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INTERIORS OVERVIEW

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September 2016

AGENDA

- INTERIORS OVERVIEW
- PATH TO 50% SHARE
- ACHIEVING "++" STRATEGY
- QUESTIONS

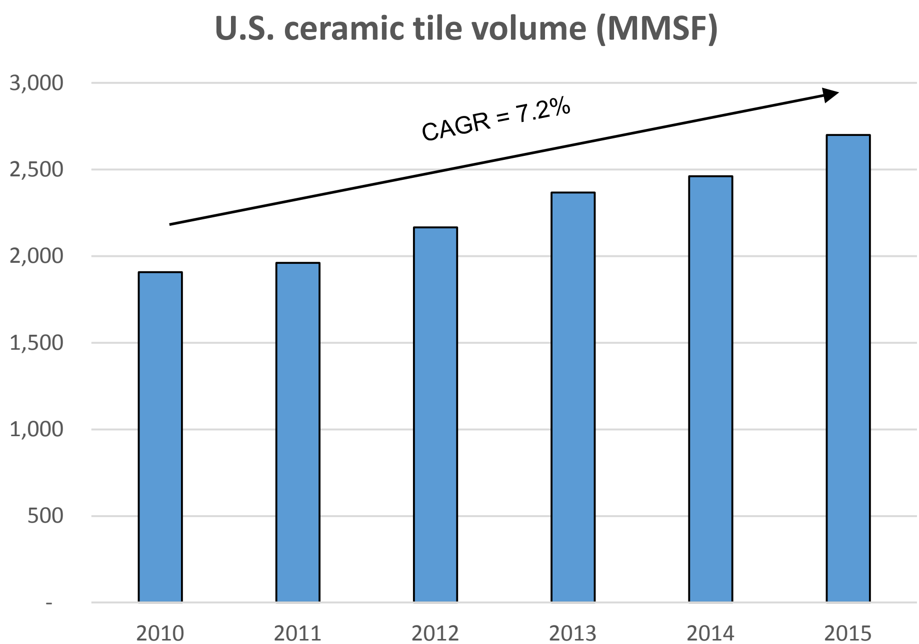
TILE UNDERLAYMENT OVERVIEW

- Tile underlayment, most commonly referred to as backerboard, is installed under tile in wet areas
- Backerboard provides a solid foundation to install the tile and protects the subfloor from moisture and mold
- Backerboard is most commonly installed on floors and walls (also on countertops in some cases)
  - ¼" thickness used for floors
  - ½" thickness used for walls
- The most common sizes are 3'x5' and 4'x8'

Floors

Walls (shower / tub surrounds)

TILE MARKET GROWTH



- U.S. ceramic tile volume has increased by ~7.2% p.a. to reach ~2.7 billion square feet in 2015
- Ceramic tile has increased its share of the total floor coverings market from ~11% in 2010 to ~13% in 2015
- Dollar sales of ceramic tile have increased at a faster rate than volume, largely due to a shift toward higher value large format tile

% of total floor coverings	11.3%	11.4%	12.1%	12.4%	12.6%	13.4%

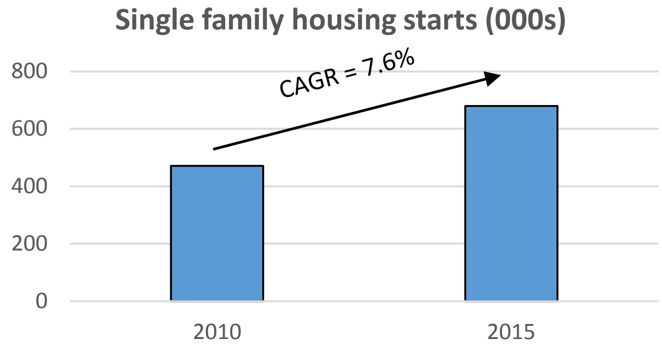
*Ceramic tile as a percent of overall floor coverings was 10.6% in 2002

