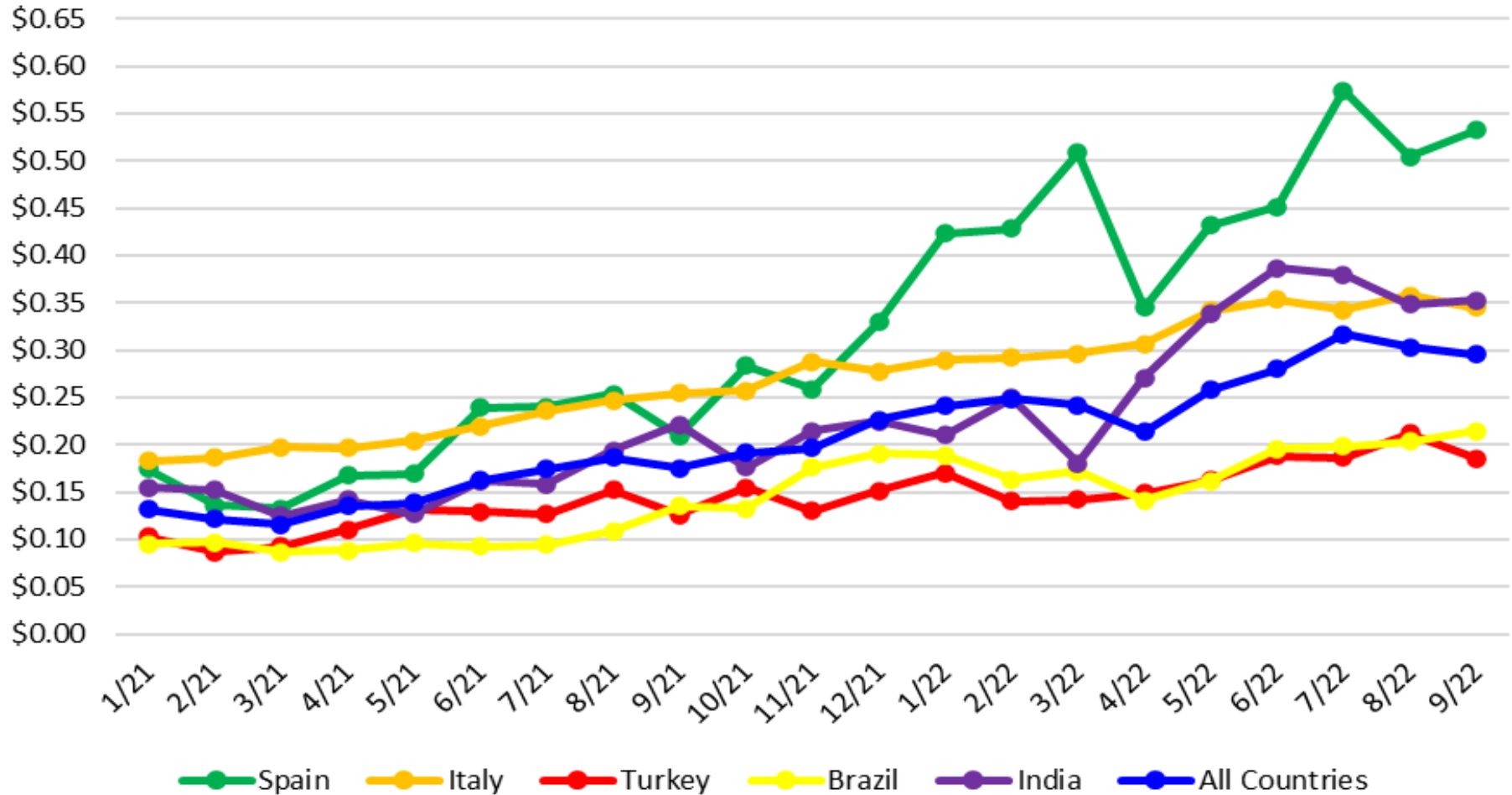


Note: Industry data from prior years is subject to periodic restatement.

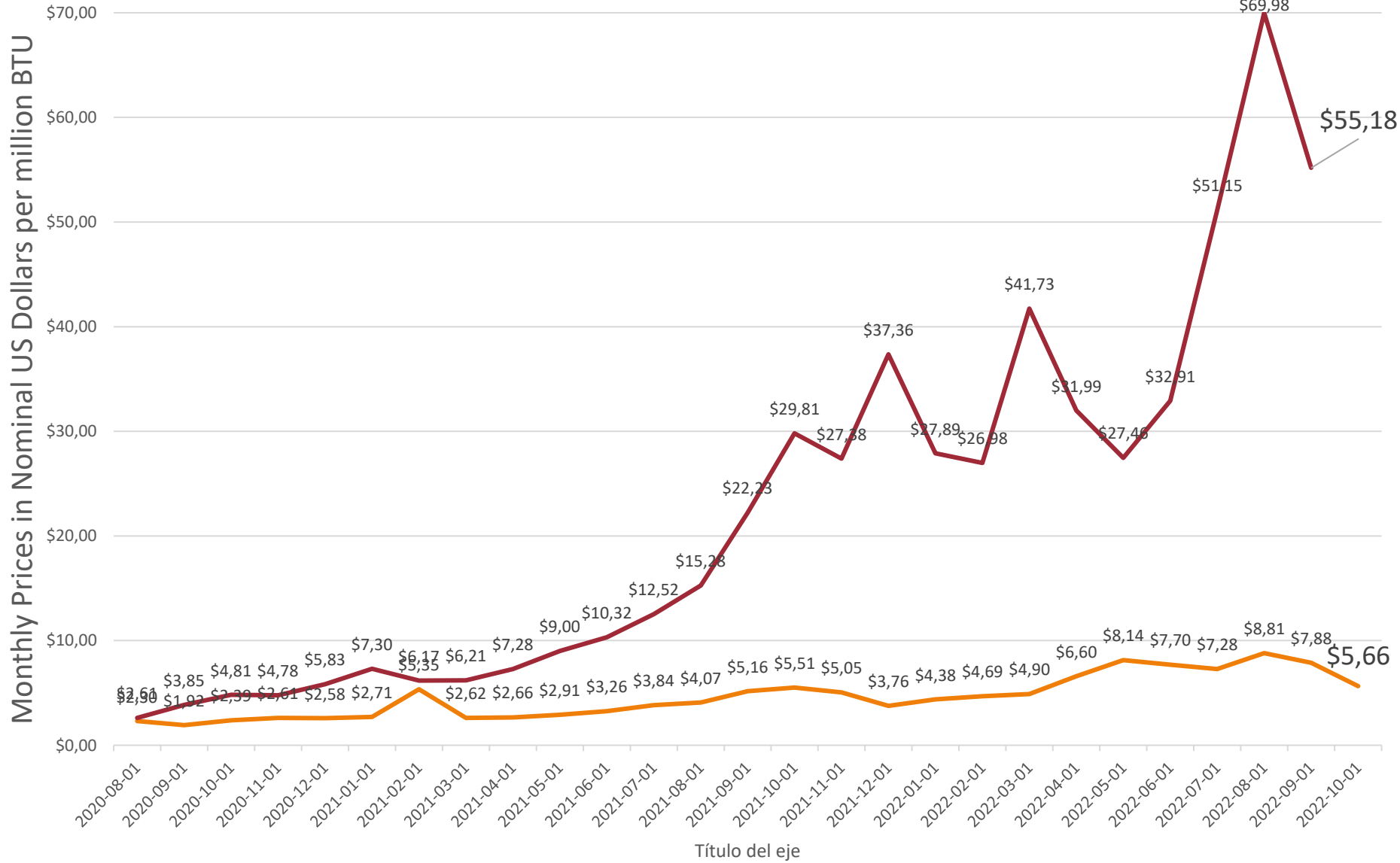
Per Unit Values (\$/Sq. Ft.)



Insurance & Freight Costs/Sq. Ft.



