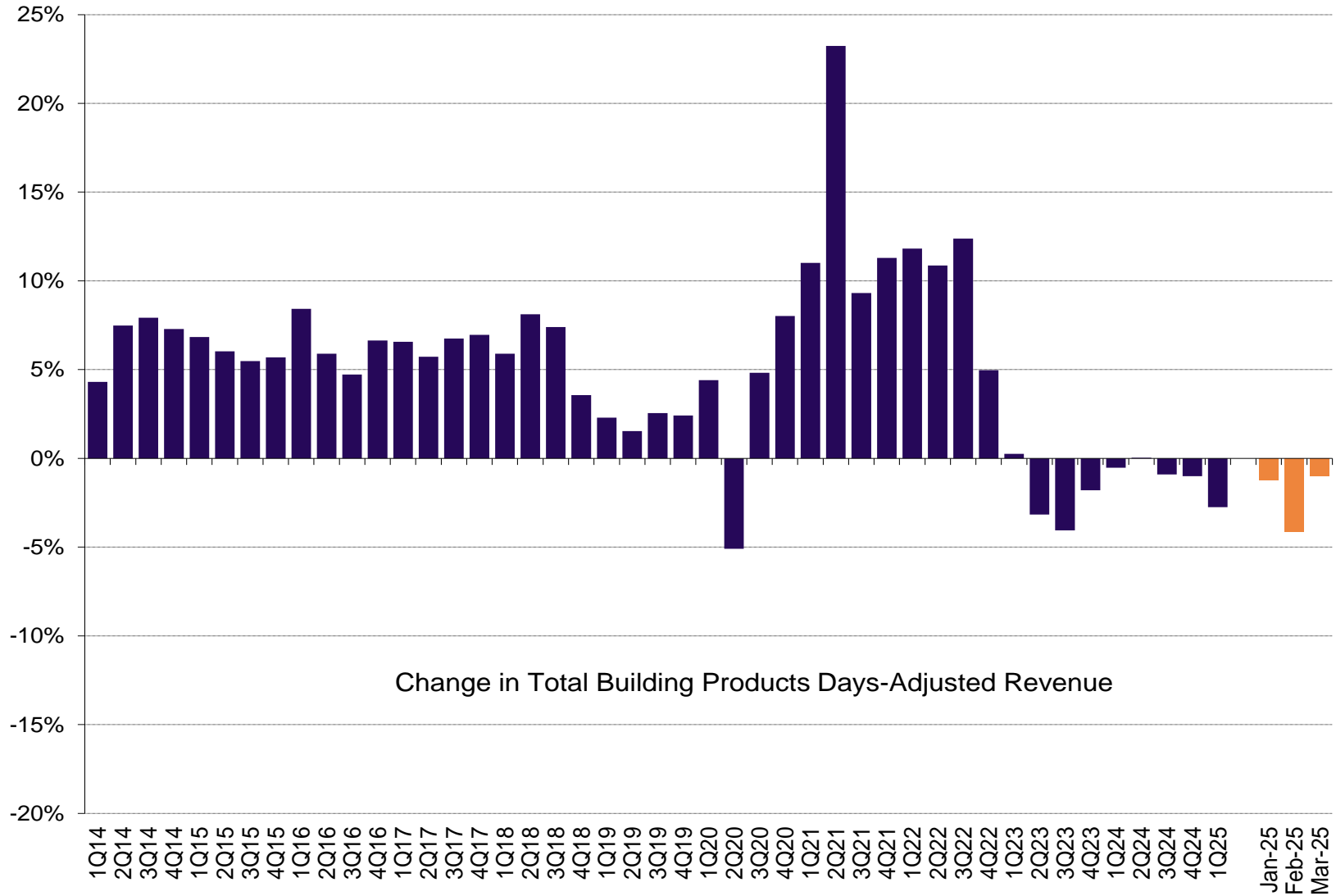


# Building Products, Homecenters & Existing Home Sales Update

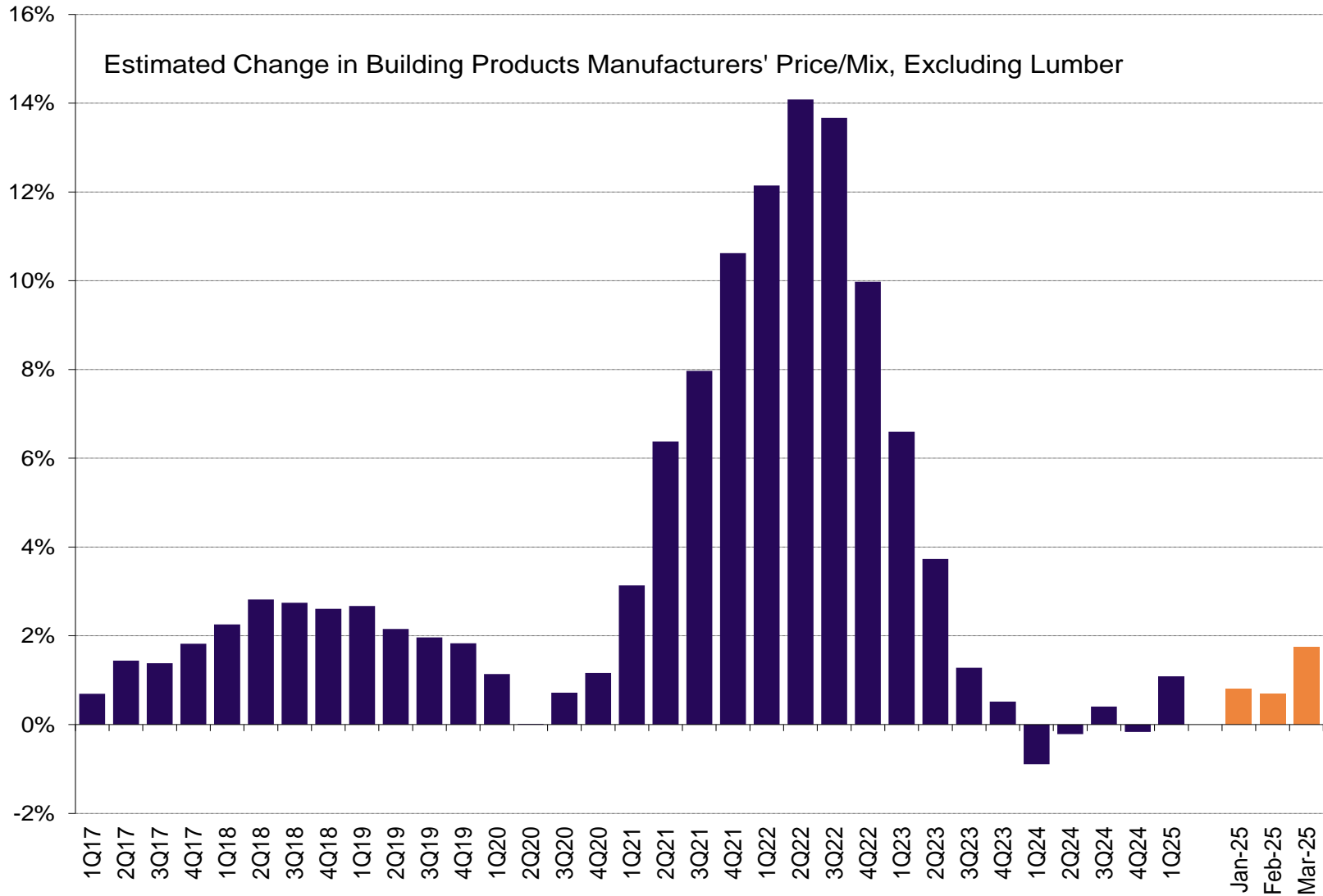
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April 22, 2025