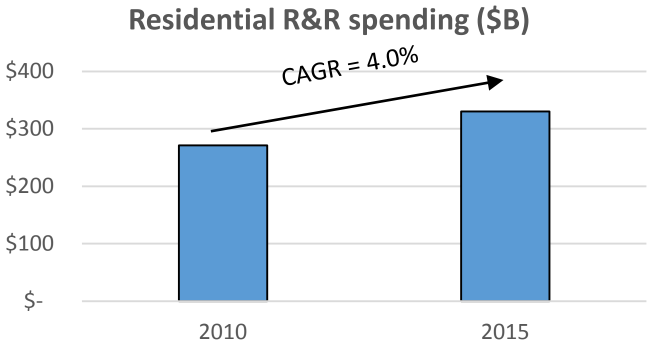
Tile is forecast to continue gaining share of the overall flooring market and reach ~15% by 2020

Source: Catalina Research

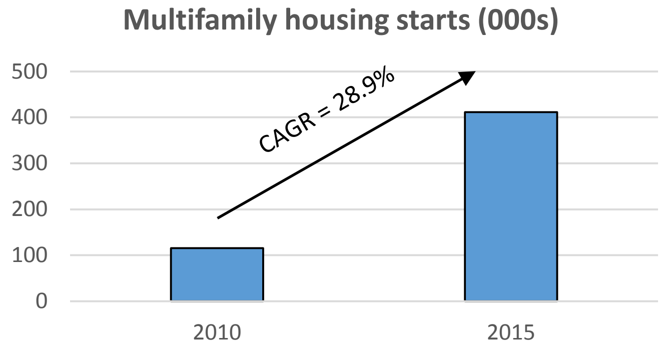
CONSTRUCTION DRIVERS

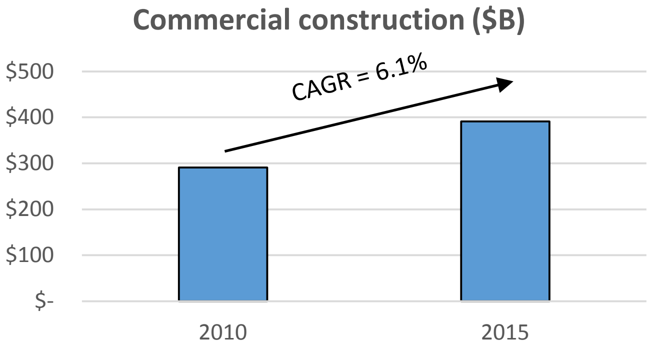
Increased construction activity has driven higher demand for ceramic tile …





