



# Mohawk Industries, Inc.

Investor Presentation – February 2015

## Forward-looking Statements

Certain of the statements in this presentation may include **forward-looking statements** as defined in the Private Securities Litigation Reform Act of 1995, which are **subject to various risks and uncertainties** including, but not limited to, those **set forth in our press releases and our periodic filings** with the Securities & Exchange Commission.

# Mohawk Industries Highlights



- World's largest flooring manufacturer
- Leading market positions
  - Ceramic
  - Carpet & Rugs
  - Laminate
  - Wood
  - Stone Flooring & Countertops
- Expanding international presence
- Total flooring product offering
- Vertically integrated manufacturing
- Superior distribution infrastructure
- Strong management team with multi-level succession plan
- Significant insider ownership

# Mohawk by the Numbers



**\$7.8B**

**Worldwide Sales**



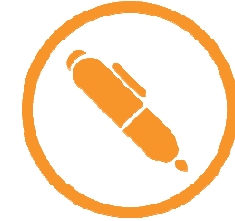
**\$1,171M**

**Adjusted  
EBITDA**



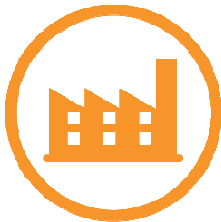
**1,447%**

**Stock Growth  
Since 1992**



**30**

**Acquisitions  
Since 1992**



**13**

**Countries  
Manufacturing**



**30,000+**

**Employees  
Worldwide**



**140+**

**Countries  
Sales**



**25,000+**

**Customers  
Worldwide**

# Focused Business Strategy



## VALUE MAXIMIZATION

- Grow shareholder value
- Deliver above-market returns
- Increase profits through growth, efficiencies and distribution



## OPERATIONAL EXCELLENCE

- Drive optimization of resources and materials
- Leverage knowledge and innovation across segments
- Strong capital investment to expand or extend market positions



## AGGRESSIVE GROWTH

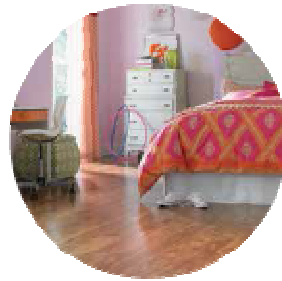
- Provide value through innovative products and process improvements
- Expand international participation in growth markets
- Execute acquisitions supporting current businesses and geographic expansion

## Growth Through Innovation & Acquisition



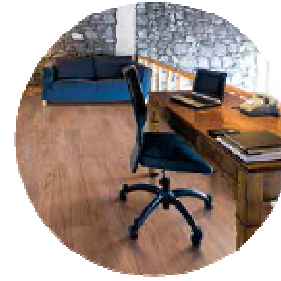
### 2010

- Reveal Imaging in ceramic tile
- Chinese ceramic JV
- Introduced GenuEdge in laminate
- U.K. laminate distributor



### 2011

- SmarStrand Silk, world's softest carpet
- Australian hard surface distributor
- Russian laminate manufacturing facility



### 2012

- Second Mexican ceramic manufacturing facility
- Brazilian laminate JV
- Wear-Dated Embrace, first super soft nylon carpet
- Uniclic technology in LVT
- ArmorMax superior durability wood surface protection



### 2013

- Marazzi acquisition (leading European, Russian & U.S. ceramic company)
- Pergo acquisition (leading U.S. & European laminate brand)
- Spano acquisition into Unilin board business
- Polyester carpets made with proprietary Continuum process
- Insulation board manufacturing facility in France

# Acquisition Strategy



## GEOGRAPHY

- New Locations
- Leverage strengths in existing locations



## PRODUCTS

- New flooring product categories
- Categories with synergies to our existing businesses
- Product extensions



## MANAGEMENT

- Proven management team
- Good bench strength
- Shared values



## RETURNS

- Good valuation
- Potential for significant ROI
- Good short and long-term opportunity

# IVC Group Acquisition: Announced Q1 2015

- **LVT, Sheet Vinyl & Laminate Production**

- Based in Belgium & U.S.
- 2014 sales \$735M & EBITDA 19.7%
- #1 European residential sheet vinyl & LVT
- #2 North America sheet vinyl

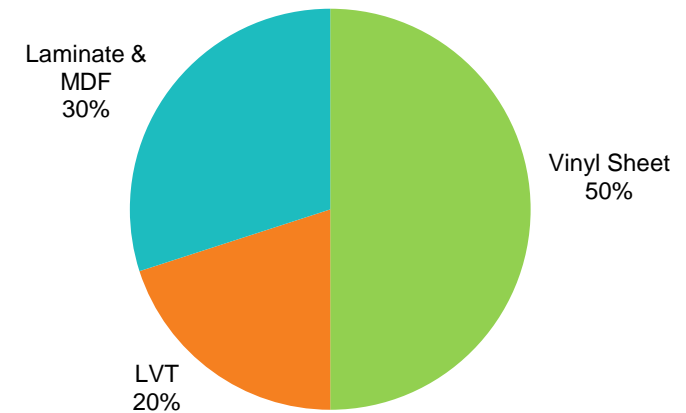
- **Transaction Details**

- \$1.2B price (9.0x) adjusted for new U.S. LVT & European print line
- Financed through \$1B debt & \$150M stock
- EPS impact: \$.25-.45 accretive 1st 12 months

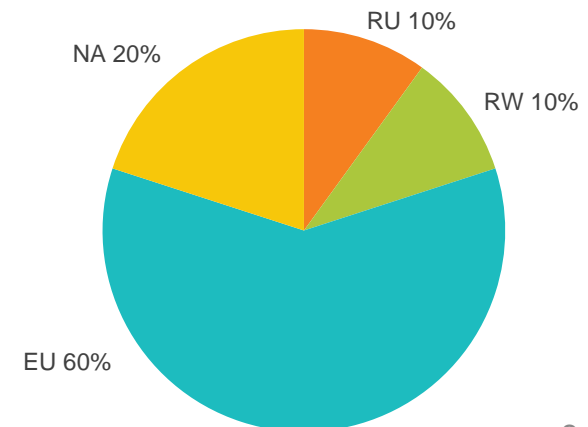
- **Opportunities**

- Low cost, flexible production & state-of-the-art equipment
- Participate in projected growth of European & U.S. LVT markets
- Fiberglass sheet vinyl production
- Leverage Mohawk residential & commercial sales
- Raw material savings

