

PGT Innovations, Inc.  
Form 424B5  
September 11, 2018  
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Filed Pursuant to Rule 424(B)(5)  
Registration No. 333-227281

**The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any state or other jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION DATED SEPTEMBER 11, 2018**

**PRELIMINARY PROSPECTUS SUPPLEMENT**

**(To Prospectus Dated September 11, 2018)**

**7,000,000 Shares**

# **PGT Innovations, Inc.**

## **Common Stock**

We are offering 7,000,000 shares of our common stock.

Our shares trade on the New York Stock Exchange, or NYSE, under the symbol PGTI. On September 10, 2018 the last sale price of the shares as reported on the New York Stock Exchange was \$26.20 per share.

Investing in the common stock involves risks that are described in the **Risk Factors** section beginning on page S-31 of this prospectus supplement.

# Edgar Filing: PGT Innovations, Inc. - Form 424B5

	Per Share	Total
Public offering price	\$	\$
Underwriting discount and commissions <sup>(1)</sup>	\$	\$
Proceeds, before expenses, to us	\$	\$

<sup>(1)</sup> We refer you to Underwriting beginning on page S-100 of this prospectus supplement for additional information regarding underwriting compensation.

The underwriters may also exercise their option to purchase up to an additional 1,050,000 shares from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus supplement; provided that if such date is not a business day, then such option shall expire on the succeeding business day.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares on or about September , 2018.

## *Joint Bookrunning Managers*

**SunTrust Robinson Humphrey**

**J.P. Morgan**

**KeyBanc Capital Markets**

**Jefferies**

**Wells Fargo Securities**

**Deutsche Bank Securities**

## *Co-Manager*

**Dougherty & Company**

The date of this prospectus supplement is September , 2018.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement and the information incorporated by reference herein, which, among other things, describes the specific terms of this offering and adds to and updates the information contained in the accompanying prospectus. The second part is the accompanying prospectus and the information incorporated by reference therein, which, among other things, provides more general information about the Company and its business. If any information varies between this prospectus supplement and the information incorporated by reference herein and the accompanying prospectus and the information incorporated by reference therein, you should rely on the information in this prospectus supplement and the information incorporated by reference herein.

Additional information about us is incorporated in this prospectus supplement and the accompanying prospectus by reference to certain of our filings with the SEC. You are urged to read carefully this prospectus supplement and the accompanying prospectus and the information incorporated by reference in this prospectus supplement and the accompanying prospectus, including the risk factors and other cautionary statements described under the heading **Risk Factors** elsewhere in this prospectus supplement and in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 30, 2017 and Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, before deciding whether to invest in our common stock. See **Where You Can Find More Information** and **Incorporation by Reference** in this prospectus supplement.

References in this prospectus supplement to the terms **we**, **us**, **our**, **PGTI**, **the Company** or other similar terms mean PGT Innovations, Inc. and our consolidated subsidiaries, unless we state otherwise or the context indicates otherwise.

**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the **Securities Act**), Section 21E of the Securities Exchange Act of 1934 (the **Exchange Act**) and the Private Securities Litigation Reform Act of 1995. For those statements we claim the protection of the safe harbor provisions for forward-looking statements contained in such section. Forward-looking statements are not statements of historical facts but are based on management's current beliefs, assumptions and expectations regarding our future performance, taking into account the information currently available to management. Forward-looking statements usually can be identified by the use of words such as **goal**, **objective**, **plan**, **expect**, **anticipate**, **intend**, **project**, **believe**, **estimate**, **may**, **could**, **will**, **should**, **would**, or other similar words. In addition, any statements that refer to projections of financial items, anticipated growth, future growth and revenues, future economic conditions and performance, plans, objectives and strategies for future operations, expectations, or other characterizations of future events or circumstances are forward-looking statements. Forward-looking statements provide our current expectations or forecasts of future events, results, circumstances or aspirations. We may also make forward-looking statements in our other documents filed or furnished with the SEC and in oral presentations. Forward-looking statements are based on assumptions and by their nature are subject to risks and uncertainties, many of which are outside of our control. Our actual results may differ materially from those set forth in our forward-looking statements. There is no assurance that any list of risks and uncertainties or risk factors is complete. Factors that could cause actual results to differ materially from those described in our forward-looking statements include, but are not limited to:

the ability to successfully integrate the operations of GEF WW Parent LLC and its subsidiaries (collectively, **Western Window Systems**) into our existing operations and the diversion of management's attention from ongoing business and regular business responsibilities to effect such integration;

