



AHMI

CABINET INDUSTRY OVERVIEW

FEBRUARY 24, 2023

EDWIN UNDERWOOD

PRESIDENT & COO OF MARSH FURNITURE CO.



- Joined Marsh Furniture Company in 1994
- Manufacturing, Supply Chain, Lean Mfg., Info Tech, Lumber Ops.
- North Carolina State University



KITCHEN CABINET
MANUFACTURERS ASSOCIATION®

Served in many capacities:

- Chair of Standards Committee
- KCMA Board of Directors
- Vice President
- Treasurer
- President



MARSH
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OUR HISTORY



1916

Creators of Cupboards

THE PIE SAFE

These original, ornate Marsh cupboards, or “kitchen safes,” were sold in stores and enthusiastically adopted by consumers.



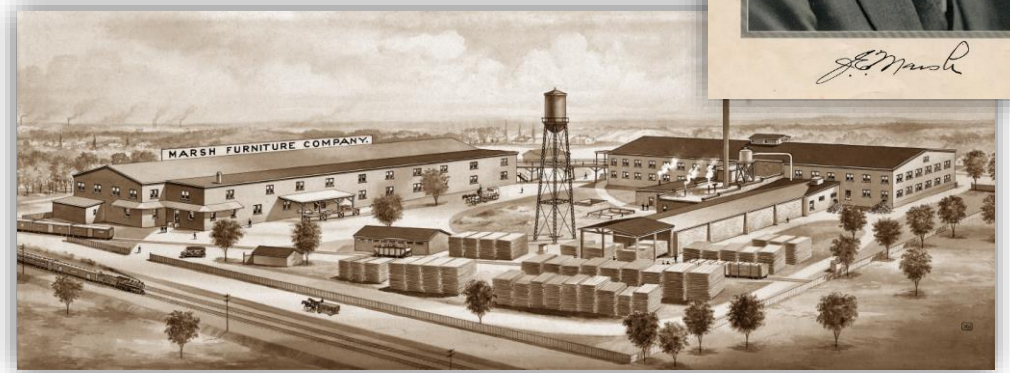
1940's & 1950's

Sought to vertically integrate in the 40's and 50's with lumber and plywood operations.

1906

Julius Everett Marsh Sr. founded Marsh Furniture Company in 1906.

Enjoyed advantages of proximity to notable furniture industry companies.



Late 1920's – 1930's

Navigated Great Depression, multiple wars, and the movement to modular kitchens



MARSH TODAY



2010's

Post Recession growth and product evolution provides for a higher level of craftsmanship that allows access to emerging markets.

2023 & Beyond

Future-focused and committed to innovation, as demonstrated by our most recent investment that brings the latest in finishing technology.

2006

Now in our second 100 years, Marsh is still family-owned and American made.

Proud to be a responsible employer and dedicated partner to our customers across the Eastern U.S.



Proudly Serving
the Eastern U.S.

