

Interiors

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JAMES HARDIE INTERIORS

- Interiors overview
- Competitive set
- How we compete
- Emerging trends
- Growth path forward

TILE UNDERLAY OVERVIEW

- Tile underlayment is installed under tile in wet areas and can be rigid or non-rigid
- Backer board (a rigid tile underlayment) provides a solid foundation upon which to install the tile and protects the subfloor from moisture and mold
- Tile underlayment is most commonly installed on floors and walls
 - 1/4" thickness used for floors
 - 1/2" thickness used for walls

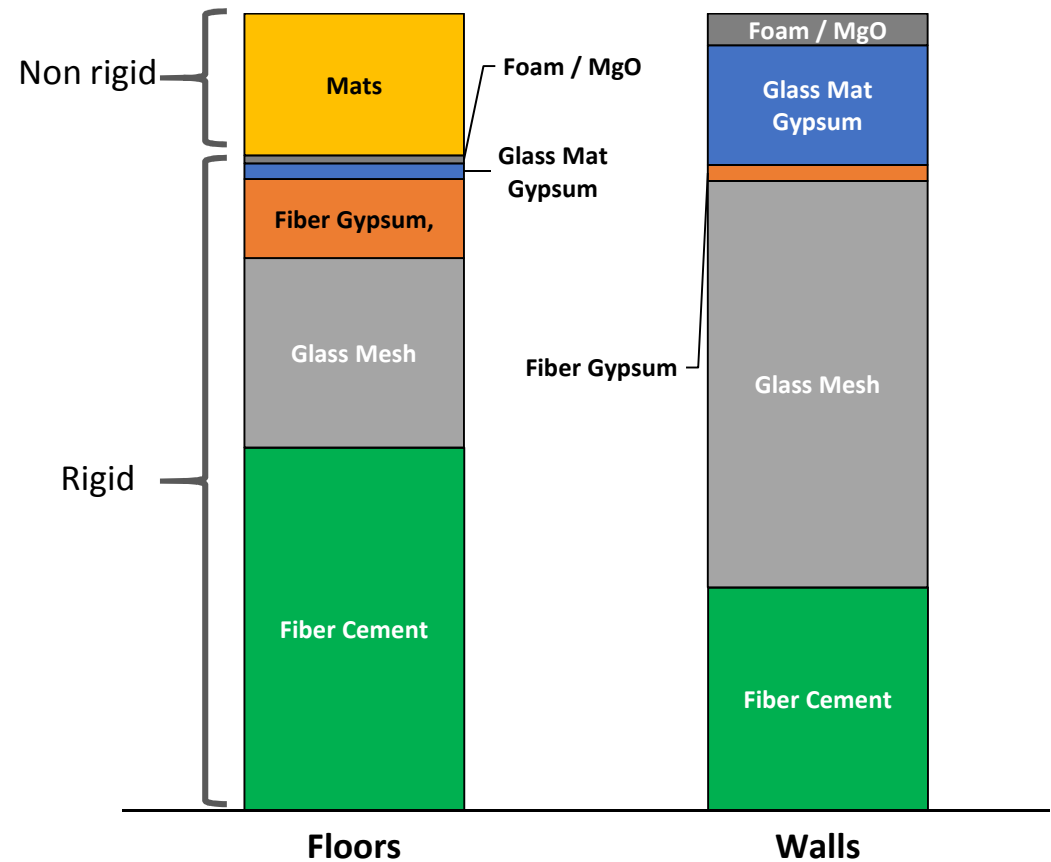


TILE UNDERLAYMENT OVERVIEW

- Total tile underlayment market is estimated at ~1.1bsqft
- Market for floor underlayment is in slight decline
- Market for walls is expected to grow at +3-4% per year