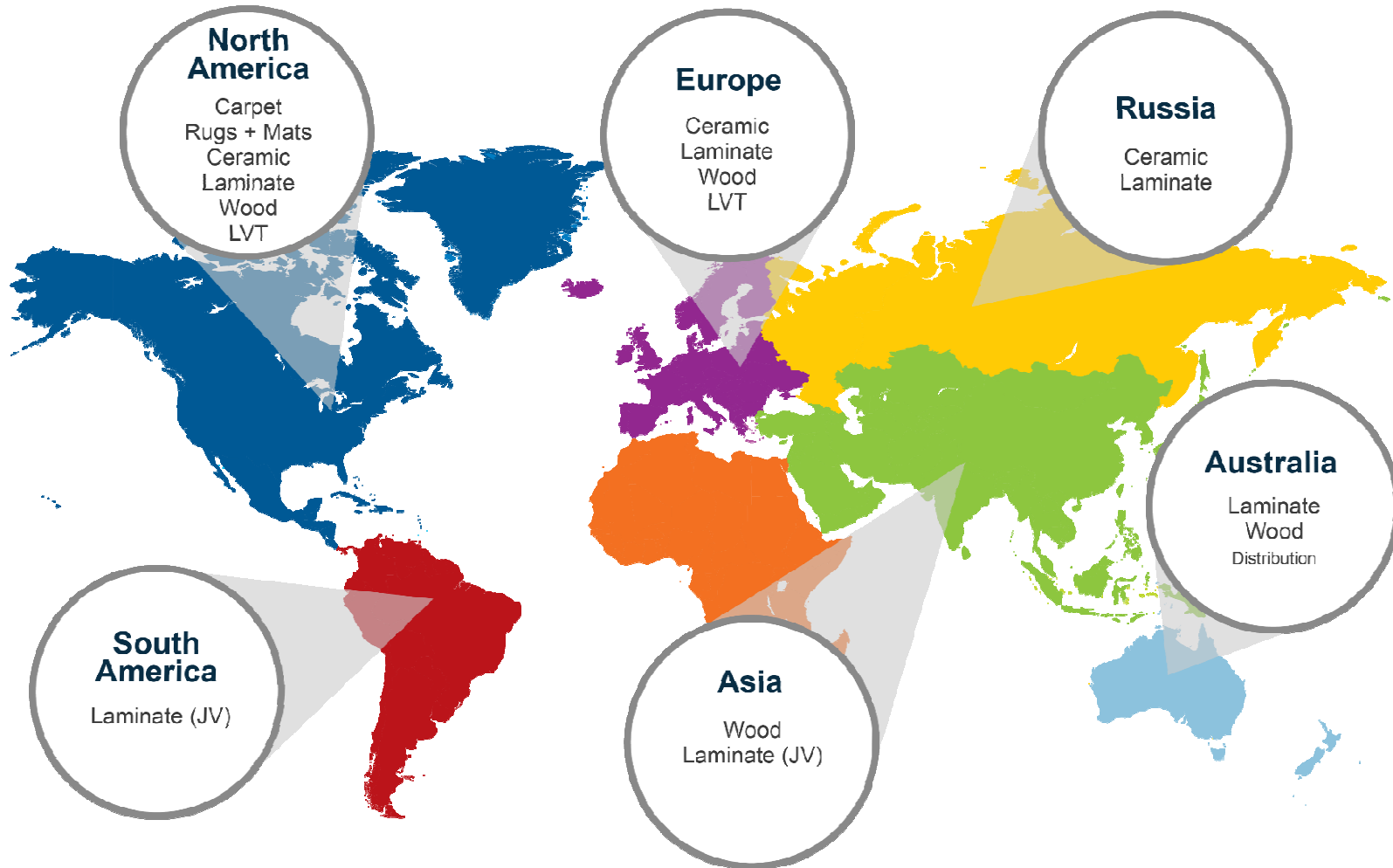
## 2014 Sales by Product



## 2014 Sales by Geography

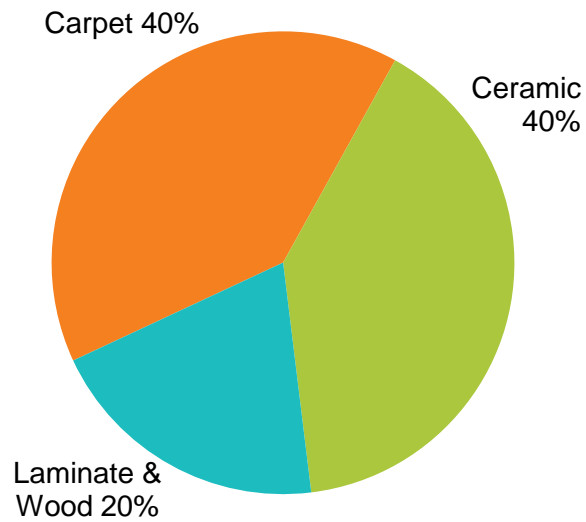


# International Expansion

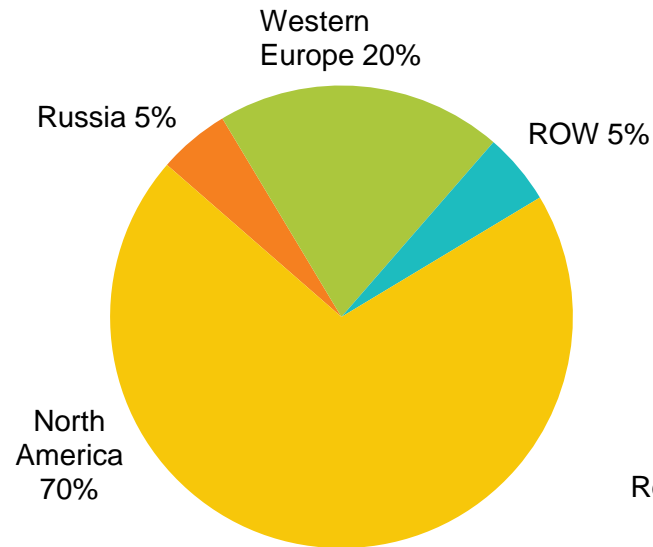


## 2014 Sales Mix without Acquisitions (Rounded)

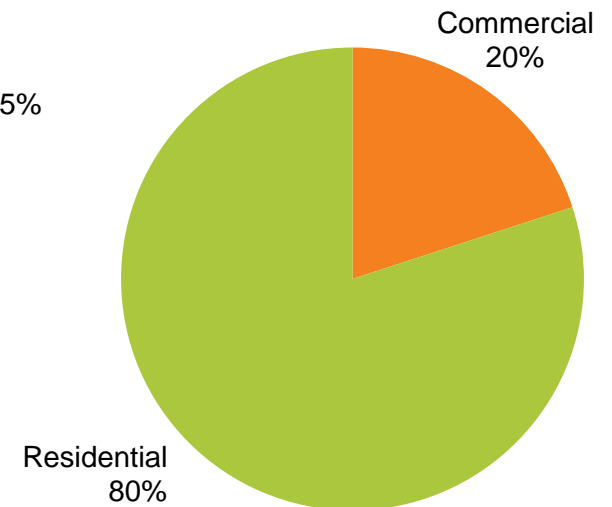
By Segment



By Geography



By End Market



# Positive Industry Outlook



Before



After



## United States

- GDP growing
- Flooring industry growth will outpace economy
- Low mortgage rates driving home sales
- New residential construction increasing
- Rising home prices support reinvestment
- Pent-up demand from postponed residential remodeling
- Commercial end market growing

## Other Markets

- Europe appears to be moving from cyclical bottom; new EU Central Bank stimulus plan should add liquidity to markets
- Russia facing challenges for 2015; significant long-term upside from aging housing
- Mexico's GDP forecast for 2015 upbeat

# Historic Pent Up Demand: Flooring

## U.S. Shipments - Millions Sq. Ft.

### Ceramic

| Year        | Sq. Feet     | % PY       |
|-------------|--------------|------------|
| 1980        | 553          | -9%        |
| 1981        | 554          | 0%         |
| 1982        | 530          | -4%        |
| <b>1983</b> | <b>646</b>   | <b>18%</b> |
| 1990        | 1,030        | -15%       |
| 1991        | 928          | -11%       |
| <b>1992</b> | <b>1,042</b> | <b>11%</b> |
| 2001        | 2,307        | 0%         |
| <b>2002</b> | <b>2,684</b> | <b>14%</b> |
| 2006        | 3,362        | -2%        |
| 2007        | 2,723        | -23%       |
| 2008        | 2,320        | -17%       |
| 2009        | 1,905        | -22%       |
| <b>2010</b> | <b>2,044</b> | <b>7%</b>  |
| 2011        | 2,083        | 2%         |
| 2012        | 2,195        | 5%         |
| <b>2013</b> | <b>2,478</b> | <b>11%</b> |

