

◆ 2016 ◆

— First Quarter —

Industry Report

INSIGHTS FROM:

 WarmlyYours

As an established leader in the radiant heating industry, WarmlyYours Radiant Heating issues its Q1 2016 Industry Report in order to serve as a resource to our business and trade partners. This report includes a recap of industry news and WarmlyYours sales for the first quarter of 2016 as well as a look ahead at the trends and growth of the year.

Radiant Heating Grows with National Remodeling Activity

The close of the first quarter of 2016 marks the fourth continual quarter of growth in gross consolidated sales for WarmlyYours. This upswell shows no signs of slowing. In fact, national indicators predict a robust acceleration of remodeling activity to continue well into 2017. WarmlyYours's sales growth currently outpaces the increase in remodeling activity due in large part to regional market growth and an uptick in outdoor heating system sales.

First quarter consolidated gross sales for WarmlyYours in 2016 are up 15 percent when compared to a year ago. This continues a trend of upward growth that began with a strong second quarter in 2015 that also posted growth in the double digits. Remodeling activity, a leading driver of electronic radiant heating system sales, is poised to expand even further and maintain that growth for the foreseeable future.

Remodeling Growth Shows No Signs of Slowing

The most recent Leading Indicator of Remodeling Activity (LIRA) report, which was released by the Joint Center for Housing Studies of Harvard University, predicts that by the end of 2016, home remodeling spending will increase 8.6 percent.

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The newly re-benchmarked indicator further predicts that this spending will increase to 9.7 percent by the first quarter of 2017. Chris Herbert, the managing director of the Joint Center, pointed to a few identifiable factors that are contributing to the continued increase in remodeling activity.

“Ongoing gains in home prices and sales are encouraging more homeowners to pursue larger-scale improvement projects this year compared to last with permitted projects climbing at a good pace,” said Herbert. “On the strength of these gains, the level of annual spending for remodeling and repairs is expected to reach nearly \$325 billion nationally by early next year.”

There seems to be consensus among remodelers nationally that growth is ahead. However, the extent and speed of that growth is varied depending on the source. The National Association of the Remodeling Industry (NARI) released the results of its Remodeling Business Pulse Survey for the first quarter of 2016. The survey, which is compiled from NARI members, showed an expectation of modest growth in remodeling activity.

According to a statement released by NARI, 70 percent of remodelers expect at least some level of growth in the second quarter, while only 9 percent foresee declines. For survey respondents, the resumption of postponed projects and increasing home prices were the two most cited drivers of growth.

According to the Commerce Department, U.S. home sales dipped in March of 2016 by 1.5 percent to a seasonally adjusted annual rate of 511,000 units.

This small decline could be attributable to a constraint on available property for sale, which is a bottleneck for growth concerning the housing market. Home-builder confidence, as measured by a sentiment index that is closely monitored by the National Association of Home Builders (NAHB), remains unchanged.

“Builders remain cautiously optimistic about construction growth in 2016,” according to a press release from Robert Dietz, chief economist for NAHB. “Solid job creation and low mortgage interest rates will sustain continued gains in the single-family housing market in the months ahead.”

First Quarter Augurs Well for WarmlyYours

2016 has started off strong for WarmlyYours. Consolidated gross sales for the company have increased 15 percent in the first quarter of 2016 when compared to the first quarter of 2015, which had posted a negative sales growth of 11 percent. This represents a 26-point swing in just a year.

This year’s strong first quarter is a continuation of growth that has been carried through the second, third, and fourth quarters of 2015, which posted 8.2 percent, 2.5 percent, and 6.5 percent, respectively. Part of the first quarter success for WarmlyYours is certainly attributable to a massive 45 percent increase in sales for the Canadian market.

This surge in sales for Canada can be partially explained by increases in the sales of electric floor heating systems, which increased by nearly 56 percent in the first quarter of 2016.