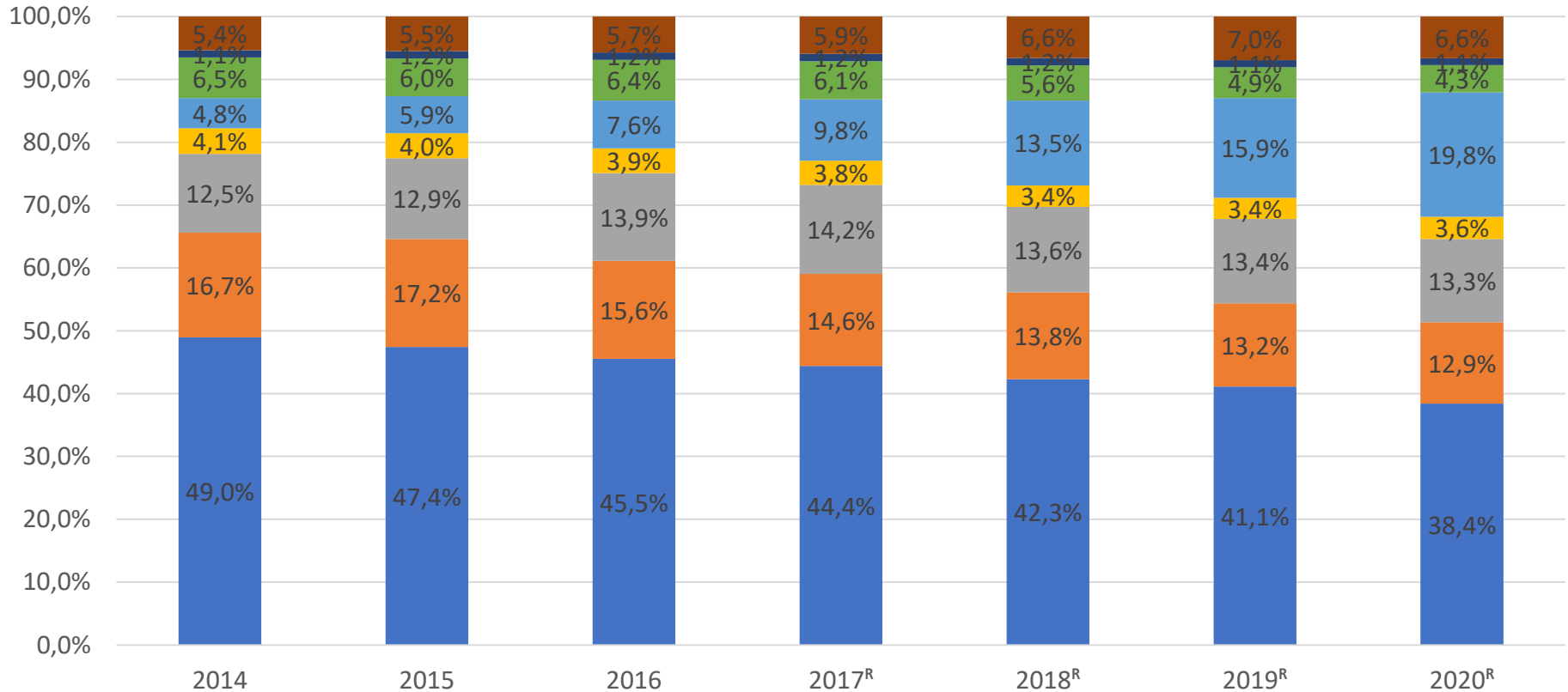
European compared to US Natural Gas Prices



— Henry Hub Natural Gas Spot Price

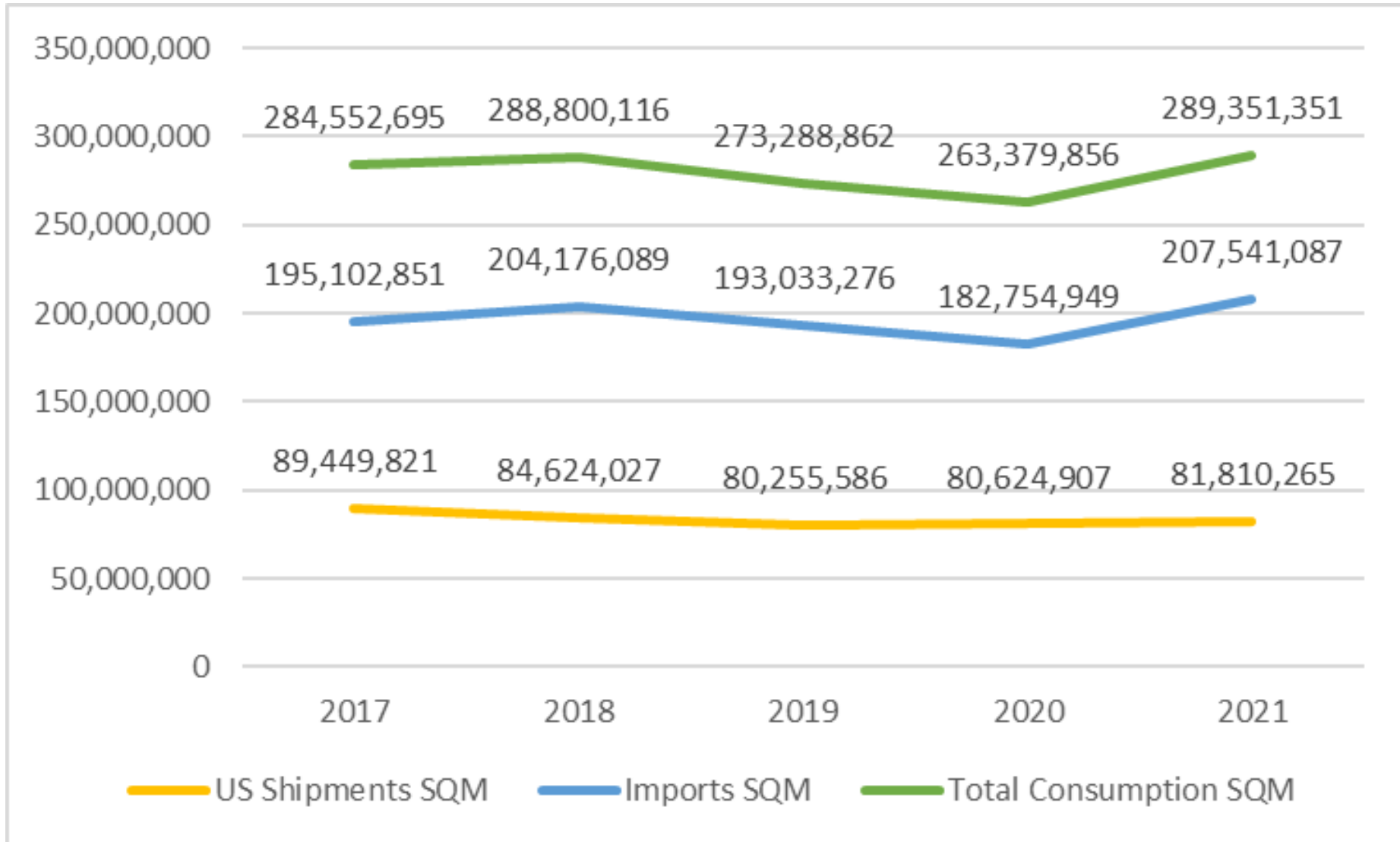
— Global price of Natural gas, EU

US Floor Covering by Type

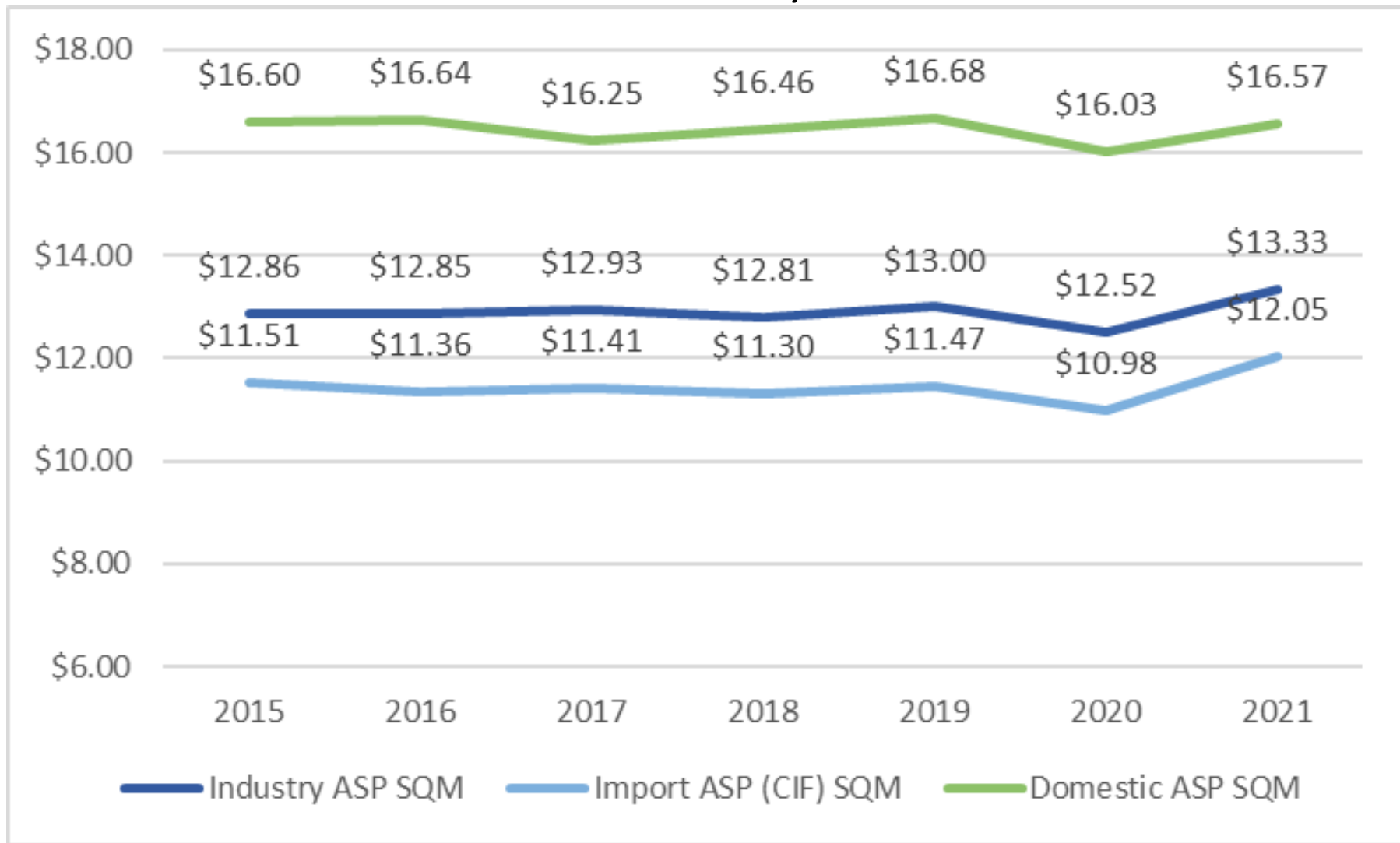


- Carpet & area rugs
- Hardwood flooring
- Ceramic floor and wall tile
- Laminate flooring
- Luxury vinyl tile (LVT)
- Vinyl sheet and floor tile
- Other resilient flooring
- Stone flooring