Higher usage of backerboard in SFNC and R&R segments



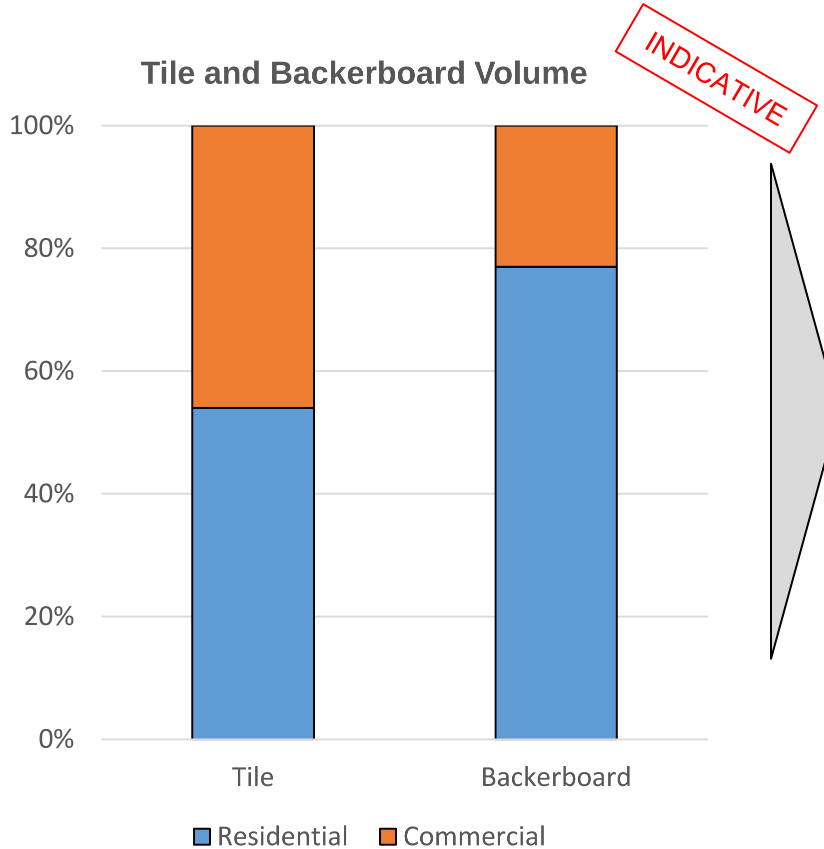


Lower usage of backerboard in multifamily and commercial segments

… but backerboard usage varies significantly by construction segment

Source: U.S. Census Bureau, Home Improvement Research Institute, Catalina Research

TILE VS. BACKERBOARD USAGE



SFNC and R&R

- Backerboard is prominent solution over wood subfloors
- Not used over slab on grade

Commercial and multifamily

- Lower usage as backerboard is not used over concrete floors
- Backerboard used on wet area walls

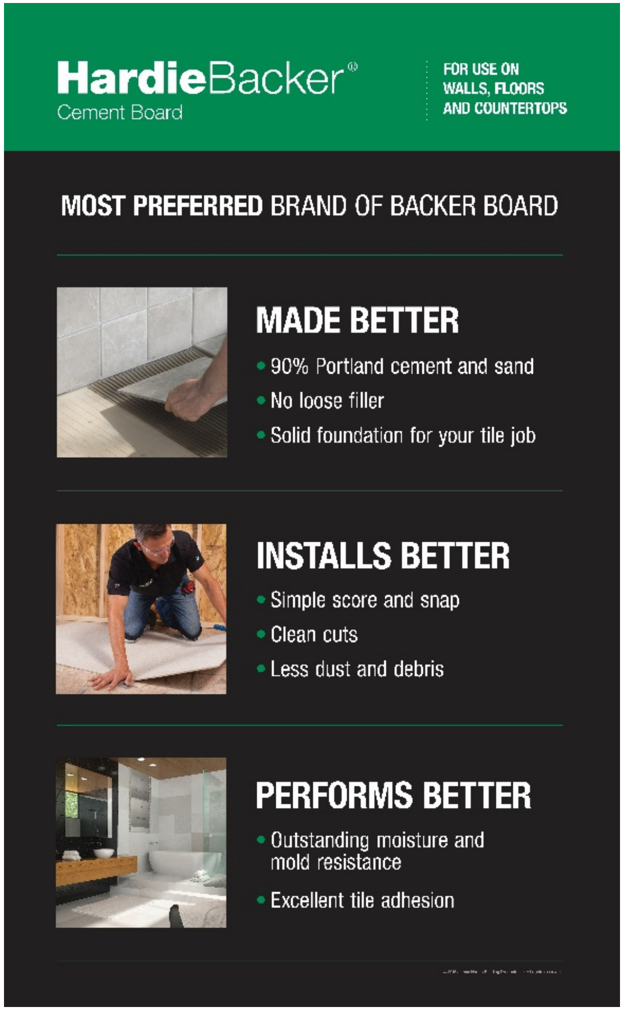
While the tile market is split roughly 50/50 for residential vs. commercial applications, the backerboard market is weighted more heavily toward residential

Source: Catalina Research, Freedonia

TYPES OF TILE UNDERLAYMENT

	Description	JH value proposition	Example brands
Fiber cement	• Cement board with 90% Portland cement and sand	• HardieBacker® has a differentiated fiber cement formulation and has been voted the most preferred backerboard by NTCA professional contractors	HardieBacker® Cement Board
Glass mesh cement	• Cement board wrapped in fiberglass mesh	• Uniform composition, which leads to cleaner cuts and less mess on the job	USG (Durock) National Gypsum (PermaBase)
Gypsum	• Gypsum core, typically with paper or glass mat facer	• The HardieBacker® MoldBlock® technology provides superior mold and moisture resistance relative to gypsum	USG FIBEROCK® Underlayment AQUA-TOUGH Georgia-Pacific DensShield® Tile Backer
Foam	• Extruded polystyrene or poly-iso foam core with facer	• HardieBacker® is less expensive than most foam boards and has higher compression strength	Schluter Systems (Kerdi) GoBoard® Johns Manville
Mats	• Polyethylene sheet that is rolled on floor	• HardieBacker® is less expensive than mats and installation methods are more well known with contractors	Schluter Systems (Ditra) REDGARD®