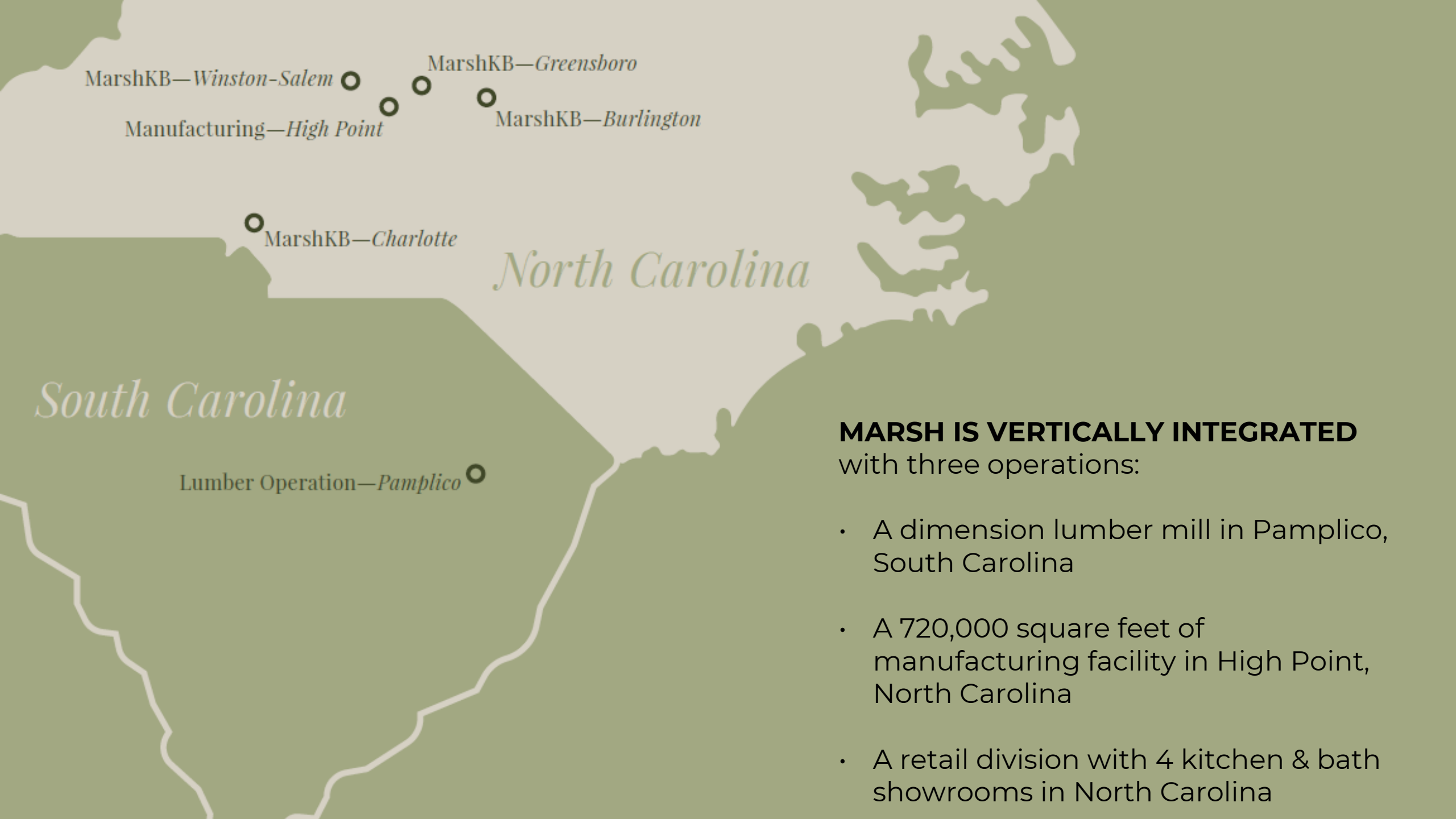


2020

Significant investment in generational updates transforms Marsh.

A world-wide pandemic led to a whirlwind of activity in new construction and remodeling.





MarshKB—*Winston-Salem*

MarshKB—*Greensboro*

Manufacturing—*High Point*

MarshKB—*Burlington*

MarshKB—*Charlotte*

North Carolina

South Carolina

Lumber Operation—*Pamplico*

MARSH IS VERTICALLY INTEGRATED

with three operations:

- A dimension lumber mill in Pamplico, South Carolina
- A 720,000 square feet of manufacturing facility in High Point, North Carolina
- A retail division with 4 kitchen & bath showrooms in North Carolina