### Carpet

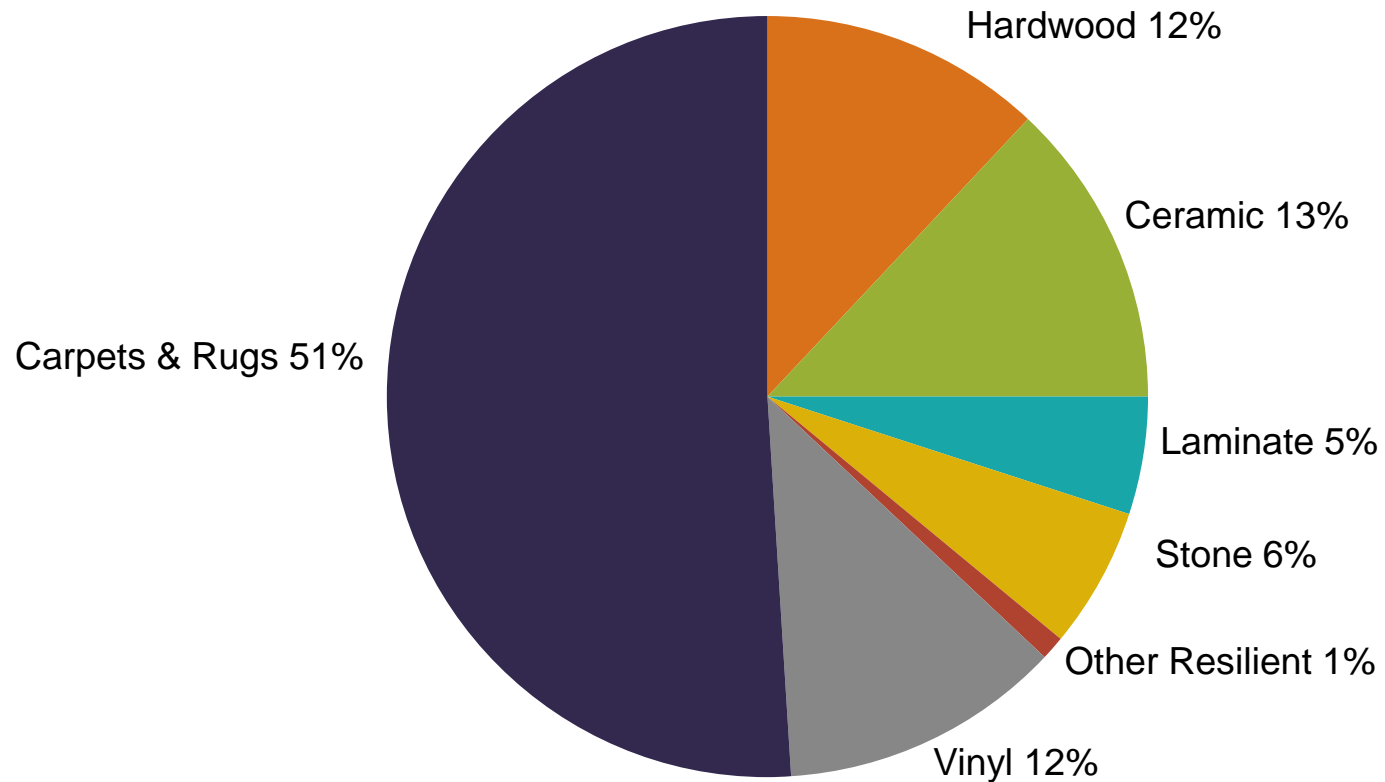
| Sq. Feet      | % PY       |
|---------------|------------|
| 9,526         | -12%       |
| 8,916         | -6%        |
| 7,972         | -11%       |
| <b>9,811</b>  | <b>23%</b> |
| 12,240        | 3%         |
| 11,502        | -6%        |
| <b>12,773</b> | <b>11%</b> |
| 17,019        | -4%        |
| <b>17,583</b> | <b>3%</b>  |
| 15,939        | -15%       |
| 13,857        | -13%       |
| 11,945        | -14%       |
| 9,681         | -19%       |
| 9,808         | 1%         |
| 9,551         | -3%        |
| 9,468         | 0%         |
| <b>9,855</b>  | <b>4%</b>  |



Sources: Tiles Council of North America (TCNA)  
 U.S. Department of Commerce, Census Bureau (1980-2010)  
 U.S. Floors Report (2011-2013)

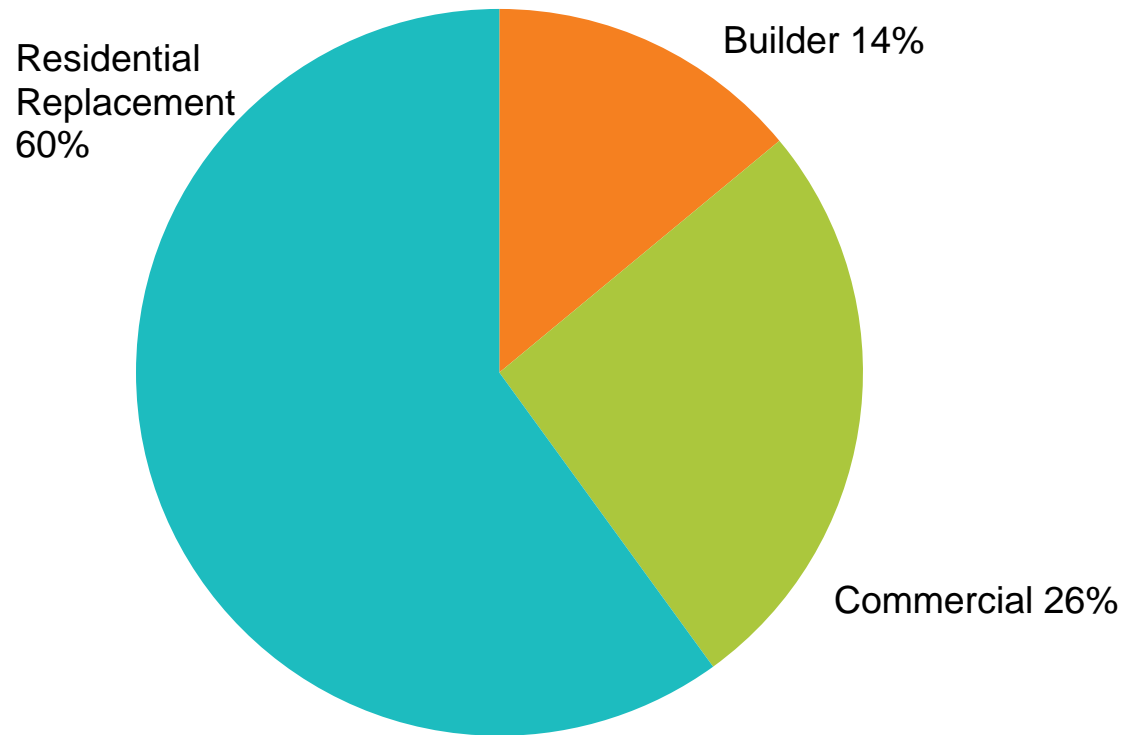
# Product Mix Across U.S. Flooring Industry

