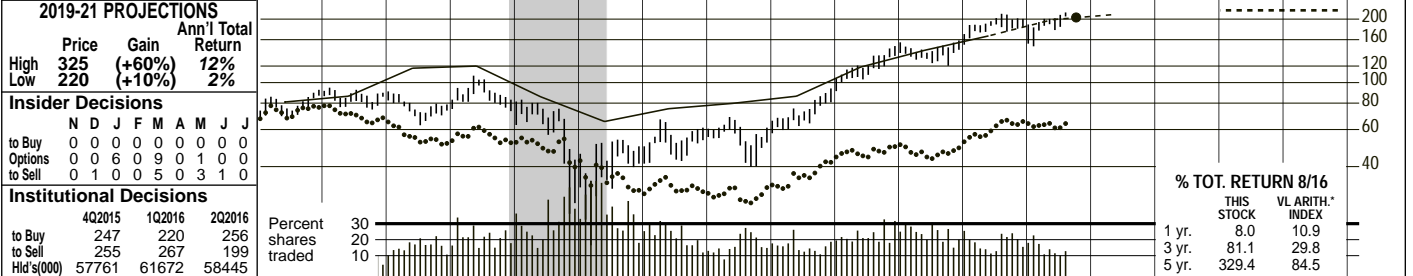


MOHAWK INDUSTRIES NYSE-MHK

RECENT PRICE **203.65** P/E RATIO **16.3** (Trailing: 17.5; Median: 18.0) RELATIVE P/E RATIO **0.89** DIV/D YLD **Nil** VALUE LINE

| | | | | | | | | | | | | | | | |
|-------------------------------------|--|------|-------|------|------|------|------|------|-------|-------|-------|-------|--------------------|------|------|
| TIMELINESS 4 Lowered 9/16/16 | High: 94.7 | 90.9 | 108.0 | 83.1 | 53.7 | 66.9 | 68.9 | 93.9 | 149.0 | 158.6 | 212.2 | 216.6 | Target Price Range | | |
| SAFETY 3 New 10/16/98 | Low: 74.6 | 62.8 | 73.4 | 23.9 | 17.0 | 41.3 | 39.9 | 57.6 | 91.3 | 120.4 | 151.1 | 148.6 | 2019 | 2020 | 2021 |
| TECHNICAL 2 Raised 9/23/16 | LEGENDS — 11.0 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession | | | | | | | | | | | | | | |
| BETA 1.25 (1.00 = Market) | % TOT. RETURN 8/16 THIS STOCK VL ARITH. INDEX 1 yr. 8.0 10.9 3 yr. 81.1 29.8 5 yr. 329.4 84.5 | | | | | | | | | | | | | | |



| 2019-21 PROJECTIONS | | | | | | | | | | | | | | | | | | | |
|-------------------------|-------------|--------|--------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|-----|--|
| Price | Ann'l Total | | | | | | | | | | | | | | | | | | |
| Gain | Return | | | | | | | | | | | | | | | | | | |
| High | 325 | | | | | | | | | | | | | | | | | 400 | |
| Low | 220 | | | | | | | | | | | | | | | | | 320 | |
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12% | |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2% | |
| to Sell | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Insider Decisions | | | | | | | | | | | | | | | | | | | |
| | N | D | J | F | M | A | M | J | J | | | | | | | | | | |
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | |
| to Sell | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | |
| Institutional Decisions | | | | | | | | | | | | | | | | | | | |
| | 4Q2015 | 1Q2016 | 2Q2016 | | | | | | | | | | | | | | | | |
| to Buy | 247 | 220 | 256 | | | | | | | | | | | | | | | 30 | |
| to Sell | 255 | 267 | 199 | | | | | | | | | | | | | | | 20 | |
| Hlds(000) | 57761 | 61672 | 58445 | | | | | | | | | | | | | | | 10 | |