HARDIEBACKER POSITIONING



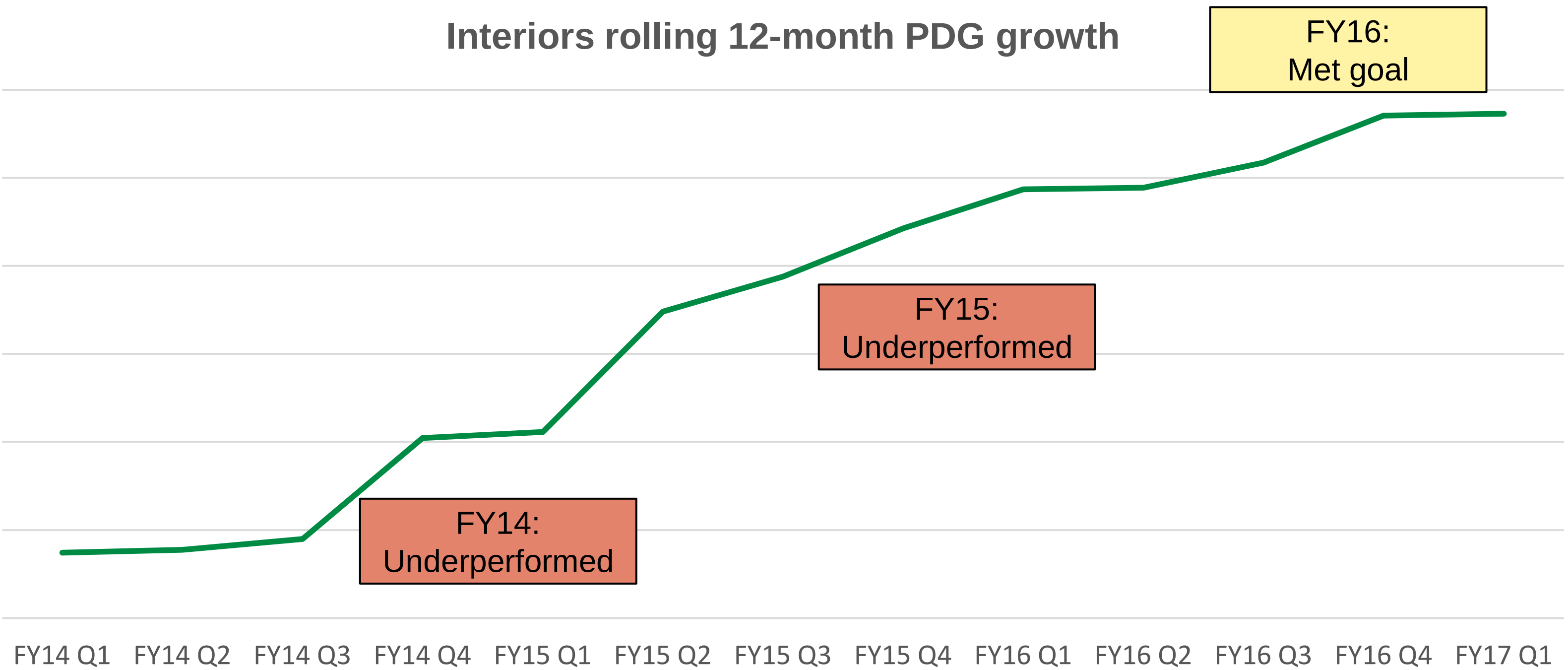
- HardieBacker® is the market leader in rigid backerboard
- Voted most preferred backerboard by NTCA professional contractors in study conducted by Clear Seas Research
- Only backerboard stocked nationally at both Home Depot and Lowe's
- Customers see value in HardieBacker® due to its uniform composition, which allows for cleaner cuts and less mess