THE CABINET INDUSTRY



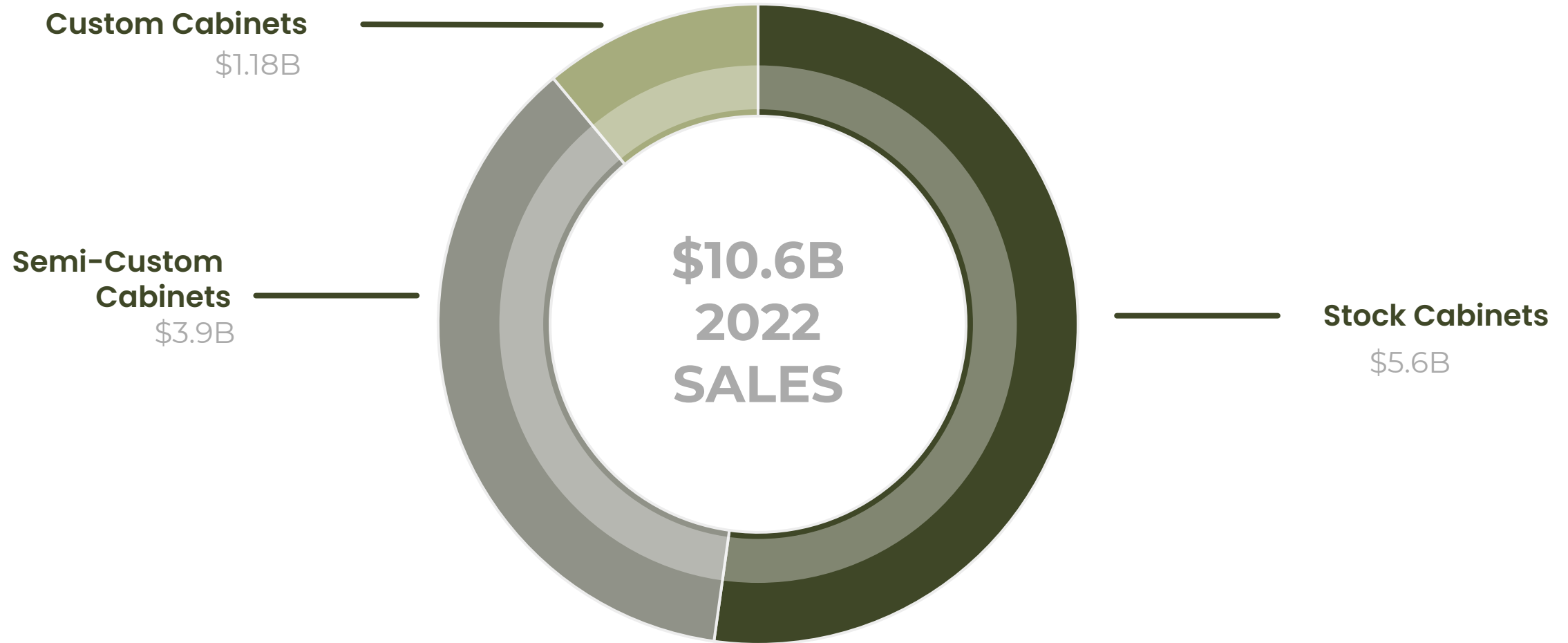
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2022 INDUSTRY SALES

ALL PARTICIPANTS



KITCHEN CABINET
MANUFACTURERS ASSOCIATION*





[ELEMENTS]
BY MARSH

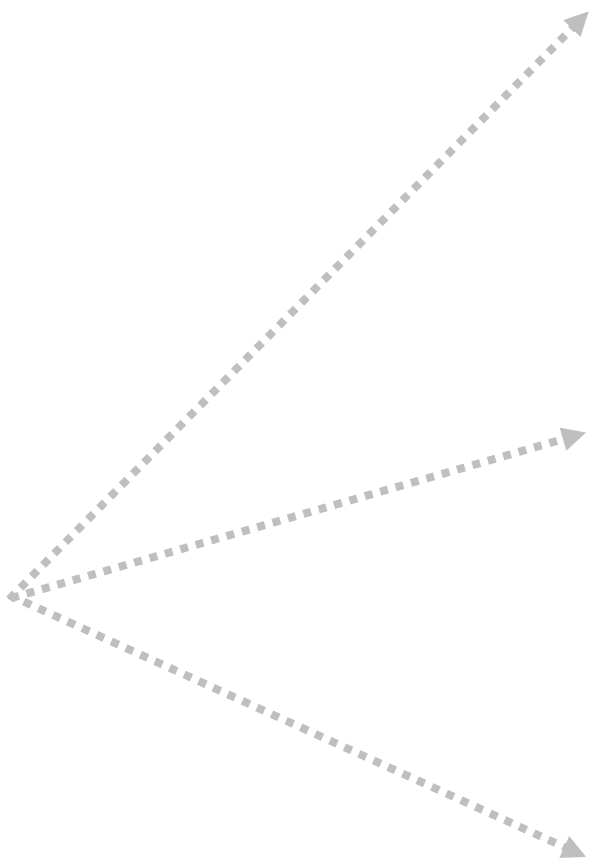
EXCLUSIVES
BY MARSH

	STOCK IMPORT	STOCK DOMESTIC	SEMI-CUSTOM	CUSTOM
PRICE (per box)	\$95 - \$100	\$125 - \$300	\$250- \$1000	\$800 - \$3000
SKU's	UP TO 500	750 - 1200	1200 - 7000	2000+ virtually unlimited
STYLES	UP TO 40	15 - 30 common species	50+ in a variety of species	Hundreds including exotic species
COLORS	UP TO 30	20 - 40+ Paints stains, laminates. Many featured paint programs	50+ standard paints, stains & finish treatments; custom color	Unlimited color options
LEAD TIME	1 - 3 WEEKS	2 - 6 WEEKS	6 - 10 WEEKS	8 - 18 WEEKS
FEATURES & OPTIONS	Plywood construction w/premium features. Customization exists.	Standard & upgrade features available modifications allowed	Upgraded features common, highly customizable	Unlimited finishing capabilities and completely customizable