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Some of the standout performers for WarmlyYours in this first quarter were from our outdoor heating products. This includes roof and gutter deicing and snow melting systems which increased, in terms of consolidated sales, by 161.6 percent and 145.2 percent, respectively. Snow melting systems have shown a continuous pattern of growth for the WarmlyYours portfolio of products and this quarter has only reaffirmed that well deserved position.

Starting Strong and Moving Forward

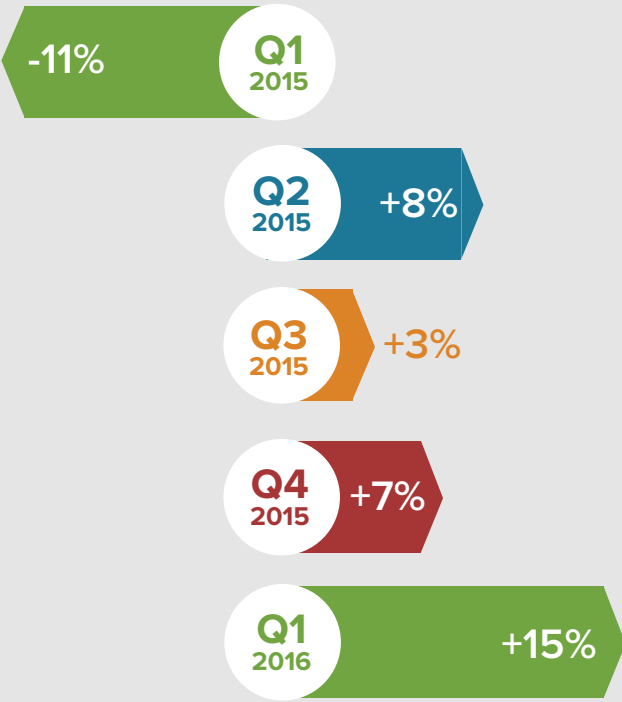
All the pieces are in place for 2016 to be an exceptionally fruitful year for WarmlyYours. The strength of current sales growth, an ever improving product portfolio, and national indicators of remodeling activity all spell a very bright future for WarmlyYours.

“With the current remodeling market growing the way that it is, the sky’s no longer the limit,” said Julia Billen, president and owner of WarmlyYours, “As far as we’re concerned, there is no limit to how far we’ll go.”