CHANNEL PRESENCE

Largest backerboard segment → Smallest backerboard segment

	Example companies	JH presence	Primary customer	Segment advantage
Big Box	The Home Depot; Lowe's; Menards (Dedicated to Service & Quality)	JH over-indexes	DIY, remodeling contractors, "jack of all trades"	• Convenience (locations / hours) • One-stop-shop for a broad range of items that remodelers buy (fixtures, mirrors, cabinets, etc.)
Pro-Tile	Daltile; Emser Tile; Bedrosians Tile • Stone	JH under-indexes	Tile contractors	• Contractors already purchasing tile through the channel • Purchase all related installation accessories
Gypsum	Gypsum Supply Company; L&W Supply	JH under-indexes	Drywall contractors	• High volume drywall purchases • Service / delivery
Lumber	84 Lumber; ProBuild	JH on par	General contractors, custom builders	• Lumber channel carries a range of other products that GCs / builders purchase (siding, roofing, etc.) • Service / delivery

HISTORICAL INTERIORS PERFORMANCE



The Interiors team has consistently accelerated PDG growth since FY14 and must continue to grow PDG to achieve our goal of 50% market share in backerboard

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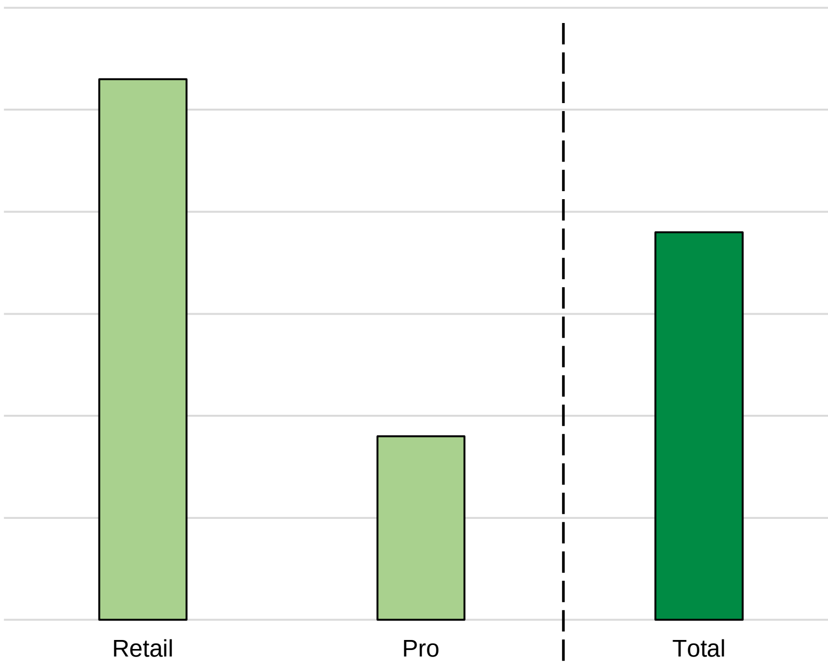
50% SHARE AMBITION

HardieBacker® current market share



HardieBacker® market position	#1	#3	#1

- Our goal is to drive HardieBacker® share to 50% of the backerboard market
- Current share is estimated to be ~35-40%, with a stronger position in retail than in the pro channel
- Achieving 50% market share will require growth in both the retail and pro channels

Source: Management estimates

KEY INITIATIVES

1 Driving Brand Preference

- Educating contractors on the value proposition and points of differentiation
- Driving end user conversion to HardieBacker® from other technologies