CABINETS IN THE MARKETPLACE

CABINETS GO TO MARKET THROUGH BUILDERS, DEALERS & BIG BOX HOME STORES



MARSH IN THE MARKETPLACE

MARSH GOES TO MARKET THROUGH BUILDERS, DEALERS & FACTORY-OWNED STORES



INDUSTRY CONSOLIDATION



TRADE BALANCE

2013 - 2018



Post Recession, opportunity available as an underbuilt US housing market responded

US cabinet producers observed a mobilized imported cabinet industry growing significantly
By 2018, Chinese imports alone had grown to \$1.3B in wholesale imports

2018 - 2020



Reports of subsidies and government support for the production of Chinese cabinet imports into the US.

A group of domestic cabinet producers collectively filed a petition with the DOC, and winning the case in March of 2020.

2020 - PRESENT



Coupled with 301 Tariffs, AD/CVD duties reduce Chinese imports appreciably.

Emerging sources become more pronounced: Vietnam, Thailand, Malaysia, and more.

Further engagement from US cabinet producers ongoing.

WHERE IS THE INDUSTRY INVESTING?

INFRASTRUCTURE NEEDED FOR NEXT WORKFORCE AND PRODUCT



FINISHING

Embracing improved finishing methodologies – flat finishing lines (improved coverage/reduced waste)



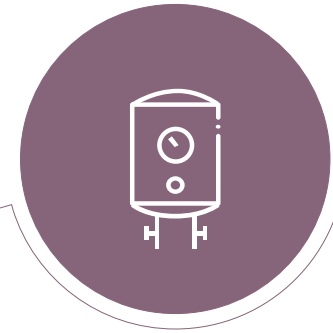
DIMENSIONAL PROCESSING

Investing in lumber and dimension processing – scale, reduced labor, yield



EQUIPMENT

Cabinet door building – Upgraded equipment to automate and drive efficiencies in machining, building and sanding



TECHNOLOGY

Technology to support – Enterprise Resource Planning Systems (ERP), optimization software, robotics, environmental implements

PAINTED FLAT LINE

VIDEO



US CABINET INDUSTRY - 2023

PRODUCT TRENDS



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WHAT'S TRENDING

SPECIES

Grain and texture are becoming more prevalent.

Oaks, Ash, and other open grain species.

Bringing the outdoors in with more nature-inspired textures and colors.



WHAT'S TRENDING

FINISHES

- Seeing a shift back to stains, especially lighter stains without red undertones.
- Trend toward more translucent stains as a hybrid between paint and stain



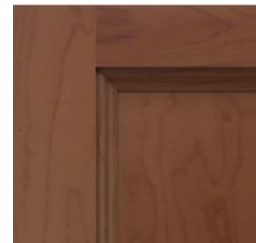
Natural **BOMC**



Drift **BOMC**



Nutmeg **BOMC**



Cocoa **BOMC**



Graphite **BOMC**



Saddle **BOMC**



Clove **BOMC**



Espresso **BOMC**



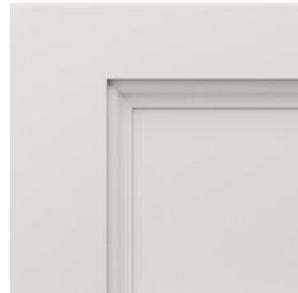
FINISHES: PAINTS & CAPTIV8™



- Painted Cabinetry is still prominent.
- Captiv8™ is a relevant cost effective alternative.



