

CJS SECURITIES

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INITIATING COVERAGE – BASIC REPORT

OCTOBER 28, 2013

PATRICK INDUSTRIES INC. (PATK: NGM)

**THEME – UNDISCOVERED GROWTH
RATING – MARKET OUTPERFORM**

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STOCK DATA				EARNINGS PER SHARE			
CURRENT PRICE	\$32.05	CASH (\$MM)	\$11	FY (DEC)	2013E	2014E	2015E
52 WEEK RANGE	\$10.78-33.00	TOTAL DEBT (\$MM)	\$63	Q1 Mar	\$0.55a		
SHARES OUT FD (MM)	10.7	NET DEBT/CAP (%)	28%	Q2 Jun	\$0.70		
FLOAT (MM)	7.0	RETURN ON EQUITY	29%	Q3 Sep	\$0.51		
AVERAGE DAILY VOL	56K	EST. 3-5 YR REV GROWTH	10-15%	Q4 Dec	\$0.30		
MARKET CAP (\$MM)	\$345	EST. 3-5 YR EPS GROWTH	15%+	Year	\$2.05	\$2.40	\$2.80
ENTERPRISE VALUE (\$MM)	\$397	DIVIDEND YIELD	N/A	P/E	15.6x	13.3x	11.4x
MGMT/DIRECTOR OWNERSHIP	9%	BOOK VALUE PER SHARE	\$7.18	EV/EBITDA	8.5X	7.5x	6.5X

Summary & Investment Conclusion

We are initiating coverage of Patrick Industries Inc. (NGM: PATK) with a Market Outperform rating and 12-month price target of \$42, offering 30%+ upside from current prices. Due to a thin float and modest average trading volume, clients should use care building core positions.

Patrick is a leading manufacturer and distributor of interior components, products and materials to the recreational vehicle (RV) and manufactured housing (MH) industries. The Company also serves “industrial” markets, primarily related to residential housing. Patrick manufactures a

diverse range of products including vinyl/paper laminated panels, solid surface granite & quartz countertops, furniture, bathroom/shower components, cabinet doors, passenger doors, bedding, etc. Essentially, it produces many of the non-mechanical components found in the interior of RVs and MHs. The Company is also an independent distributor of drywall (to the RV industry), electronics, electrical, siding, flooring, plumbing, furniture, flooring and many other products, diversifying revenue.

The Company’s headquarters and “center of gravity” are in Elkhart, IN (RV capital of North America). However, a nationwide, integrated manufacturing and distribution network creates a

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competitive advantage by keeping the Company close to the customer(s), making Patrick (and its products) more difficult to displace. Manufacturing facilities are typically located in close proximity to RV/MH manufacturers, reducing lead times and inventory requirements for its customers. While Patrick sells mainly commodity products, the Company's value proposition is based on customer service, quality, economies of scale and short turn-around/delivery times. These factors also create a competitive advantage in developing/placing new products. The two largest customers account for >50% of revenue. While this is a risk, it is also a benefit. Patrick is a key supplier and trusted partner for these market leaders. The Company's customer oriented culture helps strengthen these key relationships, creating a barrier to entry and enabling the Company to benefit from ongoing industry consolidation.

Growth has materially accelerated over the past several years, driven by a rapid recovery in RV demand, increased penetration/market share in the RV market and a series of successful acquisitions. Revenue from the RV industry has more than tripled since 2009 and increased from 30% of revenue ten years ago to >70% today. As a result, total revenue has increased at a CAGR approaching ~30% over the past four years while adjusted EPS has gone from a loss to >\$2.00/share (FY13E).

Multiple factors should drive continued growth going forward. RV demand has recovered from a steep decline ('08-'09) much faster than anticipated and the near-term outlook remains favorable. Longer term, demographic trends, including "baby boomers" entering retirement, create a powerful potential tailwind. A continued housing recovery would benefit Patrick's MH and industrial end markets. Further, new product introductions are critical to success and tight collaboration with large customers puts Patrick in

an ideal position to benefit. As a result, content per RV is increasing and we expect this trend to continue. Finally, the Company has completed twelve acquisitions since 2010, adding nearly ~\$200mm of revenue at an average revenue multiple of 0.4x. The industry remains highly fragmented, creating a deep reservoir of potential targets and multiple \$10-\$20mm acquisitions can still "move the needle."

The operating model is leverageable and underutilized capacity remains across most manufacturing facilities and product lines. While EBIT margins (6.5% 2013E) are somewhat modest, incremental margins are in the low double-digits. EBIT margins have increased ~600 bps over the past four years, resulting in rapidly accelerating earnings and cash generation. We estimate incremental margins are in the low-mid teens. Looking forward, we expect revenue to continue to grow faster than SG&A, generating further incremental margin expansion and enhancing EPS growth.

Management has significant operating experience and is incentivized to add shareholder value. Collectively, management and directors own ~9% of shares outstanding. Incentive comp is based on revenue and EBITDA targets (excluding the benefit of acquisitions) as well as strategic objectives and individual performance goals.

The balance sheet is strong. Net debt of \$52.5mm is 1.1x 2013E EBITDA. The Company has \$17mm available under its current credit facility and an additional \$20mm accordion feature. Capital requirements are very modest (maintenance cap ex <\$2mm) and cash generation is rapidly improving, further increasing flexibility to enhance shareholder value. While acquisitions remain the primary focus for capital deployment, in February the Board approved a \$10mm share repurchase authorization.

Results for the most recent quarter (Q3) were mixed. While top line growth remains exceptionally strong (+30% y/y), gross margin of 14.9% declined 90 bps sequentially, reflecting commodity cost inflation, other seasonal factors and some competitive (pricing) pressure. EBIT margin (6.1%) declined 40 bps y/y and 200 bps, sequentially. Despite modest margin declines, adjusted EPS of \$0.49 increased 32% y/y. For the first 9-months, revenue and adjusted EPS increased 35% and 50% respectively. While margins can fluctuate on a quarterly basis (reflecting the factors above), going forward we expect margins to continue to improve as SG&A and other expenses are leverageable.

Valuation appears attractive. The shares trade at 13.3x 2014E EPS and 7.5x EBITDA. Comparable RV/MH component suppliers like Drew Industries (DW, NYSE, MP) command significantly higher multiples (21x EPS, 10x EBITDA). While some “discount” for size and liquidity is warranted, the current gap appears excessive. Our 12-month price target of \$42 equates to 15x FY15E EPS and 8x EBITDA. We note our estimates do not include the benefit of unannounced acquisitions. If Patrick can successfully identify additional acquisitions, earnings power could easily exceed \$3.00 by 2015 which could lead to a share price in the mid-high \$40s.

The float (~6mm shares) is thin and trading liquidity is limited. Tontine Capital, a hedge fund, owns 3.3mm shares, or 31% of the outstanding shares, down from 37% two quarters ago. Given the exceptionally strong stock performance (up >100% over the past year) an orderly secondary offering (which could help improve liquidity) would not be a surprise at some point. Management will be attending our January “New Ideas” Conference.

Company Description

Patrick is a leading manufacturer and distributor of (interior) building products and components to the RV and MH industries. The Company also serves “industrial” markets, primarily related to residential housing.

Company History

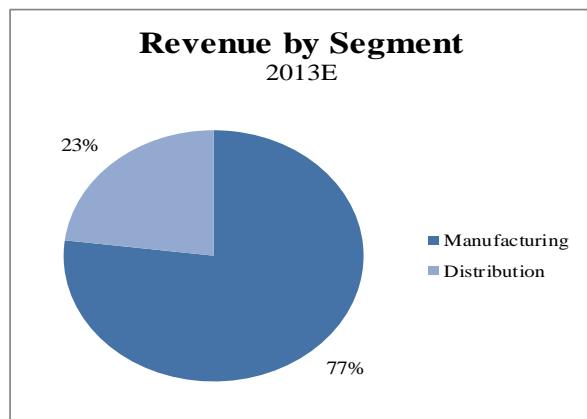
Patrick was founded in 1959 as a distributor of paneling to the manufactured housing market, and was incorporated in 1961. The Company completed its IPO in 1968 and trades on the NASDAQ Global Market under the ticker PATK.

Many Similarities to Drew Industries

CJS clients familiar with Drew Industries (DW, NYSE, Market Perform) will note multiple similarities to Patrick, including growth drivers and operational strategies. Both companies are key components suppliers to the RV and MH industries with a similar industry mix (predominantly RV). While Drew offers exterior RV components (chassis, slide outs, axles, hitches, steps, etc.), Patrick supplies mainly interior products. Drew’s core competency is R&D, performance and functionality, while Patrick focuses on the aesthetics, creature comforts and quality of the interior living space. Both companies are highly focused on product quality, performance and product innovation. While Drew’s products typically have a higher engineering component, we see many more similarities than differences. Ultimately, the success of both companies will be determined by macro trends in the RV and MH industry, product innovation, customer service, manufacturing efficiency and the ability to efficiently redeploy capital organically and by acquisition.