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the effects of increased expenses or unanticipated liabilities incurred as a result of, or due to activities related to, the acquisition of Western Window Systems ( Western Window Systems Acquisition );

the risk that the anticipated cost savings, synergies, revenue enhancement strategies and other benefits from the Western Window Systems Acquisition may not be fully realized or may take longer to realize than expected or that our actual integration costs may exceed our estimates;

disruption from the Western Window Systems Acquisition making it more difficult to maintain relationships with customers or suppliers of Western Window Systems;

our level of indebtedness, which increased in connection with the Western Window Systems Acquisition;

adverse changes in new home starts and home repair and remodeling trends, especially in the state of Florida, where the substantial portion of our sales are currently generated, and in the western United States, where the substantial portion of the sales of Western Window Systems operations are generated, and in the U.S. generally;

macroeconomic conditions in Florida, where the substantial portion of our sales are generated, and in California, Texas, Arizona, Nevada, Colorado, Oregon, Washington and Hawaii, where the substantial portion of the sales of Western Window Systems are currently generated, and in the U.S. generally;

raw material prices, especially for aluminum, glass and vinyl, including, price increases due to the implementation of tariffs and other trade-related restrictions;

our dependence on a limited number of suppliers for certain of our key materials;

sales fluctuations to and changes in our relationships with key customers;

in addition to the Western Window Systems Acquisition, our ability to successfully integrate businesses we may acquire, or that any business we acquire may not perform as we expected at the time we acquired it;

increases in transportation costs, including due to increases in fuel prices;

our dependence on our impact-resistant product lines and contemporary indoor/outdoor window and door systems, and on consumer preferences for those types and styles of products;

product liability and warranty claims brought against us;

federal, state and local laws and regulations, including unfavorable changes in local building codes and environmental and energy code regulations;

our dependence on our limited number of geographically concentrated manufacturing facilities;

risks associated with our information technology systems, including cybersecurity-related risks, such as unauthorized intrusions into our systems by hackers and theft of data and information from our systems, and the risks that our information technology systems do not function as intended or experience temporary or long-term failures to perform as intended; and

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the other risks and uncertainties discussed under **Risk Factors** in this prospectus supplement and in the section entitled **Risk Factors** in our Annual Report on Form 10-K for the fiscal year ended December 30, 2017 and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, as well as in our other filings with the SEC that are incorporated by reference into this prospectus supplement and the accompanying prospectus.

Statements in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, that are forward-looking statements include, without limitation, our expectations regarding: (1) demand for our products going forward; (2) the benefits expected from the heightened awareness of impact-resistant window and door products resulting from Hurricane Irma and our post-Irma advertising; (3) our ability to capture a meaningful share of any increased demand for impact-resistant products; (4) our financial and operational performance for our 2018 fiscal year; (5) new housing starts and housing market conditions in 2018 and beyond, especially with respect to the State of Florida and the states in the Western U.S. where most of the products of the Western Window Systems operations are sold; (6) the breadth and innovativeness of our product offerings, and their attractiveness to consumers; (7) the ability of our management team and employees to execute our strategy; (8) our ability to deleverage our debt position; and (9) the realization of the expected benefits of the Western Window Systems Acquisition, including the ability to sell products of the Western Window Systems operations profitably in the near term or at all in the repair and remodel market and in PGTI's core markets, and the ability to sell PGTI's products in Western Window Systems core markets profitably or at all. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus supplement. Except as required by law, we undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances after the date of this prospectus supplement.

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**SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES**

The body of U.S. generally accepted accounting principles is commonly referred to as GAAP. A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that could not be so adjusted in the most comparable GAAP measure. EBITDA, Adjusted EBITDA and Free Cash Flow, as presented in this prospectus supplement, are supplemental measures of performance that are not required by, or presented in accordance with, GAAP. They are not measurements of financial performance or position under GAAP and should not be considered an alternative to net income, cash flow or any other performance or financial position measures derived in accordance with GAAP.

EBITDA of PGTI and Western Window Systems consists of net income, adjusted for interest expense (net of interest income), income tax expense and depreciation and amortization. Adjusted EBITDA of PGTI consists of EBITDA, adjusted for certain non-cash charges and expenses or other charges and expenses that we believe to be non-recurring. Adjusted EBITDA of Western Window Systems consists of EBITDA, adjusted for certain non-cash charges and expenses and other charges and expenses that Western Window Systems believes to be non-recurring. No reconciliation of the forecasted range of Adjusted EBITDA to Net income for fiscal 2018 incorporated by reference into prospectus supplement from our Annual Report on Form 10-K is included in this presentation because we are unable to quantify certain amounts that would be required to be included in the GAAP measure without unreasonable efforts and further believe such reconciliation would imply a degree of precision that would be confusing or misleading to investors. Free cash flow of PGTI and Western Window Systems is defined as operating cash flow less capital expenditures.

The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. A quantitative reconciliation of our and Western Window Systems' non-GAAP financial measures to their respective most directly comparable GAAP measures is provided in Summary Summary Historical Consolidated Financial Data of PGTI and Summary Summary Historical Consolidated Financial Data of Western Window Systems, respectively.