# Revenue Declined 1% in March and 3% in 1Q25

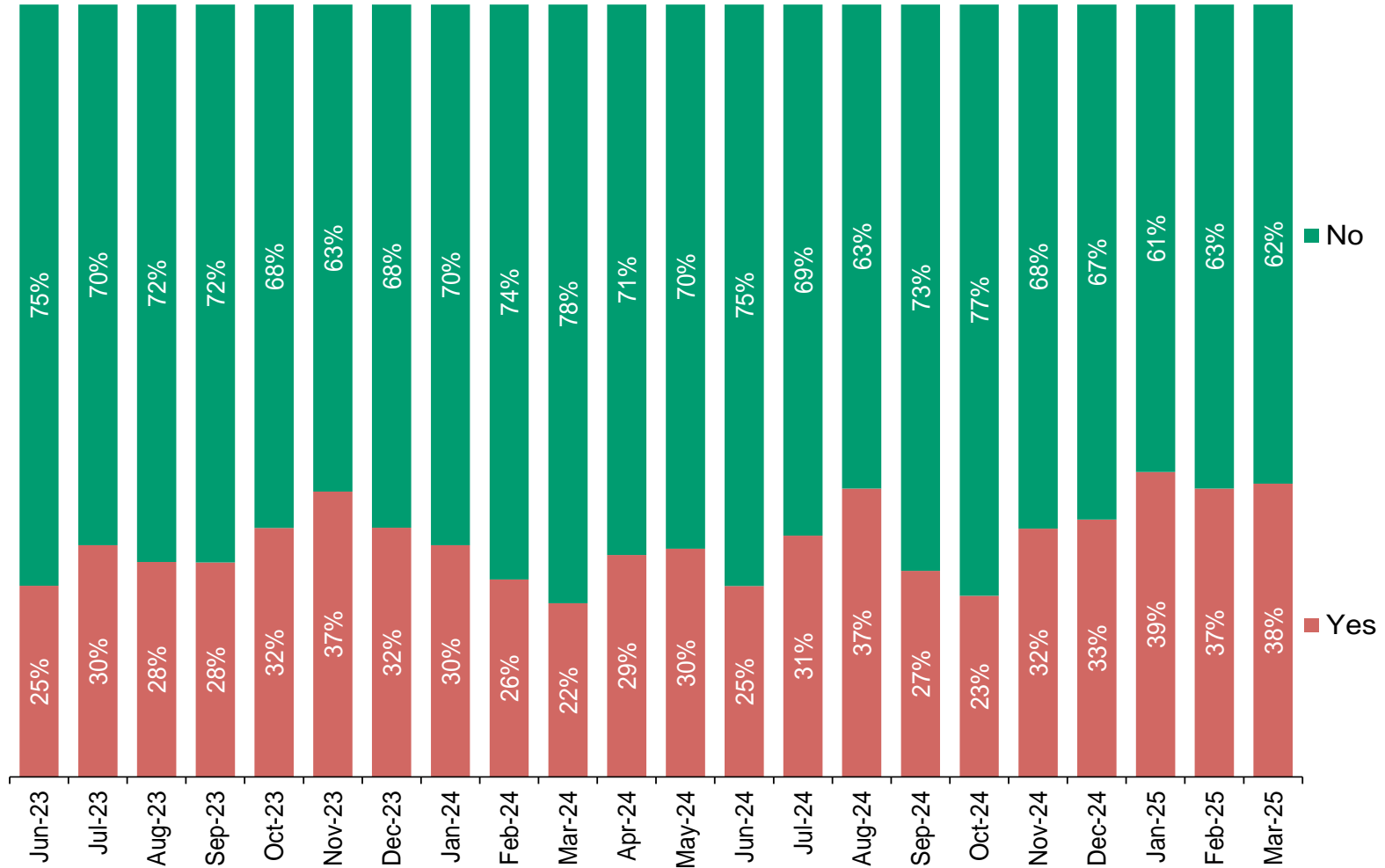


# Price/Mix Accelerated at the End of 1Q25



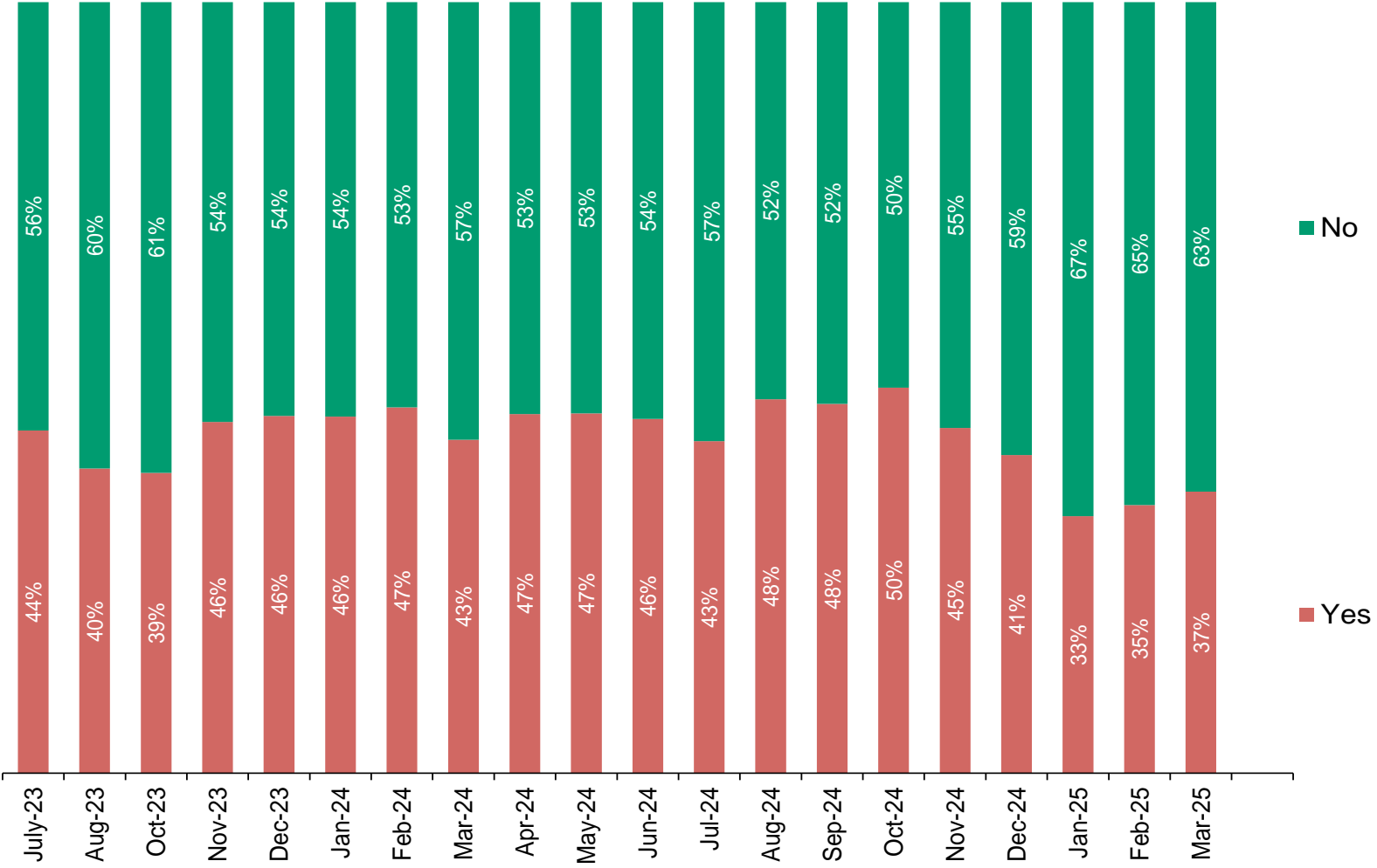
# HB Price Concessions Remained Elevated