Reports in Two Operating Segments

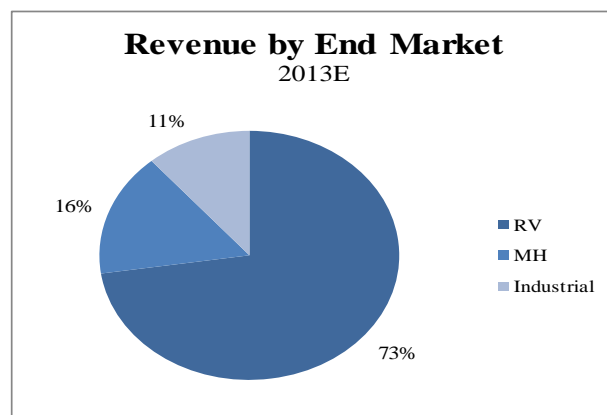
The Company reports in two operating segments, manufacturing and distribution. As we discuss below, the combination of these capabilities and a national footprint enhances Patrick's competitive position.



Source: CJS Securities estimates.

Leading Supplier to RV and MH Industries

Patrick is the largest supplier of non-mechanical interior components to the RV industry and a leading supplier in MH. We estimate Patrick has >50% market share in the RV market within its core product categories. Most competitors, including Genesis Products and Robert Weed Plywood Corp, are small regional companies which generate a fraction of Patrick's revenue and lack its scale and national footprint. Penetration of industrial/residential housing remains modest, creating an opportunity for growth.



Source: CJS Securities estimates.

Broad, Diversified Product Line

The Company manufactures and distributes a broad, diverse line of products, reducing risk of being displaced in any one product category. Laminated panels comprise 40%-50% of manufacturing segment sales, followed by hardwood doors (10%-15%). The Company also distributes these and many other products, including pre-finished wall and ceiling panels, drywall and finishing products, electrical, wiring plumbing and dozens of other products nationwide. Wiring, electrical and plumbing combined comprise ~25% of distribution revenue.

Products By Segment	
Manufacturing	Distribution
Vinyl & Paper Laminated Panels	Pre-Finished Wall & Ceiling Panels
Granite & Quartz Countertops & Sinks	Drywall & Finishing Products
Wrapped Vinyl, Paper & Hardwood Mouldings	Electronics & Wiring Products
Stiles & Battens	Electrical & Plumbing Products
Cabinet Doors	Other Products & Accessories
Drawer Slides & Bottoms	
Hardwood Furniture	
Interior Passage Doors	
Exterior Graphics	
Slotwall Panels	
Custom Fabrication	
Drilling, Boring, Custom Sizing	
Other Accessories	

Source: Company Data.

National Manufacturing & Distribution Footprint

Patrick has assembled a nationwide footprint with sixteen manufacturing plants and fourteen warehouse/distribution centers across eleven different states, covering most of the continental US. This national footprint keeps Patrick close to its customers, reducing distribution costs and lead times. Further, its vertically integrated manufacturing and distribution model creates a captive sales/distribution network for the Company to launch new products and increase penetration in adjacent markets (industrial, residential housing, etc.).

National Manufacturing/Distribution Footprint			
Location	Segment	Sq. Feet	Own/Lease
Elkhart, IN	Distribution	107,000	Owned
Elkhart, IN	Manufacturing	182,000	Owned
Elkhart, IN	Admin Office	35,000	Owned
Elkhart, IN	Manufacturing	211,300	Leased to 2015
Elkhart, IN	Manufacturing	198,000	Leased to 2018
Elkhart, IN	Distribution	175,000	Leased to 2016
Elkhart, IN	Distribution	72,000	Owned
Elkhart, IN	Manufacturing	27,000	Leased to 2014
Elkhart, IN	Design Center	3,200	Leased to 2015
Ligonier, IN	Manufacturing	46,200	Leased to 2015
Middlebury, IN	Manufacturing	134,000	Owned
Syracuse, NY	Manufacturing	142,600	Owned
Syracuse, NY	Manufacturing	72,000	Leased to 2015
Decatur, AL	Manf & Distr	94,000	Owned
Phoenix, AZ	Manufacturing	44,600	Leased to 2013
Fontana, CA	Manf & Distr	72,500	Leased to 2015
Valdosta, GA	Distribution	31,000	Owned
Benesville, IL	Manufacturing	54,400	Leased to 2018
Halstead, KS	Distribution	36,000	Owned
Tualatin, OR	Manf & Distr	76,200	Leased to 2015
Mt. Joy, PA	Manf & Distr	89,000	Owned
Madisonville, TN	Distribution	53,000	Leased
Waco, TX	Manf & Distr	132,600	Owned
New London, CT	Leased to 3rd Party	163,000	Owned
Total*		2,251,600	

*Excludes facilities acquired in 2013.

Source: Company Data.

Barriers to Entry

Patrick's top two customers (Thor and Forest River) represent >50% of total revenue. While this is a risk, long standing customer relationships also act as a barrier to entry. Patrick is a trusted supplier to the leading RV manufacturers. In a business where margins are relatively thin,

economies of scale are critical and these large players have maintained high market shares over a long period of time. Patrick typically locates facilities in close proximity (often next door) to its customers' manufacturing operations, reducing distribution costs and lead times and the ability to deliver just-in-time inventory is critical to success. Essentially, the Company acts as an outsourced extension of RV producers own manufacturing operations, making Patrick somewhat difficult to displace. Further, close collaboration with these key customers creates a competitive advantage in new product development.

RVs a Large Concentrated Industry

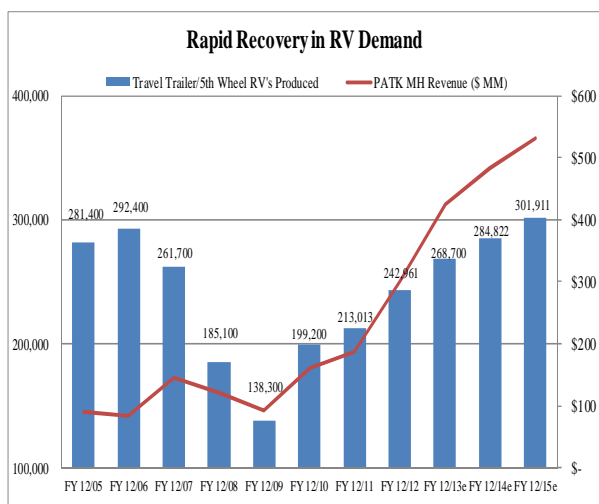
In 2012 retail sales of new RVs in North America were ~\$13 billion. The industry is highly concentrated with Thor, Forest River, and Jayco collectively accounting for ~3/4 of total revenue. The market is generally subdivided into "Towables", comprised of travel trailers, fifth wheels, and campers, and "Motorhomes." Towables represent ~90% of total RV units and ~2/3 of retail sales, with an average retail cost of \$25k-\$30k. Travel Trailers and 5th Wheels account for the vast majority of Towable dollars spent. The average retail price of a Motorhome is \$130k-\$150k, including Class A (large square bus-shaped vehicles), Class B (oversized mini-vans) and Class C (motor home permanently attached to a pick-up truck cab). Class A and Class C account for >95% of Motorhome dollars spent.

RV Industry Market Shares			
	Total RV	Towables	Motorhomes
Thor	38%	37%	18%
Forest River	27%	21%	22%
Jayco	10%	12%	4%
Winnebago	3%		19%
Fleetwood	2%		15%
Monaco	2%		5%
Other	19%	30%	17%

Source: CJS Estimates.

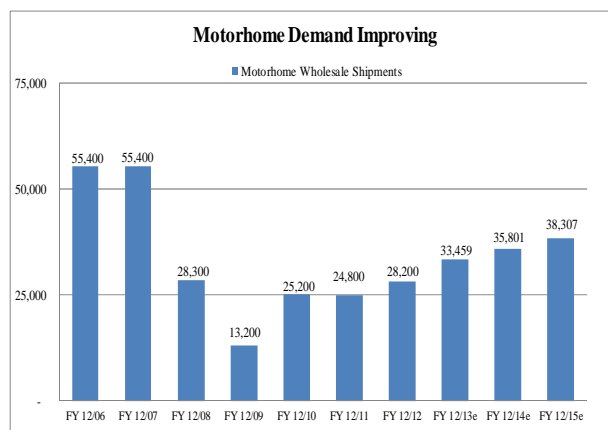
RV Demand Rapidly Recovering

Towable RV volumes have ranged from >300k in 2006 to <140k in 2009. After an exceptionally sharp decline in '08-'09, wholesale TT/5th wheel volumes have rapidly recovered, increasing 44% in 2010, 7% in 2011, 14% in 2012 and 11% (through August) in 2013. Initially, a portion of this recovery was fueled by dealers restocking inventories that had been severely drawn down during the recession. More recently, retail demand has caught up with wholesale shipments and dealer confidence remains strong which bodes well for further wholesale volume growth.