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | © VALUE LINE PUB. LLC | 19-21 |
|-------|-------|-------|-------|-------|-------|--------|--------|-------|-------|-------|-------|-------|--------|--------|--------|--|---------------|---------------------------------|--------|
| 62.25 | 65.40 | 68.14 | 75.22 | 88.08 | 98.08 | 116.67 | 110.97 | 99.77 | 78.03 | 77.50 | 82.03 | 83.70 | 101.10 | 107.02 | 109.18 | 120.60 | 125.30 | Sales per sh | 147.20 |
| 4.68 | 5.18 | 5.82 | 6.26 | 7.37 | 7.85 | 10.66 | 10.89 | 7.79 | 5.95 | 6.85 | 7.26 | 7.84 | 10.76 | 12.94 | 15.12 | 18.10 | 19.15 | "Cash Flow" per sh | 22.05 |
| 3.00 | 3.55 | 4.39 | 4.62 | 5.46 | 5.63 | 6.57 | 6.39 | 3.48 | 1.53 | 2.52 | 2.92 | 3.78 | 6.55 | 8.15 | 10.20 | 12.50 | 13.35 | Earnings per sh ^A | 15.15 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | Nil | Nil | Div'ds Decl'd per sh | Nil |
| 1.40 | 1.00 | 1.69 | 1.72 | 1.60 | 3.66 | 2.45 | 2.39 | 3.18 | 1.59 | 2.28 | 4.01 | 3.01 | 5.04 | 7.71 | 6.81 | 8.40 | 6.75 | Cap'l Spending per sh | 5.55 |
| 14.42 | 18.00 | 29.88 | 34.54 | 39.94 | 44.85 | 54.83 | 68.86 | 46.09 | 46.74 | 47.67 | 49.66 | 53.79 | 61.37 | 60.59 | 65.66 | 79.05 | 92.35 | Book Value per sh ^B | 135.45 |
| 52.30 | 52.69 | 66.37 | 66.54 | 66.76 | 67.50 | 67.77 | 68.36 | 68.42 | 68.48 | 68.63 | 68.78 | 69.15 | 72.69 | 72.91 | 73.93 | 74.20 | 74.30 | Common Shs Outst'g ^C | 72.00 |
| 7.7 | 10.5 | 13.0 | 13.4 | 14.4 | 15.1 | 11.6 | 13.6 | 18.2 | 26.3 | 20.7 | 19.0 | 19.0 | 18.3 | 17.2 | 18.3 | Bold figures are Value Line estimates | | Avg Ann'l P/E Ratio | 18.0 |
| .50 | .54 | .71 | .76 | .76 | .80 | .63 | .72 | 1.10 | 1.75 | 1.32 | 1.19 | 1.21 | 1.03 | .91 | .93 | | | Relative P/E Ratio | 1.15 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | | | Avg Ann'l Div'd Yield | Nil |

| CAPITAL STRUCTURE as of 7/2/16 | | | | | | | | | | | | | | | | | |
|--|--------|--------|--------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Total Debt \$2956.3 mill. Due in 5 Yrs \$1807.6 mill. | | | | | | | | | | | | | | | | | |
| LT Debt \$1160.7 mill. LT Interest \$41.4 mill. | | | | | | | | | | | | | | | | | |
| (LT interest earned and total interest coverage over 25x) (18% of Cap'l) | | | | | | | | | | | | | | | | | |
| Leases, Uncapitalized Annual rentals \$95.4 mill. | | | | | | | | | | | | | | | | | |
| Non-U.S. net Pension liability-12/15 \$2.15 mill. | | | | | | | | | | | | | | | | | |
| Pfd Stock None | | | | | | | | | | | | | | | | | |
| Common Stock 74,153,400 shs. | | | | | | | | | | | | | | | | | |
| as of 8/2/16 | | | | | | | | | | | | | | | | | |
| MARKET CAP: \$15.1 billion (Large Cap) | | | | | | | | | | | | | | | | | |
| CURRENT POSITION 2014 2015 7/2/16 (\$MILL.) | | | | | | | | | | | | | | | | | |
| Cash Assets | 97.9 | 81.7 | 112.0 | | | | | | | | | | | | | | |
| Receivables | 1082.0 | 1257.5 | 1448.9 | | | | | | | | | | | | | | |
| Inventory (LIFO) | 1543.3 | 1607.3 | 1660.1 | | | | | | | | | | | | | | |
| Other | 409.1 | 303.5 | 298.2 | | | | | | | | | | | | | | |
| Current Assets | 3132.3 | 3250.0 | 3519.2 | | | | | | | | | | | | | | |
| Accts Payable | 1104.5 | 1256.0 | 1334.1 | | | | | | | | | | | | | | |
| Debt Due | 851.3 | 2003.0 | 1795.6 | | | | | | | | | | | | | | |
| Current Liab. | 1955.8 | 3259.0 | 3129.7 | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | |
|--|------|-------|-------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| ANNUAL RATES Past Past Est'd '13-'15 of change (per sh) 10 Yrs. 5 Yrs. to '19-21 | | | | | | | | | | | | | | | | | |
| Sales | 2.0% | 4.5% | 7.0% | | | | | | | | | | | | | | |
| "Cash Flow" | 6.0% | 13.5% | 11.0% | | | | | | | | | | | | | | |
| Earnings | 4.5% | 27.0% | 13.0% | | | | | | | | | | | | | | |
| Dividends | -- | -- | Nil | | | | | | | | | | | | | | |
| Book Value | 4.5% | 6.0% | 16.5% | | | | | | | | | | | | | | |

