

Economic Forecast: The State of the Tile Market

Panelist:

Sean Boyle – Sr. Vice President- Marketing & Channel Management, North America – Laticrete
Joe Lundgren – President – Joseph Lundgren Consulting
Santo Torcivia – President – Marketing Insights, LLC

Agenda

- US Macro-Economic Situation & Outlook – Joe Lundgren
- US Residential & Commercial Markets – Sean Boyle
- Flooring Overview – Santo Torcivia

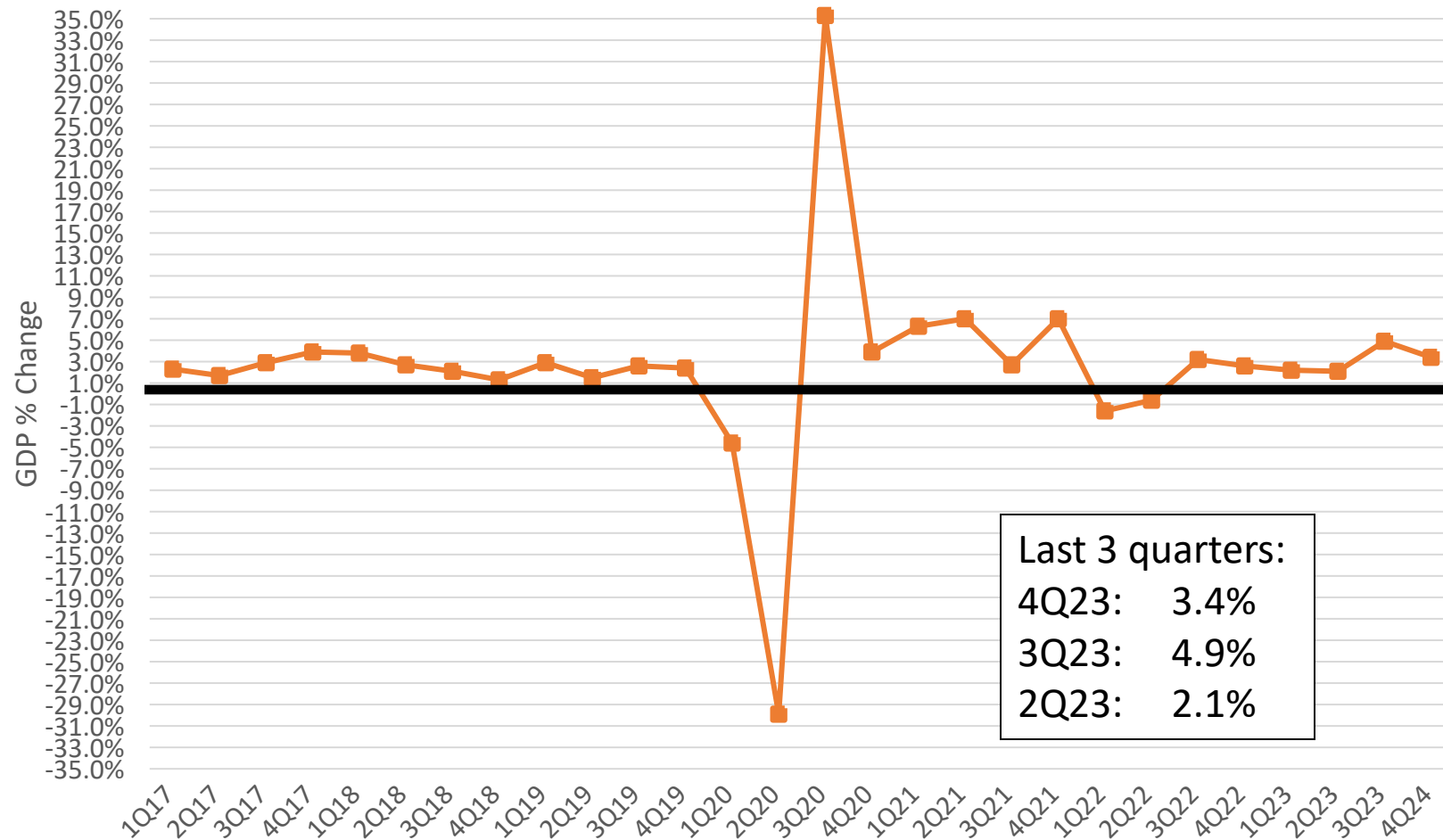


US Macro Economic Outlook

Joe Lundgren

U.S. GDP Growth

Growth continued in Q4; the economy has so far avoided the recession predicted by many



GDP Global Comparison

Growth expected worldwide in 2024, with rates in Europe generally slower

% GDP Growth							
	2018	2019	2020	2021	2022	2023E	2024E
Mexico	2.0	-0.3	-8.7	5.8	3.9	3.2	2.4
Italy	0.9	0.5	-9.0	7.0	4.0	0.9	0.7
Canada	2.8	1.9	-5.1	5.0	3.8	1.1	1.2
China	6.8	6.0	2.2	8.5	3.0	5.2	4.6
Brazil	1.8	1.2	-3.3	5.0	3.0	2.9	2.2
Spain	2.3	2.0	-11.2	6.4	5.8	2.5	1.9
Turkey	3.0	0.8	1.9	11.4	5.5	4.5	3.1
India	6.5	3.9	-5.8	9.1	7.0	7.8	6.8
Vietnam	7.5	7.4	2.9	2.6	8.1	5.0	5.8
Malaysia	4.8	4.4	-5.5	3.3	8.7	3.7	4.4
United States	2.9	2.3	-2.8	5.9	1.9	2.5	2.7
European Union	2.3	2.0	-5.6	5.9	3.6	0.6	1.1
World	3.2	2.5	-3.2	6.1	3.5	3.2	3.2

Inflation

Inflation was higher than expected in March and has risen steadily in recent months

Selected categories (Mar 2024)

Energy:	2.1
Transportation commodities:	-0.8
Household furnishings/supplies:	-2.7

Last 3 months:

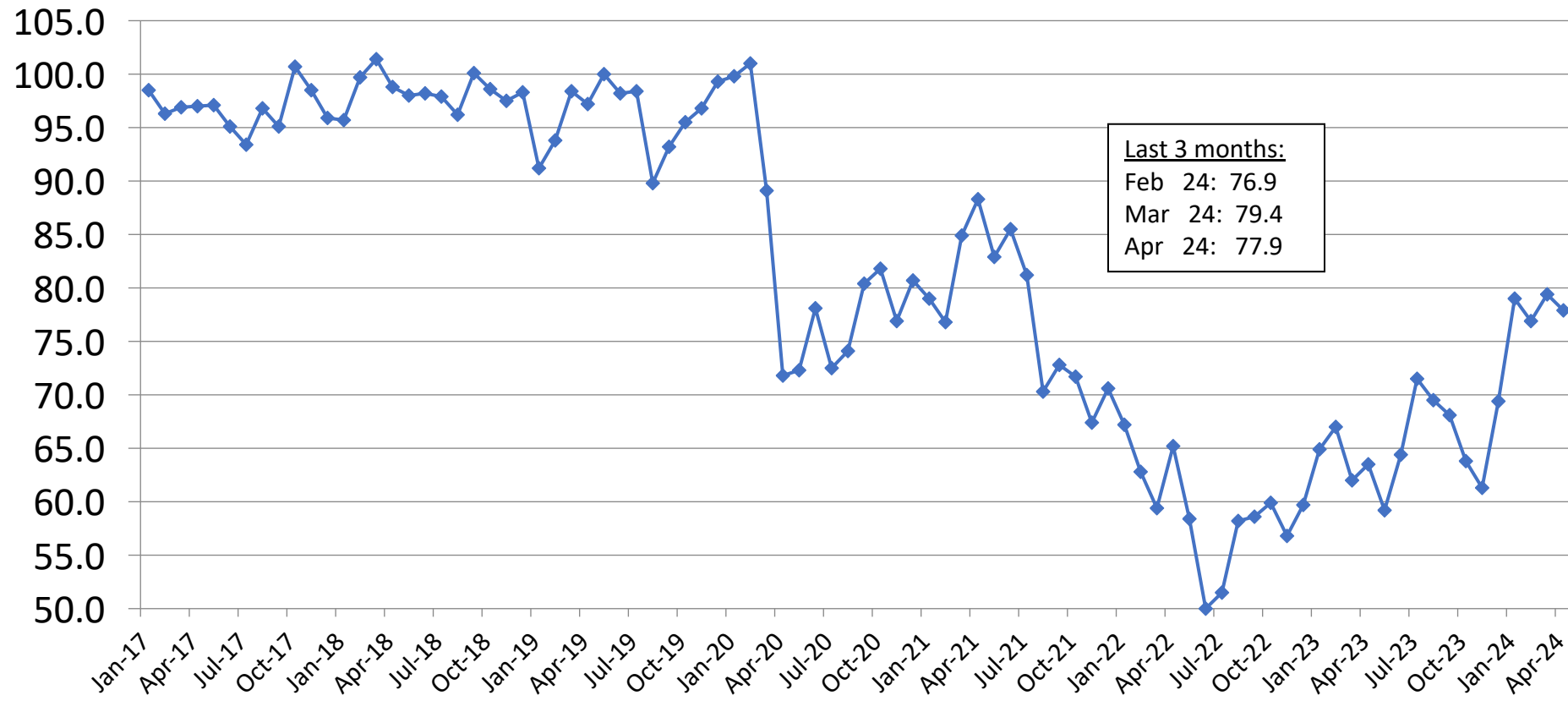
Jan 24:	3.1
Feb 24:	3.2
Mar 24:	3.5



12-month percentage change, Consumer Price Index, not seasonally adjusted. Gray vertical bars represent periods of recession
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

Consumer Sentiment Index

The index jumped in Q1 but slipped in April as inflation fears have returned

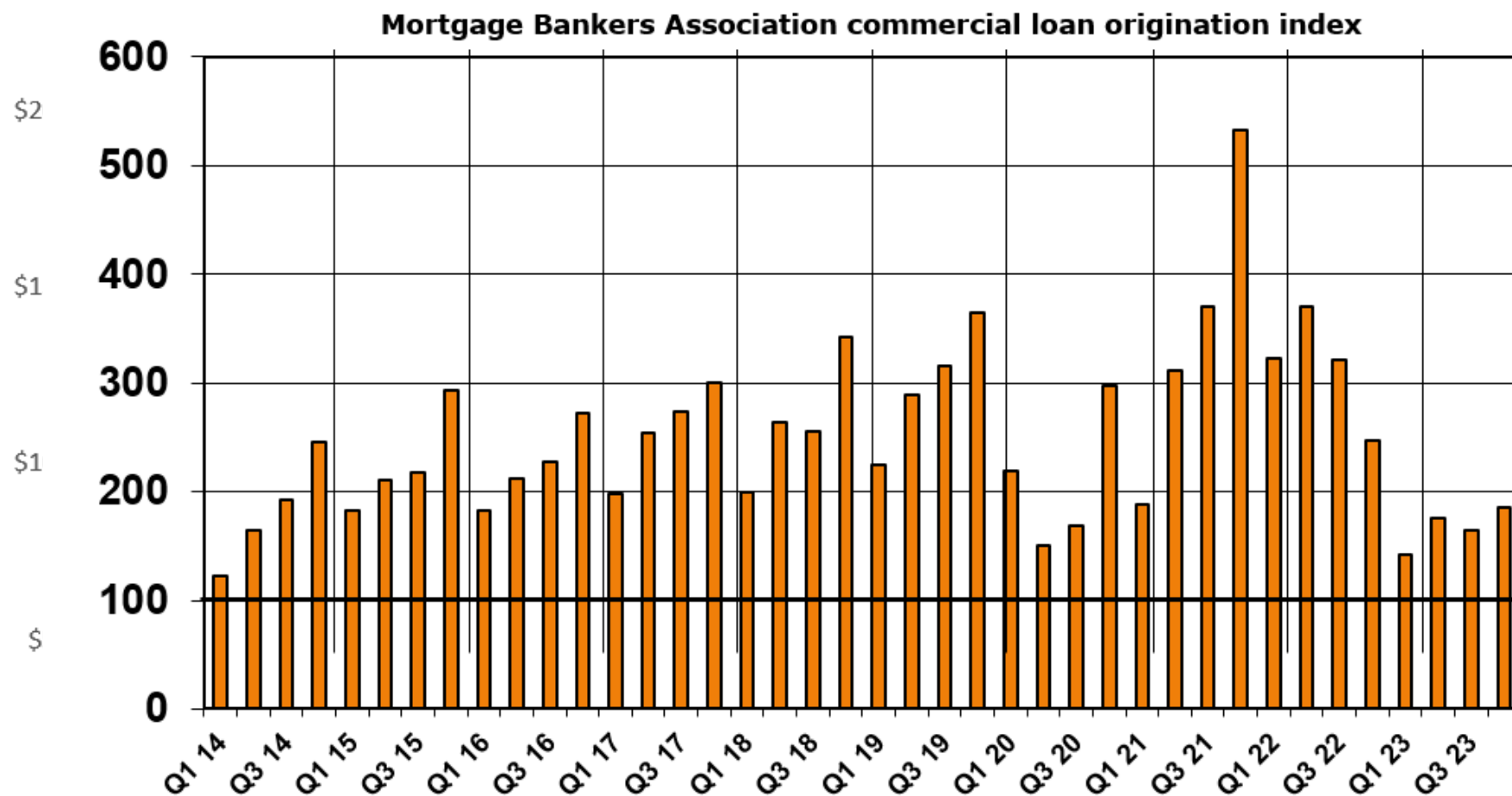


Source: University of Michigan Survey of Consumer Sentiment as reported in www.tradingeconomics.com. Previous months subject to revision

Commercial Lending Market

Q4 lending increased slightly from Q3, but was still down around 25% from the prior year

