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COMMERCIAL MARKET REPORT
DIGITAL MARKETING
THE TOP SPECIFIED CARPET MANUFACTURERS

A sluggish corporate market holds back commercial carpet growth.

By Darius Helm

SHAW COMMERCIAL BUSINESSES

Estimated 2015 U.S. Specified Carpet Sales: $920 million

Shaw Industries' specified carpet business goes to market through two brands, Shaw Contract and Patcraft, with Shaw Contract a little more than twice the size of Patcraft. Both also have substantial resilient flooring programs.

Last year, Shaw's U.S. commercial carpet revenues were up about 3%, with growth in both brands, though the biggest gains were in resilient sales. Shaw's mainstreet division, Philadelphia Commercial, which sells both carpet tile and broadloom, was up marginally to an estimated $272 million. Philadelphia also sells resilient sheet and tile, as well as artificial turf.

As has been the case ever since Shaw introduced carpet tile more than two decades ago, carpet tile grew faster than broadloom last year. It now accounts for well over 60% of total commercial carpet sales. And the firm is on the verge of opening a brand new carpet tile facility, an $85 million investment, in Adairsville, Georgia.

While the bulk of Shaw's commercial business is in North America, it also serves global markets, and it produces carpet tile in Nantong, near Shanghai, China for Asia Pacific markets. Over the last year, the firm has invested in a new showroom in London, as well as new offices in the Middle East and India, and has almost completed a new showroom in Melbourne, Australia. Overseas business has been strong in most sectors, particularly hospitality.

Last September, Tim Baucom, senior vice president of Shaw's commercial flooring business for nearly a decade, was named executive vice president of the firm's residential business. Bob Chandler, formerly vice president of commercial sales, was promoted to replace Baucom. And Doug Enck was promoted to vice president of sales, commercial.

Corporate is Shaw Contract's biggest sector, though business in corporate was not robust last year. However, hospitality, the next biggest piece of the pie, has been very active and continues to show growth. U.S. hospitality business has been strong, but it's probably strongest in Asia. Carpet tile has been gaining share in hospitality at an increasing rate.

Two other big market sectors for Shaw Contract are healthcare and education, and another is senior living. Education business has been solid but not impressive, and healthcare has also been growing, but it's in flux, with activity shifting from larger institutions like full-scale hospitals to smaller targeted facilities.

In recent years, Patcraft has stood out in the commercial arena for its innovative design directions, from its LVT program to its bold carpet introductions, like last year's Deconstructed, with its artfully exposed backing.

Broadloom, which accounts for about a third of Patcraft's carpet sales, is strongest in tenant improvement (TI), hospitality and senior living, along with high-end corporate and other...
sectors that demand a plush, luxurious effect. The lower end of the broadloom market, like hospitality guest rooms and TI applications, has been stronger than the higher end. And there’s been even more activity in lower cost carpet tile.

Patcraft does most of its business in the corporate, education, healthcare and retail sectors, along with hospitality, but an emerging market for the firm is multi-family, as A&D firms are increasingly commissioned to do the public space areas.

THE MOHAWK GROUP

Estimated 2015 U.S. Specified Carpet Sales: $505 million

Mohawk Industries, the largest floorcovering manufacturer in the world, with over $8 billion in sales, is also a major force in commercial carpet. Last year, out of total U.S. carpet sales of about $1.9 billion, an estimated $505 million was in specified carpet sales, including hospitality carpet, up by low single digits from 2014.

Mainstreet sales through its Aladdin division were up last year, though not by much, to an estimated $91 million. However, within Aladdin, carpet tile business has been surging.

The firm has grown to such a size that it seems to be constantly acquiring other flooring companies and investing in new facilities and technologies. That includes its acquisition of Belgium’s IVG Group last year for nearly $1.2 billion, with its sheet vinyl, LVT and laminate facilities in Europe and the U.S., investments in carpet tufting technologies, and its plans to build a second U.S. LVT facility.