Contacts' Price Concessions to Homebuilders

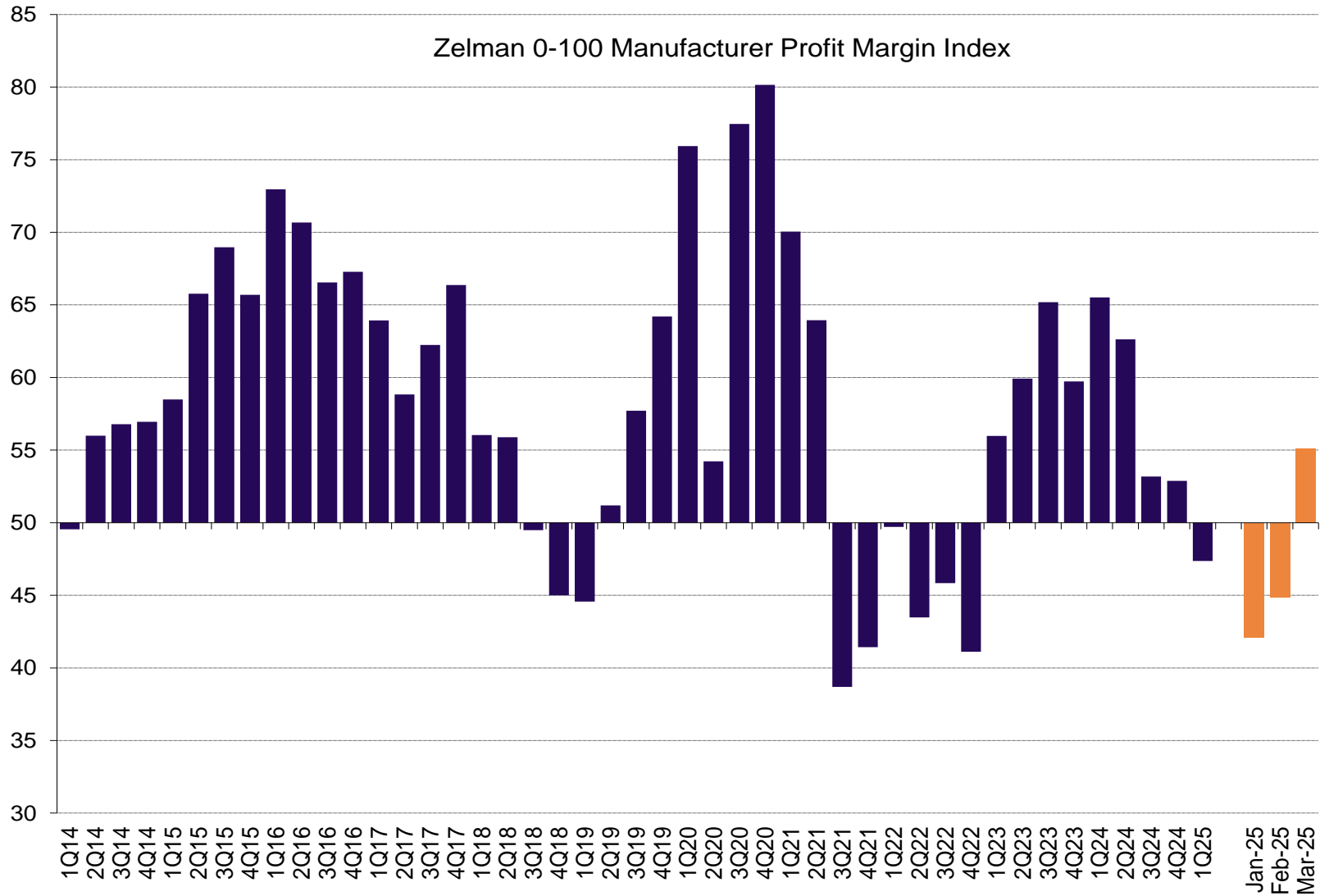


# Total Price Concessions Picture Not as Bad

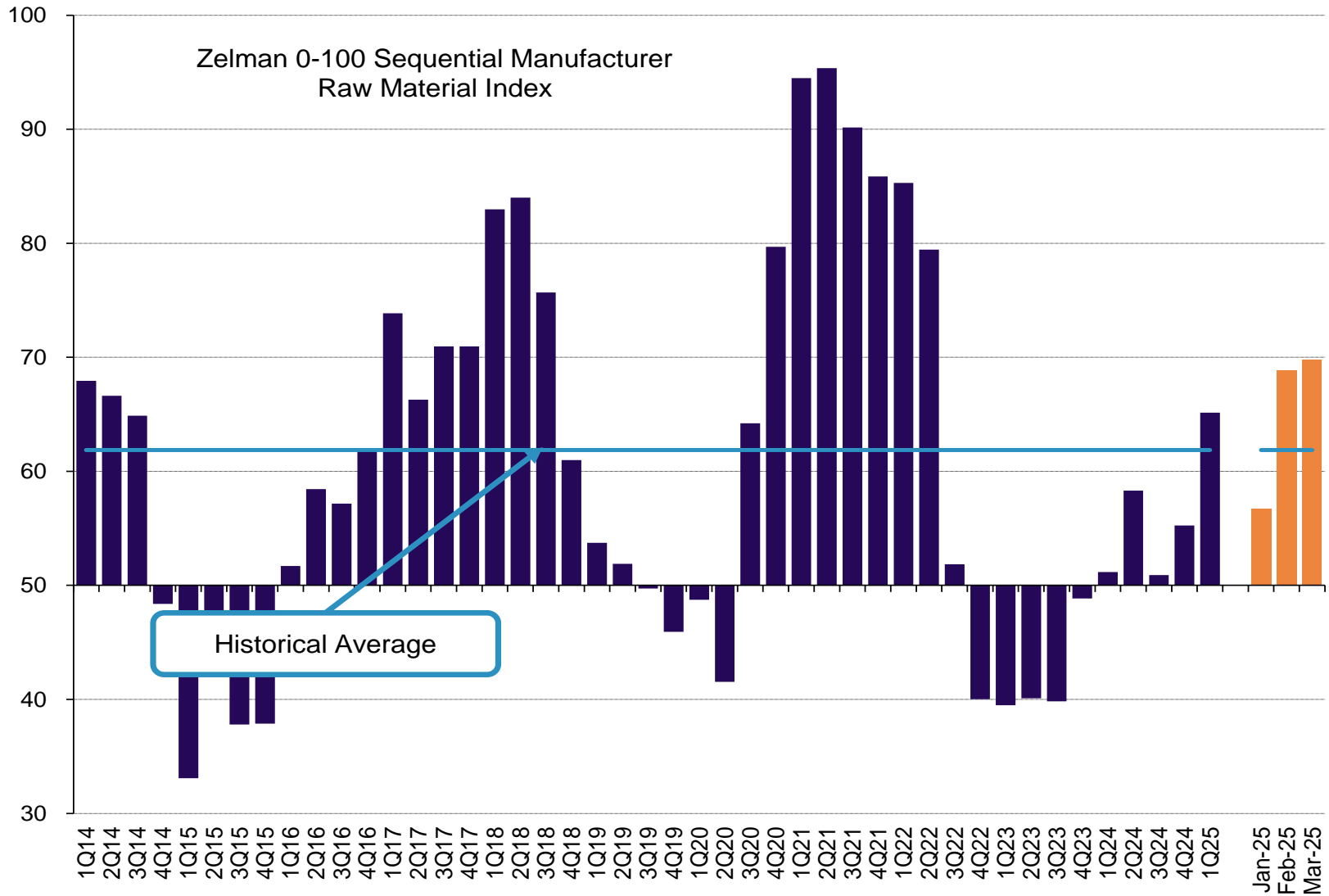
Contacts' Price Concessions to Any Customers



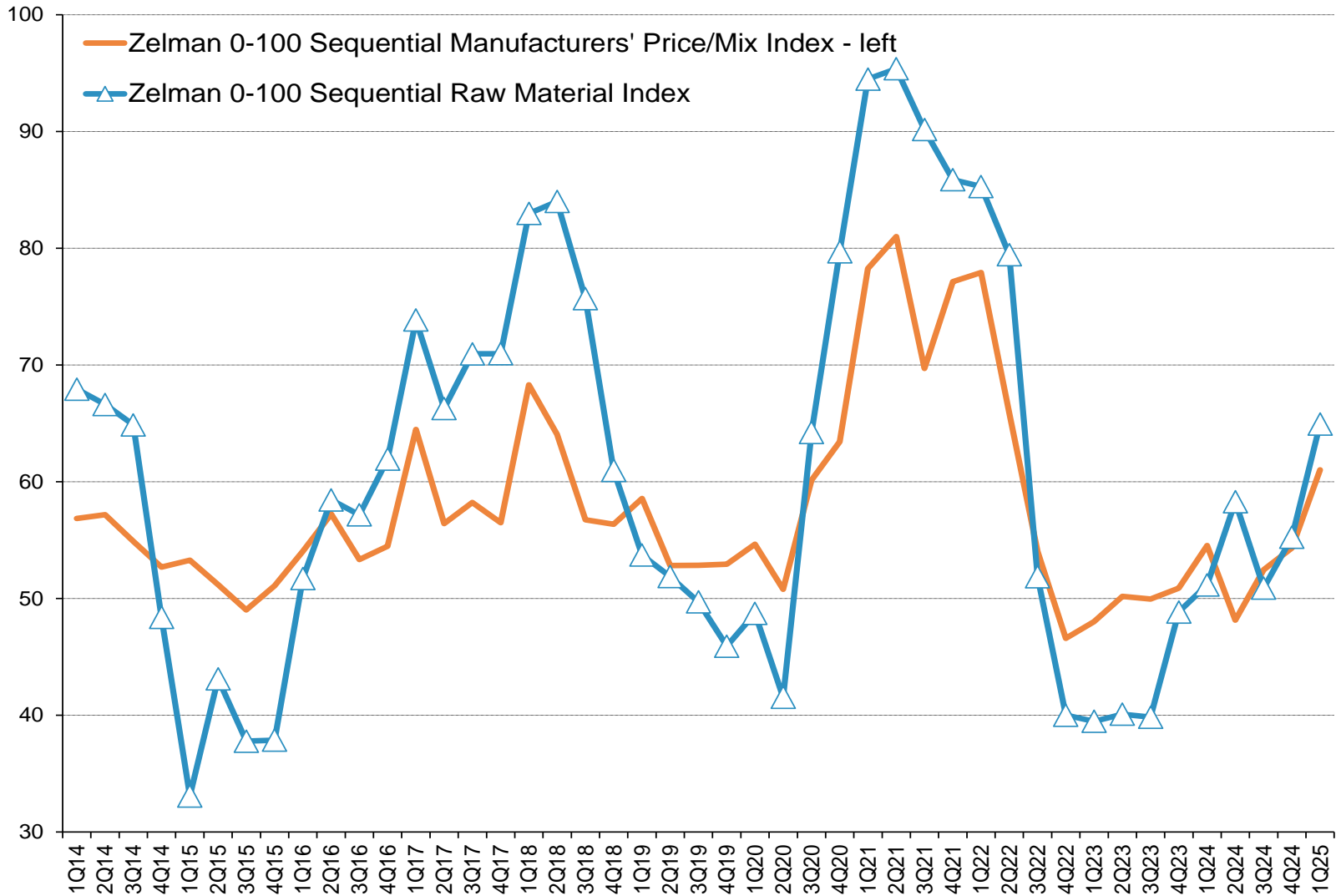
# Manufacturer Margins Inflect Positively