Underlayment Technology

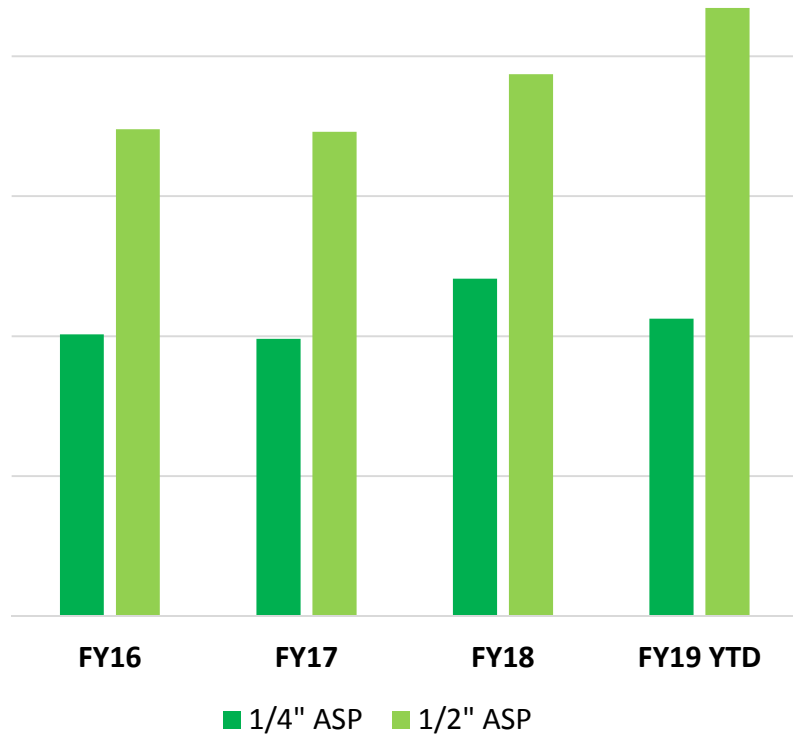
(Estimated Volume)



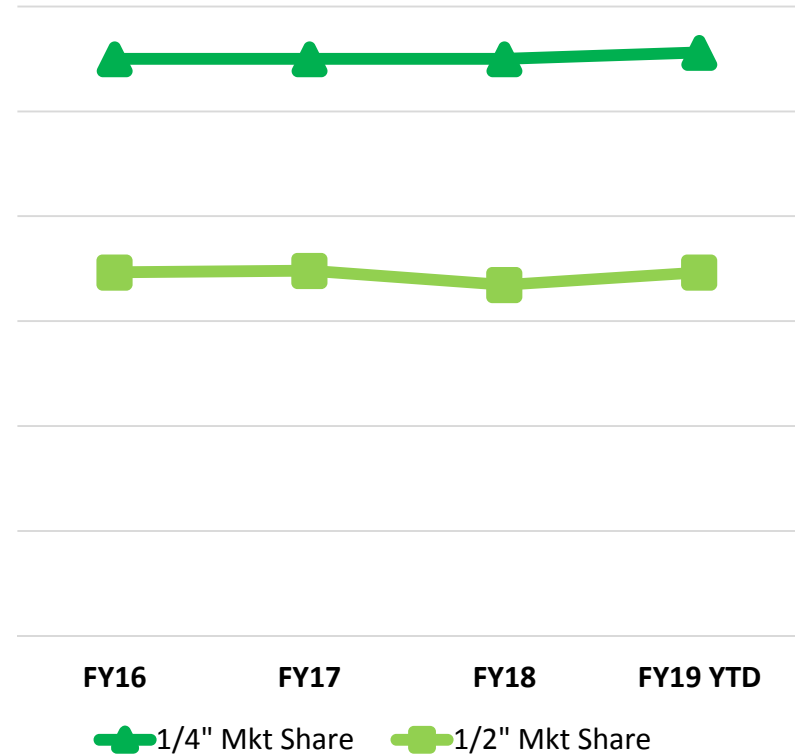
Source: Catalina Research, Ciprus Report