\$2



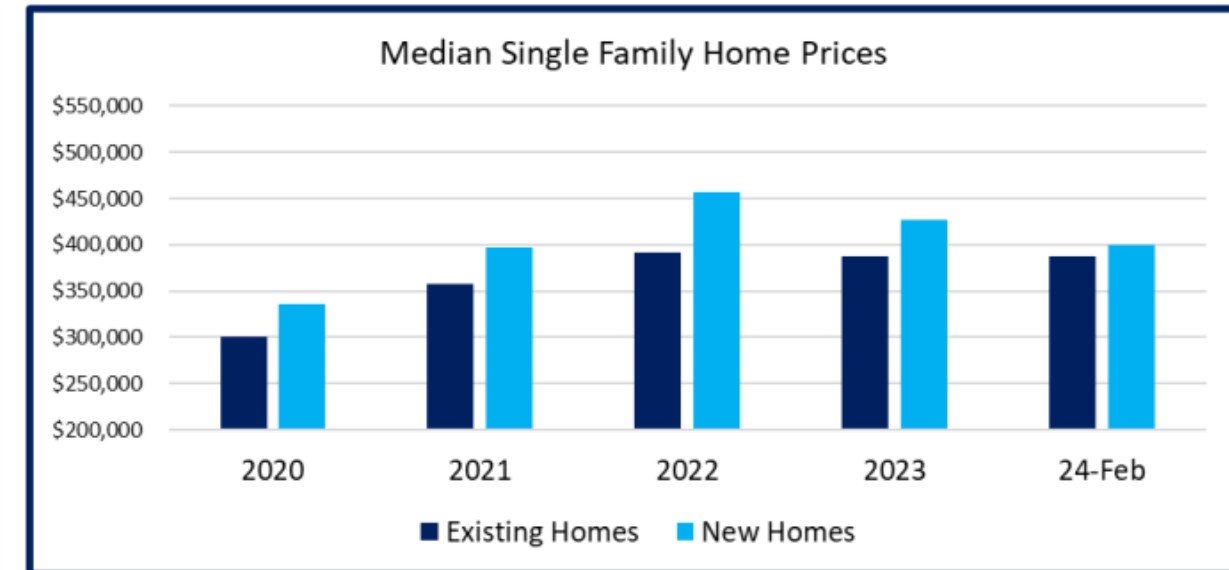
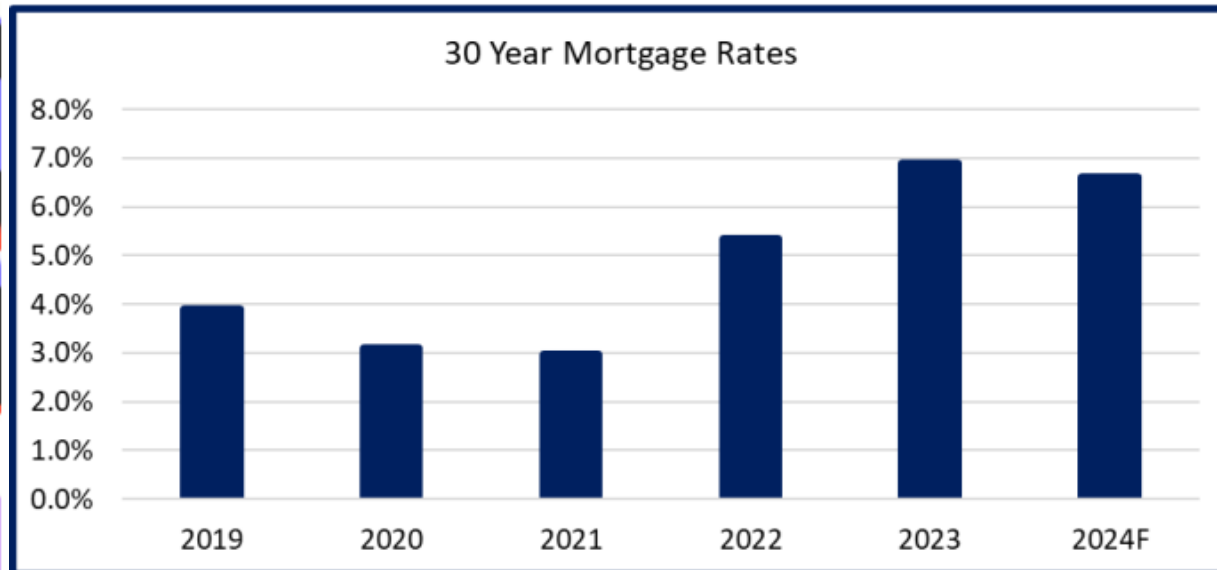
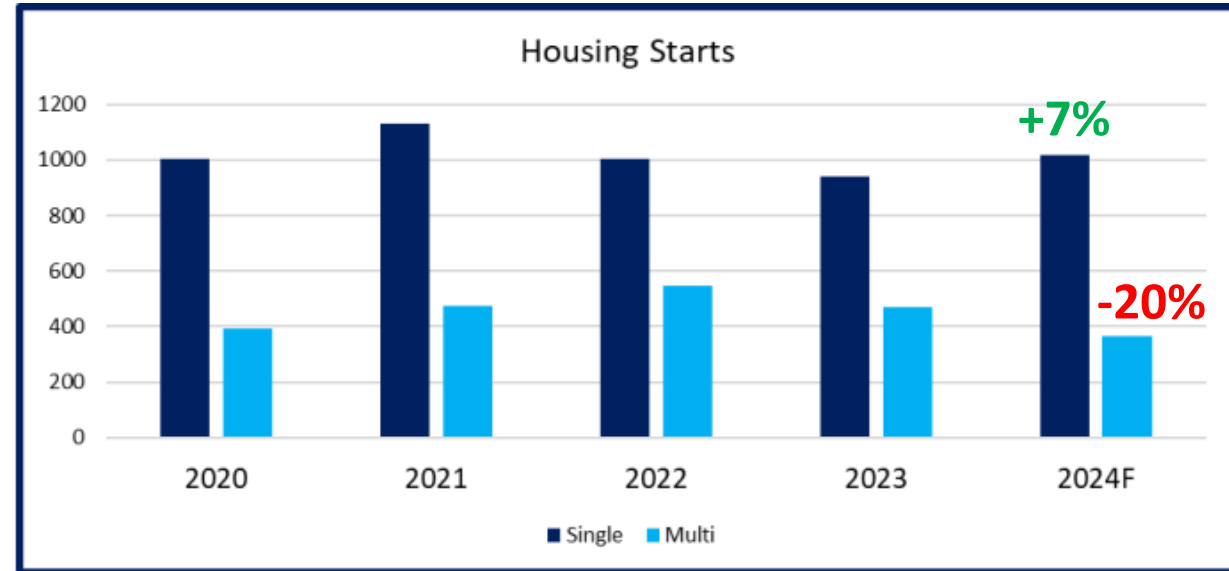