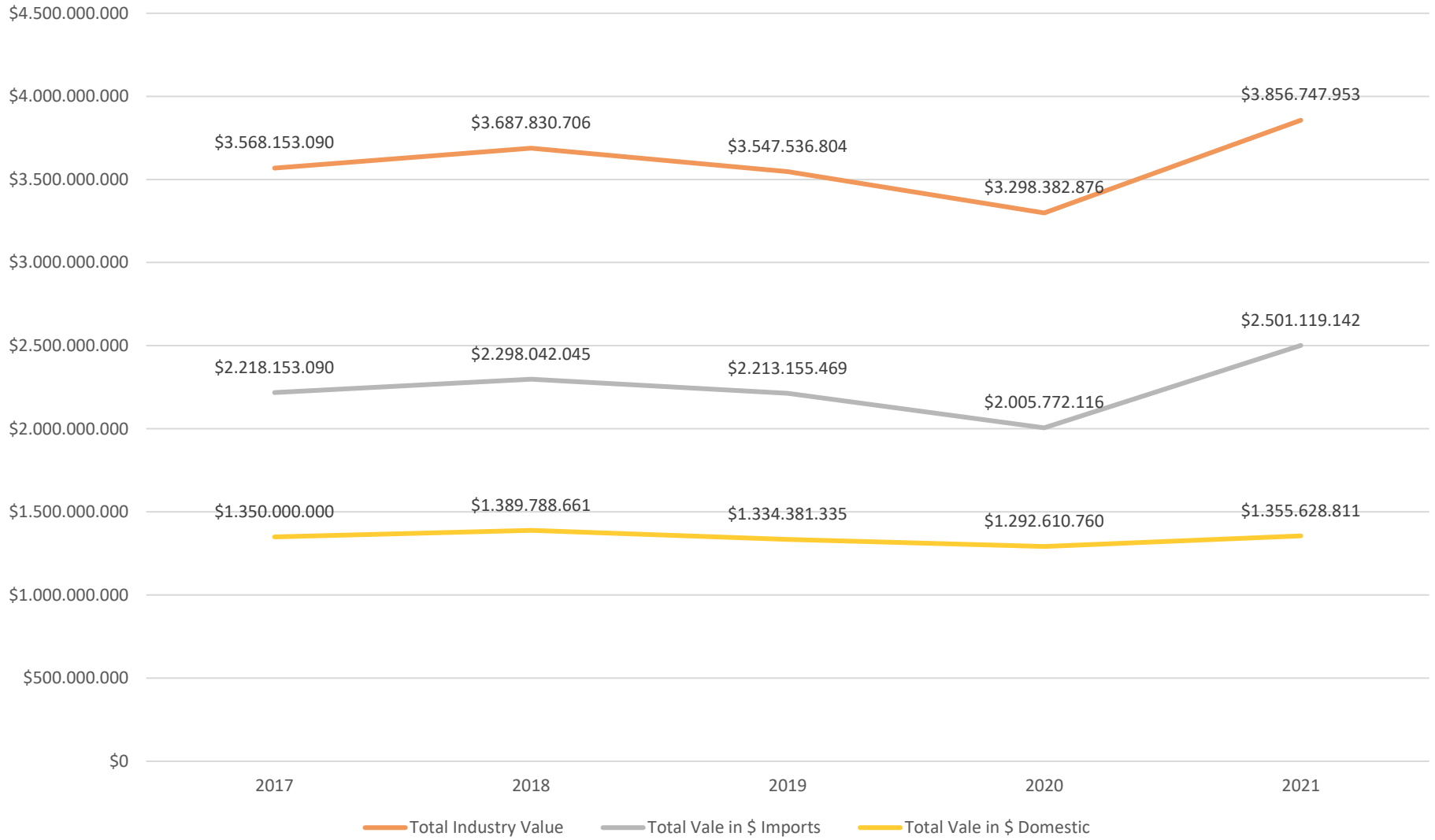
US Market Square Meters



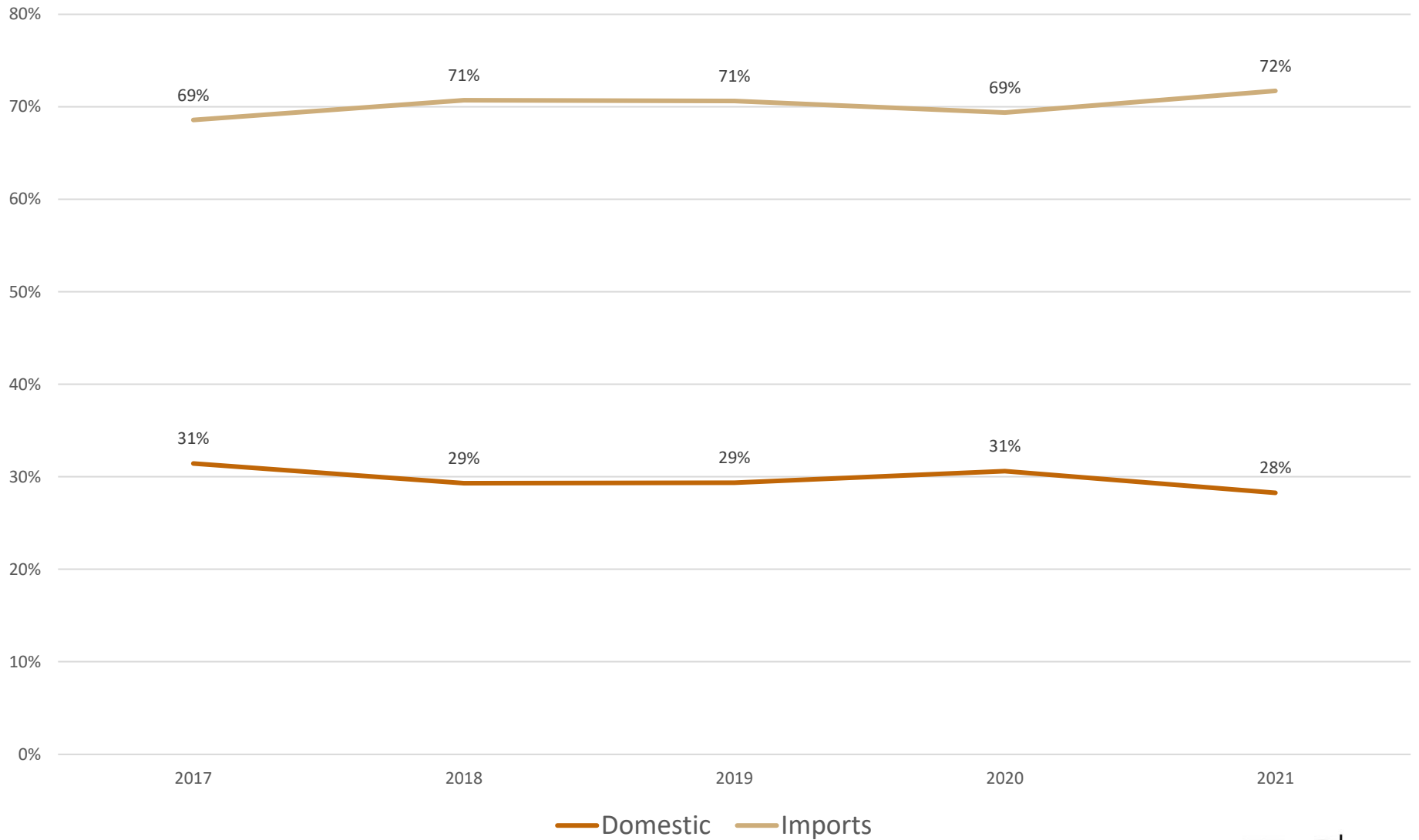
Wholesale Industry ASP SQM



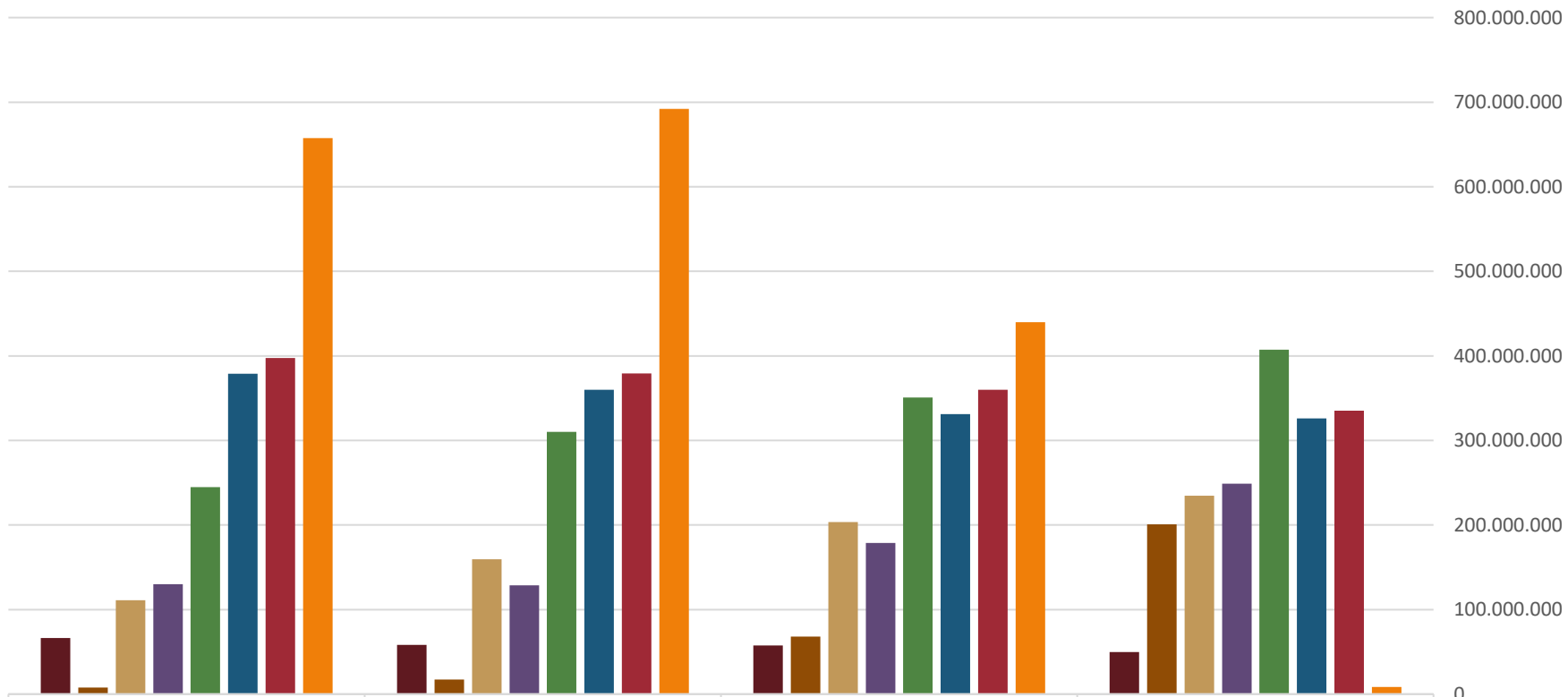
US Market in Wholesale \$'s



Imports vs. Domestic



US Importers



| | 2017 SF Imports | 2018 SF Imports | 2019 SF Imports | 2020 SF Imports |
|--------|-----------------|-----------------|-----------------|-----------------|
| China | 657.563.014 | 692.147.717 | 439.960.382 | 8.295.563 |
| Mexico | 397.514.645 | 379.093.644 | 360.042.481 | 335.246.651 |
| Italy | 378.957.771 | 360.060.284 | 331.101.114 | 325.939.270 |
| Spain | 244.858.241 | 310.208.579 | 350.769.921 | 407.249.860 |
| Turkey | 130.106.421 | 128.566.805 | 178.794.881 | 248.851.082 |
| Brazil | 111.176.480 | 159.575.661 | 203.376.617 | 234.794.244 |
