

THE US LAMINATE FLOORING MARKET

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Specific Laminate Industry information supplied by The
Catalina Research Company, Jan 2007 Laminate Report

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US Laminate Flooring History

- 1995 - Perstorp has its first full year of success with the Pergo brand and laminate flooring is born as a viable flooring category in the US market.
- Between 1995 and 2000, sales gains benefited from the introduction and uniqueness of laminate flooring and increased at a 60.2% compound annual growth rate in dollars, while square feet sales rose 69.1% annually.
- When laminate flooring was introduced into the US in the mid 1990s, the average value per square foot sold was roughly \$2.00 (in manufacturer's dollars) or some 77.8% above the US floor coverings average which was \$.74 per square foot.

US Laminate Flooring History

- Between 2000 and 2005, as manufacturers upgraded their product lines with glueless installation systems; launched registered embossed textured looks; and added noise reduction and moisture resistant features, dollar sales rates improved by a 13% compound annual rate, while square feet sales rose by 18.5% annually.
- As the number of competitors had increased and distribution had expanded greatly since the mid 1990s, even with significant product improvements, laminate flooring average selling prices declined at a 4.5% compound annual rate from 1995 to 2005.

2006 US Laminate Flooring Overview

US laminate flooring manufacturer sales (shipments plus imports)

- Increased by 5.7% in 2006 to \$1.4 billion
- Unit sales increased by 14.7% to 1.2 billion square feet
- Dollar sales gains were down from 11% growth in 2005
- Unit sales gains were down from 15.3% in 2005
- Overall growth rates were at the lowest level since 2001
- Dollar sales were said to be weaker due to shipments from new US plants of European based manufacturers and mainly because of rising imports from China, which put downward pressure on product prices.
- Average laminate flooring prices are estimated to have declined by 7.8% in 2006 to only \$1.18 per square foot.

Laminate Flooring

U.S. Average Value per Square Foot Supplied by Floor Covering Product,
1997-2006

(in manufacturers' dollars)

<u>Flooring Sector</u>	1997	2002	2005	2006 E	CAGR	
					1997-2002	2002-2006
Carpet and area rugs	\$0.70	\$0.71	\$0.78	\$0.82	0.3%	3.7%
Wood flooring ¹	1.73	2.14	2.33	2.28	4.3	1.6
Ceramic floor and wall tile	1.02	0.90	0.95	0.94	-2.4	1.1
Vinyl sheet and floor tile	0.50	0.56	0.60	0.62	2.3	2.6
Rubber sheet and floor tile	2.09	2.29	2.42	2.51	1.8	2.3
Other resilient flooring ²	0.47	0.33	0.27	0.27	-6.8	-4.9
Laminate flooring	2.00	1.45	1.28	1.18	-6.2	-5.1
Total floor coverings	\$0.74	\$0.78	\$0.85	\$0.89	1.1%	3.4%

Notes: E = Estimate

CAGR = Compound annual growth rate

1 Includes truck trailer and railroad oak flooring

2 Includes sales of flooring made of cork, paper, vegetable materials, other plastics, and linoleum.
Estimated by Catalina Research, Inc.

Source: U.S. Department of Commerce
Compiled, calculated, and estimated by
CATALINA RESEARCH, INC.

Laminate Flooring - Share of the US Floor Coverings Industry

As average prices declined and consumer interest rose, laminate flooring has increased its position in the overall floor coverings industry

- During 2006, it is estimated to have accounted for 5.6% of total US dollar floor coverings manufacturer sales (shipments plus imports)
- During 2006, it is estimated to have accounted for 4.2% of total US unit floor coverings manufacturer unit sales (shipments plus imports)

Laminate Flooring – Share of the US Floor Coverings Industry

Laminate Flooring inroads are even more significant in the growing hard surface flooring market.