# Raw Material Costs Continue to Inflate

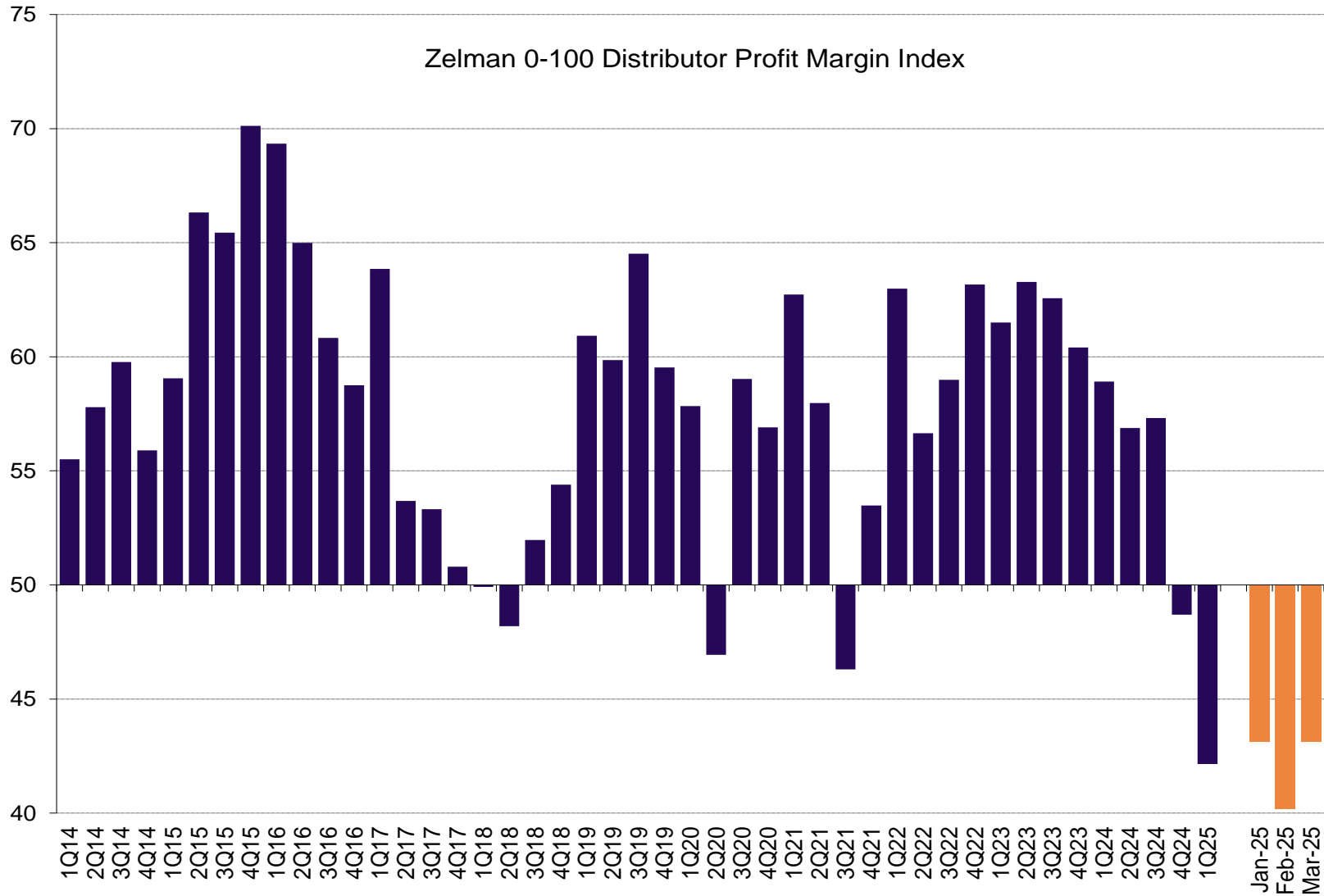


# Price/Cost Concerns Continue to Build



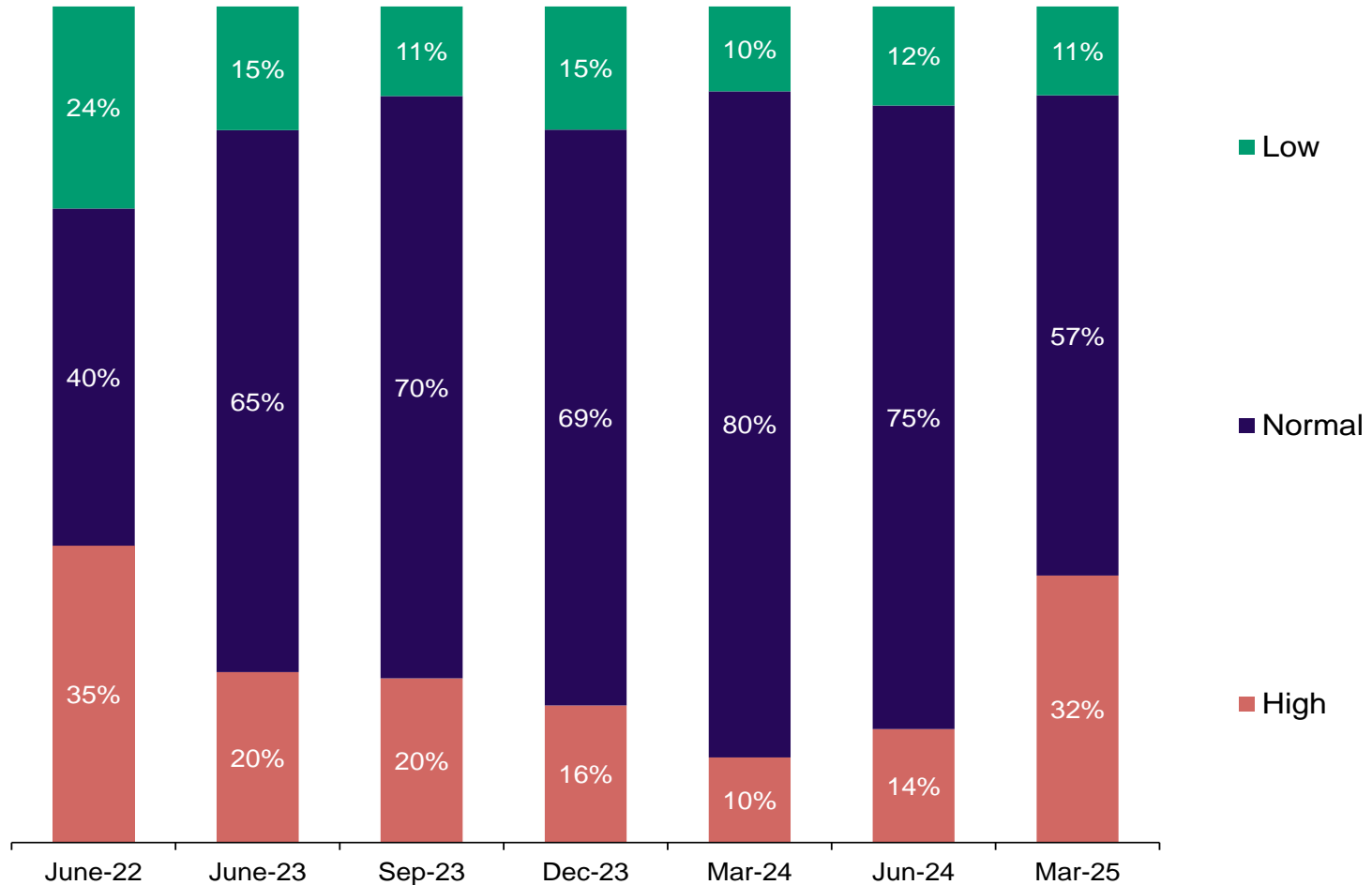


# Distributor Profitability Still Pressured



# Distributor Inventories High, Per Manufacturers

Distributor Inventory Levels Based on Current Demand Reported by Manufacturers



# Positive and Negative Categories in March

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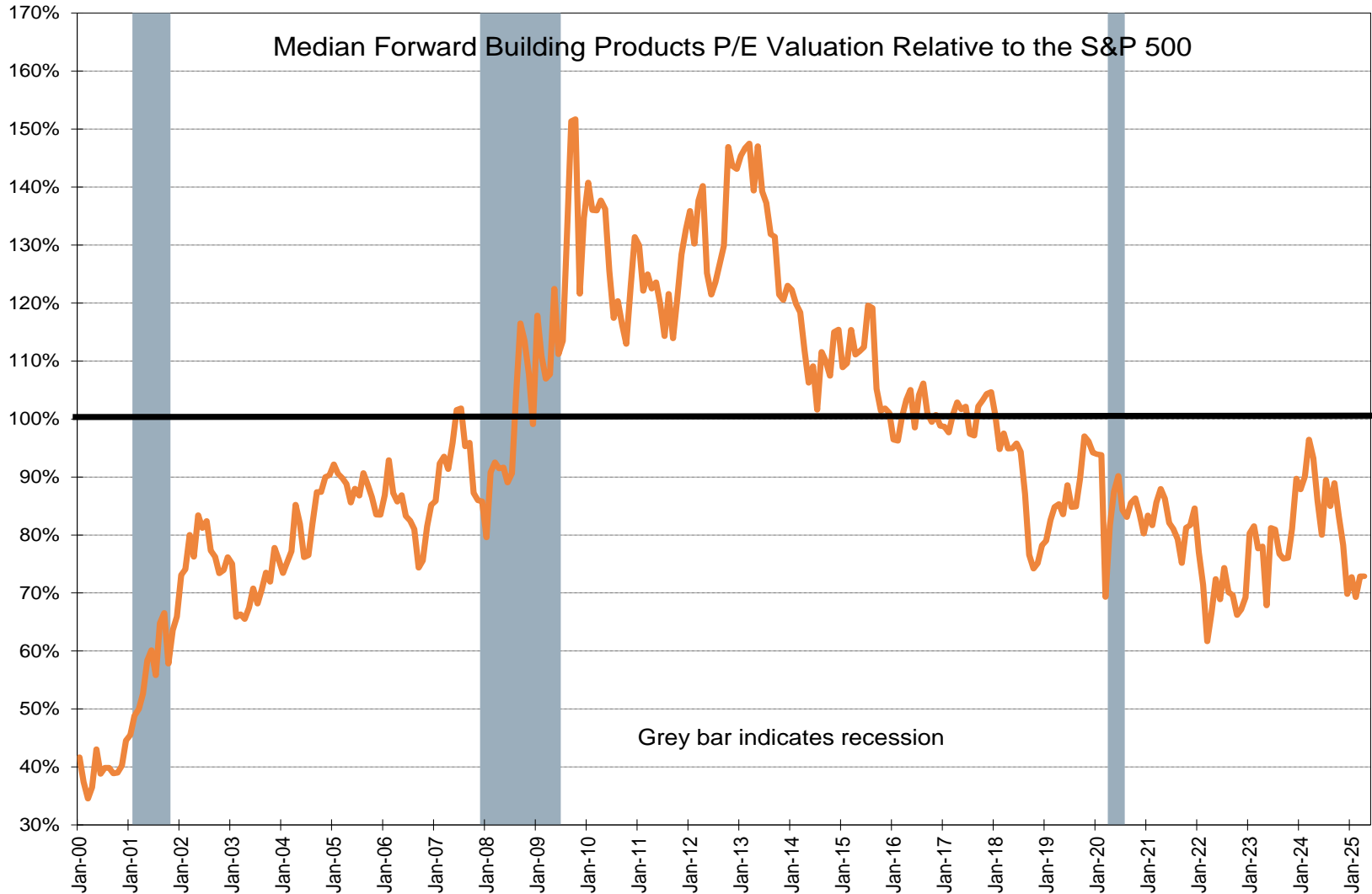
## Positive:

- **Non-Residential Roofing:** strong acceleration in volumes in March; re-roof backlogs solid; manufacturer price increases seeing some traction
- **Ceilings:** solid sequential improvement in demand, led by grid; tile volume to follow grid; tile and grid price increases successful
- **Residential Roofing:** industry demand accelerated due to better weather, pre-buying; recent price increases going through

## Negative:

- **Insulation:** volumes pressured by new residential weakness; manufacturer pricing power has evaporated; inventories elevated
- **Flooring:** demand still depressed, with retail and new residential the worst; raw material costs rising; price increases announced for imported products
- **Cabinets:** some manufacturers saw flat-to-down volumes sequentially versus typical increases; margins fairly resilient

# Relative Valuation Currently Near Cycle Lows



# Recent Ratings Changes, Top Picks into Earnings

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## Recent Ratings Changes

- **Upgrades:** CSL to Neutral from Underperform
- **Downgrades:** AMWD and MBC to Underperform from Neutral

## Top Outperform – Armstrong World Industries (AWI)

- Specific to 1Q25, we expect results to come in above consensus and anticipate that management will maintain its previous 2025 guidance range
- Meaningful market share gains despite weak market demand given growth platforms and a best-in-class sales organization and product portfolio
- Moderating SG&A growth, which should drive stronger incremental margins

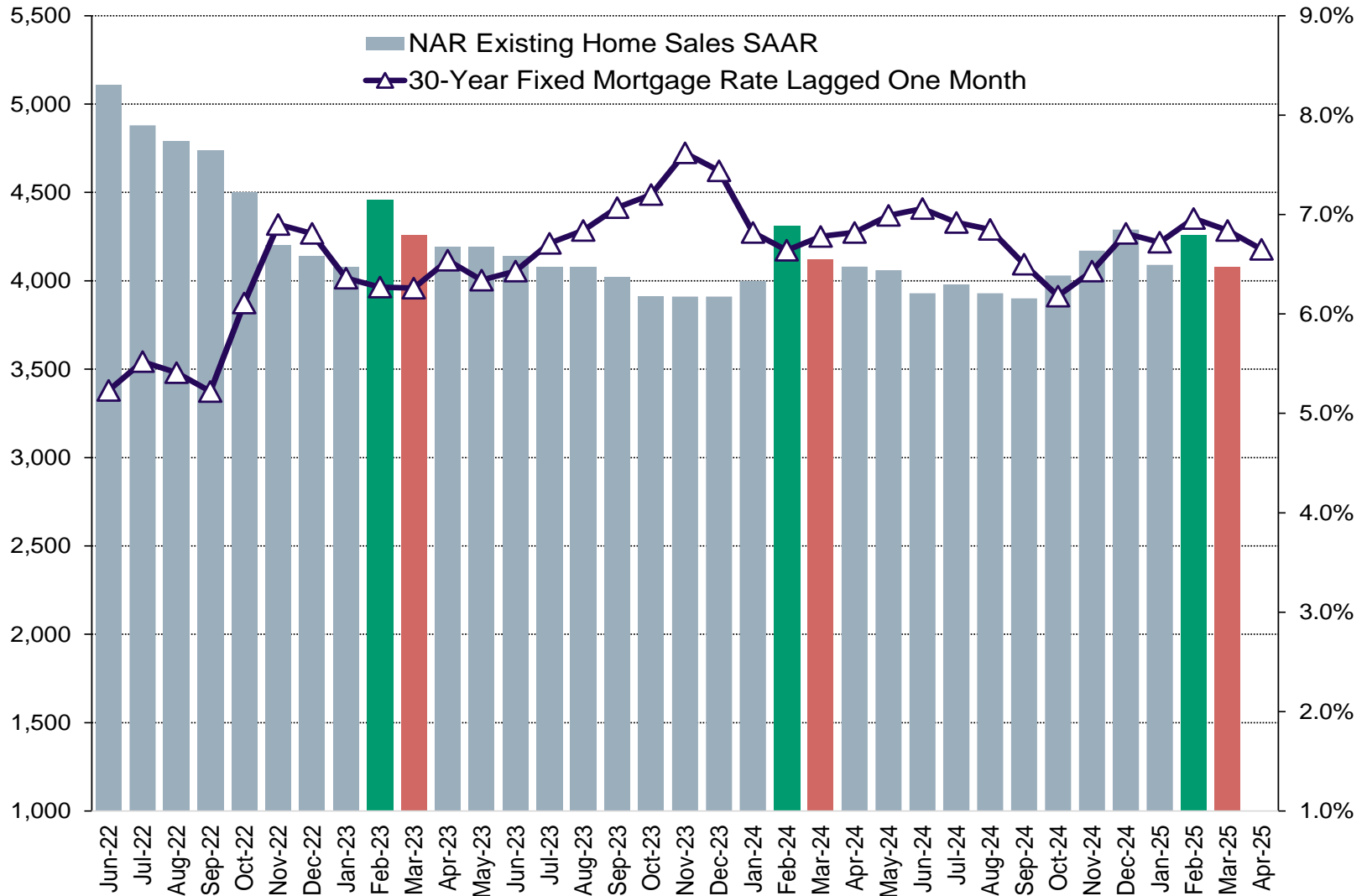
## Top Underperform – American Woodmark (AMWD)