HISTORIC INTERIORS PERFORMANCE

Average Selling Price




Market Share %



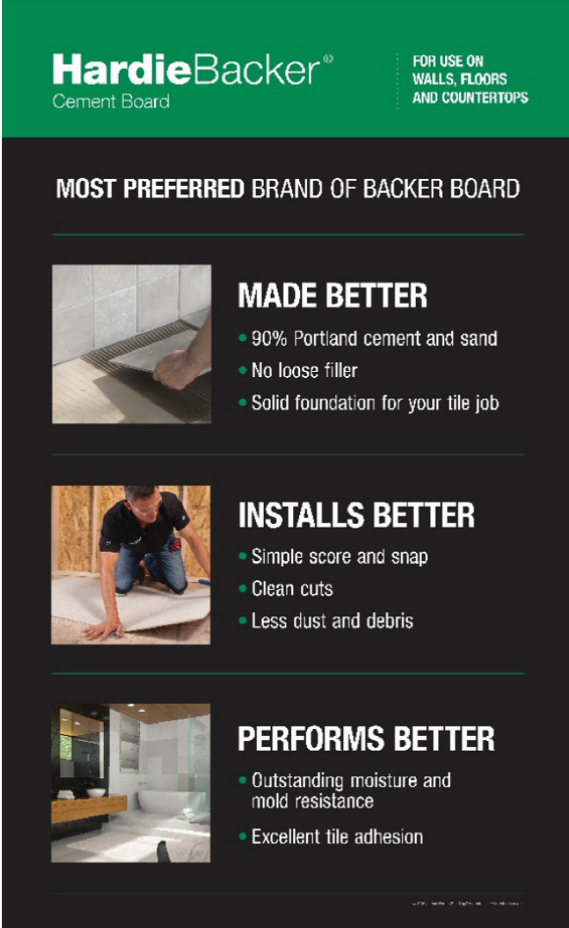
Estimated market share stable since FY15 ... average selling price accretion

COMPETITIVE OVERVIEW

	Description	Performance Gap vs. HardieBacker	Example Brands
Rigid	Fiber Cement	Cement board with 90% Portland cement and sand	
	Glass mesh cement	Cement board wrapped in fiberglass mesh	<ul style="list-style-type: none"> • Crumbles, messy when cut • Not as stiff or strong USG – Durock National Gypsum - Permabase
	Gypsum	Gypsum core, typically wrapped with paper or glass mat	<ul style="list-style-type: none"> • Poorer moisture or mold resistance • Weaker, lower tile adhesion Fiberock DensShield
Non Rigid	Foam	Extruded polystyrene or poly-iso foam core with facer	<ul style="list-style-type: none"> • Expensive • Lower tile adhesion Schluter Systems - Kerdi
	Mats	Polyethylene sheet	<ul style="list-style-type: none"> • Expensive • Installation methods not as widely understood Schluter Systems - Ditra

VALUE PROPOSITION – RIGID TILE UNDERLAYMENT

- HardieBacker® is the market leader in rigid tile underlayment, >95% category share in fiber cement
- Strongest rigid tile underlayment on the market
- Superior tile adhesion
- Uniform composition
- Highest compressive strength
- Easy → no mess cutting
- Strong moisture and mold performance



HardieBacker®
Cement Board

FOR USE ON
WALLS, FLOORS
AND COUNTERTOPS

MOST PREFERRED BRAND OF BACKER BOARD

MADE BETTER

- 90% Portland cement and sand
- No loose filler
- Solid foundation for your tile job