- During 2006, it is estimated to have accounted for 14.8% of total hard surface flooring manufacturer dollar sales.
- During 2006, it is estimated to have accounted for 12.5% of total hard surface flooring manufacturer square foot sales
- This is up from 11.5% in dollars and 6.4% in units in 2000.

US Laminate Flooring End Use

- 91.2% of US laminate flooring sales were in the residential remodel/replacement segment.
- Accounted for 8.1% of the total dollar residential replacement flooring market. This is significantly above its 5.6% share of the total US manufacturer floor covering sales in 2006.
- Only 4.1% of total 2006 laminate flooring sales were in the new residential construction (builder) segment.
- Only 1.6% of total 2006 laminate flooring sales were in the commercial segment.

US Laminate Flooring Retail Distribution Channels

In 2006

- Specialty floor covering retailers are estimated to have accounted for roughly 56% of total laminate flooring retail sales
- Home Centers are estimated to have accounted for roughly 40% of total laminate flooring retail sales, however home center channels reflected much slower growth in 2006 versus previous years.
- To counter weaker gains at home centers some manufacturers and marketers of laminate flooring increased sales through mass merchandising discount chains such as Sam's Club and Costco and Wal-Mart is even evaluating their own success with selling laminate in a small number of their stores in certain markets.

US Laminate Flooring Future Market Outlook

As quoted in the Catalina Research Report (Jan. 2007 edition),

“The US Laminate flooring market has entered a transitional period. This market is shifting from one characterized by rapid product improvements and the entrance of new players to take advantage of strong growth, to one growing at a more moderate rate where production is concentrating into vertically integrated and low cost players who are increasingly competing on price. These changes reflect the slowing of long term market growth trends as laminate flooring enters a more mature phase of its product life cycle.”

US Laminate Flooring 2007 Market Outlook

Due to the continued adverse affects of the US housing market slowdown, laminate flooring (as well as most other floor covering products) sales gains are expected to be extremely sluggish in 2007.

- Projected 2007, laminate flooring dollar sales increases of only 1.4% to \$1.5 billion
- Projected 2007, laminate flooring square foot sales increases of 6.8% to 1.3 billion square feet.