## U.S. Flooring Industry - \$20 Billion



# U.S. Floor Covering Sales by End-Use Market

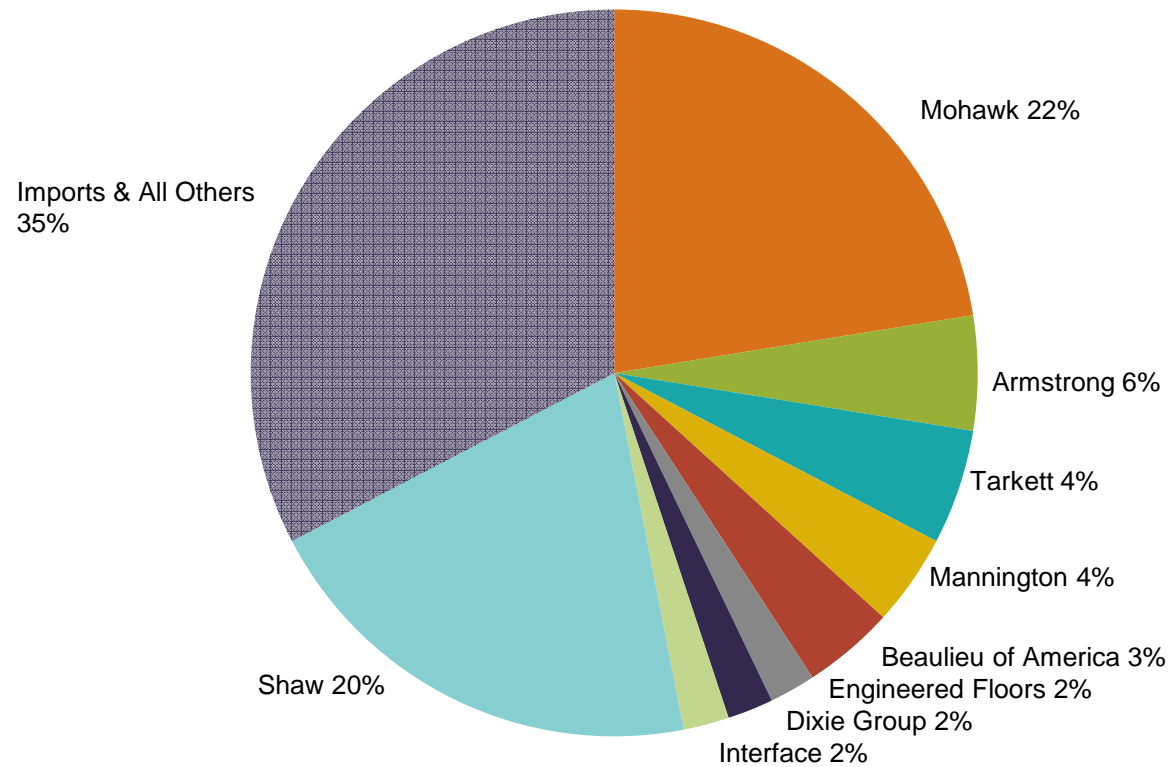
## U.S. Industry Sales



- Industry recovery early in cycle
- New housing starts and remodeling improved in 2013
- Significant pent-up demand for residential remodeling due to impact of recession
- Commercial typically lags; indicators suggest future growth