Source: RVIA, Company data, CJS Securities estimates.

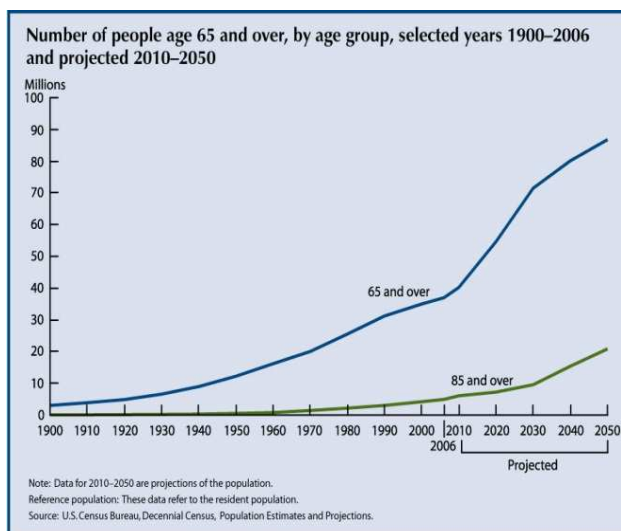
Motorhome demand has accelerated in recent quarters. Wholesale shipments of motorhomes have jumped 27% y/y through July, while registrations have increased 31.4% y/y through August, according to Statistical Surveys, Inc. Motorhomes comprise ~15% of Patrick's RV revenue (~10% of total). However, they represent an avenue for growth driven by improving demand and a significant opportunity for the Company to increase its content per unit over time.



Source: RVIA, CJS Securities estimates.

Demographics Favorable

One source of RV demand historically has been retirees selling their home, downsizing and purchasing an RV for the early years of retirement. The front end of the baby boom wave is now reaching retirement age, creating a strong, sustainable pool of potential RV purchasers for many years to come. Many of these recent or potential retirees have been unable or unwilling to sell their home in a depressed housing market, muting this positive potential impact on RV sales. Further, the stock market crash resulted in many postponing retirement. However, as the equity market has rebounded and the housing market slowly recovered, so too has RV demand.



RV Demand Correlated to Credit, Equity and Housing Markets

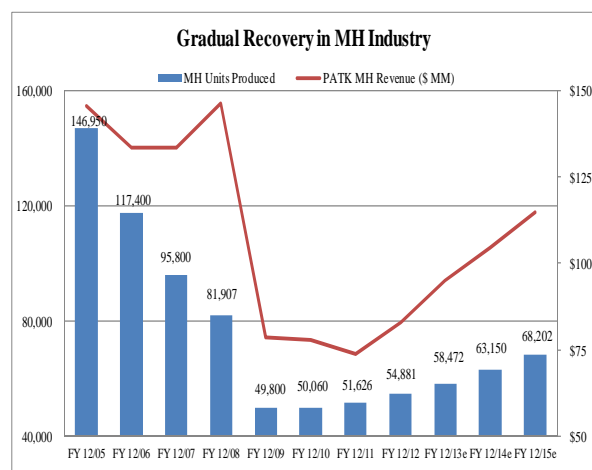
Wealth effects are a key driver of RV demand as shipments correlate highly (65% R-squared) with changes in the S&P 500. Another critical factor is access to credit as most purchases are financed, particularly in higher end motor homes which can reach several hundred thousand dollars. The past volume peak in RV sales in the mid-2000s was most certainly driven by rising home prices, asset prices (stocks) and expanding consumer balance sheets. Therefore, a continued recovery in housing and equity prices would likely coincide with further increases in demand for RVs. An oft cited concern of investors in the RV space is gas prices. However, from 2004-2006, RV unit shipments reached record levels, even in the face of record-high gas prices.

Manufactured Housing Slowly Recovering

From the late 1990s through the '08-'09 recession, the Manufactured housing industry endured an epic industry decline—MH volumes in the U.S. declined >80% between 1998 and 2009, though the trend has stabilized over the past few years. Historically, manufactured homes comprised ~20% of total new homes built. By 2009 that number declined to less than 10%. In the 2000s, many consumers who may have considered manufactured homes traded up to site-built homes thanks to easy mortgage credit. Subsequently, when the housing bubble burst it flooded the housing market with unsold and foreclosed homes.

Recently, the MH industry has begun a slow recovery. MHs produced in the US increased 3% in 2011, 6% in 2012 and are poised for mid-single digit growth in 2013. Longer term, MH could start to grow as a percentage of new homes built once again. The cost to build a manufactured home is less than half that of a site-built home

(~\$41 per sq. ft. vs. ~\$84). The average price for a 1,700 sq. ft. manufactured home is very low on a relative basis, <\$70k compared to ~\$200k for site-built homes, excluding land. One potential headwind, MH buyers are traditionally lower income earners, the group hit hardest by the recession and under-employment. As employment and access to credit improve, it could drive a stronger recovery in demand.



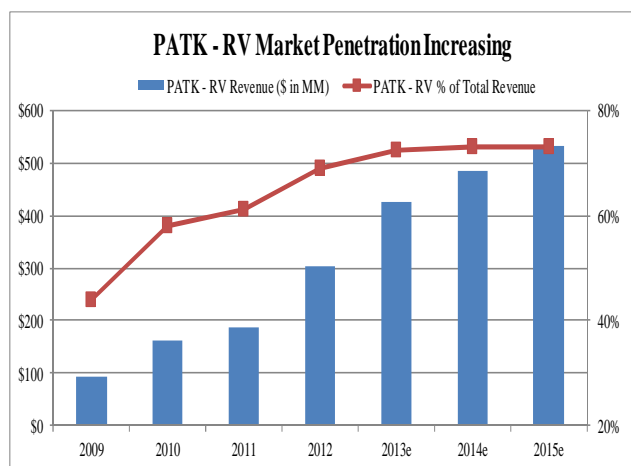
Source: Census.gov, Company data, CJS Securities estimates.

Industrial Revenue Tied to Residential Housing

Patrick's third segment, "Industrial" is essentially a catch-all bucket for "other" revenue. Many of the products Patrick produces, including panels, shelving, countertops, etc. are applicable to commercial and residential markets beyond RVs and MHs. These markets enable Patrick to leverage core competencies in laminating and fabricating, diversify revenue streams and further enhance economies of scale. Approximately 60% of industrial revenue is tied to US residential housing. Therefore, growth in this segment is somewhat tied to new residential home construction and remodel and repair. Patrick also employs a dedicated sales force focused on increasing penetration of industrial, commercial and institutional markets, creating an additional potential avenues for growth.

Growth Fueled by Increased RV Market Penetration

Since 2009 revenue has increased at a ~30% CAGR while adjusted EPS has gone from a loss to ~\$2.00 per share, based on our FY13 estimates. While Patrick has grown both organically and by acquisition, the most significant driver has been increased penetration within the RV industry. RV related sales have grown from ~40% of revenue in 2009 to >70% today, increasing ~350% to >\$400mm (FY13E). Towable RV's (mainly Travel Trailers & 5th Wheels) account for >80% of Patrick's RV revenue, with the remainder coming from Motorhomes.



Source: Company data, CJS Securities estimates.

Organic Growth Enhanced by Acquisitions

Following the severe market downturn, Patrick divested some non-core assets (including its Aluminum Extrusion business) and restructured/right sized operations. In 2010 the Company embarked on an aggressive expansion campaign, completing 12 acquisitions over the next 3 ½ years. Management has remained disciplined, acquiring ~\$170mm of (trailing) revenue for a total of \$60mm, which equates to an average revenue multiple of 0.4x.

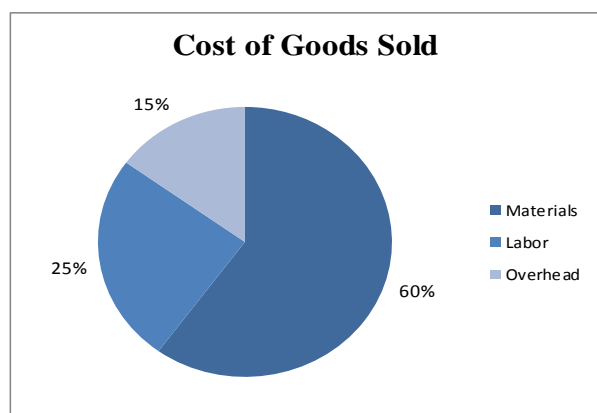
On a forward basis, many of these acquisitions look even better. When Patrick acquired the Praxis Group in 2011 for \$0.5mm, it was generating ~\$4mm revenue. By 2012, that number increased \$6.4mm, or >50%. Similarly, the Company purchased A.I.A. Countertops in 2011 for \$5.5mm with trailing revenue of ~\$20mm. In 2012, A.I.A. revenue jumped by ~\$30mm, a 150% increase y/y. While “good timing” was a factor, we expect Patrick to continue to successfully execute its disciplined acquisition strategy. Despite recent consolidation, components suppliers remain highly fragmented. We estimate there are 50-100 viable acquisition targets within the RV space with many more in the MH and industrial markets. Patrick remains small enough for multiple \$5-\$20mm acquisitions to continue to “move the needle,” further enhancing organic growth.