- Recently downgraded AMWD to Underperform due to weak cabinet demand in 1Q25, specifically March, as well as concerns around the company's ability to push through higher prices to the homebuilder channel
- Expect AMWD's fiscal 4Q25 (April) results to come in below consensus, while fiscal 2026 guidance is likely to underwhelm as well

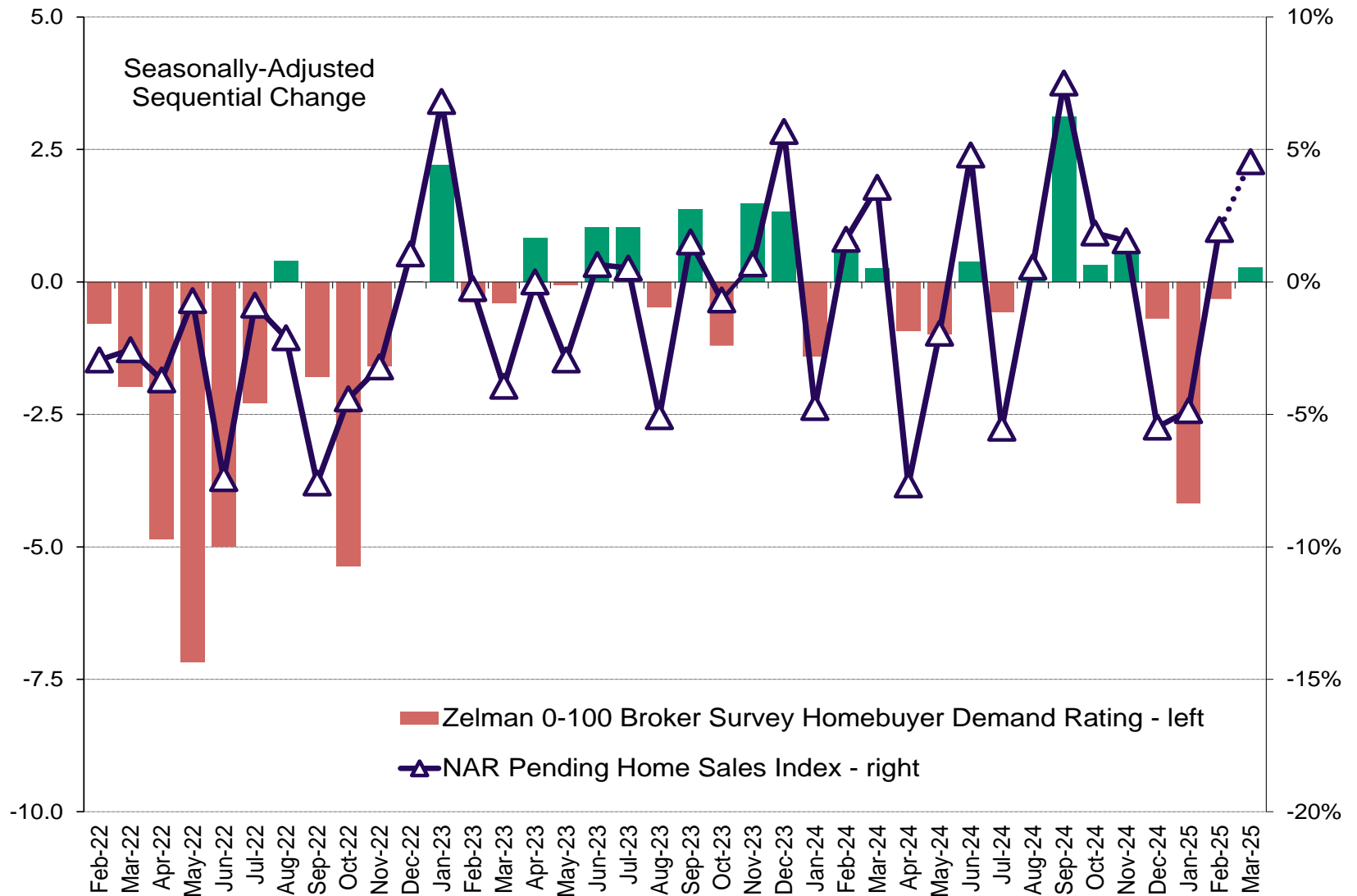
# Existing Home Sales

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# Forecasting Pullback in March Closings; Some Caveats