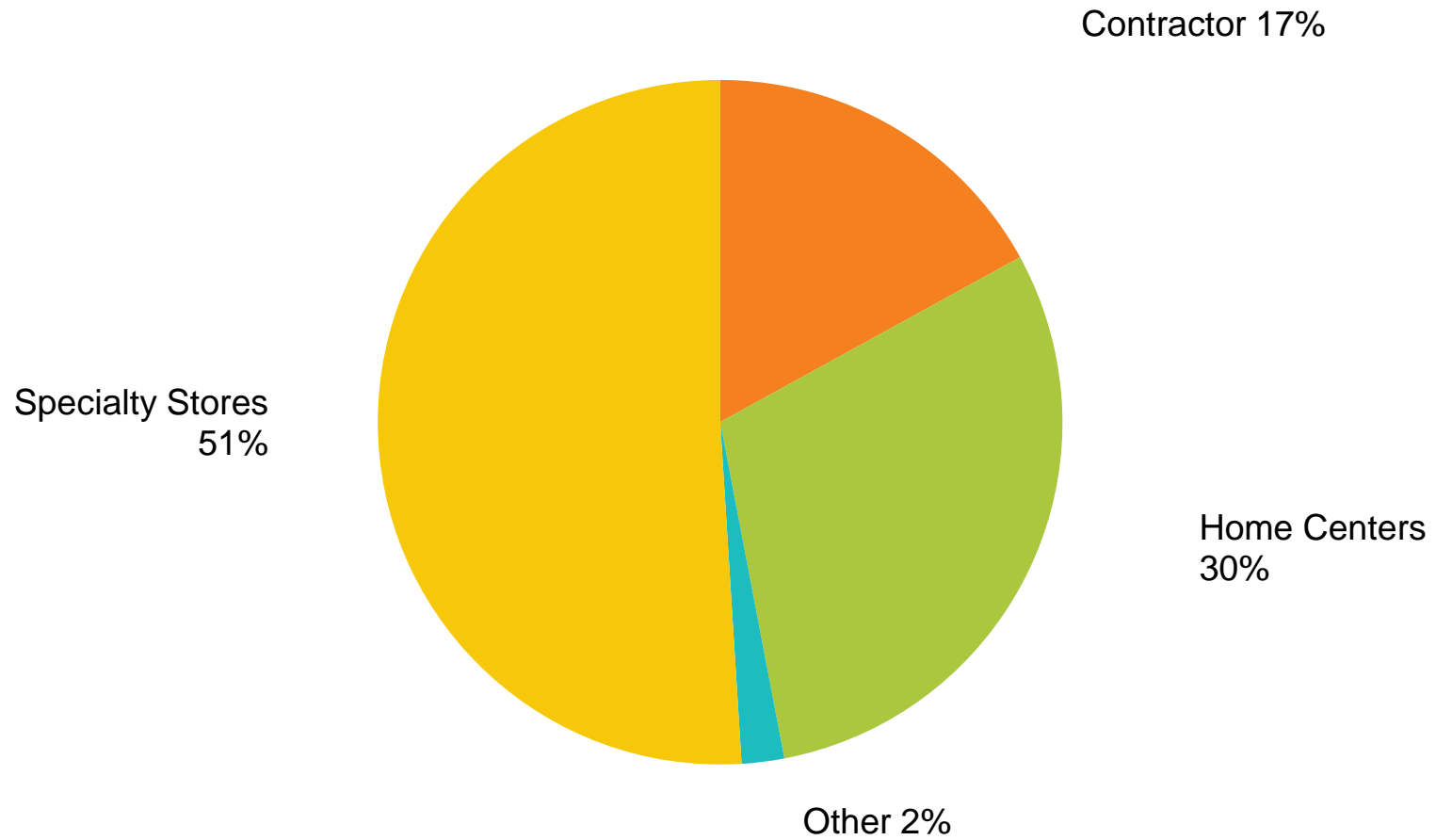
# 2013 U.S. Flooring Market Leaders

## Total Flooring Industry Competitor Mix



# U.S. Floorcovering Distribution Channels

## U.S. Industry



# Innovative Products & Technologies

## CERAMIC



Printed Ceramic Tile



Ceramic Wood Planks

## CARPET



Exclusive Super Soft Fiber



Proprietary Polyester Fiber Process

## LAMINATE / LVT



Look of Wood Planks in Laminate



LVT With Proprietary Uniclic® System

## WOOD



Locking Engineered Hardwood



Wear & Stain Resistant Wood Finish

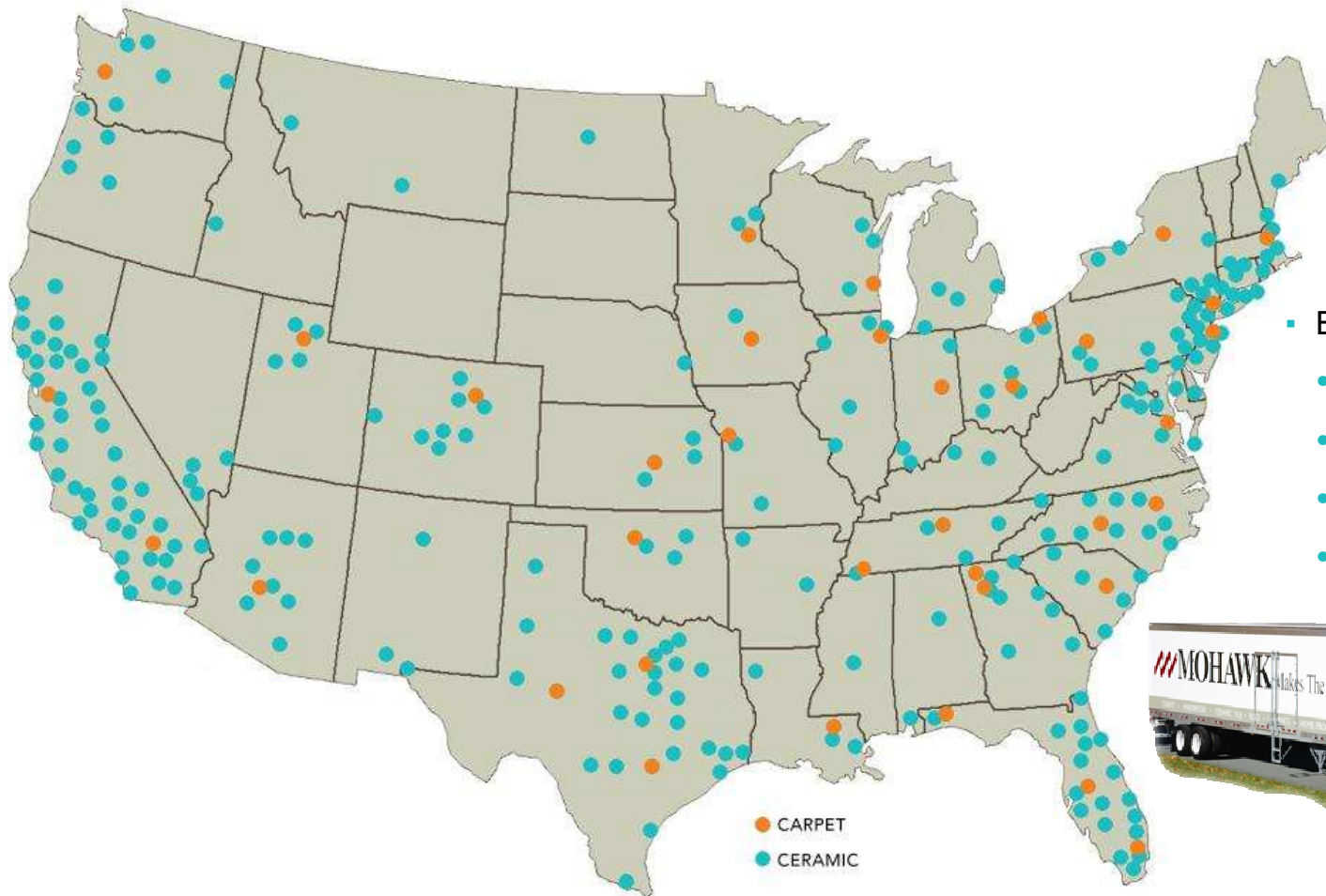
## World-Class Systems

- State-of-the-art order and inventory management system
- Sophisticated transportation management
- Integrated warehouse management
- Next-generation supply chain planning



# Best-in-Class Distribution Network

- National network of distribution centers provides efficient delivery
- Service Centers provide key channel for ceramic distribution

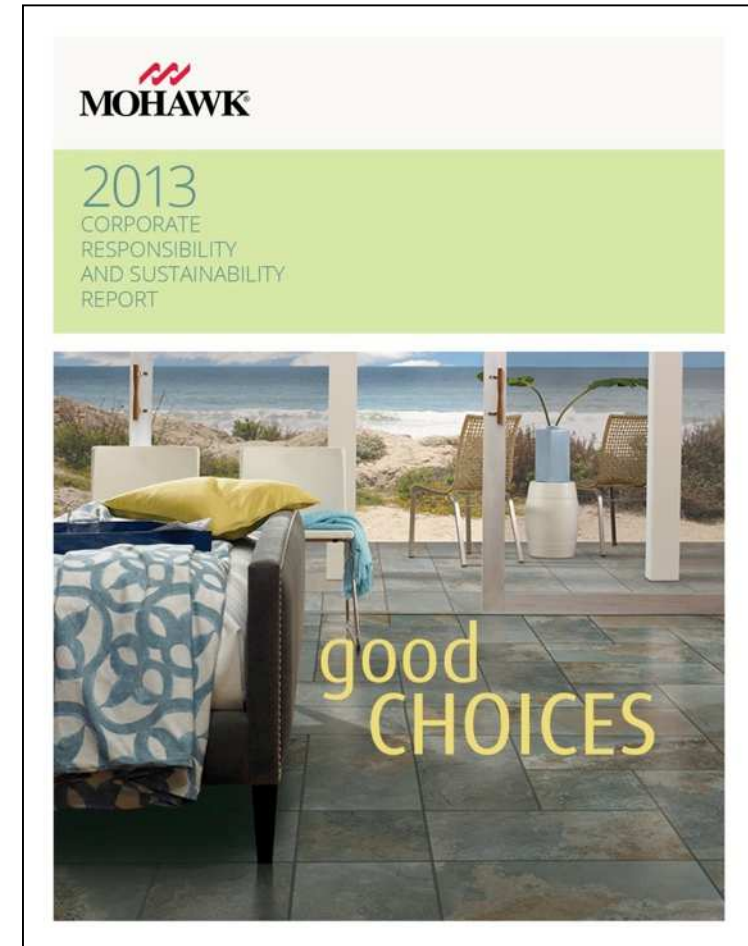


- BEST-IN-CLASS:
  - Logistics system
  - 1,500 sales representatives
  - 300 distribution points
  - 600 trucks



## Improving the Environment in Our Communities

- **Waste reduction**
  - Almost 4 billion lbs. of recycled materials purchased
  - Zero Process Waste to Landfill campaign
- **Use of recycled content**
  - Over 500 products contain recycled material
  - Able to recycle 5 billion plastic bottles annually
  - 24 million lbs. of tires recycled into doormats
- **Exclusive sustainable product category**
  - SmartStrand Forever Clean: Bio-based carpet fiber
- **Investment in resource efficiencies**
  - Water use down 300 million gallons since 2010
  - Reduced energy intensity almost 8% since 2010



[www.mohawksustainability.com](http://www.mohawksustainability.com)