Acquisitions Enhance Long Term Growth Potential						
Company	Date	Purchase Price	Annual Revenue	Revenue Multiple	Industry	Segment Description
Quality Hardwoods	Jan-10	\$2.0	\$2.0	1.0	RV	Manufacturing Cabinet Doors
Blazon Int'l Group	Aug-10	\$3.8	\$20.0	0.2	RV & MH	Distribution Wiring, Elec, Plumbing, etc.
The Praxis Group	Jun-11	\$0.5	\$4.0	0.1	RV	Distribution Countertops, Furniture
A.I.A. Countertops	Sep-11	\$5.5	\$20.0	0.3	RV & Ind.	Manufacturing Solid Countertops, Tables, etc.
Infinity Graphics	Dec-11	\$1.3	\$2.0	0.7	RV & Ind.	Manufacturing Exterior Graphics
Décor Mfg, LLC	Mar-12	\$4.3	\$17.0	0.3	RV	Manufacturing Laminated & Wrapped Products
Gustafson Lighting	Jul-12	\$2.8	\$12.0	0.2	RV	Distribution Lighting, Ceiling Fans, etc.
Creative Wood Dsgn.	Sep-12	\$3.0	\$18.0	0.2	RV	Manufacturing Hardwood Furniture
Middlebury Hardwoods	Oct-12	\$19.8	\$33.0	0.6	RV, MH & Ind.	Manufacturing Hardwood Cabinet Doors
Frotline Mfg, Premier Concepts	Sep-13	\$8.0	\$25.0	0.3	RV, MH & Ind.	Manufacturing Fiberglass Bath Fixtures, etc.
Westside Furniture	Sep-13	\$8.7	\$17.0	0.5	RV	Distribution Recliners, Mattresses, etc.
Total		\$59.7	\$170.0	0.4		

Source: Company Data.

Leverageable Operating Model....

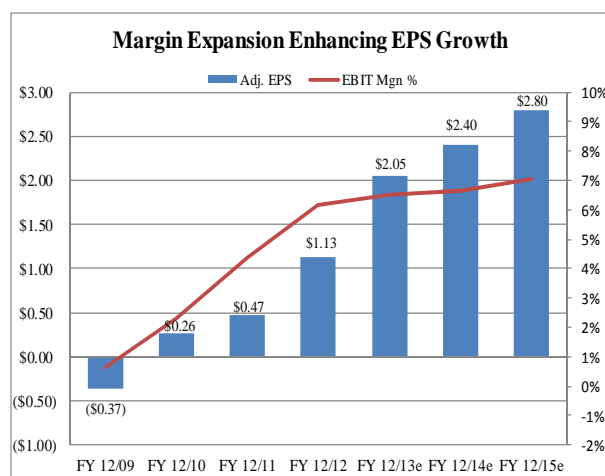
We estimate 70%-80% of Patrick's COGS are variable, providing management some degree of flexibility in adapting to changing demand conditions. We expect gross margins to remain in the 15%-16% range, near term. Likewise, warehouse and delivery expense (3%-4% of revenue) is likely to move in step with revenue. In contrast, SG&A is leverageable. While incentive comp will likely increase with revenue, other corporate expenses are largely fixed. EBIT margins are somewhat modest (below 7%), but incremental margins are higher (low double digits – mid teens), potentially driving additional margin expansion over time.



Source: CJS Securities estimates.

.... Enhances Earnings/Cash Flow Growth

Operating margins have increased ~600 bps since 2009, reflecting restructuring/cost cutting initiatives and the benefit of operating leverage. As a result, EPS has jumped from a loss position four years ago to ~\$2.00, based on our FY13 estimate. While the “low hanging fruit” has been picked, we see room for incremental margin improvement, further enhancing EPS and cash flow growth potential.



Source: Company data, CJS Securities estimates.

Recent Results Mixed

Reported results for Patrick's most recent quarter (Q3) were mixed. Top line growth was exceptionally strong (+30% y/y) driven by ~10% growth in RV unit shipments, increased content/unit, market share gains, strong growth in both MH and Industrial end markets, and the impact of recently completed acquisitions. Despite this strength, gross margin of 14.9% declined 90 bps sequentially, reflecting commodity cost inflation, other seasonal factors and some competitive (pricing) pressure. EBIT margin (6.1%) declined 40 bps y/y and 200 bps, sequentially. Despite modest margin declines, adjusted EPS of \$0.49 increased 32% y/y.

For the first 9-months, revenue increased 35% y/y (17% organic, plus acquisitions). EBIT margin increased 40 bps y/y to 7.2% as the revenue is growing faster than SG&A and other fixed expenses. As a result, adjusted EPS of \$1.72 jumped 50% y/y.

2013-2015 Model Assumptions

For the first nine months of 2013, revenue increased 35% driven by 17% organic growth and recent acquisitions. For Q4 we project 29% revenue growth driven by low double digit growth

in wholesale RV shipments, further penetration of new products across all three verticals and mid-teens growth from (previously completed) acquisitions. We are building in ~90 bps sequential gross margin contraction for Q4, which could prove conservative.

Looking out to 2014, we project ~13% top line growth. We assume mid-single digit growth in shipments of RVs and MHs. Further, the recent acquisitions of Frontline Manufacturing, Premier Concepts and Westside Furniture should add roughly \$30-\$35mm, adding 500-600 bps of additional growth. Despite strong double digit revenue growth, we project relatively modest (~20 bps) EBIT margin expansion, leaving room for growth in investment, personnel, infrastructure and incentive comp expense. For FY15 we project 10% revenue growth driven by mid-single digit market growth, incremental market share gains, new products and increased penetration of industrial and/or other new markets. Putting it all together we project low double-digit revenue growth and mid-high teens EPS growth over the next two years.

We note that our estimates represent a significant step down in the growth rates recently achieved. While we have attempted to be conservative, if end market demand remains healthy and if the Company can execute, top and bottom line growth could prove much faster. Further, our model excludes unannounced acquisitions which are central to management's growth strategy. If Patrick can identify \$30-\$50mm acquisitions over the next 1-2 years, earnings power could comfortably exceed \$3.00/share by 2015.

Acquisitions Enhance Long Term EPS Potential				
\$ in MM, except per share.				
Acquisitions	\$10.0	\$30.0	\$50.0	\$70.0
Acquired Revenue*	\$25.0	\$75.0	\$125.0	\$175.0
Acquired EBIT	\$1.8	\$5.3	\$8.8	\$12.3
EBIT Mgn %**	7.0%	7.0%	7.0%	7.0%
Incremental Int. Expense^	\$0.4	\$1.2	\$2.0	\$2.8
Acquired Pre-Tax Income	\$1.4	\$4.1	\$6.8	\$9.5
Incremental Acquired EPS ^^	\$0.07	\$0.22	\$0.37	\$0.51
CJS 2015E EPS	\$2.80	\$2.80	\$2.80	\$2.80
2015E EPS Potential ^^	\$2.87	\$3.02	\$3.17	\$3.31

Source: Company data, CJS securities estimates.

*Assumes 0.4x Average Acquisition Revenue Multiple

** Assumes 6.5% Average Acquisition EBIT Margin.

^Assumes 4% interest rate on borrowings for acquisitions.

^^Assumes 38% tax rate. 11.4mm 2015E share count.

Hedge Fund Investor Holds 30% Position

Tontine Capital, a Greenwich, Connecticut based Hedge Fund, owns 3.3mm shares and has the right to elect two board members. In early October, Tontine distributed ~500k shares to some of its LP investors, but still owns >30% of the Company. Given the exceptionally strong rise in the stock price and Tontine's low cost basis, we would not be surprised to see an orderly secondary offering at some point, potentially improving the float and trading liquidity.

Strong Balance Sheet Creates Flexibility to Add Shareholder Value

Despite multiple (cash) acquisitions, the balance sheet remains strong. Net debt of \$53mm is 1.1x 2013E EBITDA. The Company has ~\$17mm available under its current (\$80mm) credit facility and an additional \$20mm accordion feature, creating flexibility to add shareholder value. We believe the model could support leverage up to 3x, at least temporarily, providing \$80-\$100mm potential "dry powder" for acquisitions and/or share repurchases.

Cash Flow Generation Rapidly Improving

Capital requirements are very modest. Cap ex is currently running between \$6-\$8mm, while

maintenance cap ex is just \$1-\$2mm. As margins and net income improve, cash generation should continue to increase as well. We estimate annual free cash flow could approach ~\$2.00/share in FY14 and ~\$2.50 in FY15, after building in \$8mm-\$10mm annual increased working capital (primarily inventory).