Management of PGTI and Western Window Systems use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Management of PGTI and Western Window Systems believe these non-GAAP financial measures provide meaningful supplemental information regarding the performance and liquidity of PGTI and Western Window Systems by excluding certain items that may not be indicative of recurring business results including significant non-cash expenses. We believe management and investors benefit from referring to these non-GAAP financial measures in assessing the performance of PGTI and Western Window Systems when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to historical performance and liquidity as well as comparisons to competitors' operating results.

**MARKET AND INDUSTRY DATA**

Market data and other statistical data regarding us and our subsidiaries and the Western Window Systems operations, and used throughout this prospectus supplement, are based on independent industry publications, government publications, reports by market research firms, or other published independent sources, including the National Association of Home Builders, Architect Magazine, American Architectural Manufacturers Association, The Freedonia Group and Door & Window Market Magazine, as well as management's knowledge of, experience in and estimates about the industry and markets in which we operate. Although we believe the third-party sources to be reliable, we have not independently verified the data obtained from these sources and we cannot assure you of the accuracy or completeness of the data.



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Similarly, our internal research and forecasts are based upon our management's understanding of industry conditions and such information has not been verified by any independent sources. Although we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under Cautionary Note Regarding Forward-Looking Statements and Risk Factors.

**TRADEMARKS, SERVICE MARKS AND TRADE NAMES**

This prospectus supplement contains references to our trademarks and service marks. Solely for convenience, trademarks, service marks and trade names referred to in this prospectus supplement may appear without the ®, SM or TM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks, service marks and trade names. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other company.

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### **SUMMARY**

*This summary highlights significant aspects of our business and this offering, but it is not complete and does not contain all of the information that you should consider before making your investment decision. You should carefully read this entire prospectus supplement and the accompanying prospectus, including the information presented under the sections entitled Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations of PGTI, Management's Discussion and Analysis of Financial Condition and Results of Operations of Western Window Systems the historical financial statements and notes thereto of PGTI and Western Window Systems included herein and the pro forma financial statements and notes thereto included herein, before making an investment decision. This summary contains forward-looking statements that involve risks or uncertainties. Our actual results may differ significantly from the results discussed in such forward-looking statements due to certain factors, including those set forth in Risk Factors and Cautionary Note Regarding Forward-looking Statements.*

### **Our Company**

We are the leading U.S. manufacturer and supplier of impact-resistant residential windows and doors, and we believe the PGT brand is the most recognized brand in the U.S. for these products. Having pioneered the development of these products over two decades ago, we believe our products to be the most technologically advanced impact-resistant window and door products in the industry. We manufacture complete lines of high-end, luxury, premium and mass-custom fully customizable aluminum and vinyl windows and doors and porch enclosure products, targeting both the residential repair and remodeling and new construction end markets. We market our legacy products under three recognized brands: PGT Custom Windows & Doors, CGI Windows and Doors and WinDoor, the last two of which we have acquired since 2014, and we believe are all positively associated with service, performance, quality, durability and energy efficiency. We recently acquired the brands and operations of Western Window Systems as part of the Western Window Systems Acquisition. Like our legacy brands, we believe that the Western Window Systems brands are associated with innovation, quality, durability and energy efficiency in the indoor/outdoor living space markets.

On September 22, 2014, we acquired CGI Windows and Door Holdings, Inc. ( CGI ), an innovator in impact-resistant product craftsmanship, strength and style that is recognized and respected in the architect community.

On February 16, 2016, we completed the acquisition of WinDoor, Incorporated ( WinDoor ), a provider of high-performance, impact-resistant windows and doors to five-star resorts, luxury condominiums, high-rise multi-family buildings, hotels and custom high-end single family homes.

On September 6, 2016, we acquired an established fabricator of impact-resistant storefront window and door products, US Impact Systems, Inc. ( USI ), and announced the formation of CGI Commercial ( CGIC ), the brand and company through which we sell the former USI products.

On December 14, 2016, we announced the unveiling of our new name, PGT Innovations, Inc., formerly PGT, Inc., as part of our strategy to bring together under a single identity our various go-to-market brands serving all levels of the premium impact-resistant residential window and door market, from mass-custom to high-end, luxury products, as well as the light commercial market. We believe these strategic decisions have solidified our position as the leading manufacturer and supplier of impact-resistant windows and doors in the U.S. reflecting our focus in expanding into other innovative brands, including through

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potential acquisitions designed to diversify and broaden our product portfolio and/or the geographic markets where our products are sold.

On August 13, 2018, we acquired Western Window Systems, an award-winning designer and manufacturer of premium contemporary doors and window systems with a focus on unifying indoor/outdoor living spaces, for a cash purchase price of approximately \$355.2 million (after giving effect to certain post-closing adjustments). The Western Window Systems Acquisition has significantly increased and diversified our product offerings, enabling us to expand beyond our current geographically focused portfolio of primarily impact-resistant products to include contemporary door and window systems that unify indoor/outdoor living for the residential, commercial and multi-family markets.