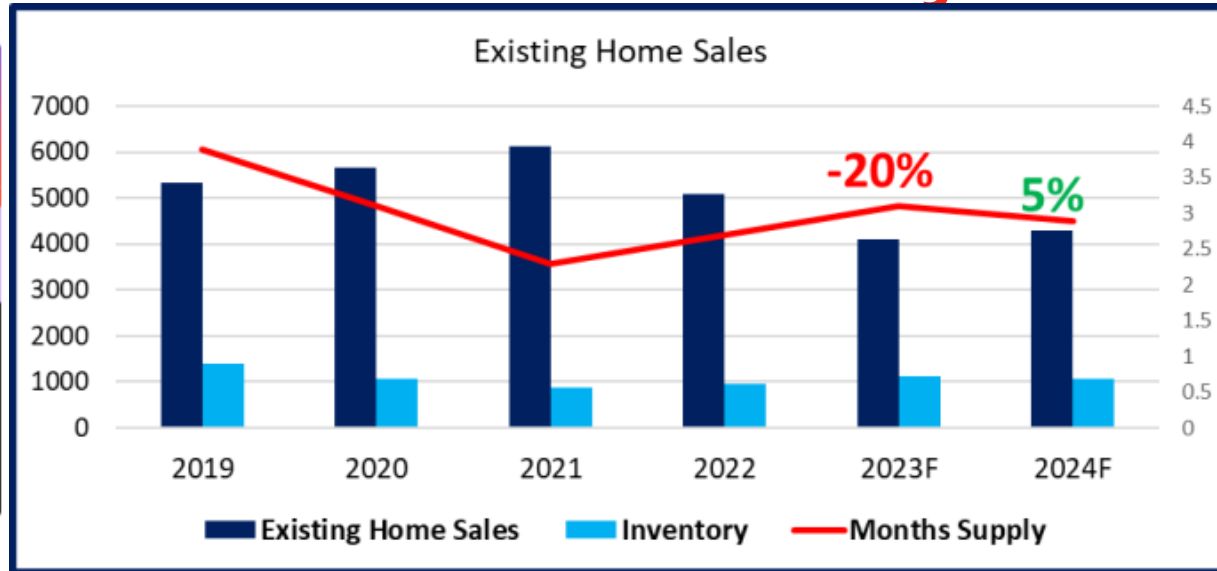
Source: Mortgage Bankers Assoc. (mba.org) Quarterly index: 2001 = 100.