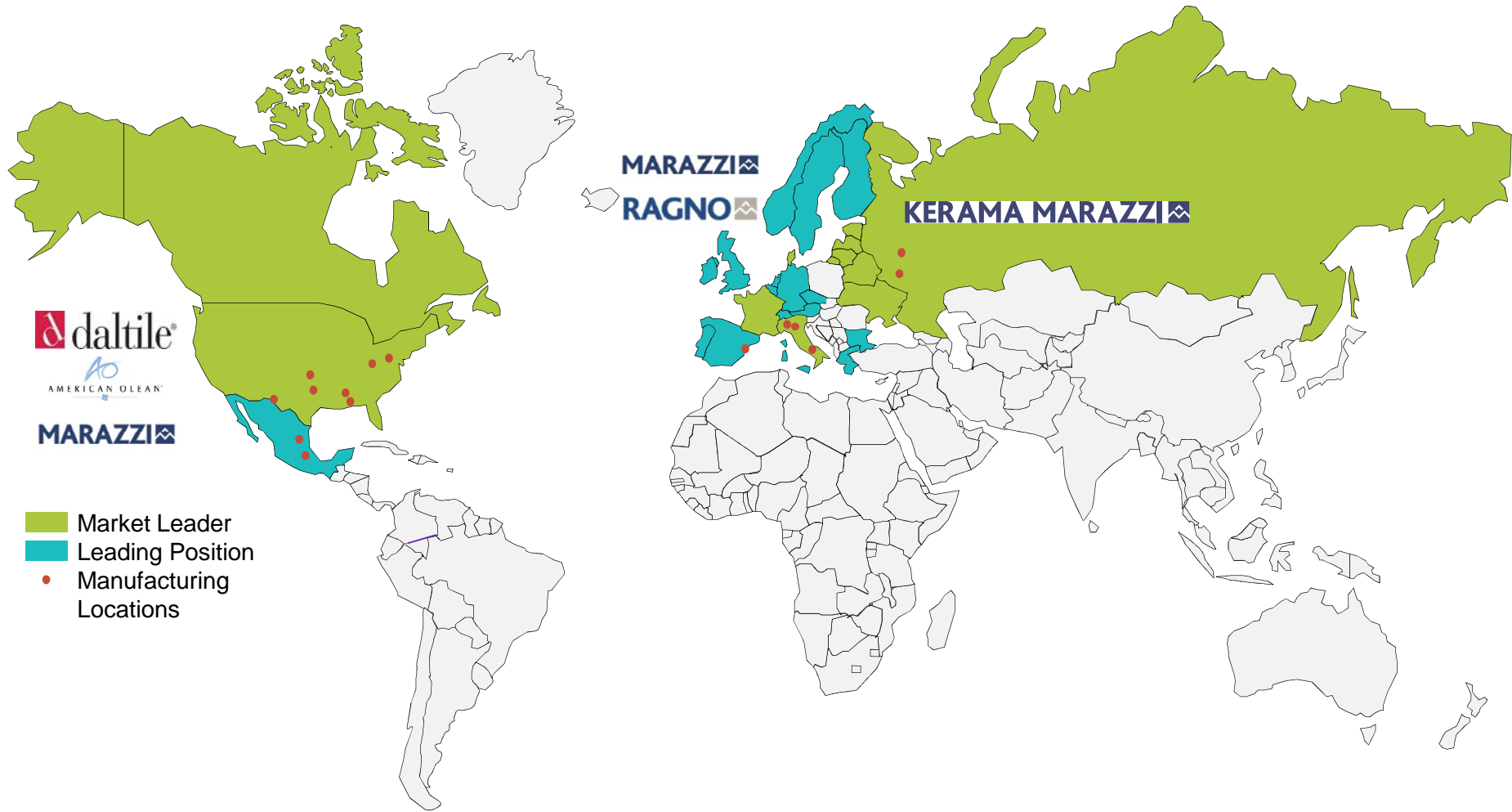
## Ceramic: 40% of Revenue



## Competitive Advantages

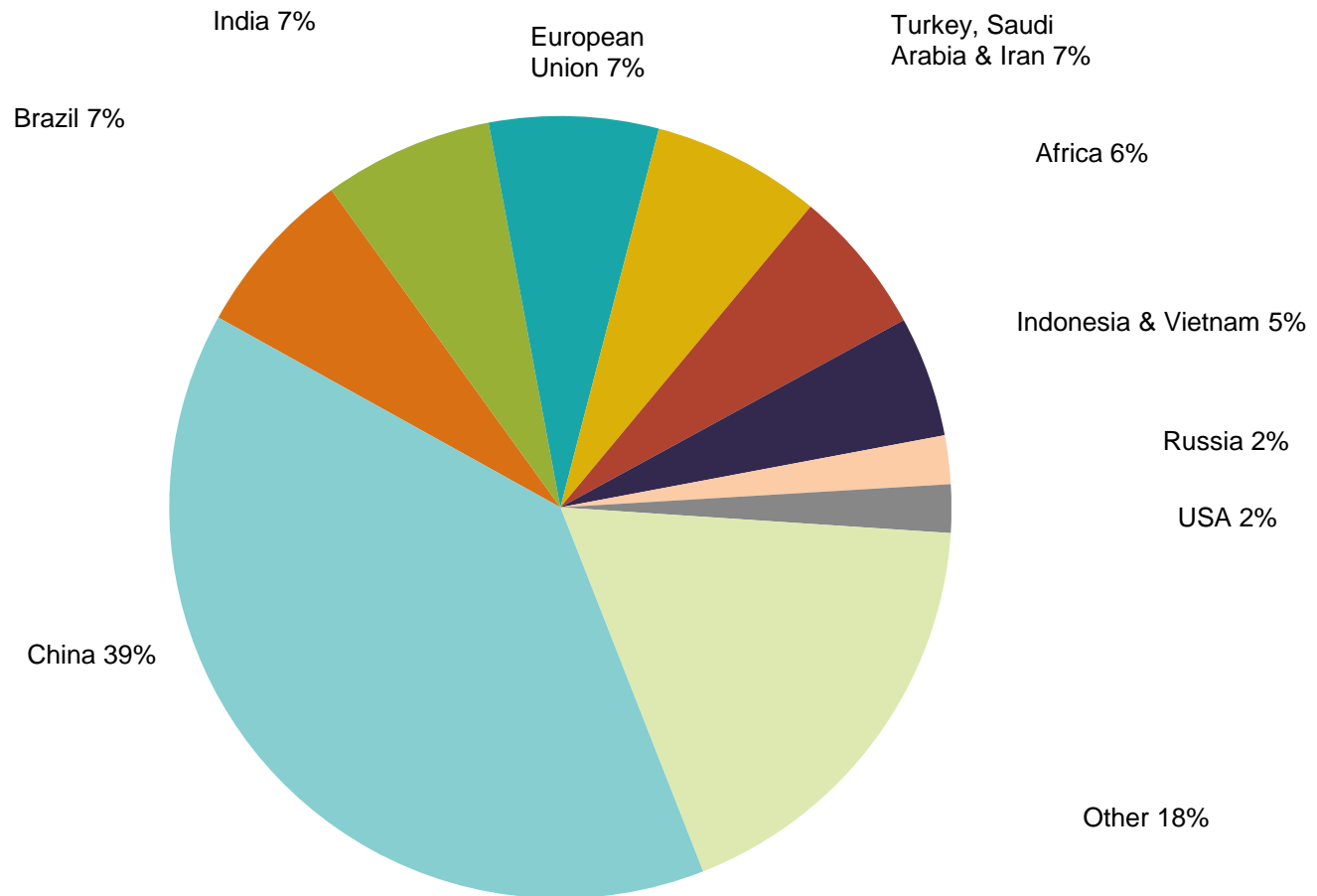
- Worldwide ceramic leader with leading positions in North America, Europe and Russia
- Most widely recognized ceramic brands
- Broad product line satisfies all channels and price points
- North American market share substantially larger than closest competitor
- Unmatched North American distribution and production capability
- Sales in more than 100 countries

# Ceramic: Expanding Globally



# 2013 Global Tile Market: Opportunity

## Consumption by Region 125 Billion Sq. Ft.



## Ceramic: Brands Serving All Channels



- 215 company-operated service centers in the U.S. and Canada
- 26 stone centers in the U.S.
- 12 design galleries in the U.S.
- Home centers in the U.S., Canada and Mexico
- Independent distributors in Mexico



- Residential flooring dealer focus in the U.S.



