



2016 Pellet Hearth Appliance Report



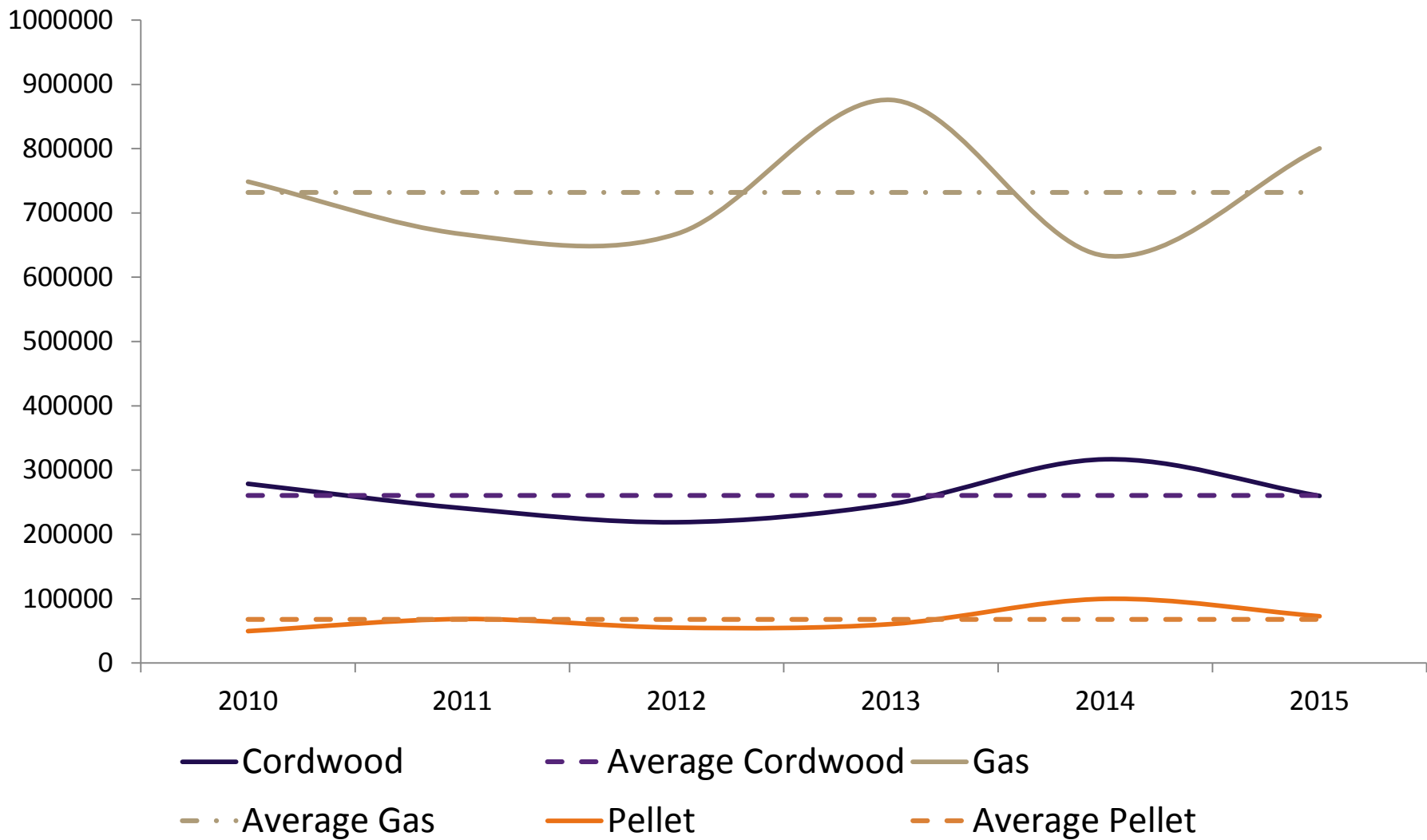
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HPBA

