

Opening the door to continued growth

Masonite International Corporation is a leading global designer and manufacturer of interior and exterior doors for the residential new construction; the residential repair, renovation and remodelling; and the non-residential building construction markets. The US-based company has customers in 65 countries around the world. It continues to grow its business and recently acquired A&F Wood Products, Inc. (“AFWP”), a wholesaler and fabricator of architectural and commercial wood doors in the Midwest United States. Joanne Freiberger, VP Treasurer at Masonite, explains how the acquisition fits in with their growth strategy.

Masonite has a history dating back to 1925. The company was founded by

engineer and inventor William H. Mason after he discovered a more effective way

to use wood in building materials. The result was the hardboard material that became known as Masonite. In 2009, when it was owned by global investment firm KKR, the company was hit hard by the global financial downturn, which led to bankruptcy in 2009. It immediately and successfully restructured, however, making it a financially healthier and stronger business. Masonite listed on the New York Stock Exchange in 2013.

Today, the company is positioned as a leading global designer, manufacturer and distributor of interior and exterior doors for the new construction and repair, renovation and remodelling sectors of the residential and non-residential building construction markets. In the year ended January 1, 2017, the company sold approximately 35 million doors to more than 7,000 customers in 65 countries. It operates 65 manufacturing and distribution facilities in 8 countries in North America, Europe, South America and Asia, all strategically located to serve its customers.

“In order to better serve our customers and create sustainable competitive advantages, we focus on developing innovative products, advanced manufacturing capabilities and technology-driven sales and service solutions,” says Ms. Freiberger. “Today, we believe we hold either the number one or two market positions in the seven product categories we target in North America. We market and sell our products to remodelling contractors, builders, homeowners, retailers, dealers, lumberyards, commercial and general contractors and architects through well-established wholesale and retail distribution channels. Our broad portfolio of brands, including Masonite®, Marshfield®, Premdor®,



Mohawk®, Megantic®, Algoma®, Birchwood Best®, Lemieux®, Door-Stop®, Haring Doors™, Performance Doorset Solutions™ and National Hickman® are among the most recognised in the door industry and are associated with innovation, quality and value.”

Over the past several years, Masonite has invested in advanced technologies to increase the automation of their manufacturing processes, increase quality and shorten lead times and introduced targeted e-commerce and other marketing initiatives to improve our sales and marketing efforts and customer experience. “In addition, we implemented a disciplined acquisition strategy that solidified our presence in both the North American residential moulded, and stile and rail interior door markets, and created leadership positions in the attractive North American commercial and architectural interior wood door, door core and wood veneer markets,” Ms. Freiberger adds. “We are one of the few vertically integrated door manufacturers in the world and one of only two in the North American residential moulded interior door industry, as well as the only vertically integrated door manufacturer in the North American architectural interior wood door industry. Our vertical integration extends to all steps of the production process from initial design, development and production of steel press plates to produce interior moulded and exterior fibreglass door facings to the manufacturing of door components, such as door cores, wood veneers and moulded facings, to door slab assembly. We also offer incremental value by pre-machining doors for hardware, hanging doors in frames with glass and hardware and pre-finishing doors with paint or



stain. We believe that our vertical integration and automation enhance our ability to develop new and proprietary products, provide greater value and improved customer service and create high barriers to entry. We also believe vertical integration enhances our ability to cut costs, although our cost structure is subject to certain factors beyond our control, such as global commodity shocks.”

Ms. Freiberger believes that the recently announced acquisition of A&F Wood Products, Inc. (AFWP) fits in well with Masonite’s growth strategy; the two companies know each other well as Masonite has a long and valued history as a supplier of door products to AFWP. Founded in 1968, AFWP excels in providing door and hardware distributors with wood doors, hollow metal doors, custom metal frames, wood frames and hardware with quick ship capabilities. It employs approximately 50 people at a single site in Howell, Michigan and net sales for the twelve months ended May 31, 2017 were approximately US \$14 million. Masonite expects the acquisition to be immediately accretive to their Adjusted EBITDA margin. Terms of the acquisition were not disclosed.

AFWP will operate as part of Masonite’s subsidiary USA Wood Door, which it acquired in 2015. USA Wood Door is a

wholesaler and fabricator of architectural and commercial wood doors in the Eastern United States providing door and hardware distributors with machined, re-sized, and value added additions to both unfinished and prefinished doors, in short lead times. “Expanding the USA Wood Door model by acquiring A&F will provide additional resources, additional products and unique metal expertise to allow Masonite Architectural customers access to various solutions for their opening needs,” Ms. Freiberger comments. “These solutions encompass 5, 10, 15 day shipments and industry standard lead times from our manufacturing locations. In short, we firmly believe that enhancing our USA Wood Door model will create tremendous value for our customers, employees, suppliers and shareholders.”



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