- Independent distributors in Russia, the U.S. and Europe
- Home centers in the U.S., Russia and Europe
- 33 service centers in the U.S. covering regions without independent distributors
- Consolidating select Marazzi and American Olean service centers
- 25 distribution centers in Russia
- 320 company-owned or franchised retail stores in Russia and neighboring countries

## Carpet: 40% of Revenue



## Competitive Advantages

- Leading market share in all channels
- Leader in innovation & soft technology
- Well-known exclusive brands – SmartStrand and WearDated Embrace
- Proprietary Continuum process – polyester fiber with up to 100% recycled content
- Strong aligned dealer network
- Low-cost integrated manufacturing
- Best-in-class national distribution

# Carpet: Brands Serving All Channels

## RESIDENTIAL



- Independent Specialty Retail
- Aligned Dealers
- Home Centers
- Bullder
- Multi-family

## COMMERCIAL



- Corporate
- Educational
- Retail
- Healthcare
- Hospitality
- Institutional
- Main Street

## HARD SURFACES



- Independent Specialty Retail
- Aligned Dealers
- Home Centers
- Bullder
- Multi-family

## BATH & AREA RUGS



- Mass Merchants
- Department Stores
- Home Centers
- Independent Specialty Retail
- Online

## Laminate & Wood: 20% of Revenue



### Competitive Advantages

- Laminate leader in mid- to high-end categories
- Strong consumer brand recognition in Europe & U.S.
- Complete laminate and pre-finished wood offering
- Undisputed innovation leader
- Vertically integrated low-cost manufacturer

## Laminate & Wood: Brands Serving All Channels

# PERGO®

- Home Centers
- Independent Specialty Retail
- Commercial



- Independent Specialty Retail
- Builder
- Multi-Family

**columbia**  
FLOORING ORIGINALS™

- Independent Specialty Retail
- Builder
- Multi-Family

 **UNILIN**  
FOR SMART LIVING

- Boards to manufacturing companies
- Insulation panels to builders
- Roofing systems to builders
- Click furniture to department stores

## Laminate & Wood Segment: Non-Flooring Products

- **Chipboards**
  - Furniture and specialty construction
- **Custom Roofing Panels**
  - Insulated roof panels and hinged roofs
- **Insulation Panels**

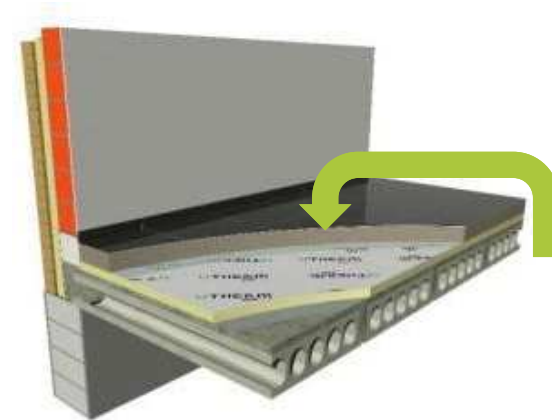
### Roofing Panels



### Chipboards



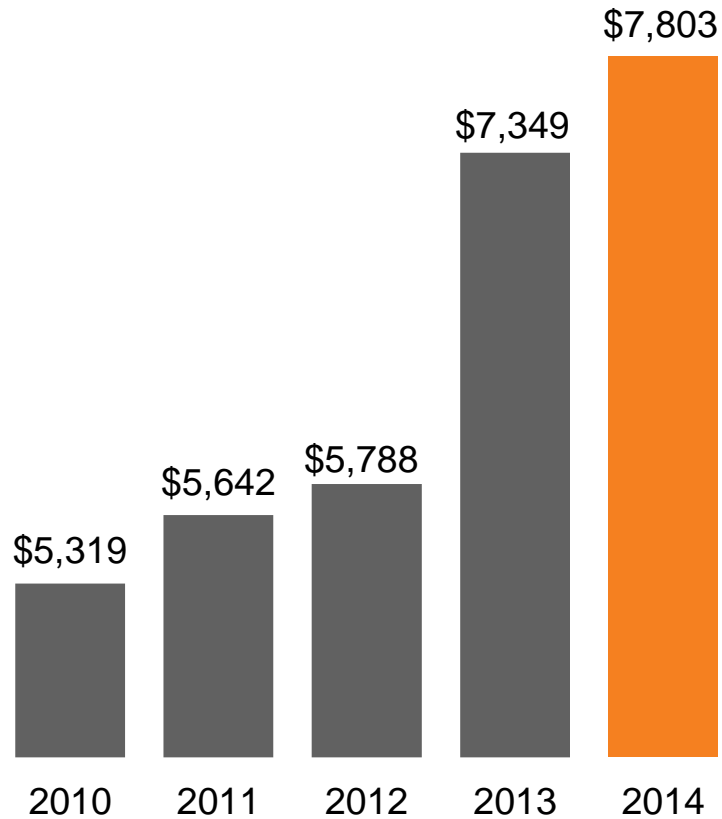
### Insulation Panels



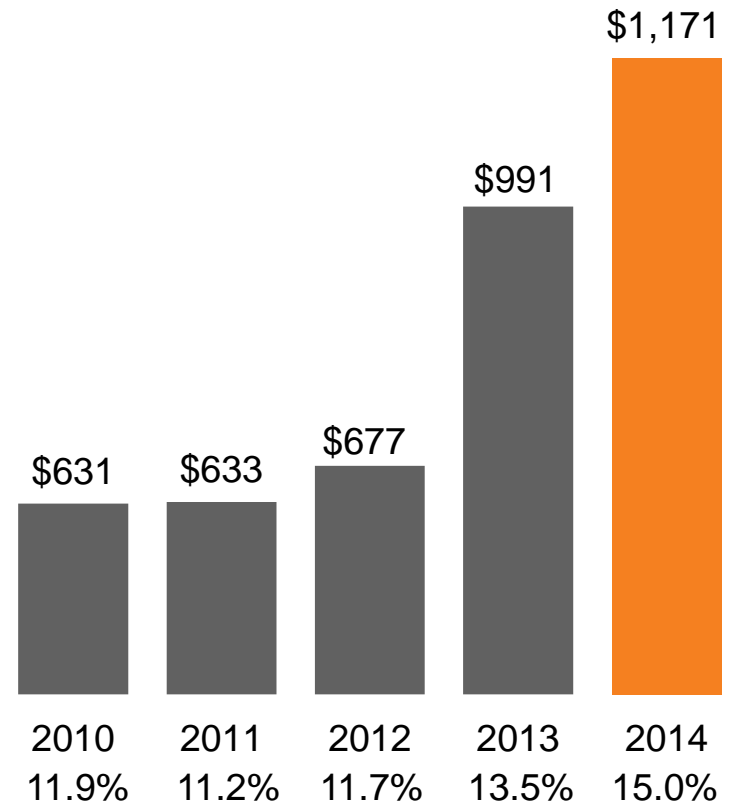
# Mohawk Industries, Inc.