Mohawk’s commercial operations are comprised of the three contract sub-brands that make up the Mohawk Group—Lees, Bigelow and Karastan—along with its Durkan hospitality division. Lees, the performance brand, and Bigelow, the value oriented brand, both do more business in carpet tile than in broadloom. And Karastan, the high design fashion brand, and Durkan are both heavily weighted toward broadloom. All together, Mohawk’s broadloom business is still bigger than tile.

Mohawk’s overseas carpet business is also growing. Though all of its carpet capacity is in the U.S., the firm has partnerships in Europe and Asia. Most of the growth is coming out of East Asia and Australia.

Last year, Mohawk’s business to the corporate market was up, particularly in tenant improvement, where Bigelow has a strong position. Healthcare, senior living and education were also up, and those are all strong segments for the Lees brand. And Durkan’s hospitality business has also been very active, thanks in part to its new Definity technology, which allows for a wide range of textures and large scale patterning to compete with Axminster carpet.

Not all sectors were strong last year. Retail business has continued to be sluggish—it’s a sector that has been struggling for years. And the government sector has also been slow. Government business is often at a low toward the end of presidential terms, and its fortunes are likely to reverse in the next year or 18 months, under the new administration.

The last year has also seen some management changes. In May 2015, Royce Epstein, formerly with Suzanne Tick Studio, joined the Mohawk Group as director of its design segment. In the summer, Kent Clauson was promoted to senior vice president of sales in the eastern U.S., and David Duncan was promoted to senior vice president of sales for Durkan.

SPECIFIED COMMERCIAL CARPET LEADERS

Last year saw gains among most of the top 15, mostly in low single digits. The biggest change to the list is Dixie, which includes Atlas and Masland Contract, taking the sixth spot.

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TOTAL ESTIMATED 2015 U.S. SPECIFIED CARPET SALES: $3.155 billion, compared to a revised $3.089 billion in 2014. (Specified sales are either negotiated or bid, or, in many cases, both.)

* revised estimate  ** includes $11 million in partial year sales from Atlas and Butco (B Carpet)  *** includes six months of sales from Northwest Hospitality Carpets
Bentley has continued to invest in tufting technology, recently adding another Infinity machine—it has four—along with a ColorPoint machine. Bentley plans to roll out ColorPoint products later this year.

Beaulieu goes to the commercial market with its Bolyu brand, along with Level, its three-year-old felted PET tile program, and it serves the hospitality market with its Aqua brand. Bolyu is about twice the size of Aqua. Both brands sell carpet tile and broadloom—Aqua is dominated by broadloom, while tile is more substantial in Bolyu. Both sell LVT as well, along with a hybrid product called EvoWood, an FSC-certified wood veneer sandwiched between vinyl layers.

The firm also has a substantial mainstreet nylon and polypropylene carpet business, Hollytex, that’s almost as big as its specified carpet business. Hollytex sells broadloom and carpet tile, as well as LVT.

Beaulieu’s 2015 commercial revenues were on par with the previous year. Corporate, Bolyu’s biggest sector, underperformed last year, while Aqua’s hospitality business showed growth. Healthcare and senior living have also been strong. Retail, a fairly big sector for Bolyu, showed modest growth.

Lexmark, a leading hospitality specialist, acquired another hospitality firm, Northwest Hospitality Carpets, midway through 2015. So Lexmark’s total estimated 2015 sales include $1.6 million from half a year of Northwest’s sales. Both Lexmark and Northwest specialize in solution-dyed nylon broadloom—Lexmark has its own extrusion while Northwest has sourced its fiber. So one of the synergies of the acquisition is internal fiber production for Northwest.

Following the acquisition, Lexmark goes to market with three brands: Lexmark Living, its residential brand; Lexmark Expo, its carpet program for shows and special events; and Lexmark + Northwest Hospitality Carpets.

Signature’s commercial business is divided into two operations, Signature Hospitality, which has been around for 17 years, and Signature Accord, the contract brand launched a couple of years ago, catering mostly to the senior living and education markets. Last year, total sales were up, an estimated 5% to $51 million, thanks to growth on the hospitality side, which is the bigger business, as well as major gains in the senior living segment, both in rooms and public space.

Signature is a broadloom specialist, with BioCell by Universal Textile Technologies as the standard backing. And the firm uses