Alpine



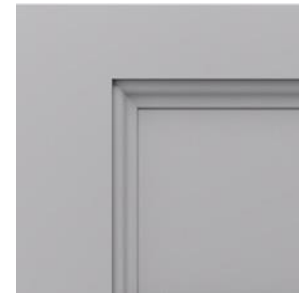
Salt



Linen



NEW: Pebble



Greystone



Cloud



Storm



SPRING 23: HUNT



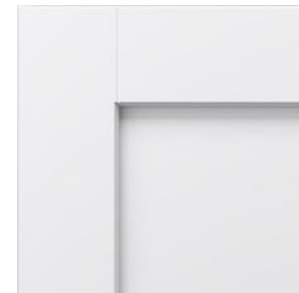
Hatteras



Midnight



Captiv8™



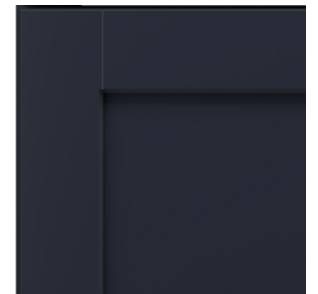
Sugar



Shadow



NEW: Dune

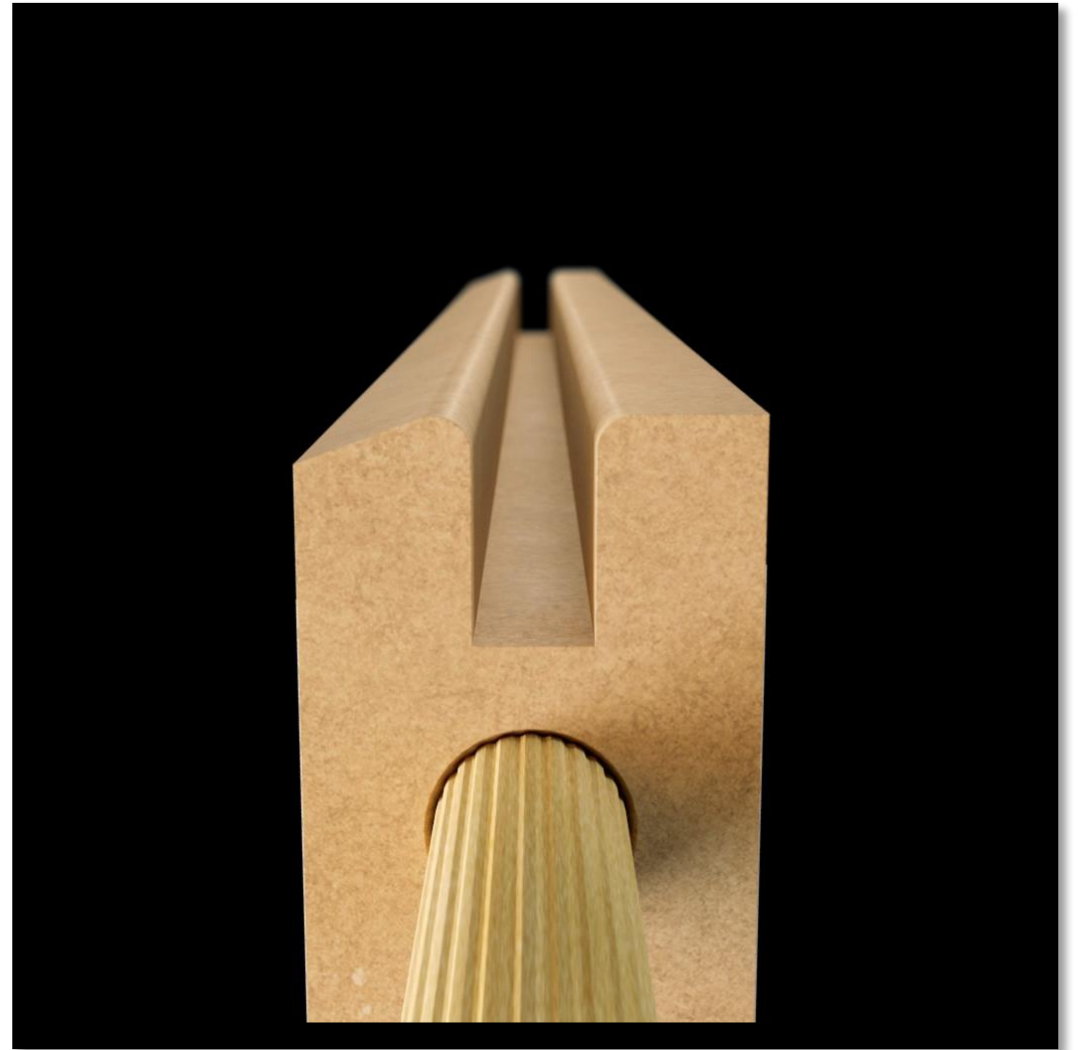
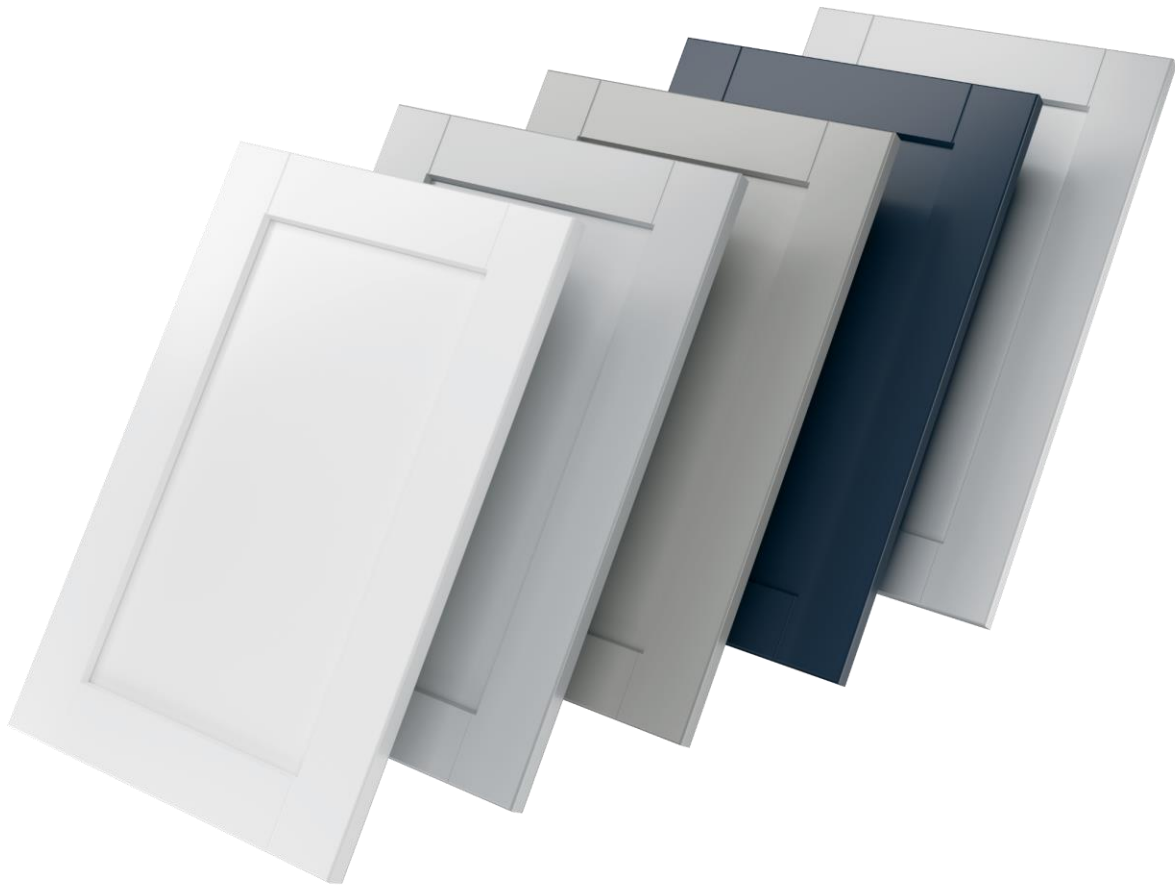