US Residential & Commercial Markets

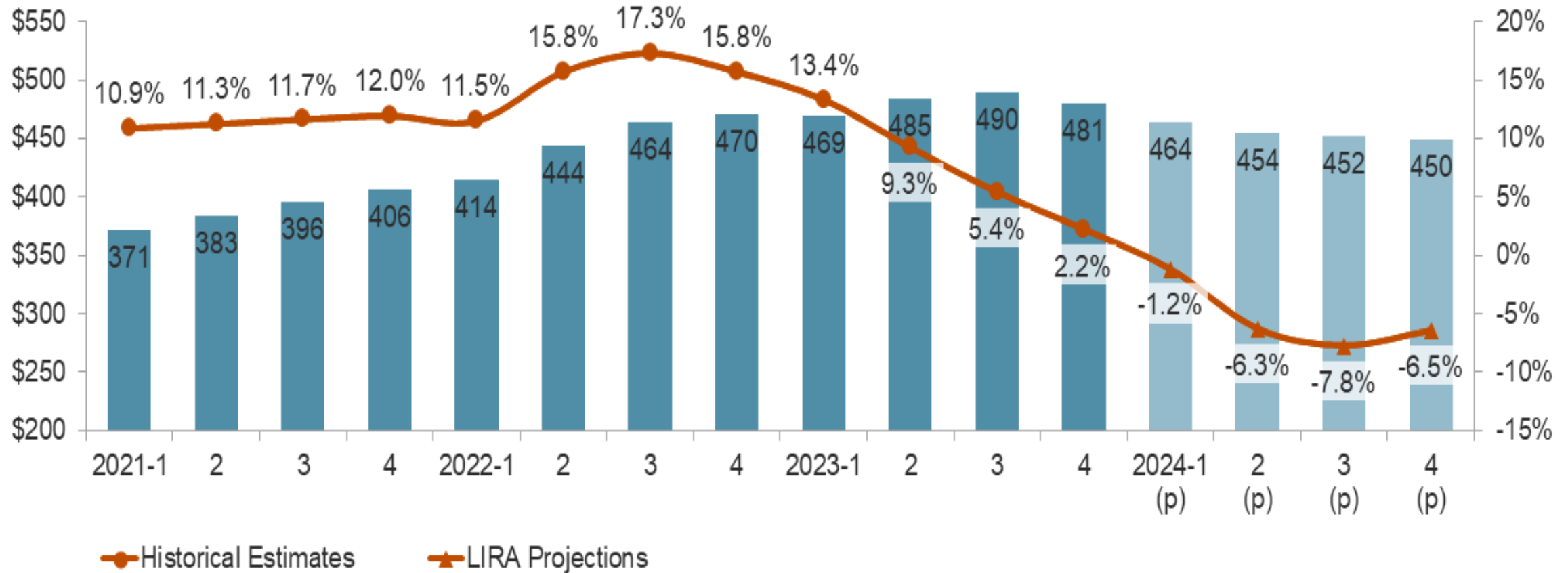
Sean Boyle

Residential – Key Drivers



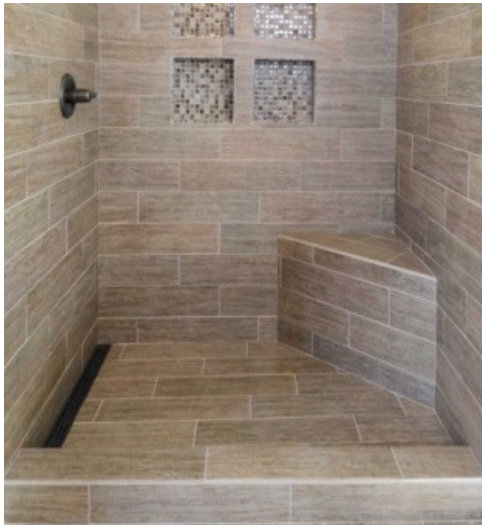
Residential Drivers- LIRA

Homeowner Improvements & Repairs
Four-Quarter Moving Totals
Billions

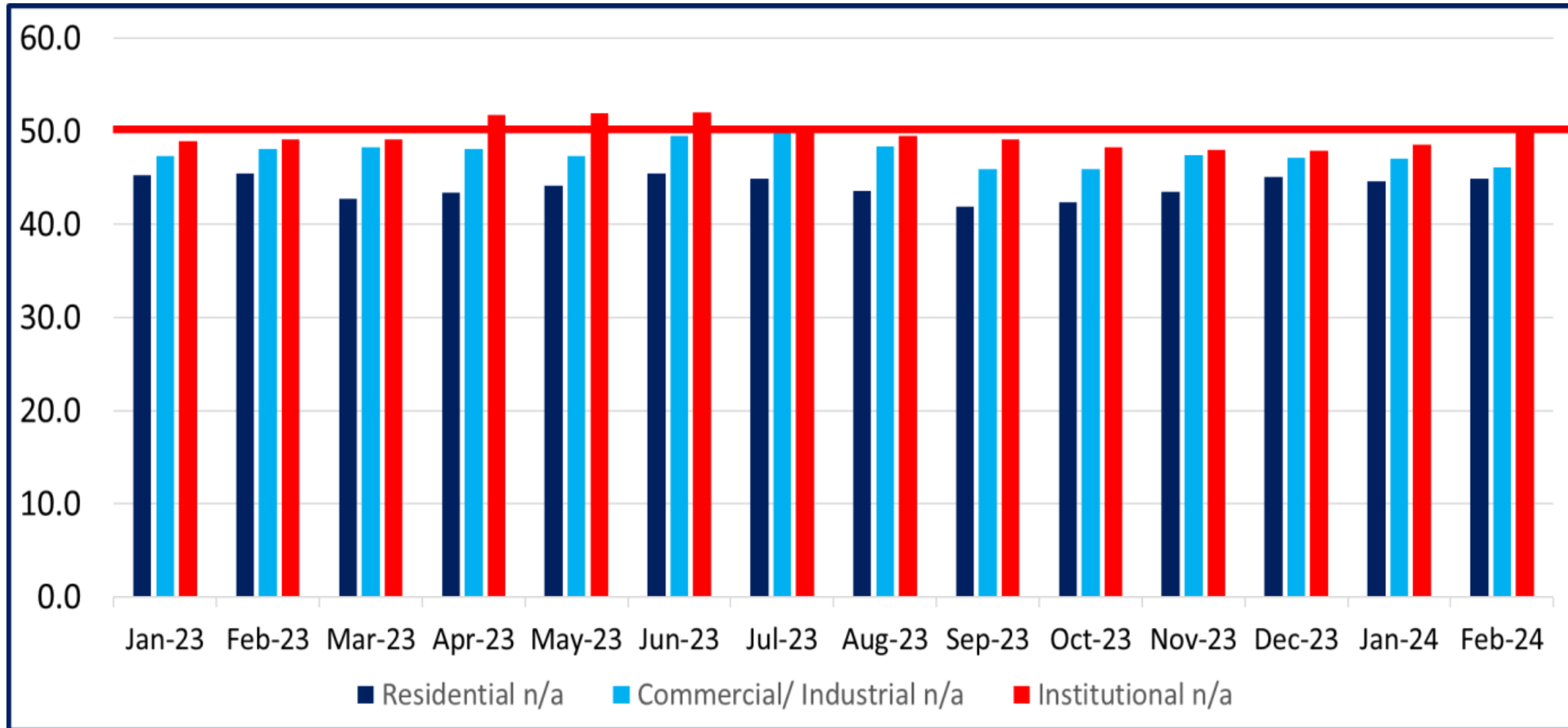


Residential Drivers- Remodeling Survey

	2021				2022				2023				2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<u>NAHB/Westlake Royal RMI</u>	83	86	87	87	83	77	77	69	70	68	65	67	66
<u>Current Conditions Index</u>	87	91	90	91	87	83	83	77	75	77	72	74	74
<u>Future Indicators Index</u>	80	82	83	83	78	70	71	62	64	60	57	59	59

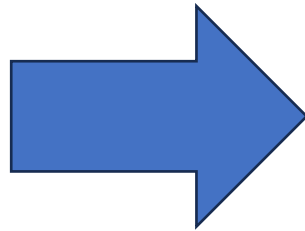


Commercial Outlook- ABI



Commercial Drivers- New & Alterations

Segment
Retail
Office
Hotel
Pkg Gar/Auto Svc
Education
Dormitory
Healthcare
Government Bldg
Religious Bldg
Recreation Bldg
Transportation Bldg