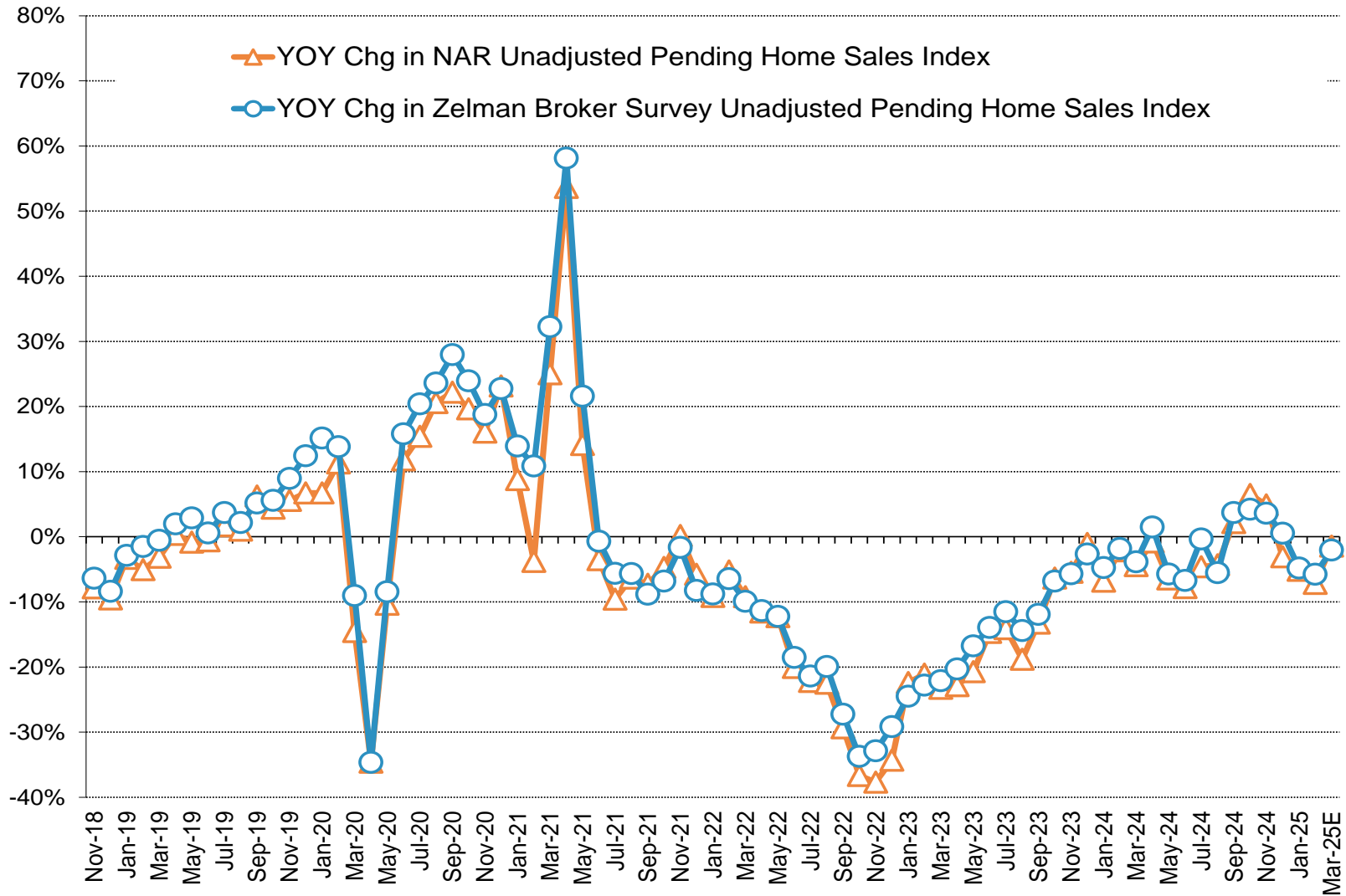


# Broker Survey Demand Index Improved Slightly in March

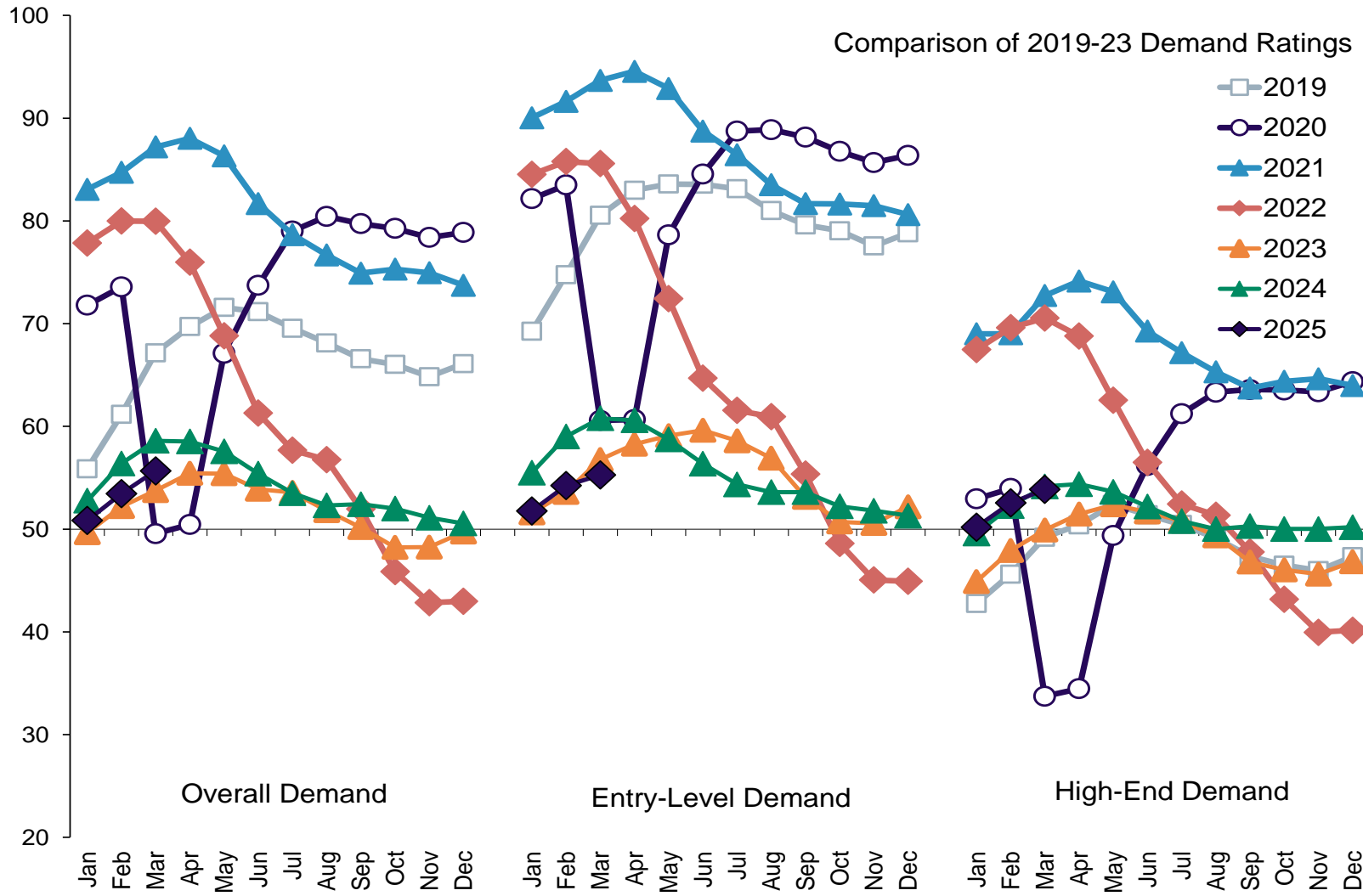




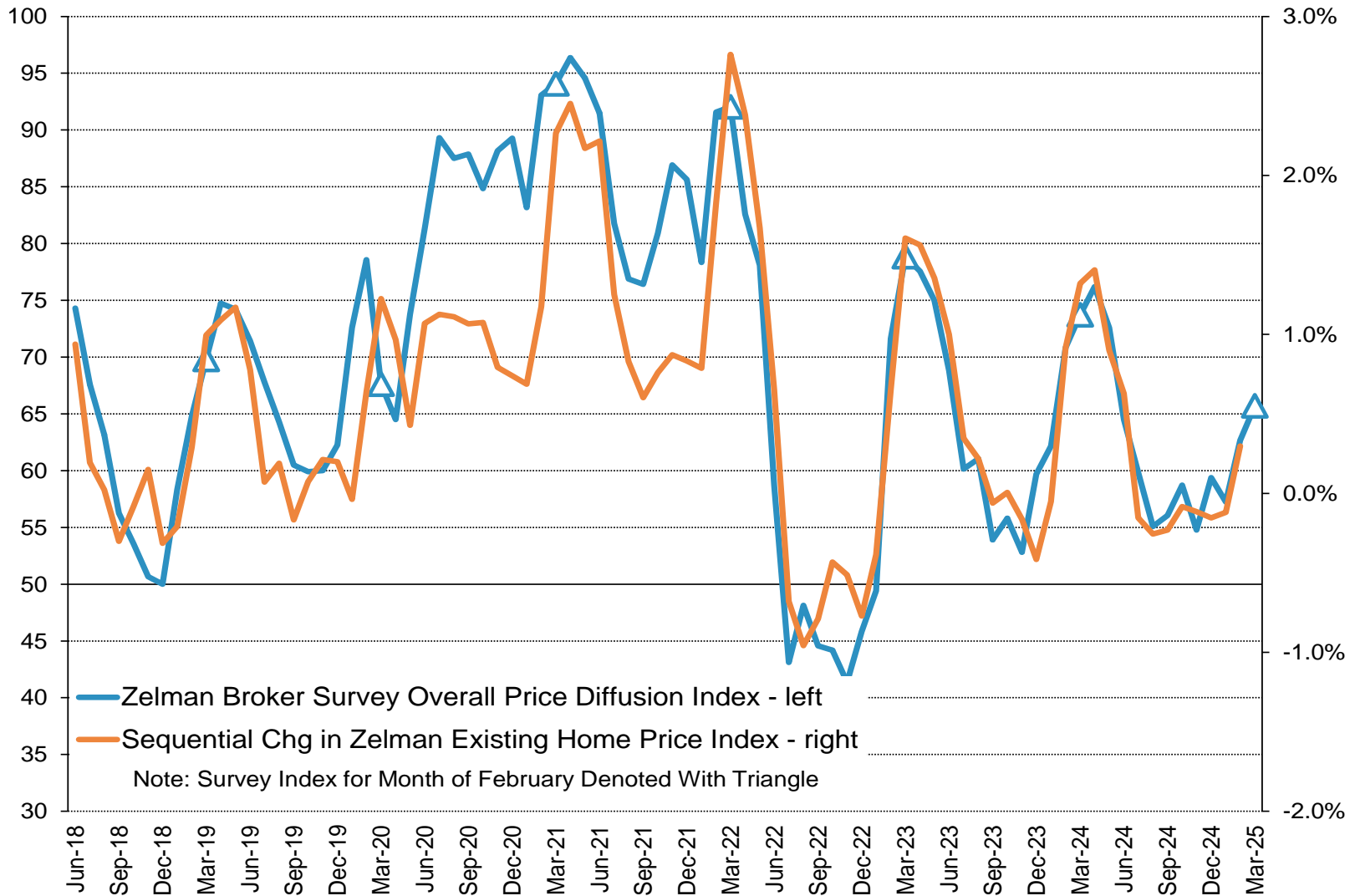
# Forecasting SA MoM Improvement in March Pending Sales



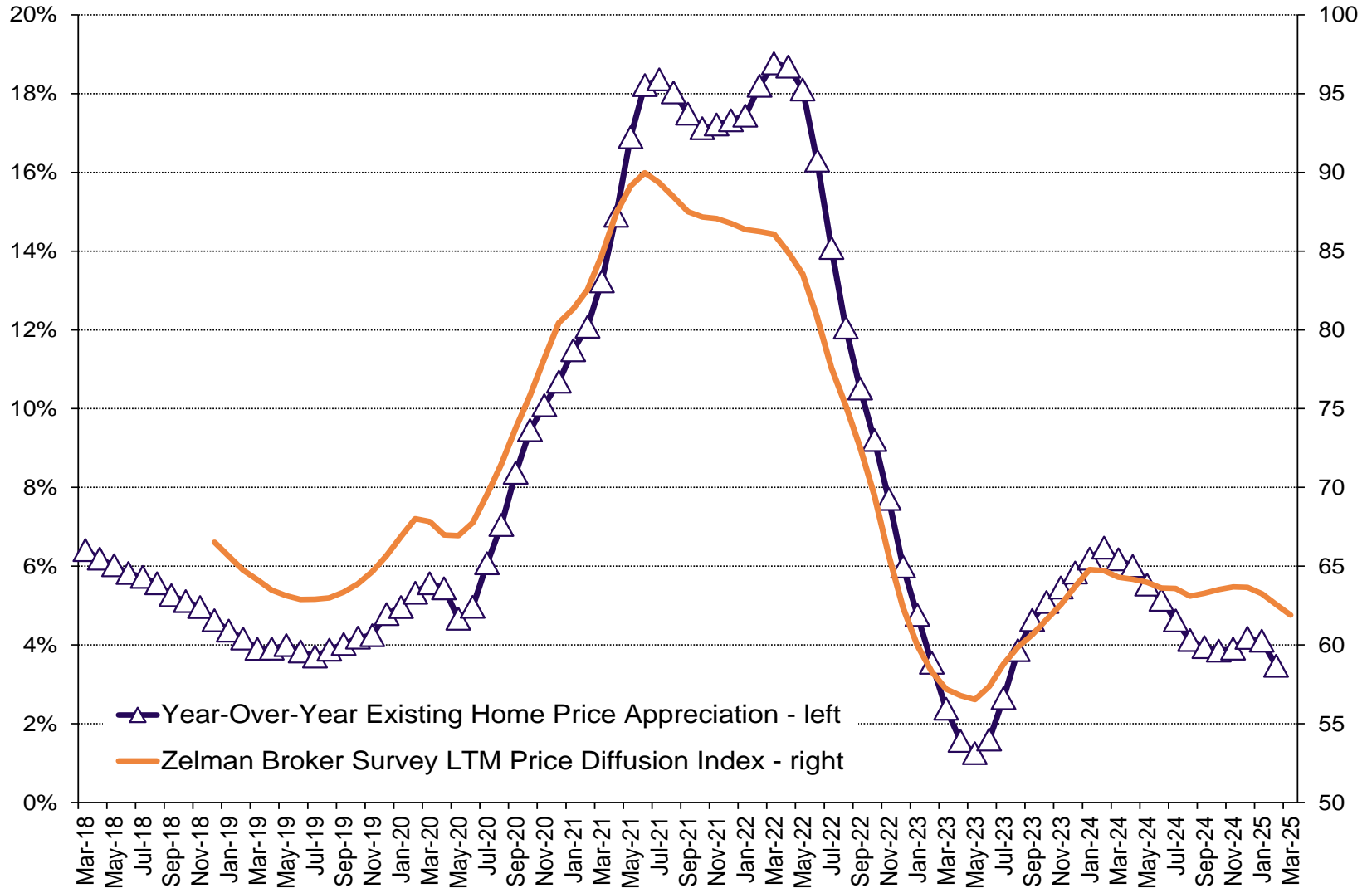
# Big Picture, Still Bouncing Along the Bottom