US Laminate Flooring Future Market Outlook

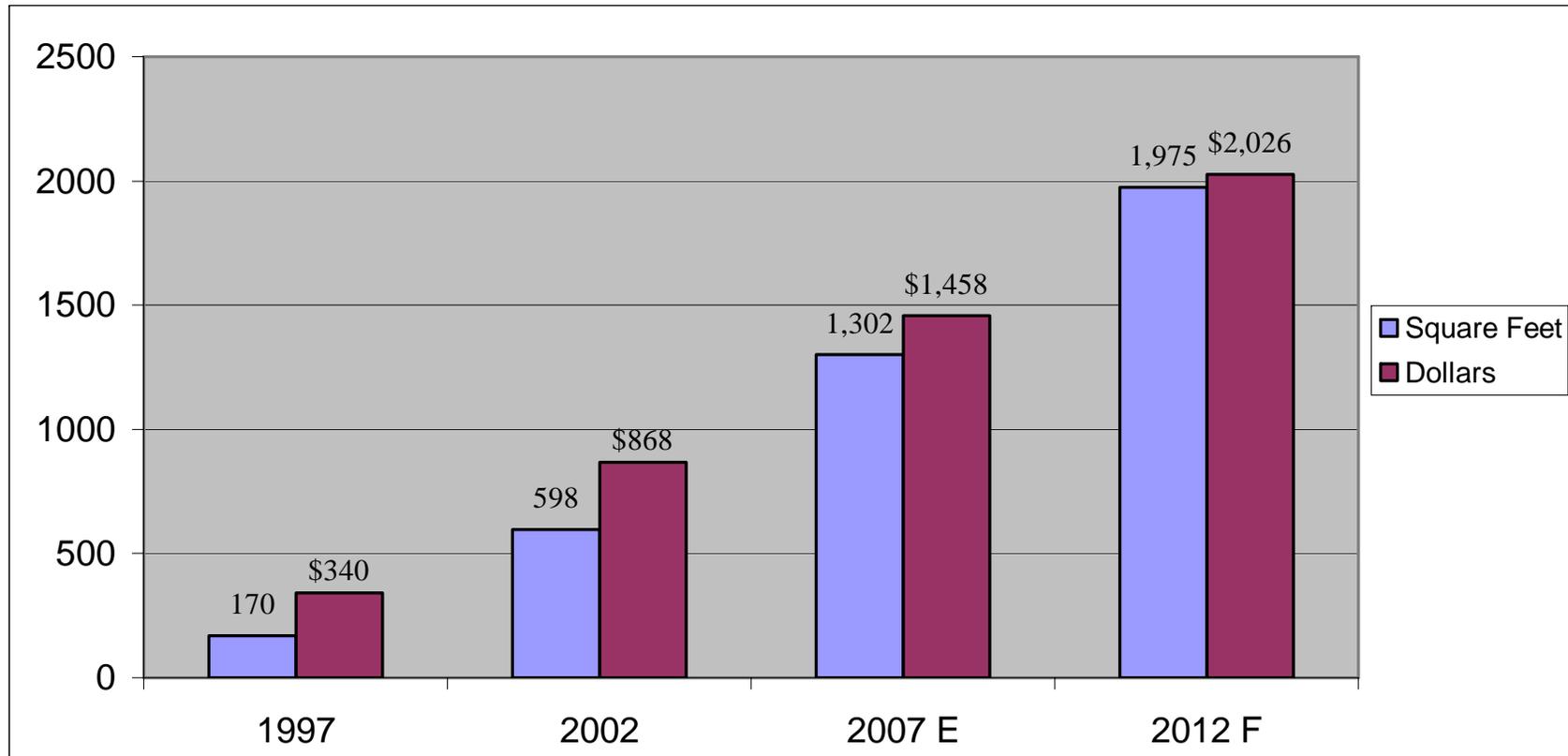
The forecast for the US laminate flooring market for 2008 – 2012 is projected to be much brighter as the US economy is projected to remain strong and the housing market is expected to rebound.

- Laminate flooring dollar sales rates are expected to grow during this period at an estimated compound rate of 6.8% and reach to \$2 billion.
- Laminate flooring square foot sales are expected to grow during this period at an estimated compound rate of 8.7% and reach 2 billion square feet.

Laminate Flooring

U.S. Laminate Flooring Market Sales, 1997-2012

(in millions)