INSTALLS BETTER

- Simple score and snap
- Clean cuts
- Less dust and debris

PERFORMS BETTER

- Outstanding moisture and mold resistance
- Excellent tile adhesion

INTERIORS CHANNEL SPLIT – RIGID TILE UNDERLAYMENT

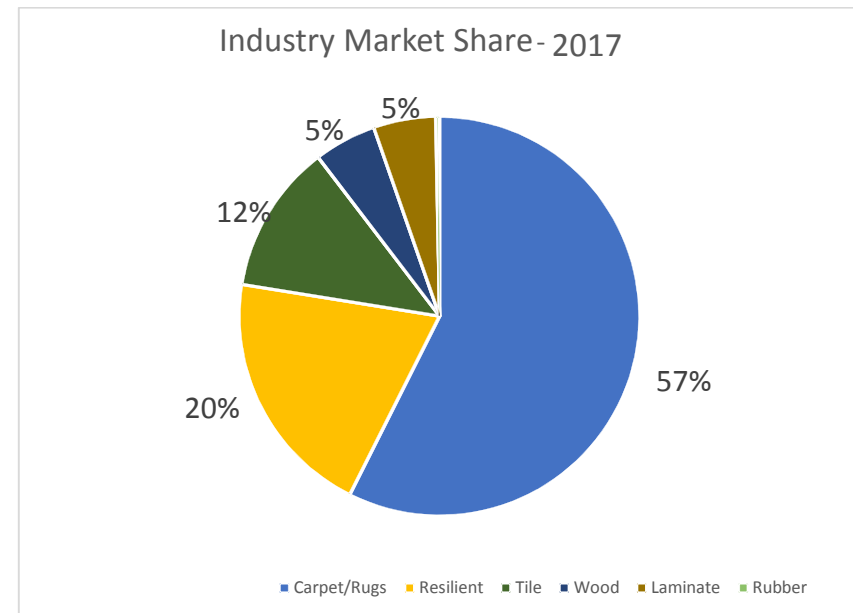
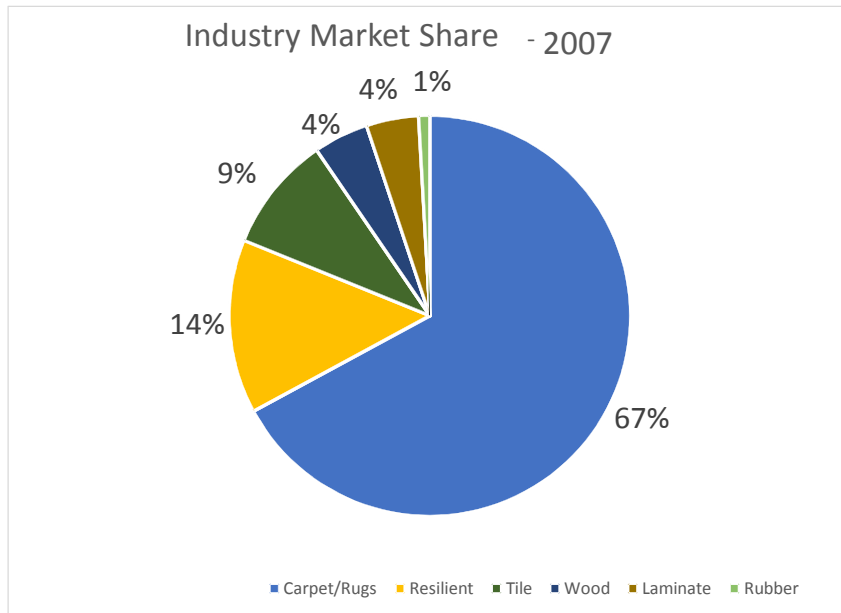
		Example Companies	% of Rigid Underlayment	Primary Customer
Retail	Big Box Retail	 	~60%	DIY, remodeling contractor, JOAT
	Pro-Tile	  	~20%	Tile contractors
Pro	Gypsum	 	~10%	Drywall contractors
	Lumber	 	~10%	GCs, custom builders

Source: Catalina Research, NAHB, US Census, HW, Management Estimates

James Hardie is the market leader in retail, but is currently underpenetrated in Pro-Tile. Future focus on channel alignment will help drive additional growth in that market.

MATERIAL TRENDS IMPACTING TILE UNDERLAYMENT

- Resilient flooring is a term that refers to floor coverings that occupy a middle ground between soft floors and hard floors.
- Resilient flooring and more specific luxury vinyl tile (LVT) requires no underlayment when installed

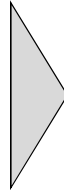


Source: Floor Covering News – July, 2018

GROW MARKET SHARE IN RIGID UNDERLAYMENT

1

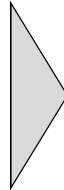
Share of Wall Capture



- Continue to educate contractors on the value proposition and points of differentiation
- Drive end user conversion to HardieBacker® from other technologies

2

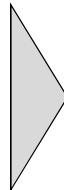
Channel Alignment & Organization Execution



- Maintain high level of engagement in retail channel, driving brand preference
- Expand points of distribution and increase customer intimacy in pro channel

3

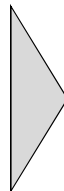
Actively Reinforce Use of 1/4" on the Floor



- Reinforce the use of 1/4" for tile projects on the floor (instead of 1/2") in certain markets
- Educate contractors on the value and workability of 1/4" on the floor (switch them from 1/2")

4

Innovate to Enable Growth in Emerging Trends



- Deliver innovative products that align with, and address, key trends in the marketplace:
 - Increased cost of labor to install
 - Waterproofing in showers/bathrooms
 - Growth in alternative technologies

SUMMARY

- Resilient flooring, which does not require a tile underlayment, is growing and is starting to reduce the addressable market for flooring tile underlayment
- James Hardie has strong market share in ¼” backer – used on the floor
- Opportunity to move contractors still using ½” gypsum on the floor to our ¼” product
- Continue to grow share in ½” backer on the wall
- Opportunity exists to develop products, taking advantage of the current trends
- We are funding product development to address developing market preferences



Q&A