NEW: Harbor



WHAT'S TRENDING

DECORATIVE LAMINATE



CABINET AND HOUSING INDUSTRIES

PROJECTIONS FOR 2023 & BEYOND



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PROJECTIONS FOR 2023 AND BEYOND

HOW DID WE GET HERE?

Two Year Housing Boom – Post COVID

- Massive surge in household formations
- Fed dropping short term rates to zero and purchasing mortgage-backed securities
- Trillions of available personal savings to upgrade home spaces

How has that Boom taken form:

- Household formations led to the highest apartment occupancy on record and an increase in rental rates of 13% in 2022
- National home prices rose 41% after the onset of the Pandemic
- In Q2 of 2022, investors purchased approximately 1/3rd of the homes in the top 25 markets (new and resale)



EVOLUTION IN 2022 AND 2023

CURRENT STATE – THE TROUGH IN HOUSING

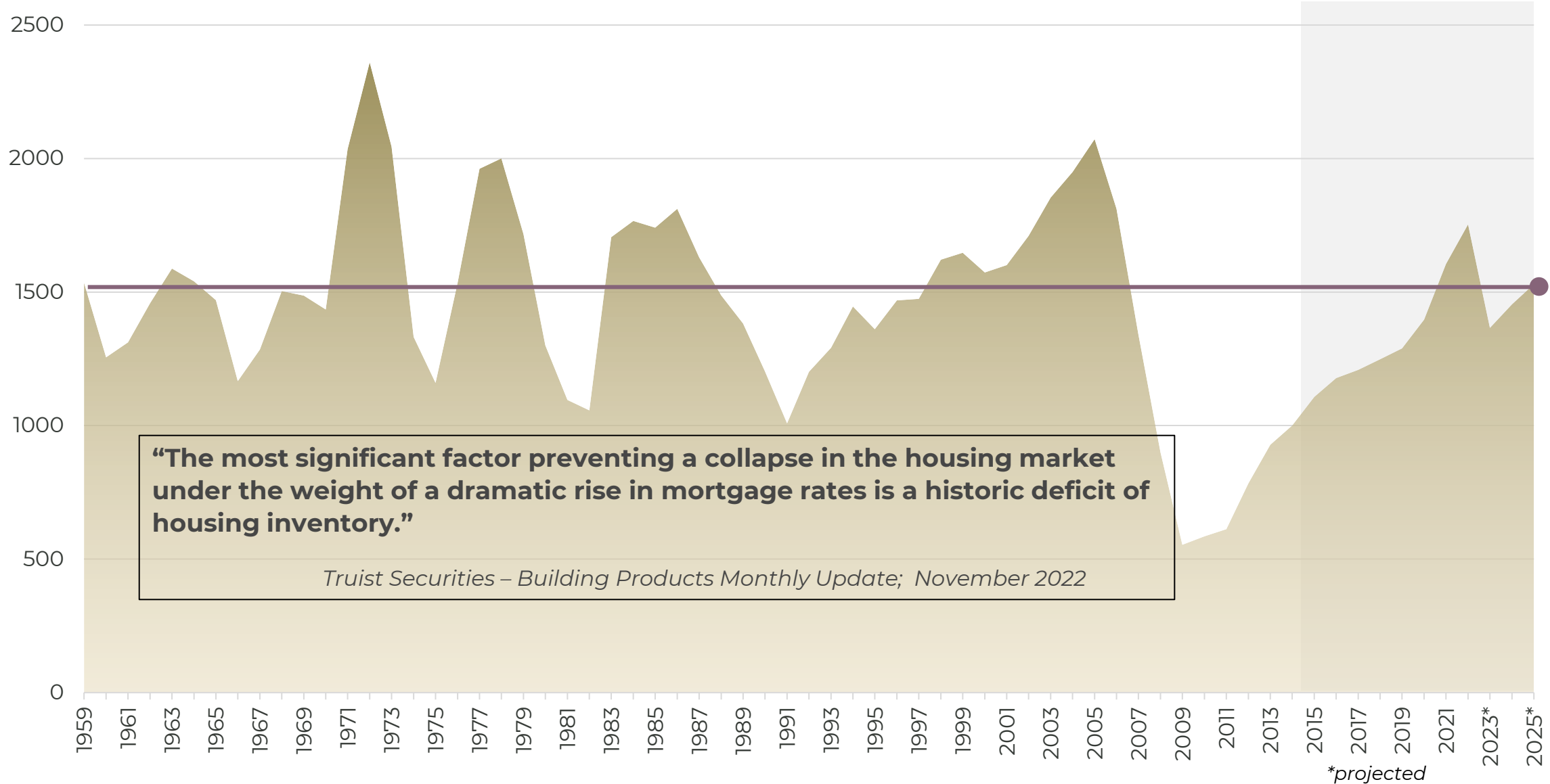
One Year Correction – Mild with a soft landing

- Single family starts will continue to decline in 2023
- Decline in existing home sales activity driven by interest rates
- Perception among select buyers that pricing has peaked – subject to reduction with patience
- Strategy of “work from anywhere” with fewer roommates is challenged by an evolving cost of living
- Core inflation surging with a white hot economy – affecting industry and main street
- Industries (including cabinetry) grapple with decelerating quickly enough



HOUSING STARTS (IN THOUSANDS)

1960 - PRESENT



“The most significant factor preventing a collapse in the housing market under the weight of a dramatic rise in mortgage rates is a historic deficit of housing inventory.”