New Starts- Square Footage

Year	22	23	24	25
Change Vs. Prior	14%	-3%	0	9%

Additions & Alterations Value

Year	22	23	24	25
Change Vs. Prior	29%	16%	11%	5%

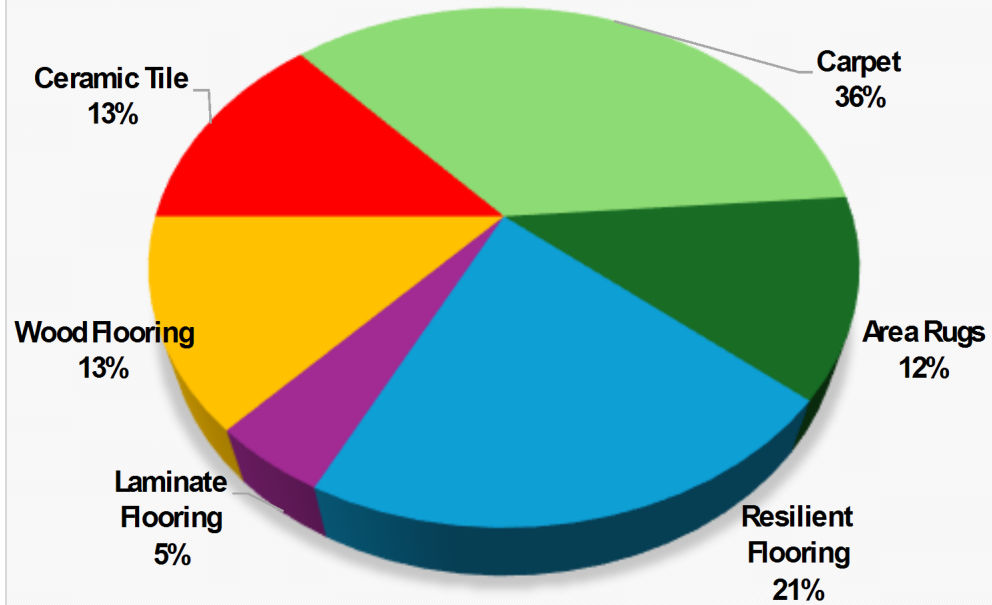


U.S. Ceramic Tile Market & Channels

Santo Torcivia

Product Shares of Total U.S. Flooring Value

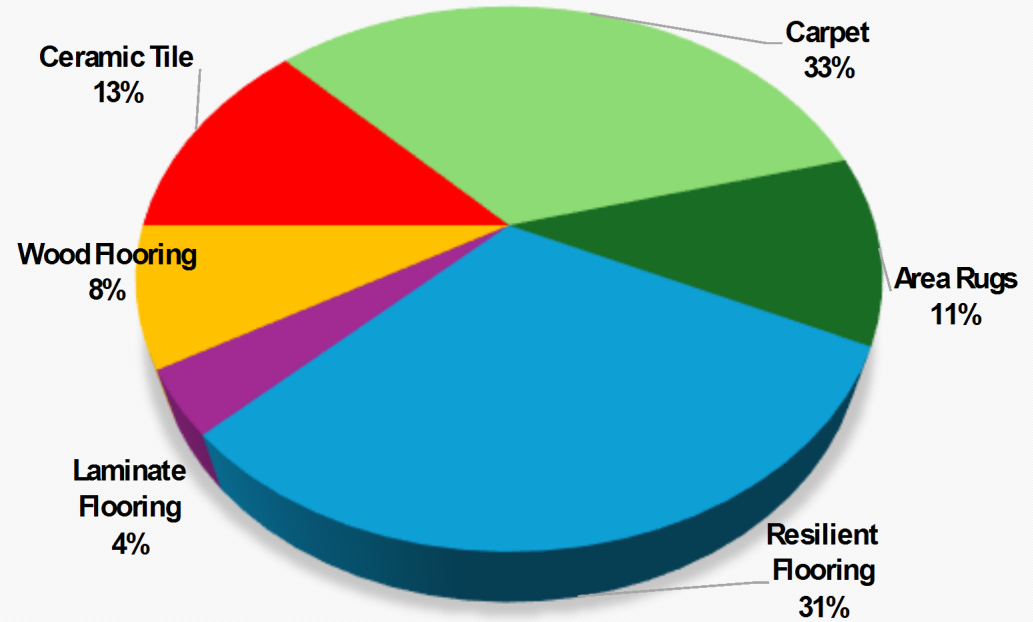
2018



Total U.S. Flooring Market (\$ @ mill sell, Bns.): \$23.3

Source: Market Insights LLC

2023



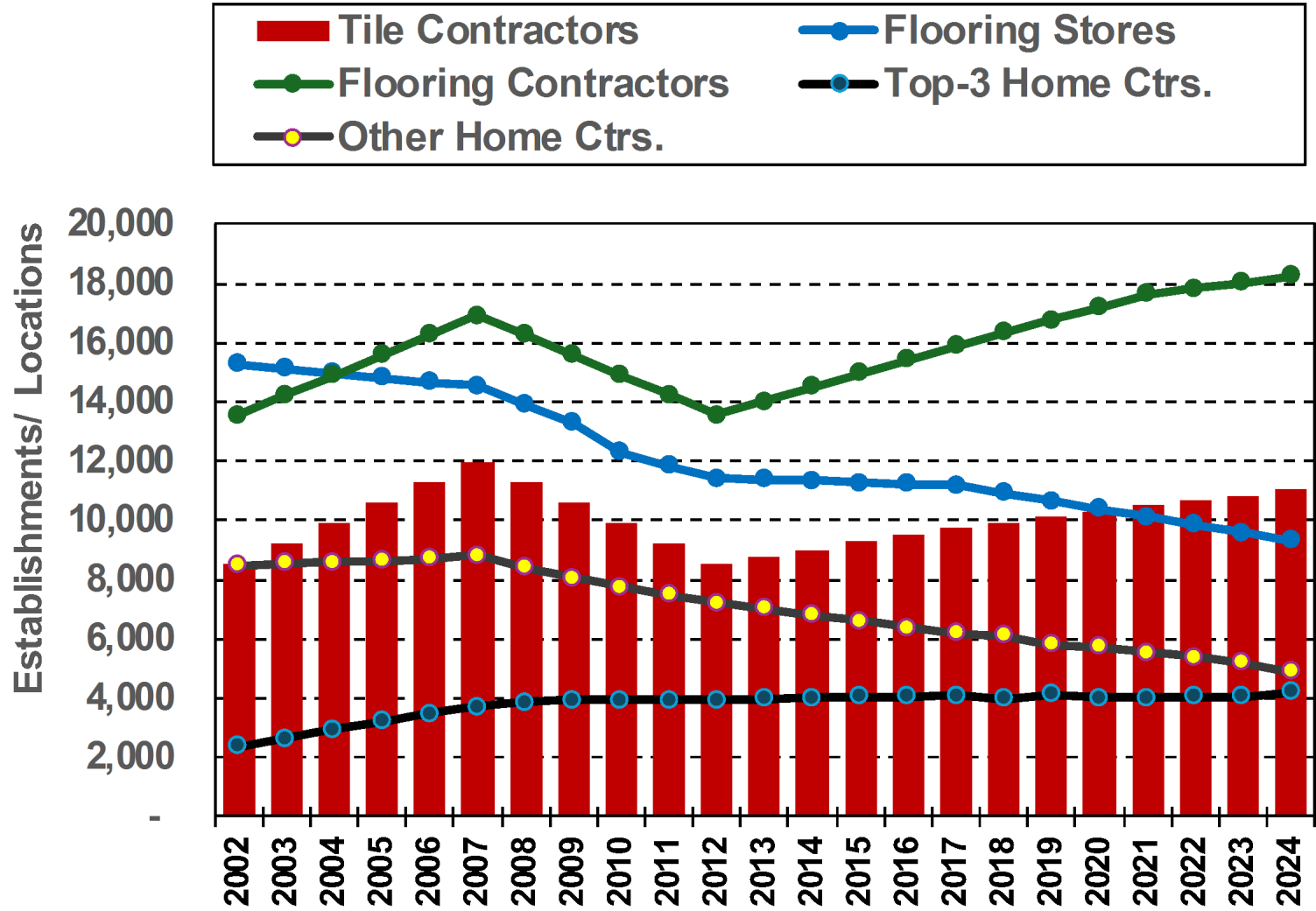
Total U.S. Flooring Market (\$ @ mill sell, Bns.): \$22.0