For the year ended December 30, 2017, on a pro forma basis after giving effect to the Western Window Systems Acquisition, we would have generated approximately \$611.2 million in net sales, \$29.3 million in net income and \$104.8 million in Adjusted EBITDA. For the six-month period ended June 30, 2018, on a pro forma basis after giving effect to the Western Window Systems Acquisition, our net sales would have been \$372.5 million, our net income would have been \$27.2 million and our Adjusted EBITDA would have been \$71.1 million. For a reconciliation of our pro forma Adjusted EBITDA to pro forma net income, see Summary Unaudited Pro Forma Condensed Combined Financial Information.

### **PGTI Net Sales Mix Twelve-Month Period Ended June 30, 2018**

#### **Net Sales by Geography**

#### **Net Sales by Product Group**

#### **Net Sales by End Market**

### **PGTI Legacy Operations**

Our legacy products are highly engineered and technically advanced windows and doors that can withstand some of the toughest weather conditions on earth, such as hurricane-force winds. Our impact-resistant legacy products combine heavy-duty aluminum or vinyl frames with laminated glass to ensure structural integrity, which provides protection from wind-driven projectiles of all sizes and other debris during a storm. Our impact-resistant legacy products substantially reduce the likelihood of penetration by impacting projectiles, protecting people and property, while providing expansive, unblocked exterior views that other forms of protection, such as shutters or wood coverings, do not provide. Our impact-resistant legacy products also offer many other benefits, including: (1) abatement of sound to substantially decrease outside noise, including during hurricanes; (2) protection against the damaging effects of ultra-violet light; (3) reduction of energy loss due to changing external temperatures; and (4) energy efficiency that can significantly reduce cooling and heating costs, as evidenced by the energy ratings our products have received. These impact-resistant legacy products satisfy the nation's most stringent building codes in hurricane-prone coastal states and provide an attractive alternative to shutters and other active forms of hurricane protection that require installation and removal before and after each storm. We also manufacture vinyl porch and patio enclosure products that are designed to allow air flow while protecting against inclement weather, making outdoor spaces more inviting.

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Our current market share in Florida, which is the largest impact-resistant window and door market in the U.S., is greater than that of any competitor. We believe our leading market position is derived from our broad and high-quality product offerings, continuous innovation, well-recognized brands, strong customer relationships, technical capabilities, customer care and extensive knowledge of and involvement in developments regarding hurricane-protection building codes and testing protocols.

With approximately 2,600 employees in four locations (North Venice, Orlando, and two locations in Miami, Florida), our vertically integrated manufacturing capabilities include in-house glass cutting, tempering, laminating and insulating capabilities, which provide us with a consistent source of specialized glass, shorter lead times, lower costs relative to third-party sourcing and an overall more efficient production process. Additionally, our manufacturing process relies on just-in-time delivery of raw materials and components as well as synchronous flow to promote labor efficiency and throughput, allowing us to more consistently fulfill orders on-time for our valued customers.

The geographic regions in which we currently conduct business include the Southeastern U.S., Gulf Coast, Coastal mid-Atlantic, the Caribbean, Central America and Canada. We distribute our products through multiple channels, including approximately 1,100 independently-owned dealers and distributors, national building supply distributors, and the in-home sales/custom order divisions of major U.S. homebuilding and improvement supply retailers. We believe this broad distribution network provides us with the flexibility to meet demand as it shifts between the repair and remodel and residential new construction end markets.

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**PGTI BRAND OVERVIEW**

**76% of Net Sales for Twelve-Month Period Ended June 30, 2018**

**17% of Net Sales for Twelve-Month Period Ended June 30, 2018**

**7% of Net Sales for Twelve-Month Period Ended June 30, 2018**

#1 consumer brand for impact-resistant products	Acquired in 2014 to expand PGT's presence in high-end markets	Acquired in 2016 to increase penetration in the high-end home, luxury condominium, hotel and 5-star resort markets
Available in aluminum and vinyl	Leading Architect Brand for impact-resistant products	Leading brand to Luxury Market for impact-resistant products
Broadest impact-resistant product offering in the industry	Complementary aluminum and vinyl impact products	Highly customizable
Also offer non-impact aluminum and vinyl products and porch enclosures	Commercial collection for resorts, hotels, schools, offices and storefronts	Largest sizes and highest design pressures in industry
Mass-custom market	Value-custom premium and commercial markets	High performance to withstand toughest conditions

**Acquisition of Western Window Systems**

On August 13, 2018, we completed the Western Window Systems Acquisition for a cash purchase price of approximately \$355.2 million (after giving effect to certain post-closing adjustments). In connection with the Western Window Systems Acquisition, on August 10, 2018, we issued \$315.0 million aggregate principal amount of 6.75% senior notes due 2026 (the "2026 Notes"). The purchase price was funded by a combination of the sale of the 2026 Notes and cash on hand.