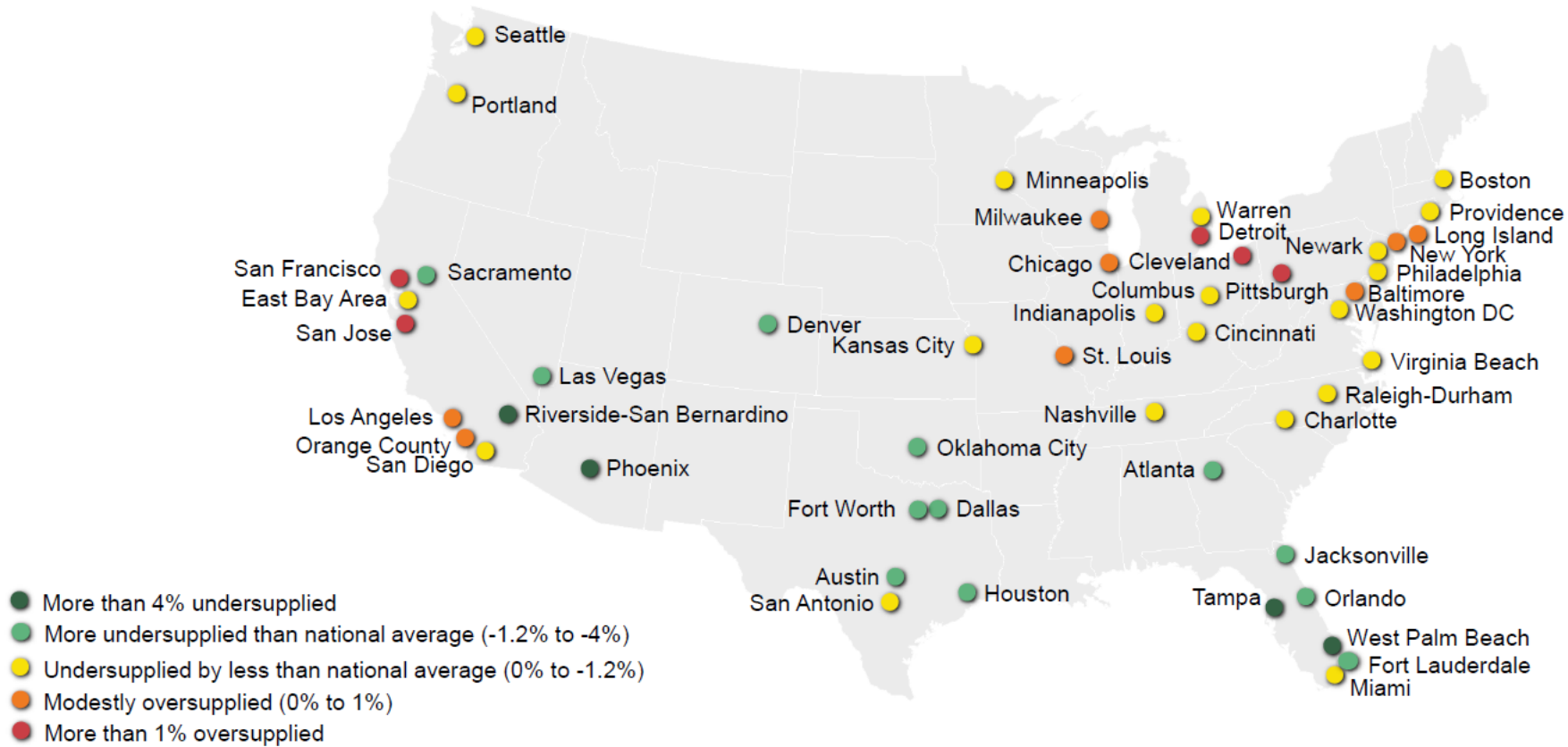
Truist Securities – Building Products Monthly Update; November 2022

PROJECTIONS FOR 2023

GOING FORWARD – UNDERSUPPLIED MARKETS

2022 undersupply / oversupply varies by metro area.

Compared to average vacancy rate estimates for 1980-2006 (Excluded 2007+ because of uniqueness of GFC-era vacancies)



Source: John Burns Real Estate Consulting, LLC

JOHN BURNS
REAL ESTATE CONSULTING



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PROJECTIONS FOR 2023

GOING FORWARD – DEMAND WILL RETURN

We are undersupplied ~1.7 million homes*, and need 17.1M homes built between 2020 and 2030.

The shortage varies a lot by location and assumes normal affordability levels, which is not the case today.



Source: John Burns Real Estate Consulting, LLC calculations

JOHN BURNS
REAL ESTATE CONSULTING

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PROJECTIONS FOR 2023

HOUSING AND THE ECONOMY – LONGER VIEW

2024

- Fed rates will ease, interest rates will normalize
- Demand will return, stressing unprepared tight spots on the supply side – building/wood products
- Core inflation normalizes to 3% +/-
- Credit will become a bigger factor as lenders take a more hawkish posture

2025 - 2030

- This period provides momentum for the economy and related wood industries through demographics
- The industry will gain on the housing deficit
- Single-family home building volumes near or above 1.1 million per year
- Sovereign debt becomes a larger topic

Source: NAHB – Robert Dietz; Home Construction Industry Outlook 2-2023



THANK YOU!

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