# Sequential Price Growth Remains Below Seasonal Norms

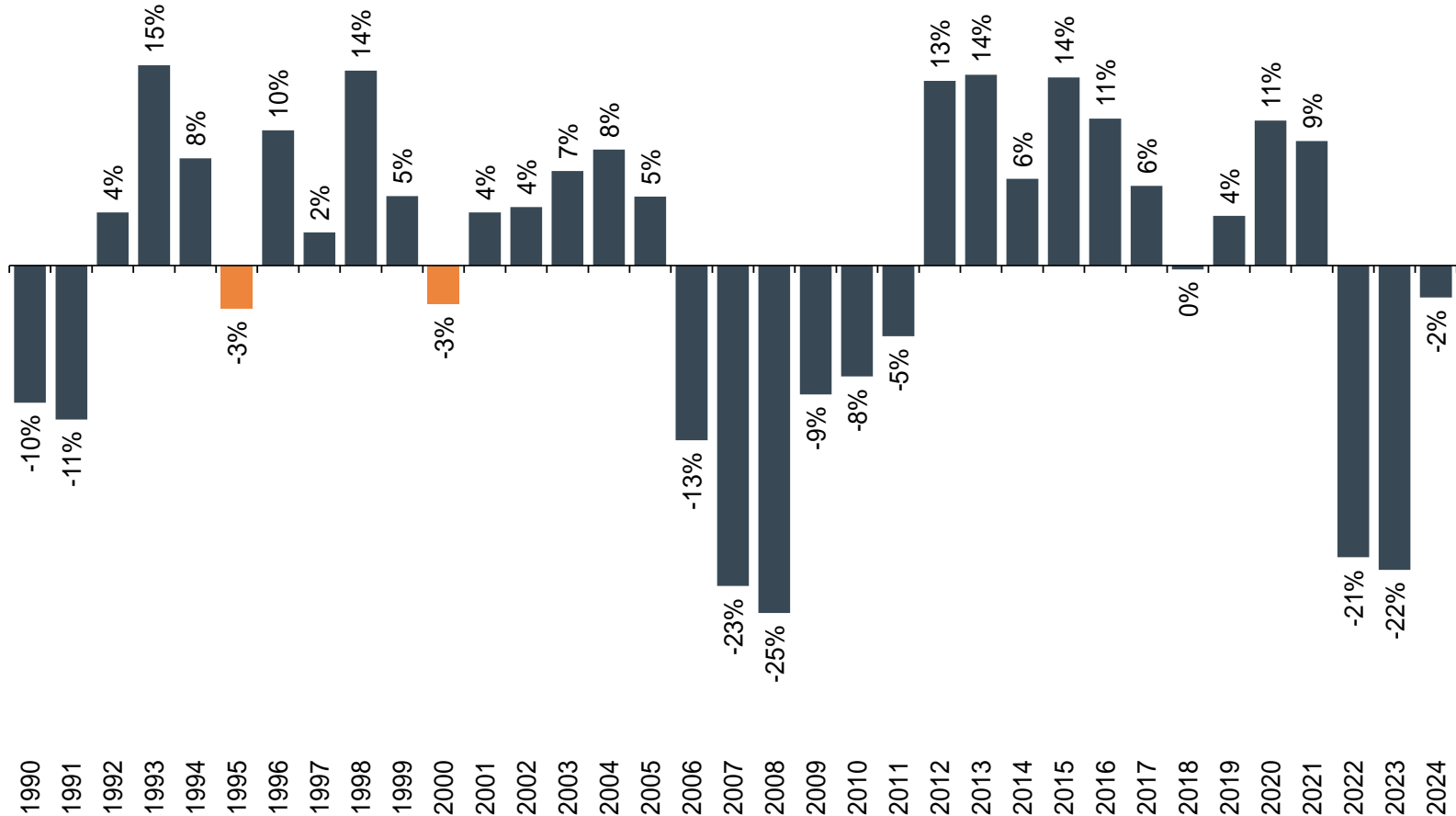


# HPA Indices Decelerating on Year-Over-Year Basis



# Framing Downside Risks if Job Losses Accelerate

Year-Over-Year Change in Unit Purchase Mortgage Originations



# Maintain Relative Preference for Secular Growers

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## ➤ Outperform Rated Stocks

- Compass (COMP)
- Rocket Companies (RKT) / Redfin (RDFN)
- Zillow (Z)

## ➤ Neutral Rated Stocks

- Opendoor (OPEN)

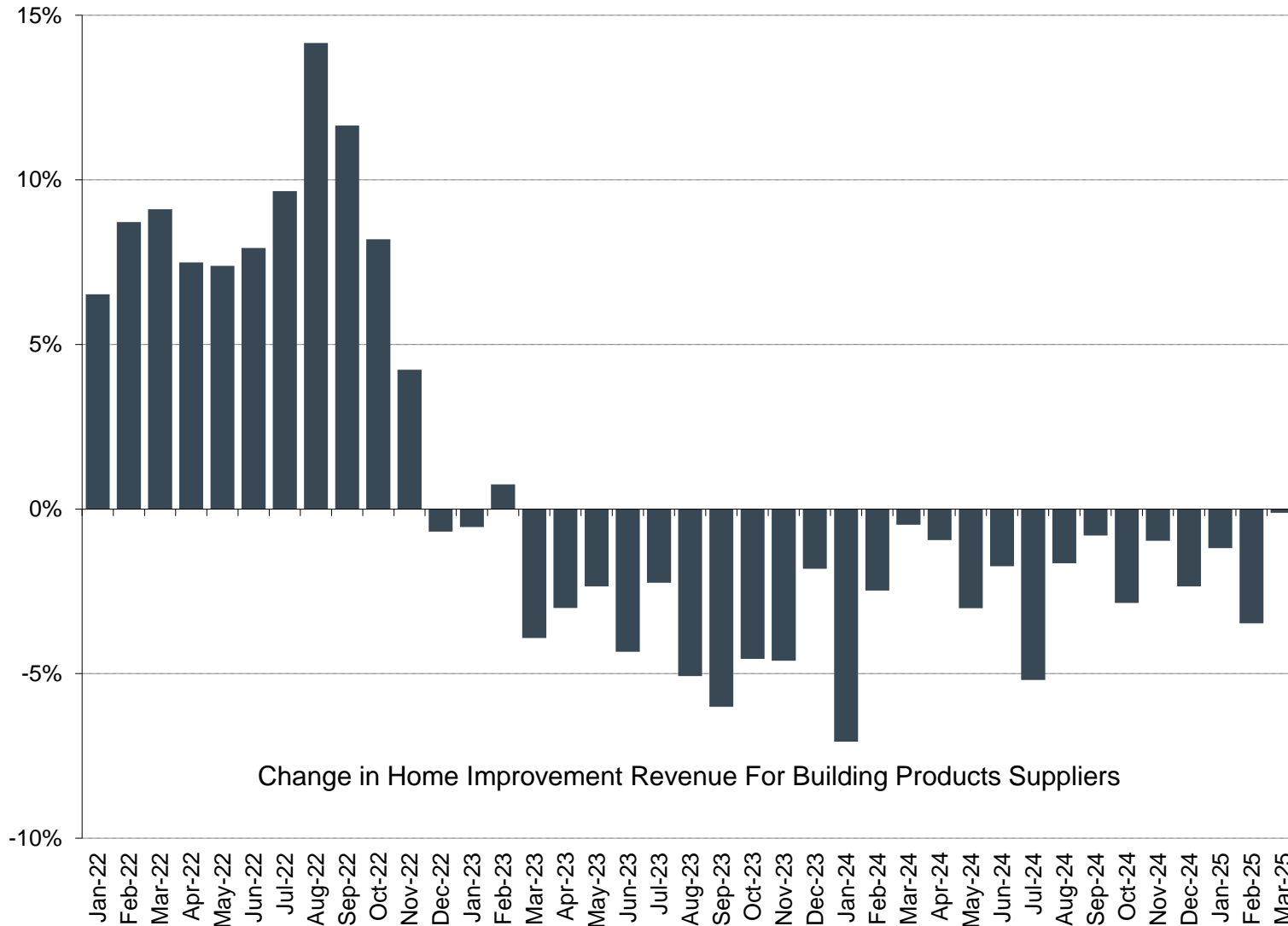
## ➤ Underperform Rated Stocks

- Anywhere Real Estate (HOUS)
- RE/MAX (RMAX)