| India | 7.715.894 | 17.189.427 | 68.134.907 | 200.654.521 |
| Peru | 66.418.053 | 58.065.861 | 57.526.019 | 49.679.698 |

China Mexico Italy Spain Turkey Brazil India Peru

The Industry Mix

| 2021 The Industry in SQM | | |
|--------------------------|----------------|-------------|
| 289,351,351 | | |
| Product Type | Mix Sold in US | SQM Volume |
| Glazed Porcelain | 45% | 130,208,108 |
| Colorbody/Technical | 20% | 57,870,270 |
| Red | 17% | 49,189,730 |
| Wall | 13% | 37,615,676 |
| Quarry/Mosaics | 3% | 8,680,541 |
| Ceramic | 2% | 5,787,027 |
| Total | 100% | 289,351,351 |

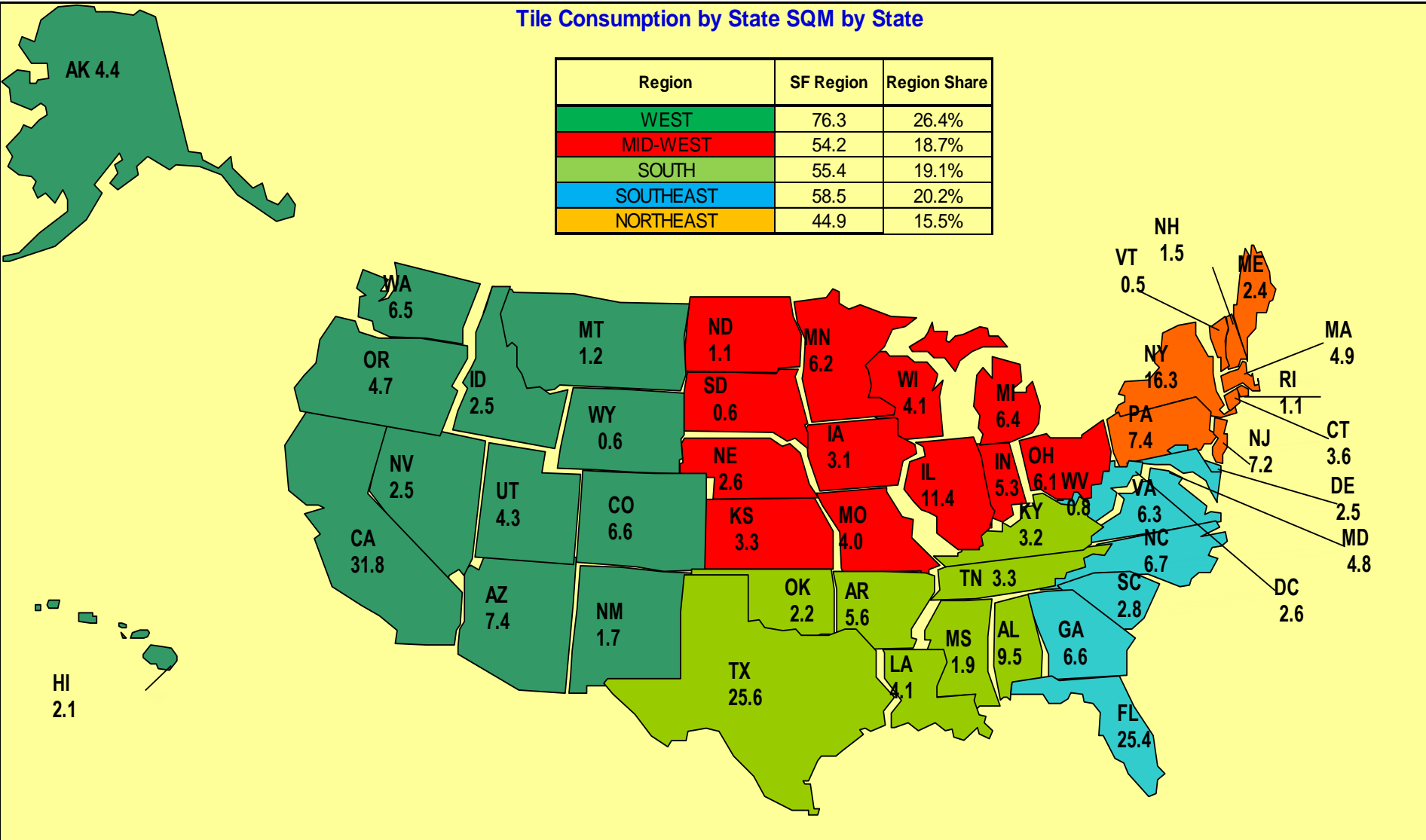
Consumption by State

- The criteria to develop the consumption by state
 - Population
 - Construction forecast
 - New Housing
 - Residential Remodel
 - Commercial
 - Labor
 - State expenditures
 - Value of construction projects