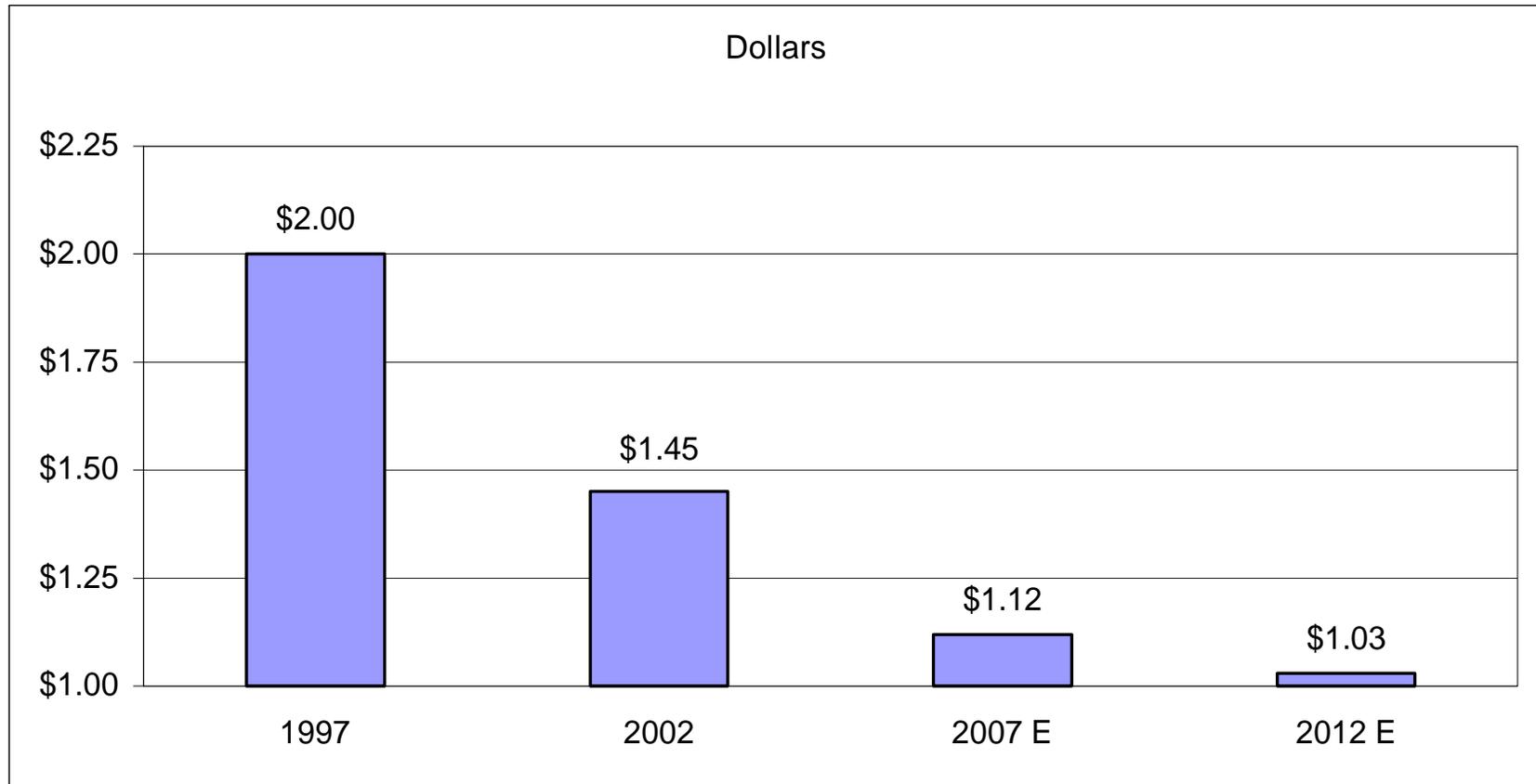
Notes: Data for 1997 from *Floor Covering Weekly*
In manufacturer's dollars, U.S. shipments plus imports
E = Estimate
F = Forecast

Source: CATALINA RESEARCH, INC.

US Laminate Flooring Future Market Outlook

- The average value per square foot sold is expected to decline at a 1.7% compound annual rate which would put it at roughly \$1.03 per square foot by 2012. This will make laminate flooring even more price competitive with other flooring products.

Laminate Flooring
U.S. Average Value per Square Foot of Laminate Flooring Supplied,
1997-2012
(in manufacturers' dollars)