Free Cash Flow								
	FY08	FY09	FY10	FY11	FY12	FY13e	FY14e	FY15e
CFFO	\$2	\$4	\$8	\$12	\$21	\$16	\$27	\$33
Capital Expenditures	(\$4)	(\$0)	(\$1)	(\$2)	(\$8)	(\$9)	(\$8)	(\$8)
Free Cash Flow	(\$2)	\$4	\$7	\$9	\$13	\$7	\$19	\$25
Free Cash Flow/Share	(\$0.28)	\$0.39	\$0.66	\$0.92	\$1.23	\$0.66	\$1.78	\$2.37

Source: CJS Securities Estimates and Company Documents

Management Incentives Aligned with Shareholders

Management has significant experience and is incentivized to add shareholder value. Todd Cleveland, President and CEO, has been with Patrick since 2007. He has more than two decades of industry experience and owns ~5% of the Company. Andy Nemeth has been CFO since 2002, overseeing a significant restructuring and the more recent period of rapidly accelerating growth. Collectively, management and directors own ~9% of shares outstanding, aligning their interests with shareholders. Incentive compensation includes a mix of cash, short term incentives and restricted stock and is weighted toward pre-determined three year rolling EBITDA targets which exclude the benefit of acquisitions.

Attractive Valuation

PATK trades at 13.3x 2014E EPS and 7.5x EBITDA. Comparable RV/MH component suppliers like Drew Industries (DW, NYSE, MP) command significantly higher multiples 21x forward (2014) EPS and ~10x EBITDA. While some “discount” for size and liquidity is warranted, the current gap appears excessive.

Our 12-month price target of \$42 equates to 15x FY15E EPS and 8x EBITDA. Including the benefit of potential unannounced acquisitions, which remain central to management’s growth strategy, earnings power could easily exceed \$3.00 by FY15, which could lead to a price target in the mid-\$40’s.

Risks and Uncertainties

Sells Commodity Products

Most products are fairly commoditized. Quarterly margins/earnings can be impacted by competitive pricing pressure, as was the case during FQ3’13.

Customer Concentration

The top two customers account for >50% of revenue and the top five >60%.

Inventory Risk

Patrick’s holds significant inventory in order to satisfy just-in-time delivery needs of many customers. In the event of a downturn, this could lead to inventory impairments, impacting EPS.

Commodity Inflation

Key commodity inputs include lauan, gypsum, particleboard and lumber. Lauan is a plywood with unique properties (flexibility) ideal for RV interiors which is procured from multiple sources in Malaysia, China and Indonesia. Increases in commodity costs can typically be passed onto the customer with some lag.

Seasonality

Q2 and Q3 have historically been the strongest periods of revenue and EPS due to seasonal buying patterns and key trade shows in the RV industry. That has shifted to some degree in

recent years toward Q1, while Q4 remains a seasonally softer quarter.

EPS Volatility Magnified by Low Share Count

With ~11mm shares outstanding, modest changes in net income can impact EPS.

Limited Trading Float

Tontine owns 31% and management another 9%. As a result, the float is ~6mm shares and trading liquidity is modest.

Still Learning to be a “Public Company”

Patrick’s first quarterly conference call was last week (10/24 - no Q&A). Management rarely attends conferences and until recently, did not have an investor presentation/slide show. To date there has been almost no sell side coverage. However, management appears committed to increasing its profile among institutional investors and plans to attend our January “New Ideas” Conference. With the market cap approaching ~\$350mm, additional sell side coverage appears likely going forward.

Patrick Industries Inc.

Business Drivers and Industry Statistics
for the 12 month period ended

	FY 12/07	FY 12/08	FY 12/09	FY 12/10	FY 12/11	Q1 3/12	Q2 6/12	Q3 9/12	Q4 12/12	FY 12/12	Q1 3/13	Q2 6/13	Q3 9/13	Q4 12/13e	FY 12/13e	FY 12/14e	FY 12/15e
Revenue by End Market																	
Recreational Vehicles	144.4	120.3	93.5	161.4	187.8	70.9	79.8	76.8	72.2	301.8	106.6	116.5	103.5	97.5	424.0	483.4	531.7
growth y/y	70.3%	-16.7%	-22.3%	72.6%	16.4%	57.0%	61.0%	65.9%	54.4%	60.7%	50.3%	46.0%	34.7%	35.0%	40.5%	14.0%	10.0%
% of total	39.0%	37.0%	44.0%	58.0%	61.0%	69.0%	69.0%	68.0%	68.0%	69.0%	75.0%	73.0%	70.6%	71.3%	72.5%	73.0%	73.0%
Manufactured Housing	133.3	146.3	78.6	77.9	73.9	18.5	23.1	22.6	21.2	83.1	19.9	25.5	26.2	23.3	95.0	104.4	114.9
growth y/y	0.0%	9.8%	-46.3%	-0.9%	-5.2%	33.1%	16.5%	13.0%	5.2%	12.5%	7.6%	10.5%	16.0%	10.0%	14.3%	10.0%	10.0%
% of total	36.0%	45.0%	37.0%	28.0%	24.0%	18.0%	20.0%	20.0%	20.0%	19.0%	14.0%	16.0%	17.9%	17.1%	16.2%	15.8%	15.8%
Industrial	92.6	58.5	40.4	39.0	46.2	13.3	12.7	13.6	12.7	52.5	15.6	17.6	16.9	15.9	66.0	73.9	81.3
growth y/y	9.1%	-36.8%	-31.0%	-3.5%	18.5%	27.5%	-3.8%	21.4%	11.7%	13.7%	17.6%	38.1%	25.0%	25.0%	25.8%	12.0%	10.0%
% of total	25.0%	18.0%	19.0%	14.0%	15.0%	12.9%	11.0%	12.0%	12.0%	12.0%	11.0%	11.0%	11.6%	11.6%	11.3%	11.2%	11.2%
Total Revenue	370.2	325.2	212.5	278.2	307.8	102.7	115.6	112.9	106.1	437.4	142.1	159.6	146.6	136.7	585.0	661.8	727.9
growth y/y	22.2%	-12.2%	-34.6%	30.9%	10.6%	47.8%	39.9%	45.9%	35.6%	42.1%	38.4%	38.0%	29.8%	28.8%	33.8%	13.1%	10.0%

Source: CJS Securities Estimates and Company Reports

Patrick Industries Inc.