2 Channel Alignment

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

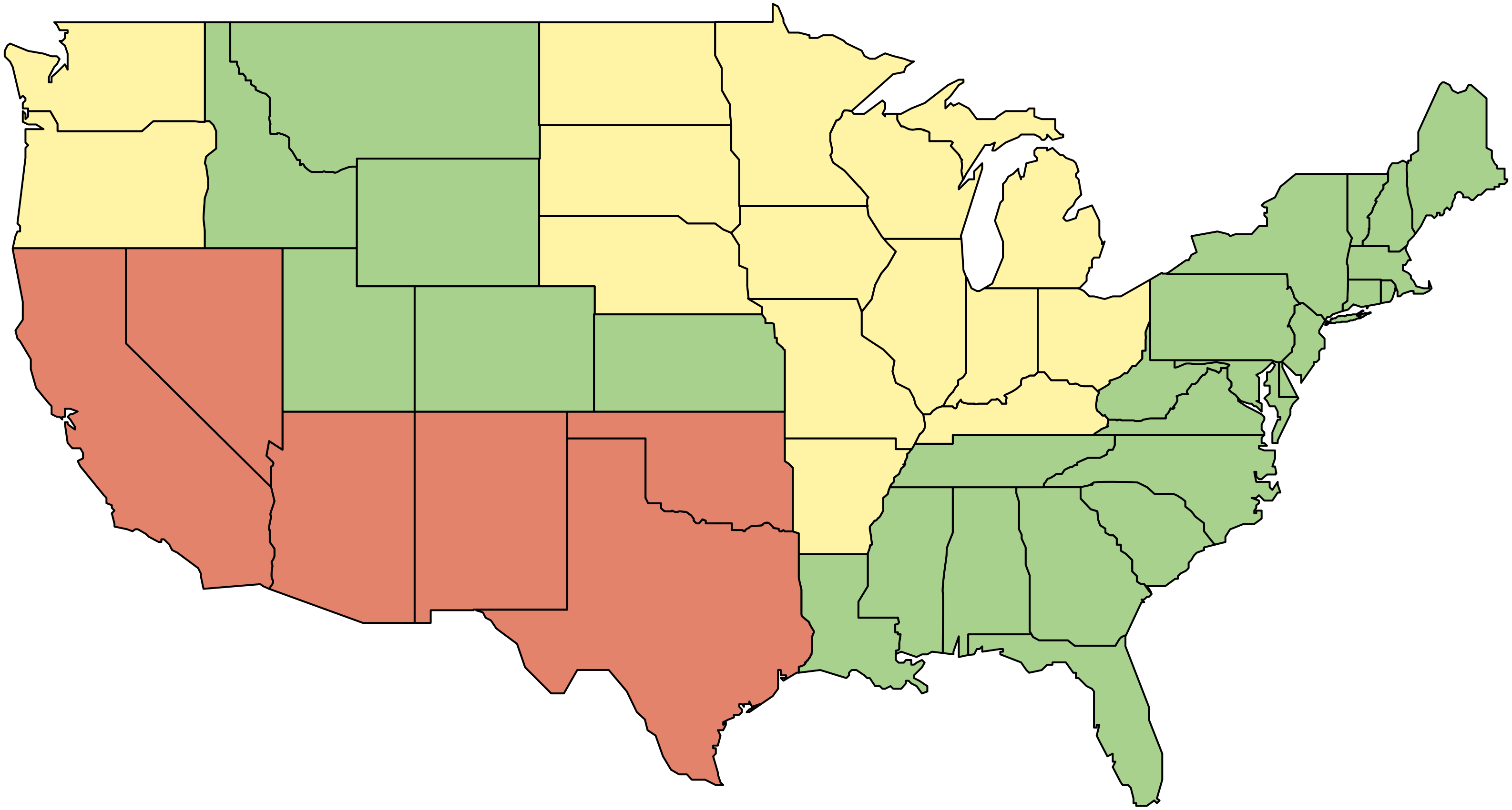
3 Organizational Execution

- Management focus
- Attract, develop and retain talent

PATH TO 50% SHARE

Relative share growth opportunity

High | Medium | Low



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VISION FOR INTERIORS

50 **% share of rigid backer**

- Drive share of backerboard to 50%
  - Growth required across channels, with most coming from pro

+ **Win underlayments**

- Enter non-FC underlayment categories to achieve 50% share of total underlayments

+ **Add adjacencies**

- Develop JH into one of the top 3 companies in tile installation products with portfolio revenue > $500M

EXAMPLE CATEGORIES AND PRODUCTS

Prep / underlayment

Backerboard

Mats

Membranes

Self-leveling

Setting / grout

Mortar

Grout

Accessories

Tapes

Fasteners

Sealants

Shower systems

Kits

Pans / bases

Benches

Shelves

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