As a leading designer and manufacturer of innovative window and door systems that unify indoor/outdoor living, we believe the Western Window Systems Acquisition further enhances our reputation as a leader in product development and innovation. We also expect to leverage our network of dealers and experience in the repair and remodel market, from which approximately 64% of PGTI's sales were derived in the six months ended June 30, 2018, to provide growth opportunities for Western Window Systems' products. Our management team believes the Western Window Systems Acquisition is an important step towards helping us achieve our strategic goal of becoming a national window and door company that manufactures and supplies a collection of premium brands and products and focuses on servicing market needs that require a higher level of technical capability and quality.



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The Western Window Systems Acquisition provides us with a foothold in certain key U.S. markets in the West and Southwest and gives Western Window Systems the opportunity to expand into regions in the Southeast U.S. where our operations are already significantly established. We believe that the revenue of Western Window Systems can be increased meaningfully by rapidly and responsibly adding, and properly supporting and training, dealers that serve new geographies and market verticals throughout North America. We believe that our long history of focusing on establishing dealer relationships and support will result in increased productivity for many of Western Window Systems existing dealers, as well as adding a significant number of new dealers. The vast majority of Western Window Systems' business is located in California, Texas, Arizona, Nevada and Hawaii, and its sales growth in these areas has outpaced industry-wide growth in housing starts. Moreover, driven by favorable consumer trends toward indoor/outdoor living spaces, Western Window Systems has gained geographic and customer penetration with its indoor/outdoor product offerings. The Western Window Systems Acquisition extends our current geographic coverage and provides revenue diversity, resulting in less sales concentration in our current core market of Florida, and less concentration in our core impact-resistant product lines. We expect continued growth, as well as customer and product diversification opportunities, based on housing starts in Western Window Systems' served markets, as well as strong margins across both the Custom and Corporate Builder sales channels. We believe these expected margins will complement the strong margins of our existing impact-resistant product lines. Furthermore, as part of PGTI, Western Window Systems has the opportunity to leverage our existing footprint and infrastructure in Florida and the Southeast U.S., and capitalize on the strength of our repair and remodeling competencies as well.

We believe the PGTI and Western Window Systems businesses are highly complementary from a culture, people-first process, product offering, technical capability, manufacturing and distribution perspective. Western Window Systems and PGTI both have continuous improvement cultures based on operational excellence that drives key customer metrics that are closely monitored (on-time delivery, complete orders and quality) while continuously exploring ways to responsibly decrease costs and improve margins. To promote that type of culture, both PGTI and Western Window Systems have historically emphasized incentive-based compensation for their management teams, and we will continue to do so as a combined company. In addition, both PGTI and Western Window Systems emphasize engineering, innovation and achievement, which we believe results in highly-engineered and technically advanced product designs. We believe the Western Window Systems Acquisition will extend and diversify our product offerings, while preserving our focus on premium market positioning and high margin products that we expect will maintain our strong free cash flow profile. Further, we believe our experience and success in the repair and remodeling market should provide an opportunity for end market expansion for Western Window Systems' products, as the repair and remodeling market has not historically been the focal point for Western Window Systems. Similarly, we believe Western Window Systems' contemporary window and door designs complement our existing CGI and WinDoor commercial offerings, particularly in restaurant, hotel, multi-story, hospital and store-front applications. We expect to leverage Western Window Systems' distribution channels to extend our energy efficient product penetration. We also expect to realize certain cost synergies in our overhead, information technology, manufacturing and supply chain through leveraging our increased scale when sourcing raw materials such as glass and aluminum.

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**Combined Company Net Sales Mix Twelve-Month Period Ended June 30, 2018**

**Net Sales by Geography**

**Net Sales by Product Group**

**Net Sales by End Market**

**Western Window Systems Overview**

Headquartered in Phoenix, Arizona, Western Window Systems designs and manufactures award-winning contemporary door and window systems that unify indoor/outdoor living for the residential, commercial and multi-family markets. Western Window Systems management has historically focused on targeted innovation of premium, energy efficient window and door products, dealer expansion to serve new geographies, meeting growing consumer demand for its products that facilitate indoor/outdoor living spaces, and expansion into new sales and distribution channels and markets, such as the commercial market. Western Window Systems serves its customer base throughout the Western U.S. in the Custom sales channels (i.e., residential custom home builders who generally construct 50 or fewer new homes per year with prices ranging from approximately \$500,000 to \$1,500,000) and Corporate Builder sales channel (i.e., residential production builders that generally construct more than 50 new homes per year with prices ranging from approximately \$150,000 to \$750,000). Western Window Systems also markets its commercial products, which include contemporary windows and doors for end-use applications such as hotels, restaurants, schools and hospitals, using the sales teams that work in both of these sales channels. The Custom sales channel, with its highly customized consumer demand requirements and design specifications, provides whole house contemporary doors and windows with narrow site lines, aluminum frames and large opening solutions for luxury single family residential homes. Within the Corporate Builder sales channel, Western Window Systems seeks to capitalize on evolving consumer preferences for outdoor living by providing an aspirational product upgrade for consumers purchasing homes from residential production builders. In the past 12 months, Western Window Systems also launched 14 new products that deliver on consumer preferences for thin site lines, favorable energy ratings and luxury performance. This new product line has broad application across the U.S. and supports market trends towards indoor/outdoor living and contemporary style and design.