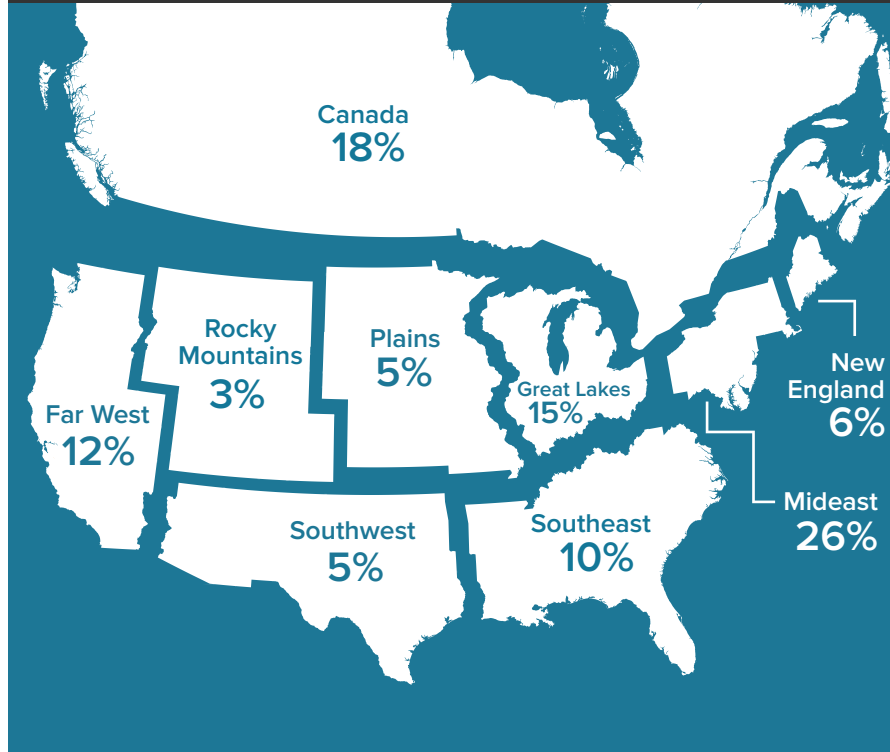
Sourcing

1. <http://www.jchs.harvard.edu/robust-remodeling-growth-anticipated-re-benchmarked-lira>
2. <http://www.nari.org/moderate-growth-ahead-says-nari-remodelers/>
3. <http://www.cnbc.com/2016/04/25/new-home-sales-for-march-2016-reported-by-the-commerce-department.html>
4. <http://www.marketwatch.com/story/home-builder-confidence-treading-water-just-as-sector-counted-on-for-growth-2016-04-18>
5. Relevant WarmlyYours internal documentation

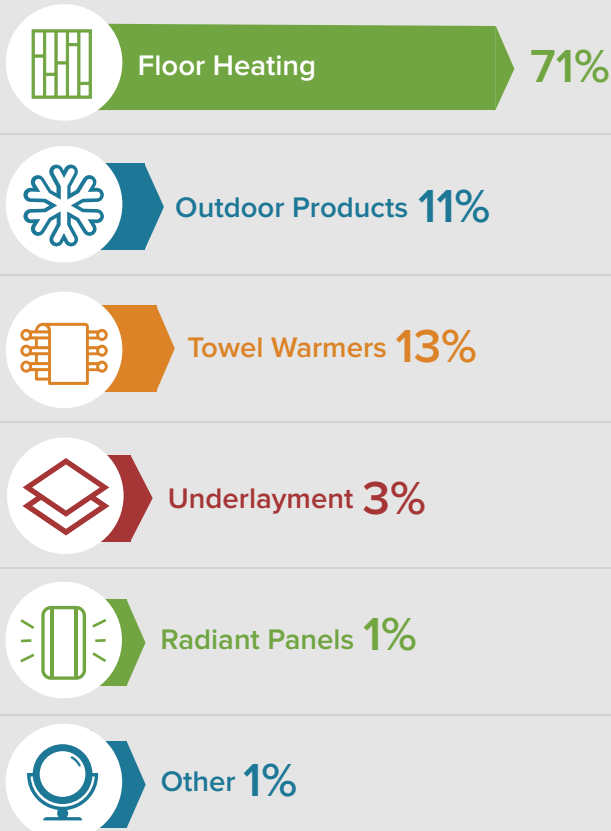
Consolidated Gross Sales 2015/2016



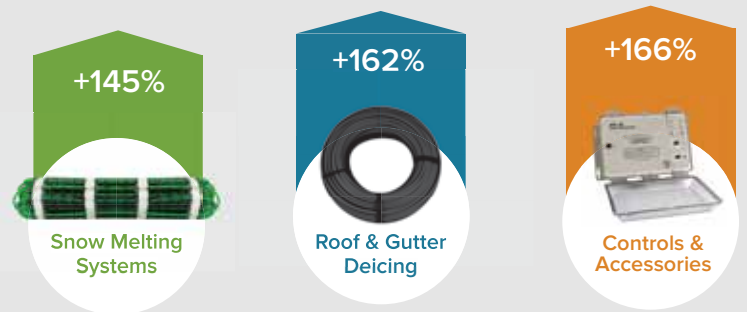
Q1 Consolidated Sales by Region



Q1 Consolidated Sales by Product



Q1 Fastest Growing Outdoor Products



Q1 Fastest Growing Metropolitan Areas