Segments

All Figures \$MM

	FY 12/07	FY 12/08	FY 12/09	FY 12/10	FY 12/11	Q1 3/12	Q2 6/12	Q3 9/12	Q4 12/12	FY 12/12	Q1 3/13	Q2 6/13	Q3 9/13	Q4 12/13e	FY 12/13e	FY 12/14e	FY 12/15e
Sales by Segment																	
Manufacturing	277.5	253.8	168.7	222.9	232.5	79.7	88.5	82.4	80.3	330.9	111.5	125.0	110.0	105.2	451.7	509.6	562.3
% of Revenue	75.0%	78.1%	79.4%	80.1%	75.5%	77.6%	76.6%	72.9%	75.7%	75.7%	78.4%	78.3%	75.0%	77.0%	77.2%	77.0%	77.2%
% growth year-to-year	15.2%	-8.6%	-33.5%	32.1%	4.3%	49.5%	41.6%	42.5%	36.6%	42.4%	39.9%	41.2%	33.5%	31.0%	36.5%	12.8%	10.3%
Distribution	92.7	71.4	43.8	55.3	75.4	23.0	27.1	30.6	25.8	106.4	30.7	34.5	36.7	31.4	133.3	152.2	165.6
% of Revenue	25.0%	21.9%	20.6%	19.9%	24.5%	22.4%	23.4%	27.1%	24.3%	24.3%	21.6%	21.7%	25.0%	23.0%	22.8%	23.0%	22.8%
% growth year-to-year	-21.8%	-23.0%	-38.6%	26.3%	36.2%	42.3%	34.8%	55.6%	32.5%	41.2%	33.3%	27.7%	19.9%	21.9%	25.2%	14.2%	8.8%
Net Sales	370.2	325.2	212.5	278.2	307.8	102.7	115.6	112.9	106.1	437.4	142.1	159.6	146.6	136.7	585.0	661.8	727.9
% growth year-to-year	3.0%	-12.2%	-34.6%	30.9%	10.6%	47.8%	39.9%	45.9%	35.6%	42.1%	38.4%	38.0%	29.8%	28.8%	33.8%	13.1%	10.0%
Gross Profit by Segment																	
Manufacturing	26.4	16.0	16.5	21.6	33.5	12.7	13.8	12.4	11.4	50.3	17.7	19.8	16.9	15.2	69.7	79.1	89.0
Gross Margin %	9.5%	6.3%	9.8%	9.7%	14.4%	15.9%	15.6%	15.1%	14.2%	15.2%	15.9%	15.9%	15.4%	14.4%	15.4%	15.5%	15.8%
% growth year-to-year					55.0%	125.3%	50.5%	22.4%	34.0%	50.3%	40.2%	43.9%	36.2%	32.5%	38.5%	13.6%	12.4%
Distribution	11.8	9.4	6.0	8.3	12.1	4.1	4.3	4.8	4.9	18.1	5.8	5.7	4.9	4.0	20.4	21.8	23.5
Gross Margin %	12.7%	13.2%	13.7%	15.0%	16.0%	17.8%	15.8%	15.8%	19.0%	17.0%	19.0%	16.5%	13.3%	12.7%	15.3%	14.4%	14.2%
% growth year-to-year					45.2%	42.3%	33.0%	0.9%	-18.6%	49.8%	42.3%	33.0%	0.9%	-18.6%	12.6%	7.2%	7.6%
Gross Profit	38.2	25.4	22.5	29.9	45.5	16.7	18.1	17.3	16.3	68.4	23.6	25.5	21.8	19.1	90.0	101.0	112.5
Gross Margin %	10.3%	7.8%	10.6%	10.7%	14.8%	16.3%	15.6%	15.3%	15.4%	15.6%	16.6%	16.0%	14.9%	14.0%	15.4%	15.3%	15.5%
% growth year-to-year					52.3%	40.7%	41.3%	26.3%	17.2%	31.6%	40.7%	41.3%	26.3%	17.2%	31.6%	12.1%	11.4%
Operating Profit by Segment																	
Manufacturing	7.1	(57.7)	5.0	7.9	18.8	8.1	8.7	7.3	6.7	30.8	11.7	13.4	11.0	9.5	45.5	53.0	60.2
Operating Margin %	2.6%	-22.7%	3.0%	3.5%	8.1%	10.2%	9.8%	8.8%	8.4%	9.3%	10.5%	10.7%	10.0%	9.0%	10.1%	10.4%	10.7%
% growth year-to-year	-18.2%	-912.8%	-108.7%	56.1%	138.9%	245.9%	61.1%	12.8%	46.0%	63.8%	44.9%	53.8%	51.0%	40.6%	47.9%	16.4%	13.5%
Distribution	3.6	1.5	0.2	1.4	2.7	1.3	1.4	1.6	1.4	5.7	1.9	2.4	2.2	1.9	8.4	9.9	11.1
Operating Margin %	3.9%	2.1%	0.4%	2.5%	3.6%	5.8%	5.1%	5.2%	5.6%	5.4%	6.3%	6.8%	6.0%	6.0%	6.3%	6.5%	6.7%
% growth year-to-year	-35.2%	-57.7%	-89.1%	716.8%	97.1%	488.1%	142.3%	113.9%	24.2%	113.0%	43.7%	71.0%	38.9%	31.6%	45.9%	19.0%	12.1%
Segment Operating Profit	10.7	(56.2)	5.2	9.2	21.5	9.4	10.1	8.9	8.2	36.5	13.6	15.7	13.2	11.4	53.9	63.0	71.3
Segment Operating Profit %			2.5%	3.3%	7.0%	9.2%	8.7%	7.9%	7.7%	8.4%	9.6%	9.8%	9.0%	8.3%	9.2%	9.5%	9.8%
% growth year-to-year	-24.9%	-624.8%	-109.3%	77.3%	132.7%	267.3%	68.8%	23.2%	41.6%	69.9%	44.7%	56.1%	48.8%	39.0%	47.6%	16.8%	13.2%
Corporate	(16.5)	(19.6)	(6.7)	(5.4)	(7.5)	(1.6)	(2.2)	(1.7)	(3.2)	(8.7)	(2.7)	(2.7)	(3.7)	(5.0)	(14.0)	(16.1)	(17.4)
Amortization	(1.0)	(1.7)	(0.4)	(0.6)	(0.8)	(0.3)	(0.3)	(0.3)	(0.5)	(1.5)	(0.5)	(0.5)	(0.5)	(0.7)	(2.3)	(2.8)	(2.8)
Other	4.3	7.3	3.2	3.2	0.3	0.0	0.0	0.5	0.2	0.7	0.0	0.4	(0.0)	0.0	0.4	0.0	0.0
Goodwill Impairment			0.0	0.0	0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Profit	(2.5)	(70.2)	1.4	6.4	13.5	7.5	7.5	7.4	4.6	27.0	10.4	12.9	9.0	5.7	38.0	44.1	51.1
Operating Margin %	-0.7%	-21.6%	0.6%	2.3%	4.4%	7.3%	6.5%	6.5%	4.4%	6.2%	7.3%	8.1%	6.1%	4.2%	6.5%	6.7%	7.0%
% growth year-to-year	-155.3%	2750.2%	-101.9%	374.2%	109.8%	944.8%	70.7%	43.9%	46.5%	100.2%	38.8%	71.2%	21.9%	23.4%	40.6%	15.9%	16.0%

Source: CJS Securities Estimates and Company Reports

Patrick Industries Inc.