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**Key Sales Channel Overview**

<b>Custom</b> <b>53% of Gross Revenue for Twelve-Month Period Ended</b> <b>June 30, 2018 (\$62.0 million)</b>	<b>Corporate Builder</b> <b>47% of Gross Revenue for Twelve-Month Period</b> <b>Ended June 30, 2018 (\$54.0 million)</b>
<p>Focuses on providing whole house contemporary doors and windows and aluminum frames for single family luxury residential homes</p>	<p>Focuses on single-family residential production builder homes as the leading indoor/outdoor solutions provider</p>
<p>Focused on meeting highly customized customer demand requirements and design specifications</p>	<p>Western Window Systems doors help position builders in line with popular consumer trends</p>
<p><b>Gross Revenue by Product Line for Twelve-Month Period Ended</b> <b>June 30, 2018</b></p>	<p><b>Gross Revenue by Product Line for Twelve-Month Period Ended</b> <b>June 30, 2018</b></p>
<p><b>Gross Revenue by State for Twelve-Month Period Ended</b> <b>June 30, 2018</b></p>	<p><b>Gross Revenue by State for Twelve-Month Period Ended</b> <b>June 30, 2018</b></p>

Western Window Systems award-winning and innovative designs combine performance and quality with clean, functional designs. Products are designed for strength, easy integration into a variety of spaces and smooth operation, and are tested for durability. Its broad product portfolio of windows and door systems include custom window and door solutions, multi-slide door systems, bi-folding door systems, sliding door systems and window walls. Additionally, we believe Western Window Systems has information technology systems that enhance the customer experience and support product innovation, as demonstrated by its launch of 14 new products over the last 12 months. Western Window Systems leverages these applications in sales/customer service, front end order management and back end data analysis. These advantages have positive implications and, as part of our integration plan, we will evaluate expanding these applications and systems across the larger enterprise.

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Western Window Systems has approximately 640 different customers with no single dealer representing more than 8% of sales in the fiscal year ended December 31, 2017. In the Corporate Builder sales channel, Western Window Systems' products are used by 18 of the top 20 production builders in the U.S., including Toll Brothers, CalAtlantic (now part of Lennar), DR Horton, Richmond American and Drees among others, and Western Window Systems has 23 preferred vendor agreements with production builders. Western Window Systems has made significant investments in building an experienced and knowledgeable sales team including inside and outside sales representatives to generate sales with both new and existing customers across its core and emerging markets. Western Window Systems sales teams have an established competency in developing relationships with builders that pulls sales through dealers to drive sales volumes. Core markets include California, Texas, Arizona and Nevada, with Hawaii being an additional core market in the Custom sales channel.

In January 2017, Western Window Systems began manufacturing in a new approximately 170,000 square foot manufacturing and distribution facility in Phoenix, Arizona, with capacity to support over \$300 million in annual revenue across three to four shifts. Western Window Systems utilizes lean manufacturing techniques minimizing waste in the value stream and continuous improvement processes throughout the factory floor and within the office to optimize all processes and eliminate fulfillment bottlenecks. Western Window Systems primarily operates on a build-to-order production and fulfillment model. Due to the build-to-order oriented nature of its premium products, and its industry leading lead times for its Corporate Builder sales channel, Western Window Systems generally does not carry finished goods inventory other than orders awaiting shipment. Most products are shipped through a dedicated common carrier, although others are utilized as needed. Western Window Systems also maintains an in-house fleet of five trucks for deliveries within Arizona, Nevada and California, and utilizes crate, freight and cargo containers for shipment to Hawaii as necessary. We believe Western Window Systems enjoys relationships with its core suppliers that allow for innovative and rapid supply chain solutions that reduce costs and shorten lead times.

### **Industry Overview**

According to The Freedonia Group, the U.S. window and door market totaled approximately \$27.2 billion in 2016, and is forecast to grow at a 4.8% annual rate to \$34.3 billion by 2021. The broader market growth is driven by strength in new housing construction and renovation activity supported by a favorable macroeconomic environment driven by the new favorable tax code, high consumer confidence, near historical lows for unemployment, increasing home prices and rising wages.