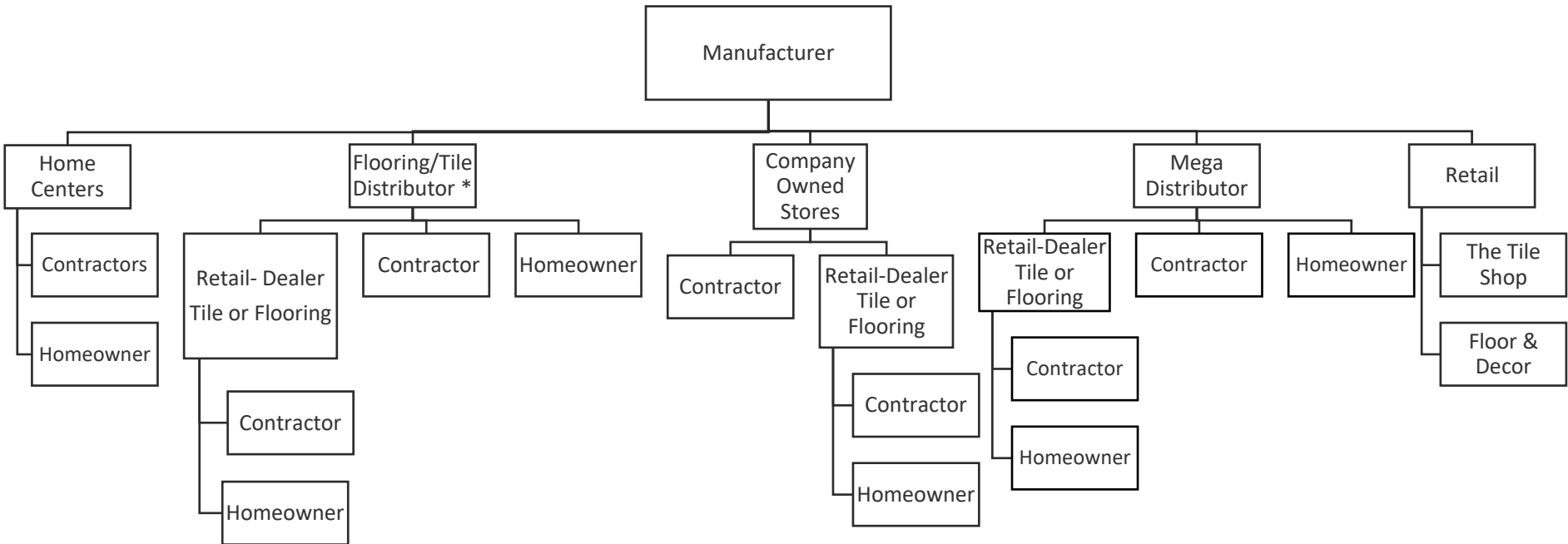
2021 Consumption by State

Tile Consumption by State SQM by State

| Region | SF Region | Region Share | | | | | | | | |
|-----------|-----------|--------------|------|-------|-----------|------|-------|-----------|------|-------|
| WEST | 76.3 | 26.4% | | | | | | | | |
| MID-WEST | 54.2 | SOUTH | 55.4 | 19.1% | SOUTHEAST | 58.5 | 20.2% | NORTHEAST | 44.9 | 15.5% |
| SOUTH | 55.4 | 19.1% | | | | | | | | |
| SOUTHEAST | 58.5 | 20.2% | | | | | | | | |
| NORTHEAST | 44.9 | 15.5% | | | | | | | | |



US Tile Distribution Channels



* Includes Specification companies

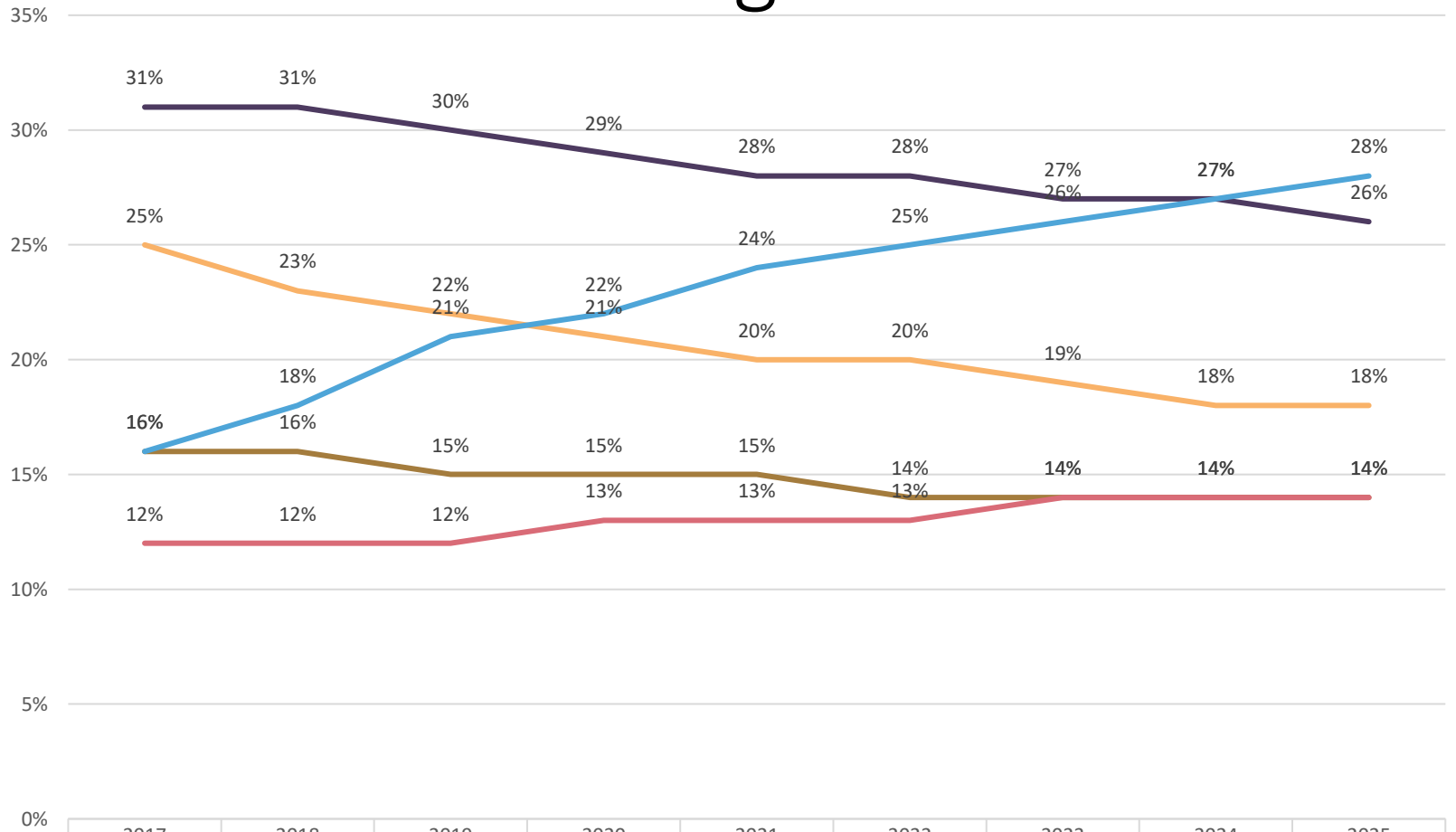
Definition of US Distributors

- There are five major distribution channels in the US ceramic tile market.
 1. Home centers - this is made up of the Home Depot, Lowe's and Menards. They are also known as big box stores and carry a wide range of products and market to the consumer.
 2. Flooring/Tile distributor - These are distributors that can vary in who they sell to, typically the distributor sells to the dealer and also to the contractor and homeowner (retail). The distinction between flooring and tile is as follows:
 - a. Flooring Distributor – initially carried all or most of other floor coverings except ceramic tile, over the past 25 years they have added ceramic into their mix.
 - b. Tile Distributor – typically carries only tile products and sells dealers, contractors and homeowners in some cases.
 - c. Flooring Dealer – buys from both Flooring Distributor and Tile Distributor. Also, will do installations (turnkey).
 - d. Tile Dealer – buys primarily from Tile Distributor and sells to contractor or homeowner, traditionally does not do installations.

Definition of US Distributors

3. Company owned stores-these are manufacturers who have their own stores that typically sell wholesale only and target distributors, contractors, dealers and work with specifiers (architects and designers) in order to specify their tile for commercial and national account projects.
4. Mega distributors - these are typically nationally recognized distributors or have a strong regional footprint. sales are \$50 million plus.
5. Retail-this consists of two different distribution companies currently floor and decor and the tile shop. These are considered retail because they market primarily to the pro who influences the consumer. However, we do see Floor and Decor increasing their focus on advertising to the consumer.

Channel Progression



| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|----------------------|------|------|------|------|------|------|------|------|------|
| Home Centers | 31% | 31% | 30% | 29% | 28% | 28% | 27% | 27% | 26% |
| Distributors | 16% | 16% | 15% | 15% | 15% | 14% | 14% | 14% | 14% |
| Company Owned Stores | 25% | 23% | 22% | 21% | 20% | 20% | 19% | 18% | 18% |
| Mega Distributors | 12% | 12% | 12% | 13% | 13% | 13% | 14% | 14% | 14% |
| Retail | 16% | 18% | 21% | 22% | 24% | 25% | 26% | 27% | 28% |

Home Centers Distributors Company Owned Stores Mega Distributors Retail

Company Owned Stores

- While establishing distribution in the US specific markets can be identified as potential markets for company owned locations

| Competitors | Locations |
|---|-----------|
| <ul style="list-style-type: none"> • Daltile | 212 * |
| <ul style="list-style-type: none"> <ul style="list-style-type: none"> • Not included in above number • Stone Centers – 36 • Design Galleries - 19 | |
| <ul style="list-style-type: none"> • Porcelanosa | 33 ** |
| <ul style="list-style-type: none"> • Florida Tile | 22 |
| <ul style="list-style-type: none"> • Crossville Tile & Stone | 27 *** |
| <ul style="list-style-type: none"> • Interceramic | 12 **** |

* Any existing AO and Marazzi stores are being consolidated into Daltile stores.