Income Statement

All Figures \$MM, except per share

	FY 12/07	FY 12/08	FY 12/09	FY 12/10	FY 12/11	Q1 3/12	Q2 6/12	Q3 9/12	Q4 12/12	FY 12/12	Q1 3/13	Q2 6/13	Q3 9/13	Q4 12/13e	FY 12/13e	FY 12/14e	FY 12/15e
Net Sales	370.2	325.2	212.5	278.2	307.8	102.7	115.6	112.9	106.1	437.4	142.1	159.6	146.6	136.7	585.0	661.8	727.9
% growth year-to-year	22.2%	-12.2%	-34.6%	30.9%	10.6%	47.8%	39.9%	45.9%	35.6%	42.1%	38.4%	38.0%	29.8%	28.8%	33.8%	13.1%	10.0%
Cost of Sales	326.1	297.9	189.6	248.6	263.5	86.3	97.8	96.0	91.6	371.6	119.7	134.4	124.8	117.5	496.4	560.8	615.5
% of Revenue	88.1%	91.6%	89.2%	89.3%	85.6%	84.0%	84.6%	85.0%	86.3%	85.0%	84.2%	84.2%	85.1%	86.0%	84.9%	84.7%	84.5%
% growth year-to-year	23.2%	-8.7%	-36.3%	31.1%	6.0%	40.0%	38.5%	49.5%	36.5%	41.0%	38.8%	37.5%	29.9%	28.4%	33.6%	13.0%	9.7%
Gross Profit	44.1	27.2	22.9	29.6	44.3	16.4	17.8	16.9	14.6	65.7	22.4	25.2	21.8	19.1	88.6	101.0	112.5
Gross Margin	11.9%	8.4%	10.8%	10.7%	14.4%	16.0%	15.4%	15.0%	13.7%	15.0%	15.8%	15.8%	14.9%	14.0%	15.1%	15.3%	15.5%
% growth year-to-year	15.4%	-38.2%	-16.0%	29.5%	49.5%	108.3%	48.4%	4.1%	30.0%	48.4%	36.5%	41.0%	29.1%	31.3%	34.7%	14.0%	11.4%
Warehouse & Delivery	18.9	16.5	10.2	11.7	13.6	3.7	4.0	4.1	4.0	15.8	4.5	4.7	5.3	5.2	19.7	22.4	24.3
% of Revenue	5.1%	5.1%	4.8%	4.2%	4.4%	3.6%	3.4%	3.6%	3.8%	3.6%	3.2%	3.0%	3.6%	3.8%	3.4%	3.4%	3.3%
% growth year-to-year	34.2%	-12.4%	-38.0%	14.2%	16.6%	18.0%	13.6%	15.5%	15.8%	15.7%	23.5%	18.3%	29.5%	28.5%	25.0%	13.6%	8.5%
S, G & A	26.7	26.9	12.1	13.8	16.6	4.9	5.9	5.4	5.4	21.6	7.0	7.4	7.0	7.5	28.9	31.7	34.2
% of Revenue	7.2%	8.3%	5.7%	5.0%	5.4%	4.8%	5.1%	4.8%	5.1%	4.9%	4.9%	4.7%	4.8%	5.5%	4.9%	4.8%	4.7%
% Growth Year-to-Year	36.1%	0.6%	-54.8%	14.0%	20.0%	27.5%	45.8%	27.7%	21.0%	30.3%	41.7%	25.3%	29.7%	40.0%	33.8%	9.5%	8.0%
Amortization of Intangibles	1.0	1.7	0.4	0.6	0.8	0.3	0.3	0.3	0.5	1.5	0.5	0.5	0.5	0.7	2.3	2.8	2.8
Gain on Sale of Fixed Assets	(0.2)	(4.6)	(1.2)	(2.9)	(0.2)	-	(0.0)	(0.2)	(0.0)	(0.2)	(0.0)	(0.4)	0.0	-	(0.4)	-	-
Impairment/Other Charges	0.2	56.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income	(2.5)	(70.2)	1.3	6.4	13.5	7.5	7.6	7.3	4.6	27.0	10.4	12.9	9.0	5.7	38.0	44.1	51.1
% of Revenue	-0.7%	-21.6%	0.6%	2.3%	4.4%	7.3%	6.6%	6.5%	4.3%	6.2%	7.3%	8.1%	6.1%	4.2%	6.5%	6.7%	7.0%
% Growth Year-to-Year	-155.1%	2733.1%	-101.9%	375.6%	110.3%	874.9%	68.8%	39.4%	55.7%	100.7%	38.4%	70.2%	22.8%	23.6%	40.6%	15.9%	16.0%
Stock Warrants Revaluation	-	-	0.8	(0.3)	0.7	1.7	0.1	(0.1)	-	1.7	-	-	-	-	-	-	-
Interest Expense, net	6.5	6.4	6.4	5.5	4.5	0.8	0.8	0.8	1.6	4.0	0.6	0.5	0.5	0.5	2.2	2.0	0.8
Pretax Income	(9.0)	(76.6)	(5.9)	1.1	8.3	5.0	6.7	6.6	3.0	21.3	9.9	12.4	8.4	5.2	35.9	42.1	50.3
% of Revenue	-2.4%	-23.6%	-2.8%	0.4%	2.7%	4.9%	5.8%	5.8%	2.9%	4.9%	6.9%	7.8%	5.8%	3.8%	6.1%	6.4%	6.9%
% Growth Year-to-Year	-414.0%	750.5%	-92.3%	-119.4%	625.5%	-505.7%	80.2%	44.5%	132.5%	156.1%	96.8%	86.0%	28.7%	69.7%	68.6%	17.3%	19.6%
Taxes	(2.9)	(10.0)	(0.5)	(0.1)	(0.2)	-	(6.7)	-	(0.2)	(6.8)	3.8	4.8	3.0	2.0	13.6	16.0	19.1
Tax Rate	32.5%	13.0%	7.9%	-7.0%	-2.0%	0.0%	-99.8%	0.0%	-5.7%	-32.1%	39.0%	39.0%	35.4%	38.0%	38.0%	38.0%	38.0%
Net Income	(6.1)	(66.7)	(5.4)	1.2	8.5	5.0	13.3	6.6	3.2	28.1	6.0	7.6	5.4	3.2	22.2	26.1	31.2
% of Revenue	-1.6%	-20.5%	-2.6%	0.4%	2.8%	4.9%	11.5%	5.8%	3.0%	6.4%	4.2%	4.7%	3.7%	2.3%	3.8%	3.9%	4.3%
% Growth Year-to-Year	-464.5%	996.3%	-91.8%	-122.5%	591.4%	-505.7%	260.1%	44.5%	118.5%	231.7%	20.1%	-43.2%	-16.8%	-0.4%	-20.9%	17.3%	19.6%
Net Income per Share fd	(\$1.08)	(\$8.32)	(\$0.59)	\$0.12	\$0.83	\$0.47	\$1.22	\$0.60	\$0.03	\$2.64	\$0.55	\$0.70	\$0.51	\$0.30	\$2.06	\$2.40	\$2.80
% Growth Year-to-Year	-421.0%	673.8%	-92.9%	-121.0%	571.5%	-458.2%	235.8%	37.6%	-77.8%	216.7%	17.1%	-42.4%	-15.2%	836.0%	-22.0%	16.6%	16.4%
Weighted Ave. Shares Outst. (mil) fd	5.7	8.0	9.2	9.9	10.2	10.7	10.9	10.9	100.6	10.6	11.0	10.8	10.7	10.7	10.8	10.9	11.2
Restructuring	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00					\$0.00					\$0.00	\$0.00	\$0.00
Impairment	\$0.00	\$0.00	\$0.00	\$0.18						\$0.00	\$0.00	\$0.00	\$0.35		\$0.35	\$0.00	\$0.00
Tax Impact	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00				\$0.00	\$0.00	\$0.00	\$0.00			\$0.00	\$0.00	\$0.00
Non-GAAP Adjusted EPS	(\$0.69)	(\$0.61)	(\$0.37)	\$0.26	\$0.47	\$0.19	\$0.36	\$0.38	\$0.02	\$1.13	\$0.55	\$0.73	\$0.46	\$0.30	\$2.05	\$2.40	\$2.80

EBITDA Adjusted	5.8	(61.4)	7.9	14.5	19.0	9.1	8.9	8.9	6.7	33.7	12.5	15.4	11.1	7.8	46.8	53.3	60.3
% Growth Year-to-Year	1.6%	-18.9%	3.7%	5.2%	6.2%	8.8%	7.7%	7.9%	6.3%	7.7%	8.8%	9.6%	7.6%	5.7%	8.0%	8.0%	8.3%
D & A	6.7	8.1	5.3	5.0	4.9	1.4	1.1	1.2	1.9	5.6	1.8	1.7	1.8	1.8	7.1	8.0	8.0
Stock Based Comp	1.5	0.7	0.1	0.2	0.3	0.1	0.2	0.2	0.2	0.8	0.3	0.3	0.3	0.3	1.2	1.2	1.2
% of Revenue	1.8%	2.5%	2.5%	1.8%	1.6%	1.4%	1.0%	1.0%	1.8%	1.3%	1.3%	1.1%	1.2%	1.3%	1.2%	1.2%	1.1%
% Growth Year-to-Year	65.1%	19.6%	-34.7%	-5.7%	-1.1%	20.1%	-7.0%	-4.1%	42.3%	13.6%	26.5%	55.1%	56.0%	-4.9%	27.6%	12.2%	0.0%

Source: CJS Securities Estimates and Company Reports

Patrick Industries Inc.

Balance Sheet

All Figures \$MM

Assets	FY 12/07	FY 12/08	FY 12/09	FY 12/10	FY 12/11	Q1 3/12	Q2 6/12	Q3 9/12	Q4 12/12	FY 12/12	Q1 3/13	Q2 6/13	Q3 9/13	Q4 12/13e	FY 12/13e	FY 12/14e	FY 12/15e
<i>Current Assets:</i>																	
Cash and equivalents	0.2	2.7	0.1	2.0	0.6	1.2	1.4	0.9	0.4	0.4	1.5	5.4	10.5	4.0	4.0	23.1	48.4
Short-term investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net of allowance	11.0	8.3	12.5	10.2	14.2	30.6	25.7	31.7	17.9	17.9	33.0	32.0	35.5	24.0	24.0	27.2	29.9
Inventories:	34.7	21.5	17.5	22.7	27.5	29.6	34.0	41.0	47.0	47.0	52.4	51.7	55.9	66.2	66.2	74.8	82.1
Deferred Taxes	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	5.1	1.8	3.3	2.6	2.6	2.6	2.6	2.6
Prepaid and other current assets	30.4	18.6	6.8	2.3	2.2	2.0	3.1	3.1	3.2	3.2	2.1	2.5	4.2	4.2	4.2	4.2	4.2
Total Current Assets	80.0	51.0	36.9	37.1	44.4	63.4	64.2	76.6	73.7	73.7	90.6	94.8	108.6	101.0	101.0	131.8	167.2
<i>Non Current Assets</i>																	
Fixed Assets	43.7	34.6	26.4	23.2	23.0	23.1	23.7	28.6	37.1	37.1	36.6	37.6	40.1	42.3	42.3	42.3	42.3
Goodwill	29.5	2.1	2.1	3.0	4.3	5.8	5.8	6.8	10.4	10.4	10.4	10.4	43.4	43.4	43.4	43.4	43.4
Intangible assets, net	38.5	7.4	7.0	7.9	11.5	12.9	12.5	13.3	19.2	19.2	18.7	18.2	0.0	0.0	0.0	0.0	0.0
Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	4.4	4.4	0.7	0.7	0.7	0.7	0.0	0.0	0.0	0.0	0.0
Deferred Financing Costs	0.0	2.3	1.5	0.3	1.9	1.8	1.6	1.5	1.6	1.6	1.6	1.5	1.4	1.4	1.4	1.4	1.4
Other assets	4.6	3.0	3.1	3.3	0.7	0.7	0.6	0.7	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total Assets	196.2	100.5	77.0	74.8	85.8	107.6	112.9	131.777	143.5	143.5	159.4	164.0	194.3	188.9	188.9	219.7	255.1
<i>Current Liabilities</i>																	
Accounts Payable	14.3	5.2	5.9	8.2	10.6	23.5	25.0	27.0	17.3	17.3	28.9	32.1	36.2	27.2	27.2	30.7	33.7
Accrued Liabilities	7.6	7.3	5.3	5.6	8.2	6.2	8.8	10.6	11.8	11.8	9.2	11.8	14.9	14.9	14.9	14.9	14.9
Short Term Debt	10.1	32.9	23.9	36.2	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	32.0	45.3	35.0	50.1	19.9	30.7	34.7	38.6	29.2	29.2	38.1	43.9	51.0	42.1	42.1	45.6	48.6
<i>Non Current Liabilities</i>																	
Long-term debt	71.5	27.4	18.4	0.0	32.0	35.4	24.4	32.1	49.7	49.7	54.1	46.0	63.0	63.0	63.0	63.0	63.0
Deferred Comp	4.2	5.7	6.0	5.3	3.8	4.3	3.4	3.4	3.2	3.2	3.1	3.0	3.0	3.3	3.3	4.5	5.7
Other liabilities	16.6	1.3	1.3	1.3	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5
Total Liabilities	124.3	79.7	60.7	56.7	56.9	71.8	62.5	74.1	82.1	82.1	95.3	92.9	117.5	108.9	108.9	113.6	117.8
<i>Shareholders Equity</i>																	
Common stock, \$0.50 par value and \$0.01	32.6	53.5	53.6	53.8	54.2	55.1	55.5	55.5	55.5	55.5	52.2	49.1	49.5	49.5	49.5	49.5	49.5
Additional paid-in-capital	0.1	0.4	0.1	0.1	1.3	2.3	3.2	4.0	4.3	4.3	4.3	6.7	6.7	6.7	6.7	6.7	6.7
Accumulated other comprehensive income	(0.7)	(1.4)	(1.2)	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	39.8	(31.7)	(36.2)	(35.0)	(26.5)	(21.5)	(8.2)	(1.6)	1.6	1.6	7.6	15.2	20.6	23.8	23.8	49.9	282.3
Less treasury stock, at cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Shareholders Equity	71.9	20.8	16.3	18.1	28.8	35.8	50.4	57.7	61.4	61.4	64.1	71.0	76.8	80.0	80.0	106.1	137.3
Total Liabilities & Shareholders Equity	196.2	100.5	77.0	74.8	85.8	107.6	112.9	131.8	143.5	143.5	159.4	164.0	194.3	188.9	188.9	219.7	255.1