**Repair and Remodel Market:** The broader U.S. economy currently remains strong, with GDP expanding at approximately 2.5% per annum, unemployment near all-time lows and rising consumer confidence. According to the National Association of Home Builders, the Remodeling Market Index (RMI) has been above 50 which indicates more remodelers report higher market activity quarter-over-quarter since the second quarter of 2013. The strong economy, paired with strong median home price appreciation and single-family home inventory shortages, provides significant tailwinds in the repair and remodel market, where home owners are increasingly spending on their homes with feature-rich products.

**Impact-Resistant Market:** According to the American Architectural Manufacturers Association, impact-resistant residential windows comprise approximately 6.7% of the overall residential window market nationally. According to The Freedonia Group, the windows and patio doors market for impact and non-impact products in Florida is projected to grow at an annual rate of 8.7% from 2015 through 2019. This growth is driven by enhanced product features, including durability, energy efficiency, UV protection, improved security and noise reduction, as well as insurance premium discounts. Impact-resistant windows are a key component of passive protection. Passive protection features represent advancement in storm

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protection over traditional active protection options such as storm shutters and wooden window coverings. In addition to the enhanced product features, the introduction and adoption of evolving building codes, which require the use of impact-resistant protections, and expected ongoing storm activity foster increased product awareness and support additional growth in this segment.

**Florida Market:** Within Florida, our primary market, windows and doors are over a \$1.1 billion industry, with approximately 65% of the market comprised of impact-resistant products. Based on a survey conducted with a group of Florida residents, we estimate that approximately 76% of the residential housing units sold into the Florida market in recent years have used passive protection. Additionally, many homes built prior to the adoption of codes requiring impact-resistant protection continue to have no protection. Door & Window Market Magazine estimates that more than 50% of Florida residents do not currently have impact-resistant windows or doors, even after giving effect to preparations taken by homeowners through the middle of 2018 for the upcoming hurricane season. In addition to this market penetration opportunity, Florida is well-positioned for continued growth with single-family housing starts currently growing faster than the national average (yet still well below long-term averages), and supported by macroeconomic trends that have recently outpaced the broader economy.

**Florida Regulatory Overview:** Florida has the most stringent building code regulations in the U.S. resulting from the likelihood for violent storms and high winds. After Hurricane Andrew caused over \$25 billion of damages in 1992, Miami-Dade County issued the country's toughest building codes with the state of Florida adopting similar codes. As of 2017, building codes throughout Florida require impact-resistant products in areas where wind speed can reach 140 mph as well as in coastal regions where wind speed can reach 130 to 140 mph.

### **Florida Residential Impact-Resistant Codes**

*Source: 2017 Florida Building Code*

As part of the current building codes, any new house or building complex that is built along the coastlines in Florida must incorporate some form of impact protection either through active or passive means. This applies to both new construction and renovation projects. Compliance with the code requirements is expected to positively impact the growth of impact-resistant products in Florida as new construction and repair and remodeling activity continues.

In addition to code-driven growth, impact-resistant products are expected to benefit from the rebuilding activity associated with the recent hurricanes. In 2017, it is estimated that Hurricanes Harvey (Category 4), Irma (Category 5) and Maria (Category 4) caused approximately \$155 to \$390 billion in damages. For reference, the Congressional Budget Office estimates that on average hurricane damage amounts to approximately \$28 billion per year. Not only do hurricanes create demand for impact-resistant products associated with rebuilding, but they also increase awareness of the associated benefits of impact-resistant windows and doors, versus shutters and other forms of active protection, among consumers, builders and contractors.

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**Southwest Market:** Western Window Systems' primary markets are in California, Texas, Arizona and Nevada, which together account for approximately 83% of Western Window Systems' revenue for the six-month period ended June 30, 2018. Economic and housing trends in those core markets have outperformed the broader U.S. economy in 2017, with core market GDP rising 2.4% to 3.0% versus nationwide GDP growth of 2.3%, and core aggregate housing starts rising 11.6% versus nationwide growth of 8.6%. Within California and Texas, housing inventory levels have recovered 30% and 37%, respectively, above recent troughs; however, inventory levels remain 67% and 61%, respectively, below peak levels, indicating potential for further expansion. Additionally, evolving consumer preferences toward indoor/outdoor living and contemporary narrow site line designs are still early in their adoption curve in these markets and continued adoption is expected to provide further growth in product areas in which Western Window Systems benefits from a first mover advantage. According to Architect Magazine, outdoor living spaces have been the most popular special function room for five consecutive years.