** Only foreign manufacturer with company locations

*** Crossville had 36 locations, but has closed some since acquiring DMI, Capco & Contempo

**** Only has a 25 MSF wall plant in Garland Texas (all floor is made in Mexico and imported)

Specification Companies

- Platinum Equity
 - Happy Floors
 - Ceramic Techniques
 - <http://ceramictechnics.com/>
 - <https://www.platinumequity.com/paramount-global-surfaces>
 - Stone Source
 - <http://www.stonesource.com/>
 - <https://www.prnewswire.com/news-releases/platinum-equity-portfolio-company-paramount-global-surfaces-acquires-stone-source-301515788.html#:~:text=LOS%20ANGELES%20and%20MIAMI%2C%20April,Financial%20terms%20were%20not%20disclosed>.
- Pantheon
 - <http://www.pantheontile.com/>
- Concept Surfaces
 - <http://conceptsurfaces.com/>
- Spec Ceramics
 - <http://specceramics.com/>
- Autostone
 - <http://autostoneusa.com/>
- Creative Materials Corporation
 - <http://creativematerialscorp.com/>
- Nemo Tile
 - <https://www.nemotile.com/>

Mega Distributors Examples

- Bedrosian
- Emser Tile
- Longust
- MS International
- Arizona Tile
- Virginia Tile
 - ISC/RBC
- Happy Floors
- Shaw
- East Coast Tile/Bestile
- Anatolia
- JJ Haines
- Conestoga Tile
- Louisville
- Garden State
- D&B

E Commerce

- While e commerce is growing it is important to understand that within the US the clothing and electronic industries are the prime categories sold and account for as much as 85% of e commerce sales
 - Clothing/Fashion = 46%
 - Electronics = 39%
- While the sale of ceramic tile is growing it is typically small quantities of backsplash or accessories.
 - A typical backsplash in the US is approximately 4 sqm
 - The material used is typically higher price and margin than the average
 - The higher priced material can absorb more of the freight cost
- Key Players
 - Consumers buy from who they are comfortable, therefore companies who have strong brand recognition are e commerce leaders.
 - The Home Depot
 - Floor & Décor
 - Lowes
 - These players support suppliers who stock and ship the material that is placed on their website
 - Merola Tile
 - MSI

E-Commerce

- Floor & Décor E-Commerce
 - F & D states that 16.1% of it's \$3.4B in sales are done via e-commerce
 - However, this includes e-commerce sales that are picked up at a store, which accounts for 90% of all their e-commerce sales
 - Over e-commerce sales shipped to a consumer's home account for approximately 1.6% of their sales.
- The key to e-commerce and the ceramic tile industry is logistics, since the product is so heavy it is difficult to generate a large direct consumer base without inventory across the US.

E Commerce Players

- Rocky Pointe Tile
 - <https://www.rockypointtile.com/>
- Builddirect.com
 - <https://thefloorbox.ca/>
- Ocean Mosaics
 - <https://oceanmosaics.com/>
- Menards
 - <https://www.menards.com>
- Floor and Decor
 - <https://www.flooranddecor.com>
- Wayfair
 - <https://www.wayfair.com>
- Tiles Direct
 - <https://www.tilesdirect.net>
- Tile Bar – Soho Tile
 - <https://www.tilebar.com>
- Overstock
 - <https://www.overstock.com>
- Tile Store Online
 - <https://tilestoreonline.com>
- The Tile Shop
 - <https://www.tileshop.com>
- Tile Club
 - <https://www.tileclub.com>
- Home Depot
 - <https://www.homedepot.com>
- Lowes
 - <https://lowes.com>
- Belk Tile
 - <https://www.belktile.com>
- Stone and Tile Shoppe
 - <https://www.stoneandtileshoppe.com>
- Floorzz
 - <https://www.floorzz.com>

- Nemo Tile
 - <https://www.nemotile.com>
- The Builder Depot
 - <https://www.thebuilderdepot.com>
- Tile Estate
 - <https://tileestate.com>
- Perigold
 - <https://www.perigold.com>
- Houzz
 - <https://www.houzz.com>
- Build with Ferguson
 - <https://www.build.com>
- All Modern
 - <https://www.allmodern.com>
- Bedrosians
 - <https://www.bedrosians.com>

The Market by Channel/Segment

2021 Total Industry SQM

289,351,351

| Segments | Segment Share SQM | |
|---------------------|-------------------|--------------------|
| New Home | 37% | 107,060,000 |
| Residential Remodel | 36% | 104,166,486 |
| Commercial | 27% | 78,124,865 |
| Total | 100% | 289,351,351 |

| Wholesale ASP SQM | Total Industry \$ |
|-------------------|-------------------|
| * \$13.34 | \$3,860,641,470 |

| Segments | Segment Share \$ | |
|---------------------|------------------|------------------------|
| New Home | 37% | \$1,428,437,344 |
| Residential Remodel | 36% | \$1,389,830,929 |
| Commercial | 27% | \$1,042,373,197 |
| Total | 100% | \$3,860,641,470 |

* Assuming ASP is equal in each segment

Home Centers by Channel/Segment

| % Channel | HOME CENTERS |
|-----------|--------------|
| 28% | 81,018,378 |

| Segments | Segment Share SQM | |
|---------------------|-------------------|-------------------|
| New Home | 10% | 8,101,838 |
| Residential Remodel | 74% | 59,953,600 |
| Commercial | 16% | 12,962,941 |
| Total | 100% | 81,018,378 |

| Wholesale ASP SQM | % Channel | HOME CENTERS |
|-------------------|-----------|-----------------|
| \$13.34 | 28% | \$1,080,979,611 |

| Segments | Segment Share \$ | |
|---------------------|------------------|------------------------|
| New Home | 10% | \$108,097,961 |
| Residential Remodel | 74% | \$799,924,913 |
| Commercial | 16% | \$172,956,738 |
| Total | 100% | \$1,080,979,611 |

Distributors by Channel/Segment

| % Channel | DISTRIBUTORS |
|-----------|--------------|
| 15% | 43,402,703 |

| Segments | Segment Share SQM | |
|---------------------|-------------------|-------------------|
| New Home | 22% | 9,548,595 |
| Residential Remodel | 19% | 8,246,514 |
| Commercial | 59% | 25,607,595 |
| Total | 100% | 43,402,703 |

| Wholesale ASP SQM | % Channel | DISTRIBUTORS |
|-------------------|-----------|---------------|
| \$13.34 | 15% | \$579,096,220 |

| Segments | Segment Share \$ | |
|---------------------|------------------|----------------------|
| New Home | 22% | \$127,401,168 |
| Residential Remodel | 19% | \$110,028,282 |
| Commercial | 59% | \$341,666,770 |
| Total | 100% | \$579,096,220 |

Company Owned Stores by Channel/Segment

| % Channel | COMPANY OWNED STORES |
|-----------|----------------------|
| 20% | 57,870,270 |

| Segments | Segment Share SQM | |
|---------------------|-------------------|-------------------|
| New Home | 23% | 13,310,162 |
| Residential Remodel | 12% | 6,944,432 |
| Commercial | 65% | 37,615,676 |
| Total | 100% | 57,870,270 |

| Wholesale ASP SQM | % Channel | COMPANY OWNED STORES |
|-------------------|-----------|----------------------|
| \$13.34 | 20% | \$772,128,294 |

| Segments | Segment Share \$ | |
|---------------------|------------------|----------------------|
| New Home | 23% | \$177,589,508 |
| Residential Remodel | 12% | \$92,655,395 |
| Commercial | 65% | \$501,883,391 |
| Total | 100% | \$772,128,294 |

Mega Distributors by Channel/Segment

| % Channel | MEGA DISTRIBUTORS |
|-----------|-------------------|
| 13% | 37,615,676 |

| Segments | Segment Share SQM | |
|---------------------|-------------------|-------------------|
| New Home | 29% | 10,720,468 |
| Residential Remodel | 13% | 4,701,959 |
| Commercial | 59% | 22,193,249 |
| Total | 100% | 37,615,676 |

| Wholesale ASP SQM | % Channel | MEGA DISTRIBUTORS |
|-------------------|-----------|-------------------|
| \$13.34 | 13% | \$501,883,391 |

| Segments | Segment Share \$ | |
|---------------------|------------------|----------------------|
| New Home | 29% | \$143,036,766 |
| Residential Remodel | 13% | \$62,735,424 |
| Commercial | 59% | \$296,111,201 |
| Total | 100% | \$501,883,391 |

Retail by Channel/Segment

| % Channel | RETAIL |
|-----------|------------|
| 24% | 69,444,324 |

| Segments | Segment Share SQM | |
|---------------------|-------------------|-------------------|
| New Home | 8% | 5,555,546 |
| Residential Remodel | 75% | 52,083,243 |
| Commercial | 17% | 11,805,535 |
| Total | 100% | 69,444,324 |

| Wholesale ASP SQM | % Channel | RETAIL |
|-------------------|-----------|---------------|
| \$13.34 | 24% | \$926,553,953 |