# Homecenters

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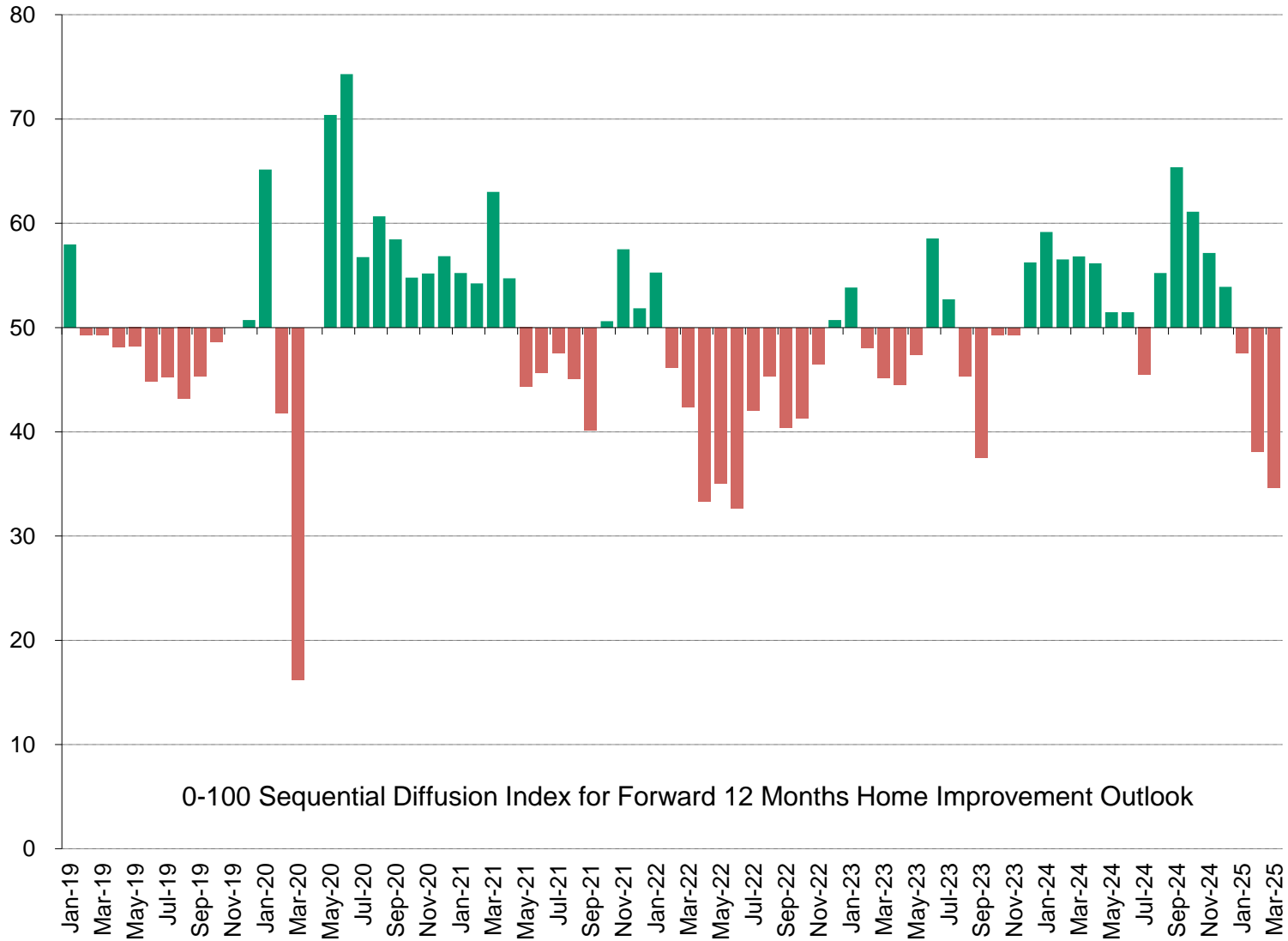
# Home Improvement Revenue Decline Stabilized



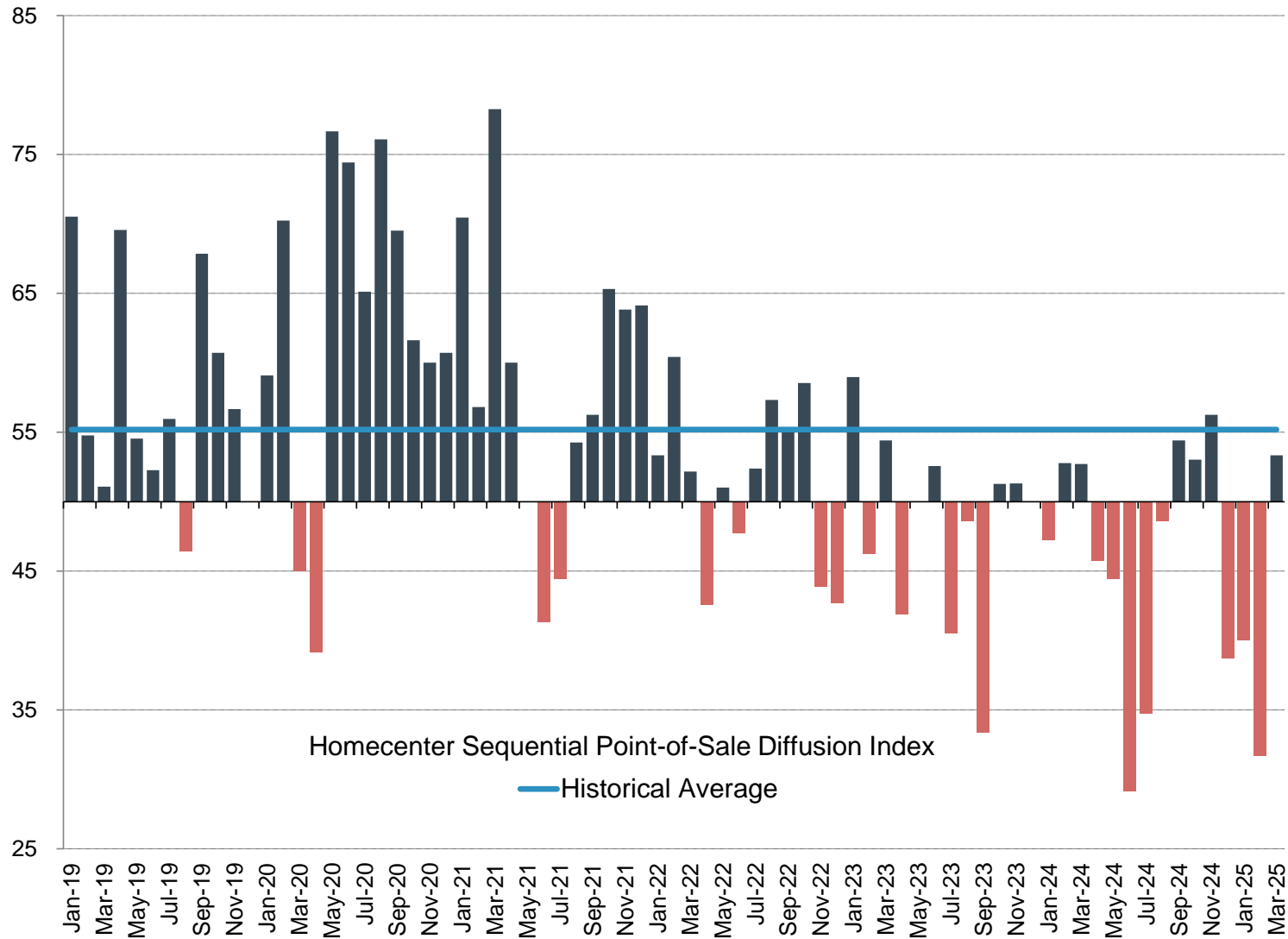
Change in Home Improvement Revenue For Building Products Suppliers



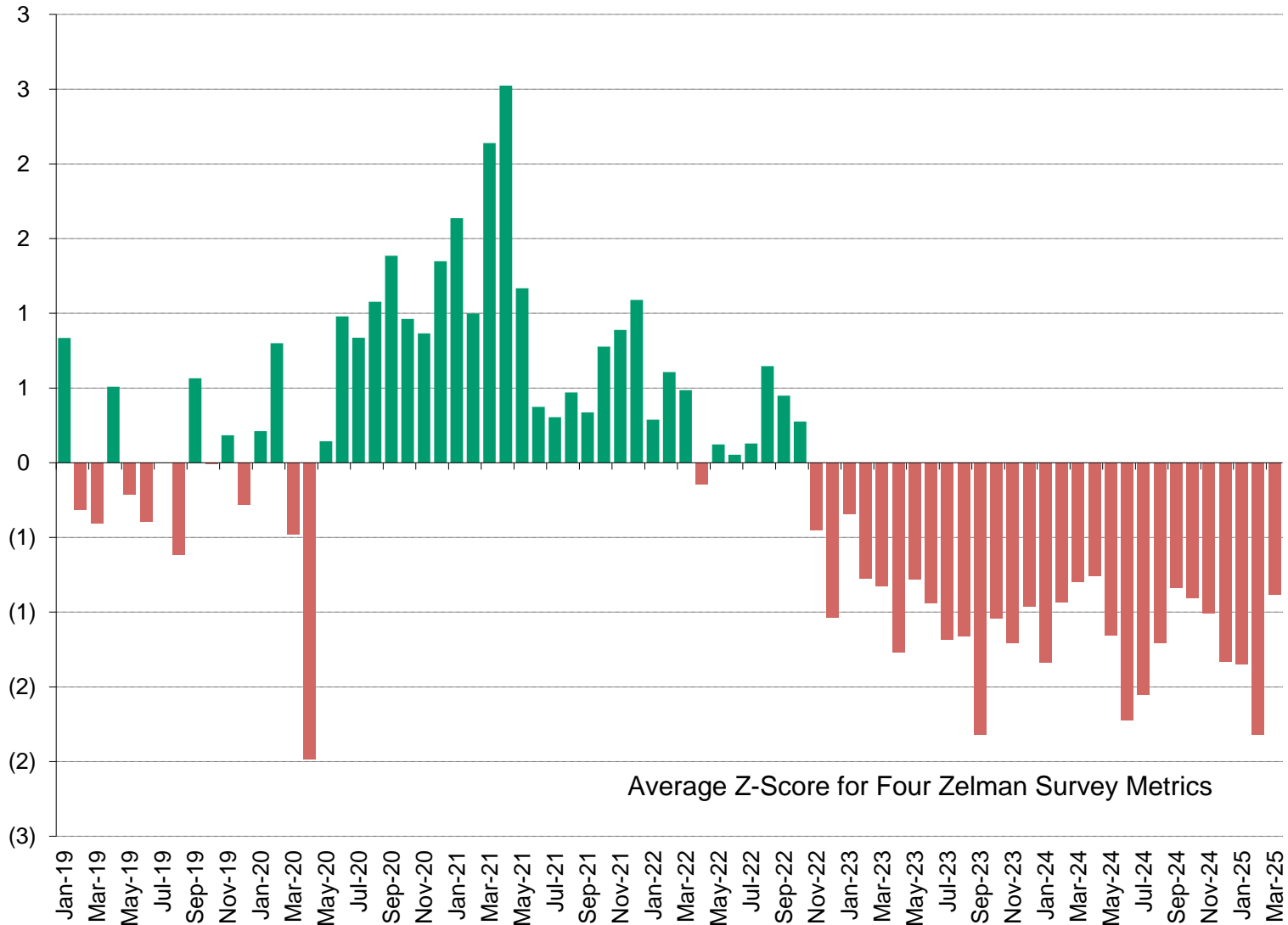
# Forward Outlook More Pessimistic



# Sequential POS Stabilized



# Proprietary Metrics Suggest LSD Comp Decline



Average Z-Score for Four Zelman Survey Metrics

# Questions?

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