# Adjusted Net Sales & Adjusted EBITDA

## Net Sales



## EBITDA (% of Net Sales)



Dollars in Millions, excluding unusual items

# Earnings Summary (ex-unusual items)

(Dollars in Millions except EPS)

| Years Ended                                 | 2010             | 2011           | 2012           | 2013            | 2014           |
|---|------------------|----------------|----------------|-----------------|----------------|
| <b>Net Sales</b><br>% Change                | \$ 5,319<br>(3%) | \$ 5,642<br>6% | \$ 5,788<br>3% | \$ 7,349<br>27% | \$ 7,803<br>6% |
| <b>Operating Income</b><br>Operating Margin | \$ 327<br>6%     | \$ 345<br>6%   | \$ 398<br>7%   | \$ 690<br>9%    | \$ 834<br>11%  |
| <b>Net Earnings</b><br>% Change             | \$ 173<br>12%    | \$ 202<br>17%  | \$ 262<br>29%  | \$ 473<br>81%   | \$ 598<br>26%  |
| <b>Diluted EPS</b><br>% Change              | \$ 2.52<br>13%   | \$ 2.92<br>16% | \$ 3.78<br>29% | \$ 6.55<br>73%  | \$ 8.15<br>24% |

# Results by Segment (ex-unusual items)

(Dollars in Millions)

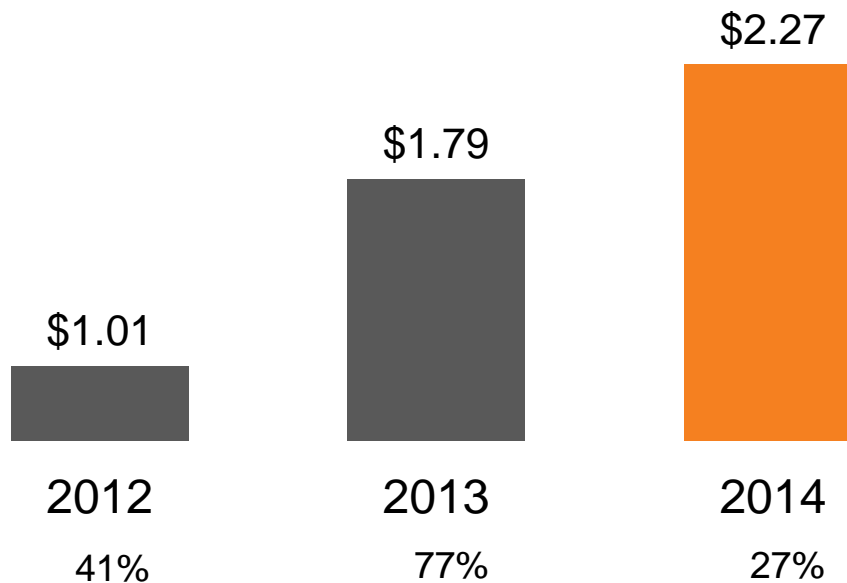
| Segment                    | 2010     | 2011     | 2012     | 2013     | 2014     |
|----------------------------|----------|----------|----------|----------|----------|
| <b>Carpet</b>              |          |          |          |          |          |
| Sales                      | \$ 2,845 | \$ 2,928 | \$ 2,918 | \$ 2,986 | \$ 3,014 |
| % Change                   | (4%)     | 3%       | (1%)     | 3%       | 1%       |
| Operating Income           | \$ 133   | \$ 136   | \$ 169   | \$ 223   | \$ 268   |
| Operating Margin           | 5%       | 5%       | 6%       | 7%       | 9%       |
| <b>Ceramic</b>             |          |          |          |          |          |
| Sales                      | \$ 1,367 | \$ 1,454 | \$ 1,616 | \$ 2,677 | \$ 3,015 |
| % Change                   | (4%)     | 6%       | 11%      | 66%      | 13%      |
| Operating Income           | \$ 99    | \$ 105   | \$ 127   | \$ 284   | \$ 360   |
| Operating Margin           | 7%       | 7%       | 8%       | 11%      | 12%      |
| <b>Laminate &amp; Wood</b> |          |          |          |          |          |
| Sales                      | \$ 1,188 | \$ 1,345 | \$ 1,350 | \$ 1,792 | \$ 1,891 |
| % Change                   | 5%       | 13%      | --       | 33%      | 6%       |
| Operating Income           | \$ 116   | \$ 127   | \$ 128   | \$ 214   | \$ 234   |
| Operating Margin           | 10%      | 10%      | 10%      | 12%      | 12%      |

# Quarterly Earnings Summary (Ex-unusual items)

(Dollars in Millions except EPS)

| Fourth Quarter   | 2012     | 2013     | 2014     |
|------------------|----------|----------|----------|
| Net Sales        | \$ 1,436 | \$ 1,924 | \$ 1,951 |
| % Change         | 4%       | 34%      | 1%       |
| Operating Income | \$ 102   | \$ 187   | \$ 221   |
| Operating Margin | 7%       | 10%      | 11%      |
| Diluted EPS      | \$ 1.01  | \$ 1.79  | \$ 2.27  |
| % Change         | 41%      | 77%      | 27%      |

## Diluted EPS

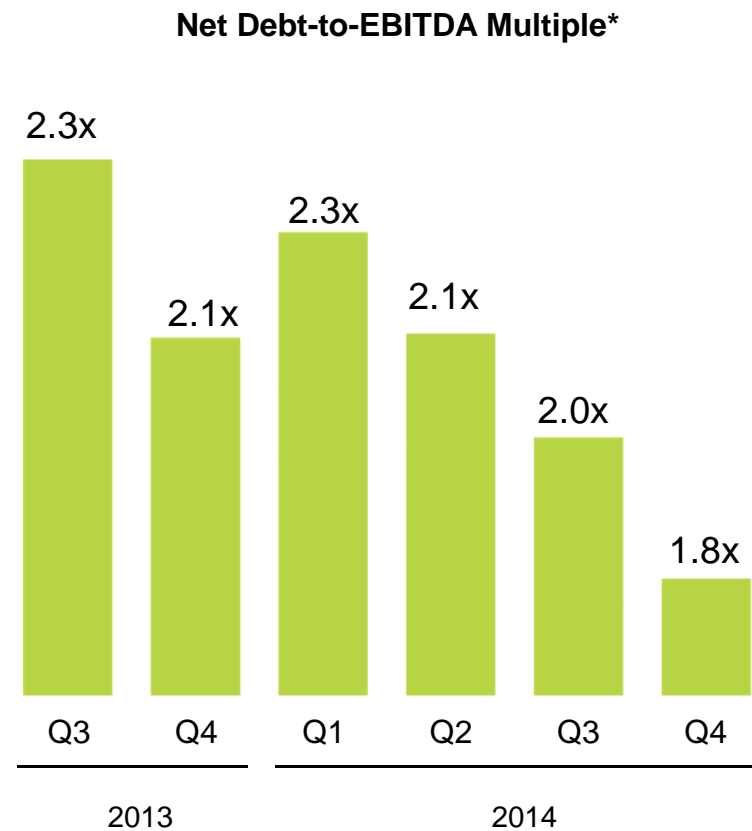


# Leverage and Capital Structure

(Dollars in Millions)

## Capitalization

|                                    | <u>As of<br/>12/31/2014</u> | <u>Interest<br/>Rate</u> |
|------------------------------------|-----------------------------|--------------------------|
| <b>Securitization Facility</b>     | \$500                       | L+0.70%                  |
| <b>Commercial Paper</b>            | 302                         | 0.67%                    |
| <b>Revolving Credit Facility</b>   | 196                         | L+1.25%                  |
| <b>2016 Senior Notes</b>           | 646                         | 6.13%                    |
| <b>2023 Senior Notes</b>           | 600                         | 3.85%                    |
| <b>Other</b>                       | 10                          |                          |
| <b>Cash &amp; Cash Equivalents</b> | (98)                        |                          |
| <b>Total Net Debt</b>              | <u>\$2,155</u>              | <u>3.27%</u>             |
| <b>Shareholders' Equity</b>        | 4,423                       |                          |
| <b>Total Capitalization</b>        | <u>\$6,578</u>              |                          |



\* Represents EBITDA on a Pro forma basis.

# Mohawk Industries, Inc.