| QUARTERLY SALES (\$mill.) | | | | | |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| Cal-endar | Mar.Per | Jun.Per | Sep.Per | Dec.Per | Full Year |
| 2013 | 1487 | 1976 | 1962 | 1924 | 7348.8 |
| 2014 | 1813 | 2048 | 1991 | 1951 | 7803.4 |
| 2015 | 1881 | 2042 | 2151 | 1998 | 8071.6 |
| 2016 | 2172 | 2310 | 2270 | 2198 | 8950 |
| 2017 | 2175 | 2435 | 2390 | 2310 | 9310 |

| EARNINGS PER SHARE ^A | | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|--------------|
| Cal-endar | Mar.Per | Jun.Per | Sep.Per | Dec.Per | Full Year |
| 2013 | .87 | 1.84 | 2.02 | 1.79 | 6.55 |
| 2014 | 1.23 | 2.21 | 2.44 | 2.27 | 8.15 |
| 2015 | 1.70 | 2.69 | 2.98 | 2.82 | 10.20 |
| 2016 | 2.38 | 3.47 | 3.45 | 3.20 | 12.50 |
| 2017 | 2.40 | 3.80 | 3.75 | 3.40 | 13.35 |

| QUARTERLY DIVIDENDS PAID | | | | | |
|--------------------------|------------------------------|--------|--------|--------|-----------|
| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
| 2012 | NO CASH DIVIDENDS BEING PAID | | | | |
| 2013 | NO CASH DIVIDENDS BEING PAID | | | | |
| 2014 | NO CASH DIVIDENDS BEING PAID | | | | |
| 2015 | NO CASH DIVIDENDS BEING PAID | | | | |
| 2016 | NO CASH DIVIDENDS BEING PAID | | | | |

Mohawk Industries kept its winning streak alive in the second quarter. In constant days and currency exchange rates, June-period sales increased 12.1% to an all-time high. (There was one more selling day in the 2016 quarter, and there will be one less in the third period.) The company also delivered a ninth-straight record in quarterly adjusted earnings. The adjusted gross margin (before depreciation) increased 190 basis points, benefiting from productivity gains, higher volume, accretive acquisitions, and lower input costs. A decline in material costs has resulted in pricing pressure in carpet, however. And the expense ratio was up moderately due to accelerated investments in product introductions and sales expansion. Expenses as a percent of sales are expected to decline in the second half of 2016.

Capital investments are geared to efficiency projects and capacity expansion. From 2013 through 2016, we estimate Mohawk will have spent more than \$2 billion on existing assets to increase output and improve productivity. A key priority this year is increasing capacity for luxury vinyl tile (LVT). In fact, capacity-

constrained domestic output potential will more than double by the end of 2017. Competitors are also adding plants, but this will likely replace Chinese imports, and LVT is the fastest-growing flooring category. Consumers are also shifting away from solid wood, so Mohawk plans to add more capacity for engineered wood by the end of this year. A new ceramic plant, which will produce higher-value porcelain tile, is also near completion.

Acquisitions are nearing full integration. Newcomers contributed about 9% to the June-quarter sales gain. Xrathern, bought in late 2015, significantly boosted sales of insulation panels, while the IVC purchase (mid-2015) added LVT products in Europe. Mohawk is now in the final stages of modernizing the Italian ceramic assets of Marazzi, acquired in 2013.

We would wait for a price pullback before committing funds to this untimely issue. The housing market (both new and remodel) has room to grow. Mohawk's geographic and product diversity is also attractive. However, the share price is up nearly 40% from its 2016 low.

Craig Sirois *September 23, 2016*

| | | |
|--|---|------------------|
| (A) Diluted earnings. Excludes nonrecurring items: '05, d\$33c; '06, 13c; '07, \$3.93; '08, d\$24.80; '09, d\$1.61; '10, 13c; '11, d40c; '12, d10c; '13, \$1.48; '14, d90c; '15, d\$1.89; '16, d\$0.12; discontinued ops.: '13, d25c. Quarterly items may not sum to total due to rounding. Next earnings report due late October. | (B) Includes intangible assets. At 12/31/15, \$3.23 billion, \$43.69/shr. | (C) In millions. |
| Company's Financial Strength B++ | | |
| Stock's Price Stability 55 | | |
| Price Growth Persistence 65 | | |
| Earnings Predictability 80 | | |