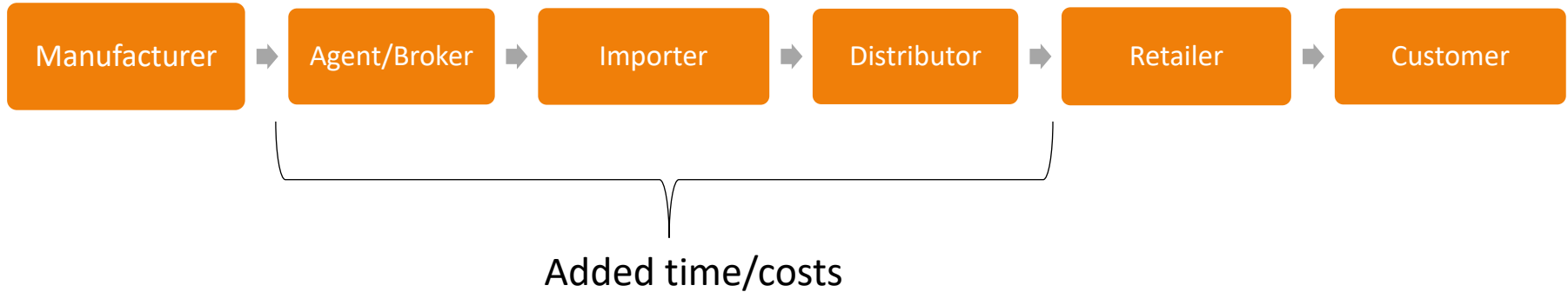
| Segments | Segment Share \$ | |
|---------------------|------------------|----------------------|
| New Home | 8% | \$74,124,316 |
| Residential Remodel | 75% | \$694,915,465 |
| Commercial | 17% | \$157,514,172 |
| Total | 100% | \$926,553,953 |

Floor and Décor Model/Strategy

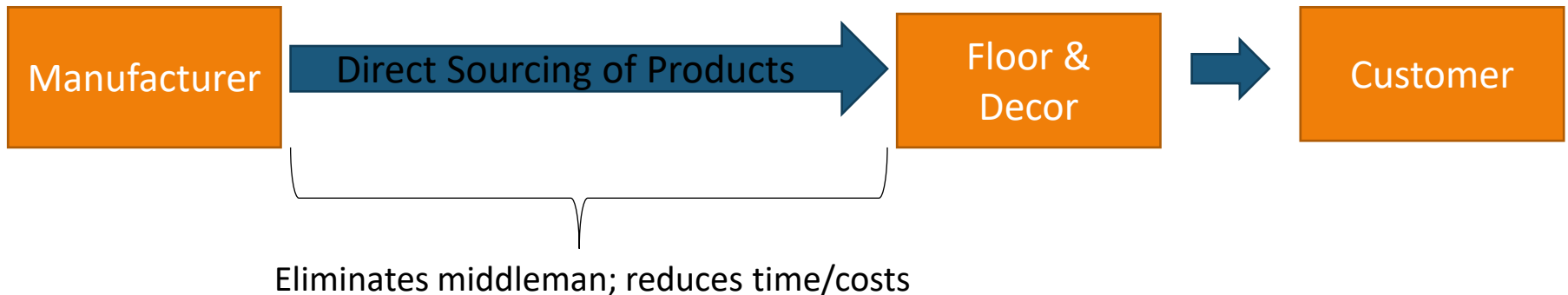
- Typical Home Centers, Distributors and Company owned stores are not flexible.
 - When companies launch products and the supplier “goes south” they typically have to move these “inline products” to other suppliers which causes issues with supply, pricing, sampling, etc.
- F&D’s model is unique in that it is very flexible.
 - When a supplier “goes south” they can slide a new product into that space immediately after dispose of the inventory.
- Commercial Strategy
 - This strategy does advantageous in the commercial arena.
 - Architects and designers want products to stay inline/available after they specify the material, which could be years.
- Green Field and Acquisition
 - F&D has been building its commercial business by hiring regional sales managers focused on commercial
 - Typically, these are industry experts that have the relationships with the larger pro’s and can initiate switching specifications and value engineering projects with F&D’s existing product lines.
 - They have also made two acquisitions
 - Spartan Services
 - <https://www.spartansurfaces.com>
 - KRS, Inc.
 - <https://krsinc.com>



Typical Hard Flooring Supply Chain



Typical F&D Flooring Supply Chain



Efficient supply chain allows F&D to offer low prices at attractive margins

Private Equity Acquisitions

| Company | Companies Owned/Have Owned | Seller |
|----------------------------|---------------------------------|--|
| Harren Equity Partners | Virginia Tile | Bill Stephenson, Sr., President, Virginia Tile |
| Linsalata Capital Partners | Use to Own HF & CTL | Happy Floors |
| | | Ceramic Techniques |
| BluePoint Capital | Tierra Sol Ceramic Tile | Ironbridge Equity Partners, Signal Hill Equity Partners, Penfund |
| Hig Capital | Empire Today | Empire Today Management Team; Keith Weinberger, CEO |
| Mandarin Capital | Italcer | Alberto Forchielli & Graziano Verdi |
| Palmares Capital | Specialty Tile | |
| Sterling Group | Artisan Design Group | Dunes Point Capital |
| LVC LongueVue Capital | Tilebar | Eli Mechlovitz, Founder and CEO of Soho Studio Corp. and TileBar |
| Blackstone | Interior Logic Group | LittleJohn & Co. |
| | Residential Design Services | Select Interior Concepts, Inc. |
| Sun Capital Partners | Select Interior Concepts | SIC Shareholders |
| | Pacifica Wholesale Tile & Stone | |
| Shawn Phillips | Kaiser Tile | Ralph Kaiser |

Private Equity Acquisitions

| Company | Companies Owned/Have Owned | Seller |
|------------------------------|-----------------------------------|---|
| Platinum Equity | Happy Floors | Linsalata Capital Partners |
| | Ceramic Techniques | Linsalata Capital Partners |
| | Stone Source | Investors led by Founders Equity |
| Saw Mill Capital | Nemo Tile | Matt Karlin, President and CEO of Nemo Tile |
| | Versatrim | Shareholders of Versatrim |
| | Rasafloors | Michael Rasa, Founder and CEO |
| | Tile Market of Delaware | Watson Family-Kim, John & Tim |
| The Baupost Group | Surfaces, Walker Zanger, Opustone | Jeff Lupica, acting General Manager of Walker Zanger; Eric Schigiell, President of Opustone |
| Charlesbank Capital Partners | Empire Today | HIG Capital |
| Paceline Equity | AHF | American Industrial Partners |
| Graycliff | Stone Source | Founders Equity |
| Ten Oaks Group | Togama SAU | Fluidra |
| ShoreView Industries | Crown Products | WILsquare |
| WILsquare | Used to own Crown Products | |
| Mill Point Capital | Cancos Tile & Stone | Management Team, including Valva Family |

Distributors are asking Who and Where to buy Tile?

- Who to buy from?
 - Since the advent and improvements of ink jet and its increased use companies can easily duplicate other manufacturers products, therefore distributors rely upon their current suppliers.
- Where to buy from?
 - This is the more difficult question
 1. Logistics
 2. Service
 3. Pricing/Exchange rate
 4. Quality
 5. Innovation

Current US Floor Manufacturing Plants

| | Company | Parent Company | City | State | Total Capacity (SQM) | % of US Capacity by Plant | % of US Capacity by Company |
|----|------------------------------|-------------------|----------------------|-----------|----------------------|---------------------------|-----------------------------|
| 1 | Landmark/Atlas | Gruppo Concorde | Mt. Pleasant | Tennessee | 4,646,840 | 4% | 4% |
| 2 | Dal-Tile | Mohawk | Muskogee | Oklahoma | 17,193,309 | 14% | 44% |
| 3 | Dal-Tile | Mohawk | Dickson | Tennessee | 8,364,312 | 7% | |
| 4 | Florida Tile | Panaria Group | Lawrenceburg | Kentucky | 6,505,576 | 5% | 5% |
| 5 | Del Conca | Del Conca, SPA | Loudon | Tennessee | 6,040,892 | 5% | 5% |
| 6 | Crossville | Curran Group | Crossville | Tennessee | 8,364,312 | 7% | 7% |
| 7 | Milestone/Florim | Florim, SPA | Clarksville | Tennessee | 13,940,520 | 12% | 12% |
| 8 | Stonepeak | Fiandre-IRIS, SPA | Crossville | Tennessee | 11,431,227 | 10% | 10% |
| 9 | Marazzi | Mohawk | Sunnyvale | Texas | 19,516,729 | 16% | |
| 10 | Marazzi | Mohawk | Florence | Alabama | 7,434,944 | 6% | |
| 11 | Wonderful Porcelain Group | Wonder Porcelain | Lebanon | Tennessee | 9,665,428 | 8% | 8% |
| 12 | Portobello America - Q2 2023 | Portobello Brazil | Baxter | Tennessee | 5,576,208 | 5% | 5% |
| | | | Total SQM Capacity = | | 118,680,297 | 100% | 100% |