Source: CJS Securities Estimates and Comp

Patrick Industries Inc.

Cash Flow

All Figures \$MM

	FY 12/07	FY 12/08	FY 12/09	FY 12/10	FY 12/11	Q1 3/12	Q2 6/12	Q3 9/12	Q4 12/12	FY 12/12	Q1 3/13	Q2 6/13	Q3 9/13	Q4 12/13e	FY 12/13e	FY 12/14e	FY 12/15e
Operating Activities:																	
Net income (loss)	(5.8)	(71.5)	(4.5)	1.2	8.5	5.0	13.3	6.6	3.2	28.1	6.0	7.6	5.4	3.2	22.2	26.1	31.2
Depreciation	5.4	6.4	4.9	4.4	4.1	1.1	0.8	0.8	1.4	4.1	1.3	1.2	1.3	1.1	4.8	5.2	8.0
Amortization	1.4	1.7	0.4	0.6	0.8	0.3	0.3	0.3	0.5	1.5	0.5	0.5	0.5	0.7	2.3	2.8	
Stock based compensation expense	1.5	0.7	0.1	0.2	0.3	0.1	0.2	0.2	0.2	0.8	0.3	0.3	0.3	0.3	1.2	1.2	1.2
Deferred Comp	1.3	0.6	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.2	0.1	0.1			0.1	-	
Reversal of Tax Valuation Allowance	-			(0.3)	(3.0)	-	(6.7)	-	(8.9)	(15.6)	-	-			-	-	
Deferred income taxes	(0.1)	(13.7)	-	0.3	3.1	-	-	-	7.2	7.2	3.4	(1.5)			1.8	-	-
Gain on Sale of Fixed Assets	(0.2)	(4.6)	(1.2)	(2.9)	(0.2)	-	(0.0)	(0.2)	(0.0)	(0.2)	(0.0)	(0.4)			(0.4)	-	-
Stock Warrants Revaluation	-	-	0.8	(0.3)	0.7	1.7	0.1	(0.1)	-	1.7	-	-			-	-	
Other	-	68.6	0.8	0.8	1.4	-	-	-	0.3	0.3	-	-			-	-	-
Decrease in Cash Surrender Value of Insurance	0.1	0.1	(0.1)	(0.1)		0.0	0.0	0.0	(0.2)	(0.1)	0.0	0.0			0.0	-	
Deferred Financing Amortization	-	0.6	1.3	1.5	1.0	0.2	0.1	0.1	0.1	0.5	0.1	0.1			0.2	-	
Amortization of Debt Discount	-	-	0.2	0.1	0.1	0.0	0.0	0.0	0.7	0.8	-	-			-	-	-
Changes in operating assets and liabilities, net of acquisitions:																	
Accounts receivable	16.1	1.8	(5.4)	3.5	(3.3)	(15.2)	5.0	(4.1)	15.4	1.0	(15.1)	1.0	(3.6)	11.5	(6.2)	(3.2)	(2.7)
Inventories	17.3	16.5	4.7	(2.0)	(3.9)	(1.2)	(4.5)	(4.2)	(4.3)	(14.2)	(5.4)	0.7	(4.2)	(10.3)	(19.2)	(8.6)	(7.3)
Prepaid and Other Assets	0.1	5.4	0.8	(0.3)	0.1	0.2	(0.3)	0.0	(0.0)	(0.0)	1.1	(0.4)	-	-	0.7	-	-
Accounts payable and accrued expenses	(10.1)	(10.3)	1.4	1.3	2.5	9.5	4.0	0.8	(9.1)	5.2	9.0	4.9	4.0	(9.0)	8.9	3.5	3.0
Payments on Deferred Comp/Other	(3.7)	(0.4)	(0.4)	(0.4)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.1)	(0.1)			(0.2)	-	-
Net cash provided by (used in) operating activities	23.0	2.0	3.9	7.9	11.8	1.8	12.5	0.3	6.4	21.0	1.1	13.9	3.9	(2.5)	16.4	27.1	33.4
Investing activities:																	
Capital expenditures	(2.5)	(4.2)	(0.3)	(1.4)	(2.4)	(0.8)	(1.4)	(3.1)	(2.6)	(7.9)	(1.3)	(2.2)	(1.7)	(4.0)	(9.2)	(8.0)	(8.0)
Sale of assets	1.3	6.6	13.5	8.4	0.1	-	0.0	0.1	(0.0)	0.0	0.5	0.5			1.0	-	-
Acquisitions	(85.9)	-	-	(5.8)	(7.3)	(3.7)	-	(5.5)	(20.0)	(29.3)	-	-	-	-	-	-	-
Other	0.3	(0.5)	0.0	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)			(0.0)	-	-
Net cash provided by (used in) investing activities	(86.8)	1.9	13.2	1.2	(9.7)	(4.5)	(1.4)	(8.6)	(22.7)	(37.2)	(0.8)	(1.7)	(1.7)	(4.0)	(8.2)	(8.0)	(8.0)
Financing activities:																	
LT Debt Payments	55.1	(21.1)	(19.2)	(6.8)	(2.6)	3.4	(11.1)	7.7	15.9	15.9	4.4	(8.1)			(3.7)	-	-
Payment on Deferred Financing	(2.1)	(1.0)	(0.5)	-	0.0	(0.0)	-	-	(0.2)	(0.3)	(0.1)	(0.0)			(0.1)	-	-
Stock Repurchases	-	-	-	-	-	-	-	-	-	-	(3.6)	(2.5)			(6.1)	-	-
Realization Excess Tax Benefit Stock-Based Comp	(0.3)	-	-	-	-	-	-	-	-	-	-	2.4			2.4	-	-
Proceeds Exercise of Stock Options	0.4	-	-	-	-	-	0.1	0.1	0.2	0.4	-	0.1			0.1	-	-
Other	10.6	20.8	(0.1)	(0.4)	(0.9)	0.0	(0.0)	-	-	-	(0.1)	(0.0)			(0.1)	-	-
Net cash (used in) provided by financing activities	63.6	(1.3)	(19.7)	(7.2)	(3.5)	3.5	(11.0)	7.8	15.9	16.1	0.7	(8.3)	-	-	(7.5)	-	-
Other	-	-									-	-					
Change in cash and equivalents:	(0.2)	2.5	(2.6)	1.9	(1.4)	0.7	0.2	(0.5)	(0.5)	(0.1)	1.0	3.9	2.2	(6.5)	0.6	19.1	25.4
Beginning of period	0.4	0.2	2.7	0.1	2.0	0.6	1.2	1.4	0.9	0.6	0.4	1.5	5.4	10.5	0.4	1.0	20.1
Cash at end of period	0.2	2.7	0.1	2.0	0.5	1.2	1.4	0.9	0.4	0.4	1.5	5.4	10.5	4.0	1.0	20.1	45.5

Source: CJS Securities Estimates and Company Reports

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VALUATION METHODOLOGY

15x 2015E EPS, 8x EBITDA.

RISKS

Customer concentration. Leveraged to consumer confidence and spending. Economic, credit and equity market contraction could negatively impact RV and Manufactured Home volumes. Limited Trading Float. Potential overhang from large (31%) Private Equity shareholder.

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