Notes: Data for 1997 from *Floor Covering Weekly*

E = Estimate

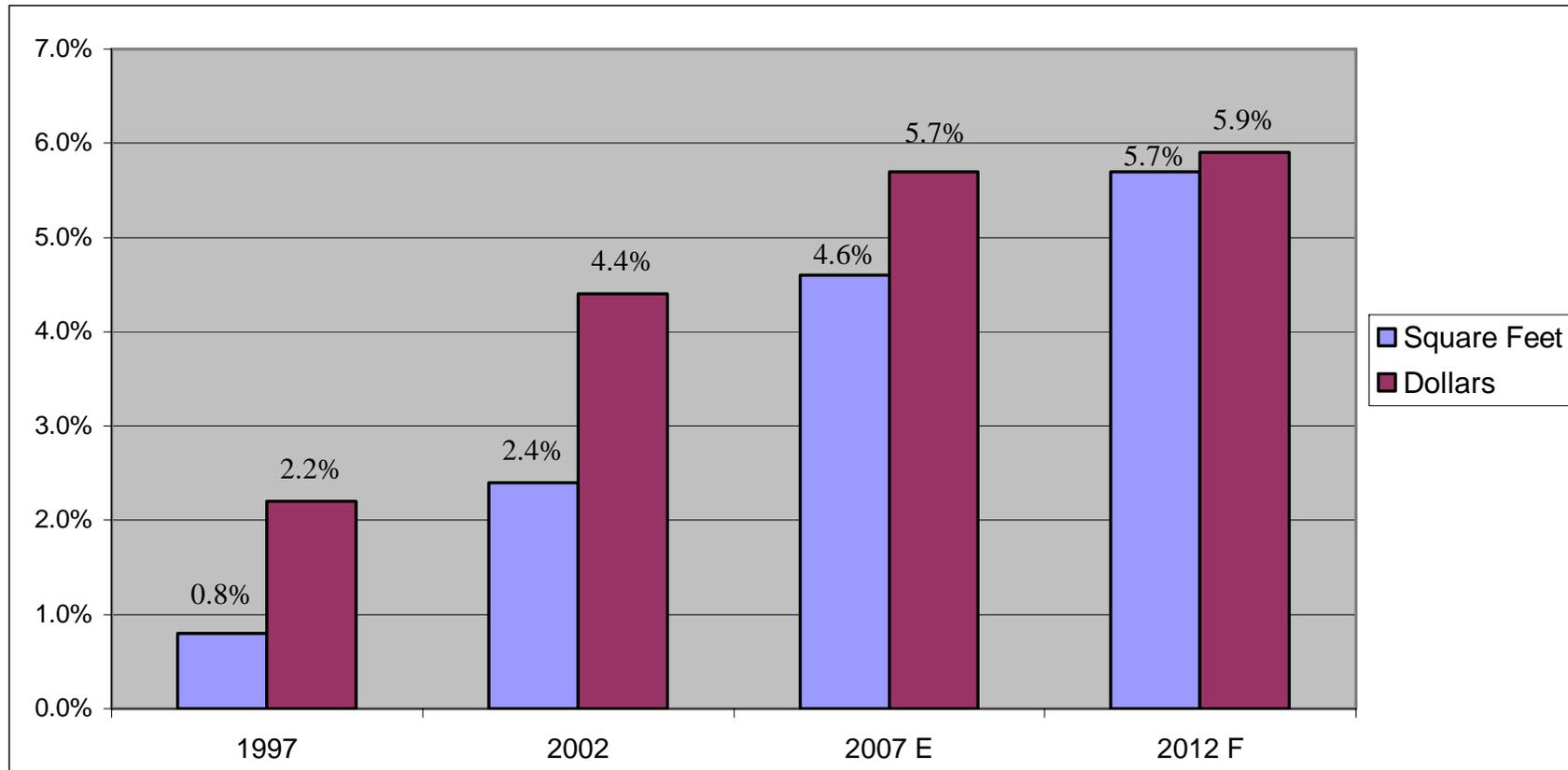
F = Forecast

Source: CATALINA RESEARCH, INC.

US Laminate Flooring Future Market Outlook

Despite the much slower than historical growth projected for laminate flooring in the US in the next 5 years, it is still expected to outpace overall floor coverings sales gains and rise to roughly 6% of total US floor covering manufacturer sales and 15.2% of the total US hard surface flooring sales.

Laminate Flooring
Laminate Flooring's Share of Total U.S. Floor Coverings Market Sales
1997-2012
(percent total floor covering market sales)



Notes: Floor coverings market sales are shipments minus exports plus imports
E = Estimate
F = Forecast

Source: CATALINA RESEARCH, INC.

THANK YOU !!