## **Competitive Strengths**

Our management believes we are distinguished by the following competitive strengths:

**Market Leader in Impact-Resistant Window and Door Market:** We are the leader in the impact-resistant window and door market in the Florida market, the largest impact-resistant window and door market in the U.S. We benefit from an impact-resistant window and door market that requires: (1) expertise in the highly technical, time consuming and expensive regulatory approval process; (2) entrenched relationships with dealers, architects and homebuilders; (3) breadth of complex and highly engineered product offerings; and (4) compliance with stringent building codes in our primary, hurricane-prone markets. We believe our broad portfolio of products, industry experience and long-term relationships with customers and local building code authorities provide us with a competitive advantage over larger national competitors, while our size and scale provide a competitive advantage over smaller, regional competitors. Stringent building codes and protocols and recent large storm activity have increased public awareness of the advantages of our impact-resistant offerings, which we believe creates significant opportunity for continued sales growth in the impact-resistant market.

As a result of the consummation of the Western Window Systems Acquisition, we expect the complementary markets, sales channels and manufacturing and distribution capabilities of the two businesses to further strengthen our overall market position. Western Window Systems has developed strong relationships and customer intimacy with end users in its respective markets. We believe the Western Window Systems Acquisition provides us the opportunity to: (1) expand sales of Western Window Systems' products into our markets in the Southeastern U.S., including numerous markets in Florida that do not require window and door products to be impact-resistant; (2) significantly increase sales of Western Window Systems' products into the repair and remodel market in both the Southeastern U.S. and in Western Window Systems' existing geographic markets, by using our understanding of the repair and remodel market; (3) increase sales of both our and Western Window Systems' products into commercial markets, potentially under a single, unified brand; and (4) expand sales of our non-impact window and door products into new markets in the Western U.S., all of which we expect to enable us to achieve our goal of geographic, channel, customer and product diversification, and further strengthen our overall market position, including in Florida, using a pull through sales strategy that drives dealer sales through the demand Western Window Systems creates from its relationships with builders and contractors that purchase window and door products from those dealers. We believe that implementing portions of that pull through sales strategy with our business will provide advantages to us, and the implementation of portions of our dealer-focused sales strategy, including increased dealer training and other support, will provide advantages, including increased sales to dealers, for the Western Window Systems' business.

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**Broad Product Portfolio of Quality and Innovative Products:** As a pioneer in the development of the impact-resistant industry and products over two decades, we believe our products to be the most technologically advanced and impact-resistant window and door products in the industry. Through our relationships with customers and local building code authorities, we have developed a reputation as the recognized leader in experience and technological expertise. We have a long-term track record of product innovation and developing high performing products, capable of withstanding some of the toughest weather conditions and meeting the most stringent impact building code requirements in the country. As a result, we offer more Impact-Resistant Certified products than any window and door manufacturer in the U.S. Further, we also manufacture non-impact-resistant products in both aluminum and vinyl frames.

As a leading designer and manufacturer of innovative premium contemporary window and door systems designed to unify indoor/outdoor living spaces, the addition of Western Window Systems to our portfolio of companies is intended to further establish our reputation as a leader in product development within the high-end, special purpose window and door industry, and enable us to take advantage of key market trends. Western Window Systems' product quality, energy efficiency and innovation allows it to target the luxury, high margin segment of residential home building, just as we target that segment of the residential market in our core market. We believe the Western Window Systems Acquisition will significantly increase our addressable market, scope of marketing campaigns, geographic reach, and entry into new price points of homes, architecture styles, and product offerings. We believe the Western Window Systems Acquisition will allow us to expand beyond our current impact-resistant Florida-centric product focus to also include contemporary door and window systems that unify indoor/outdoor living for the residential, commercial and multi-family markets, which we would intend to sell in both the existing Western Window Systems geographic markets, and in Florida and other Southeastern U.S. markets.

**Long-standing Diversified Customer Base and Balanced End Market Exposure:** Our legacy operations maintain a diversified base of approximately 1,100 window distributors, building supply distributors, window replacement dealers and enclosure contractors. Our largest customer accounted for approximately 5% of net sales and the top ten customers accounted for approximately 23% of net sales for the six-month period ended June 30, 2018. Although we do not supply products directly to homebuilders, demand for products is also a function of relationships we have developed with a number of national homebuilders. Western Window Systems has 23 preferred vendor agreements with large production volume homebuilders, which we intend to leverage to attempt to sell certain of our PGTI products to those same homebuilders with whom we do not already have established relationships. Both PGTI and Western Window Systems have demonstrated an ability to build long-term relationships and customer intimacy and develop end user loyalty to generate product demand. Moreover, PGTI has enjoyed a balanced exposure to both residential repair and remodel and new construction end markets. In addition to higher margins, this balanced exposure provides greater stability relative to the more cyclical nature of new construction. We intend to use our experience and success in the repair and remodel market to significantly increase sales of Western Window Systems' products into the repair and remodel markets, both in its existing core geographic markets, and in our markets in the Southeastern U.S., where impact-resistant building codes are not applicable.

**Proven Ability to Acquire and Integrate Acquisitions:** Over the past four years, we have acquired and integrated special