U.S. Moving South & West

Sandy soil, Mediterranean architecture, Heat sink favors Ceramic Tile

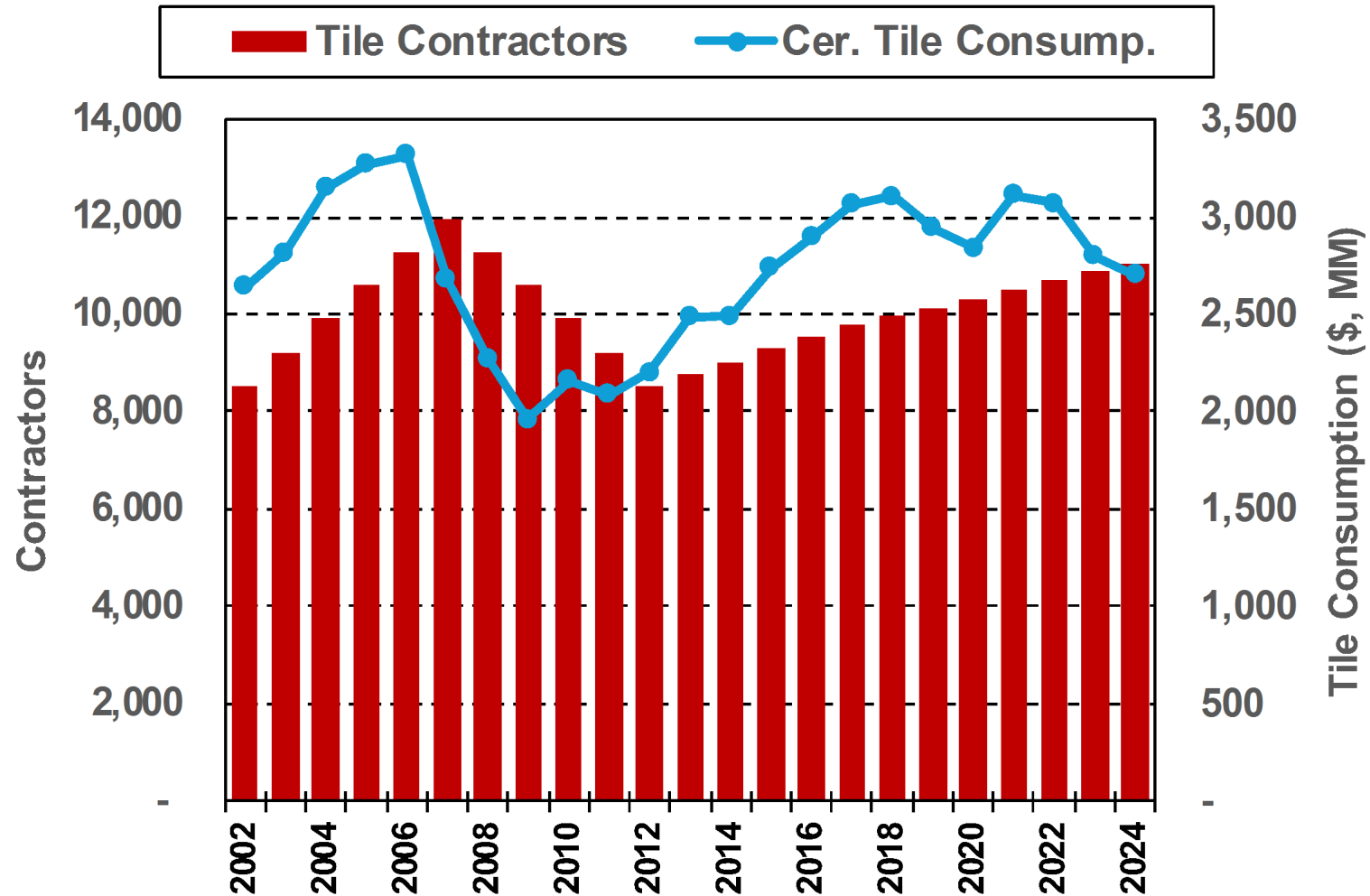


U.S. Flooring Retail & Contractor Locations



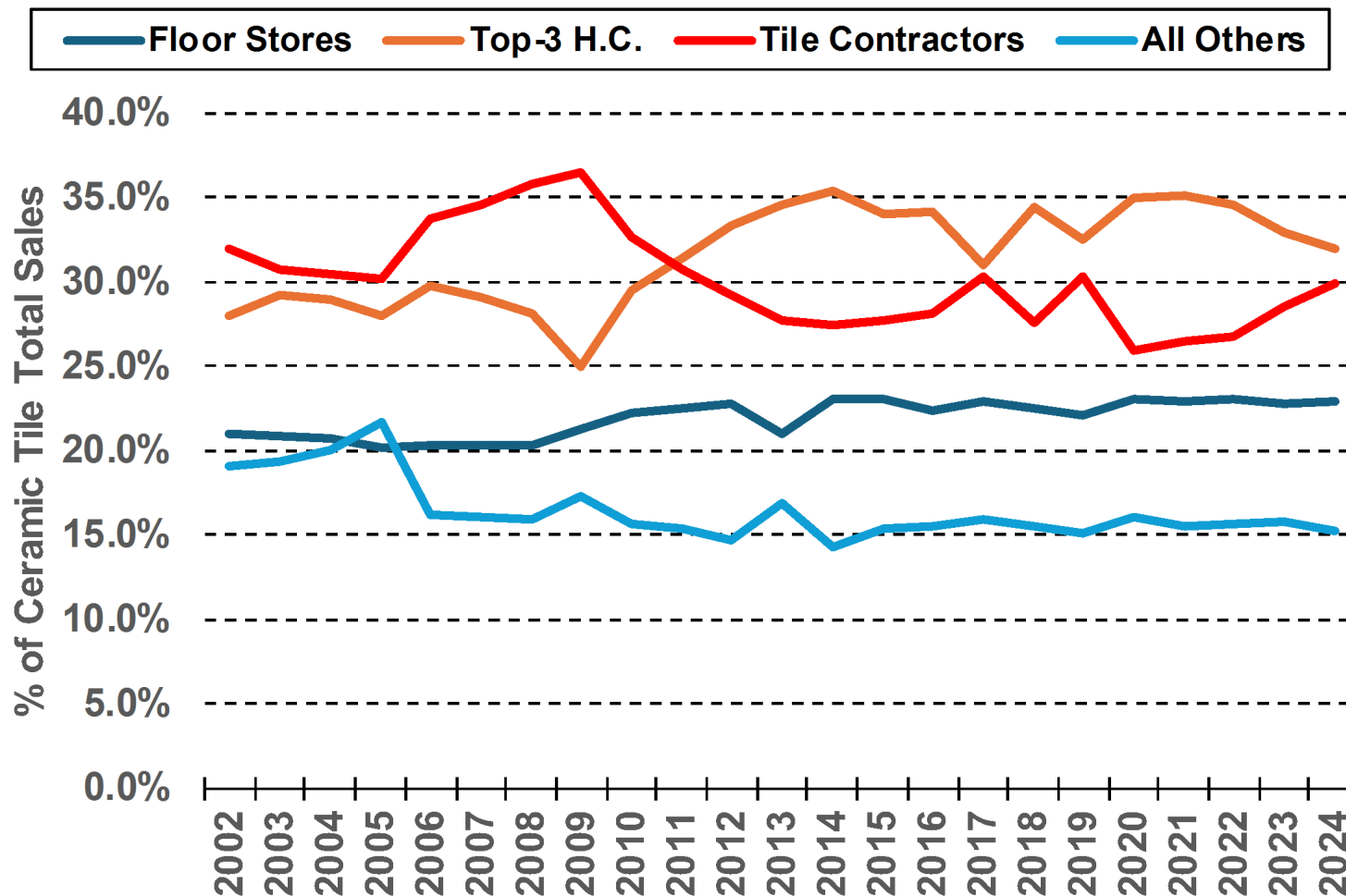
Sources: U.S. Census, Market Insights LLC

