

Briefing on the Impact of U.S. Tariffs

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Associated Materials Inc. (AMI) is an American company with head office located in Cuyahoga Falls, Ohio. AMI operates in Canada as Gentek Building Products Ltd., with head office located in Burlington, Ontario.

AMI operates in the building products industry, where we manufacture and distribute mainly vinyl windows and vinyl & metal siding for the residential housing market.

AMI has eleven manufacturing plants, three of which are located in Canada, and we have one hundred twenty four distribution centers, twenty four of which are located in Canada.

Our primary purchases of raw materials used to manufacture our products include the chemical ingredients, mainly resin, used in producing the frame components of our windows and our vinyl siding products, glass used in the production of windows, coils of aluminum and steel which are roll-formed into siding and related accessories, and paint used to coat the aluminum and steel coils.

As of the date of this briefing, the US tariffs program does not have an impact on our business. We purchase virtually all our raw materials from US based companies.

The Canadian tariffs program however is having a significant impact on our aluminum siding program in the Canadian market. AMI operates a factory in Pointe Claire, Quebec which manufactures aluminum siding. The coils of aluminum used to manufacture the siding are subject to the 10% tariff effective July 1st. We estimate that the tariff will increase the cost of raw materials at this factory by roughly \$2 million in 2018, and approximately \$6 million for a full year.

Our strategy to mitigate the negative impact on AMI's profitability is to pass on the increase to our customers, mainly renovation contractors, home builders, and some retailers. AMI cannot absorb the cost increase. We anticipate that others in our industry will follow suit with a similar price increase, although it is too early to know this with certainty. Ultimately, the end consumer of our products, home owners, will bear the extra cost of our aluminum siding products. We are uncertain of the customers' willingness to pay more. This will likely be a function of the type of project they are considering. A small project such as changing aluminum gutters may not be prohibitively expensive, whereas a whole-home aluminum siding job may, which might lead customers to consider more affordable options.

At this time, we are evaluating options for alternate sources of supply for aluminum at the Pointe Claire factory, so as to avoid the Canadian tariff on materials coming from the US. Other options do exist, although they are far less flexible with regard to our overall supply chain management strategy. It is unlikely that we would switch all our aluminum purchases for the Pointe Claire factory to non-US sources.