* Including Portobello plant to be completed Q1 2023

US Manufacturing

- US Wall plants
 - Dal-Tile – El Paso Texas
 - Interceramic – Garland Texas
 - Only utilizing approximately 50% of capacity

| US Capacity | |
|--------------------------------------|-------------|
| * Total Floor SQM Capacity = | 118,680,297 |
| Dal-Tile Wall El Paso Capacity = | 8,364,312 |
| Interceramic Wall Garland Capacity = | 2,323,420 |
| Total Floor + Wall Capacity = | 129,368,030 |
| US Market in Square Meters = | 289,351,351 |
| US Capacity of Total US Market = | 45% |

* Including Portobello plant to be completed Q1 2023

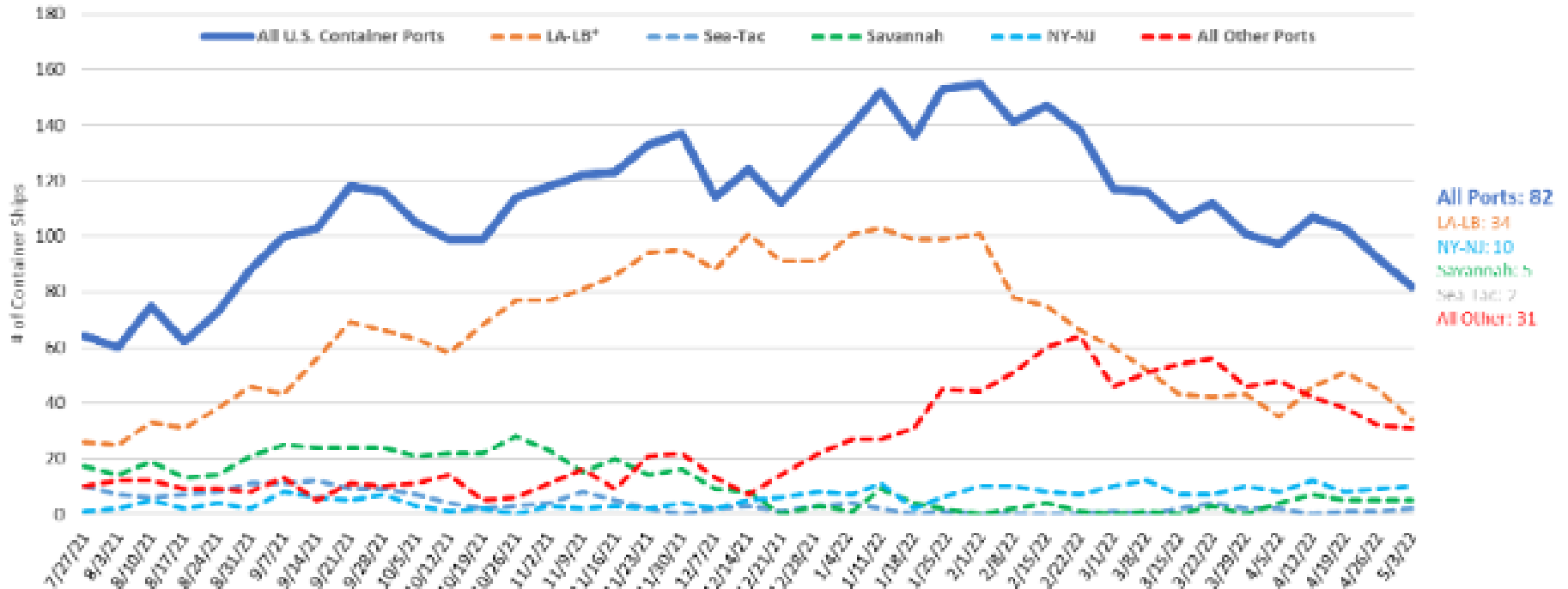
- If all US Capacity is running at 100% the US can only fulfill 45% of demand

Current Status of U.S. Ports

- Congestion at ports continues to slow the flow of record-breaking containerized imports into the United States.
- U.S. Ports imported nearly a half-percent more in the first quarter of 2022 than during the first three months of the last year.
- The Ports of Los Angeles, Long Beach, and New York/New Jersey, collectively the top 3 for container volume to the U.S., imported 260,000 more containers in March versus February—a 12% increase and the all-time highest month for the Port Authority of New York and New Jersey.
- While trucking and roadway logistics have steadily improved, rail service has continued to break down in the first quarter of 2022 leading to record breaking waits for long-dwelling rail containers. This largely in part to trains spending more time delayed at terminals.

Container Ships Awaiting Berths at U.S. Ports

Jul. 2021 - May 2022



Datapoints are weekly observations of anchored container ships, typically made each Tuesday.

*The Ports of Los Angeles and Long Beach (LA-LB) count includes ships that are deliberately slow-steaming and at drift, as well as those anchored.

Source: MARAD Office of Policy and Plans/Marine Exchange of Southern CA

The total number of container ships waiting for berths at U.S. ports has dropped by 47% since peaking in early February, even as containerized imports increased sharply in March for most U.S. ports.

As of April 2022, the trucking industry has recovered more than 50,000 workers since one year earlier and sits at around 40,000 higher than at start of the pandemic.

Truck Transportation Employees on Non-Farm Payroll (Seasonally Adjusted)

Data through April 2022



Note: Data in this chart represent wage and salary workers only, and exclude owner operators and independent contractors.

Source: U.S. Bureau of Labor Statistics - Current Employment Statistics (CES)

US Ports International Rankings

- According to the World Bank and S&P Global Market Intelligence's Container Port Performance Index for 2021, the United States two busiest ports ranked as the two least efficient ports globally.
- Responsible for about 42% of all US containerized trade with East Asia, the southern Californian twin hubs of Los Angeles and Long Beach filled the second to last and last spots of the report.
- Both ports outperformed for efficiency by Savannah, New York, New Jersey, and the Northwest Seaport Alliance, the other three top volume ports in the United States.
- The port of Virginia placed 23rd in the Container Port Performance Index making it the most efficient port in North America, followed closely by Miami at 29th.

Future of US Ports

- All indications point to Los Angeles and Long Beach continuing to process the highest volume of imports while battling congestion from rail and road transportation inefficiencies.
- The port of Virginia announced in May of 2022 that it has secured funds to become the deepest gateway on the East Coast marking a shift for the countries most efficient port and their capabilities.

| US Ports World Bank Performance Index | Ranking |
|---------------------------------------|---------|
| * Port of Virginia | 23 |
| Miami | 29 |
| Wilmington | 49 |
| Philadelphia | 55 |
| Port of Tampa Bay | 64 |
| Jacksonville | 100 |
| New Orleans | 115 |
| Boston | 119 |
| Houston | 119 |
| Charleston | 130 |
| New York/New Jersey | 251 |
| Port of Seattle | 336 |
| Tacoma | 345 |
| Oakland | 355 |
| Savannah | 367 |
| * Long Beach | 369 |
| Los Angeles | 370 |

| US Port | Volume Ranking |
|----------------------------|----------------|
| Los Angeles | 1 |
| Long Beach | 2 |
| New York/New Jersey | 3 |
| Savannah | 4 |
| Northwest Seaport Alliance | 5 |
| Virginia | 6 |
| Houston | 7 |
| Charleston | 8 |
| Oakland | 9 |

| Where tile is imported to | | |
|---------------------------|------------------------|-----|
| 1 | New York/New Jersey | 26% |
| 2 | Houston | 16% |
| 3 | Savannah | 15% |
| 4 | Los Angeles/Long Beach | 13% |
| 5 | Port of Virginia | 6% |

* Receiving funds from Infrastructure bill to improve efficiency

* Top 5 account for 76%

Trends

- Visuals
 - Marble
 - Concrete
 - Wood
- Low to High
 - Red vs Porcelain
- Calibrated (Pressed vs Rectified)
 - A general rule is residentially in the US we will use calibrated product and rectified for commercial.
 - More factories are preferring to sell rectified because of the higher selling price and margin.

| Residential Ranking | |
|---|---|
| 1 | 30x60 12"x24" |
| 2 | 43x43/45x45/50x50* 17"x17"/18"x18"/20"x20" |
| 3 | ** 15x90/20x120 6"x36"/8"x48" |
| 4 | *** 30x30` 12"x12" |
| 5 | 60x60 24"x24" |
| 6 | 60x120 24"x48" |
| *45x45 18"x18" Primarily | |
| ** 20x120 8"x48" Primarily | |
| *** Still used as a base for builders in red body | |

| Commercial Ranking | |
|---|---------------------------------|
| 1 | 30x60 12"x24" |
| 2 | 60x120 24"x48" |
| 3 | 60x60 24"x24" |
| 4 | * 15x90/20x120 6"x36"/8"x48" |
| 5 | ** Larger sizes |
| * 20x120 8"x48" Primarily | |
| ** Due to the mix of Gauged Porcelain Tile and Gauged Porcelain Tile Panels/Slabs | |

Information on US Factory

- If Spanish factories are interested in a US factory JLC can supply this information
- Contacts
 - Government
 - Building Contacts
- High Level Information
 - Building
 - Land
 - Raw Materials
 - Utilities
 - Labor
 - Natural Gas
 - Electric
 - Water usage (including recycling process) cost in that particular location?
 - Permitting
 - Workforce
 - Incentive
 - Tax Rates
 - Transportation Costs