U.S. Tile Contractor Locations & Ceramic Tile Consumption



Sources: U.S. Census, Market Insights LLC

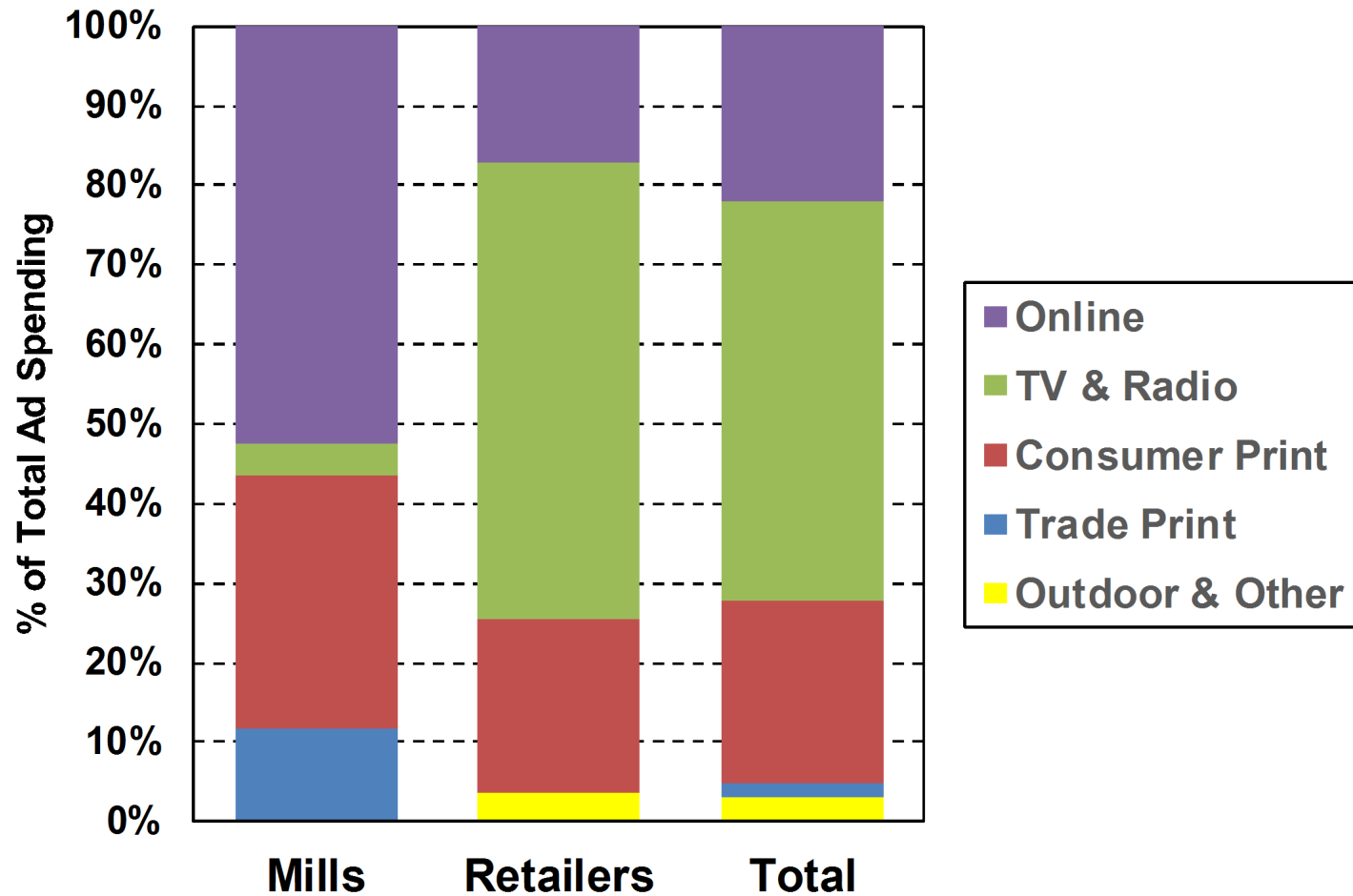
Ceramic Tile Total Sales Share by Channel



Note: Percents will not add to 100% due to missing minor channels

Sources: U.S. Census, Market Insights LLC

Flooring Ad Spending by Media FY 2022

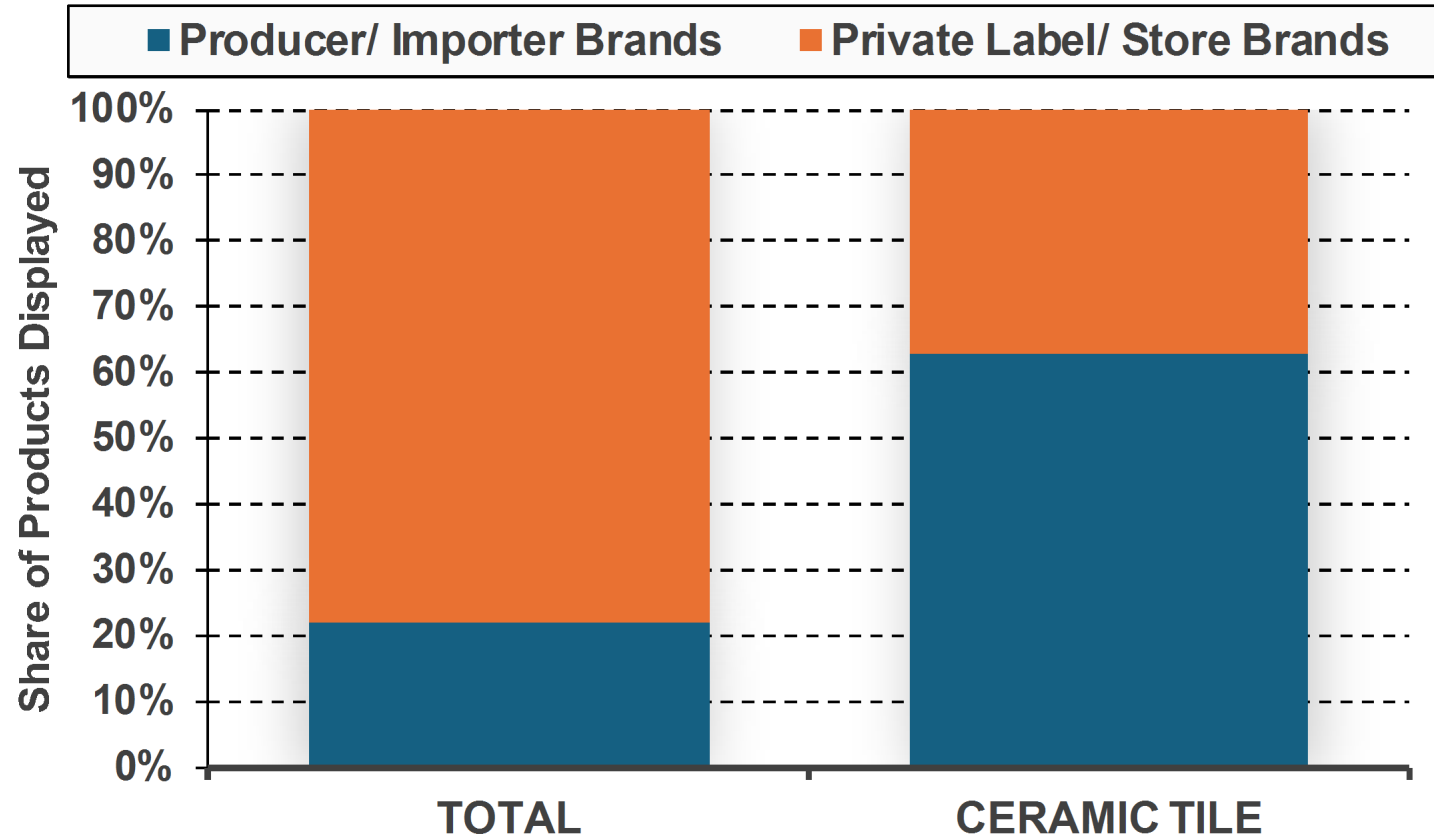


Mills	\$46.9	MM	13%
Retailers	\$304.2	MM	87%

Note: Floor & Décor= 30% of Total Ad Spend (\$92 MM)

Sources: Kantar Media, Company reports

Private Label Brands in Major Flooring Retailers



Included Retailers Analyzed: Floor & Décor, The Home Depot, Lowes
Source: Marker Insights LLC

**Some Cer. Tile
Private Labels**

**TrafficMaster
Lifeproof
Stainmaster
Style Selections
Adessi**

Summary Conclusions

- Ceramic tile is holding share- geography, demography, style
- New Markets/New Products- outdoor and exterior cladding
- Immigration is expanding tile contractor pool- dampening installed costs & wages
- Consolidation is occurring for mills and home centers
- Major retailers heavily out-spending factory/importer brands with legacy and online media advertising
- Private label store brands are growing among major retailers
- Brand equity declining-- then margins, then innovation
- Price will increasingly define competition...

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Thank You!



**IT'S BIGGER TILE SO IT
SHOULD BE EASIER, RIGHT?**