Methodology

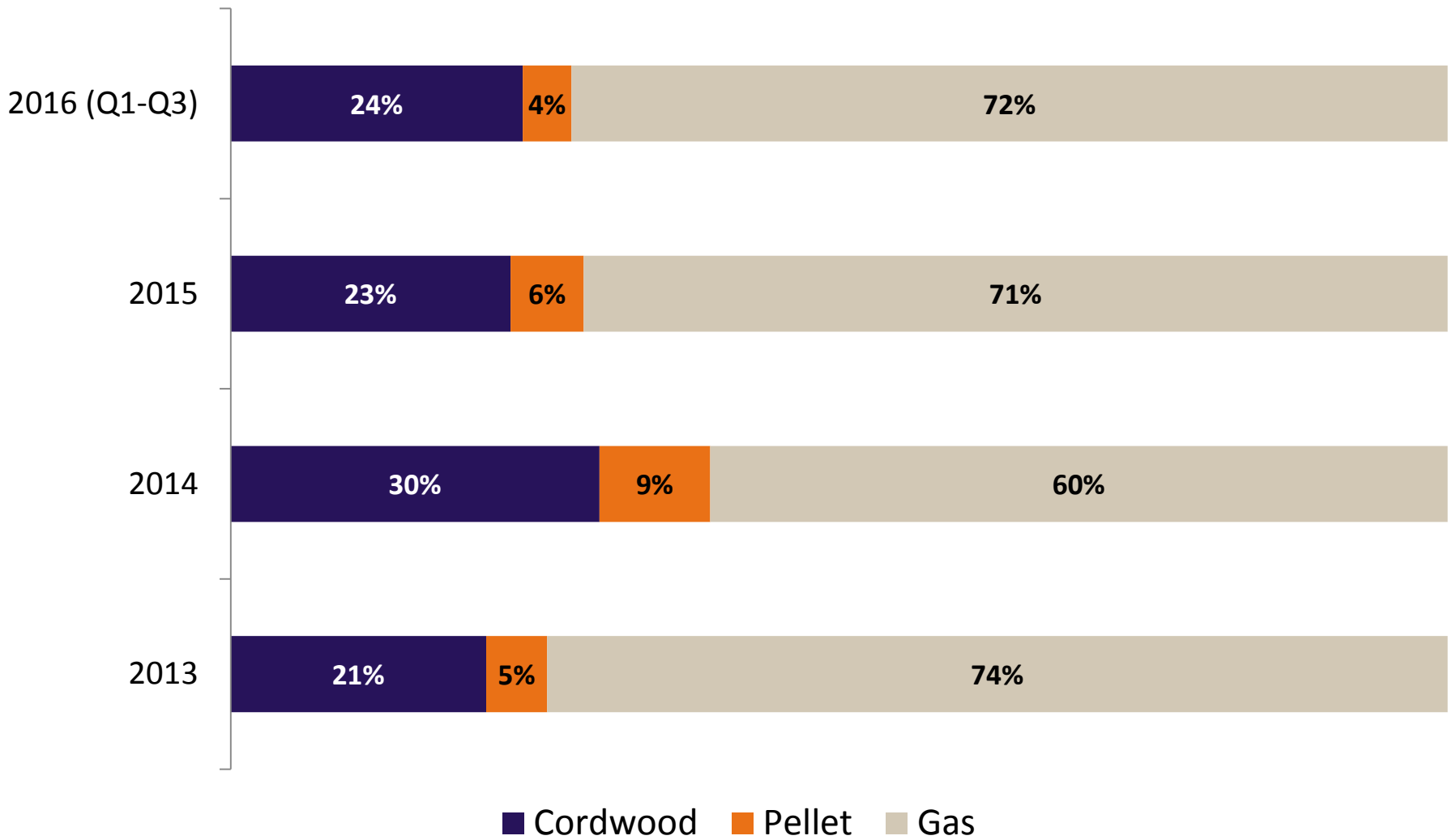
- Shipment data comes from HPBA's quarterly statistical report (Hearth Market Report, HMR)
 - Hearth appliance manufacturers voluntarily provide their quarterly shipment data by appliance line item
 - Because HMR data can't be released until 90 days after the start of the reporting quarter, Q4 and annual 2016 data isn't available until April 1. For this reason, unless otherwise noted, 2016 data listed is Q1-Q3
- Supplemental data comes from the 2016 Hearth Ownership, Usage, and Market Potential report

North American Hearth Appliance Shipments

(by fuel type)

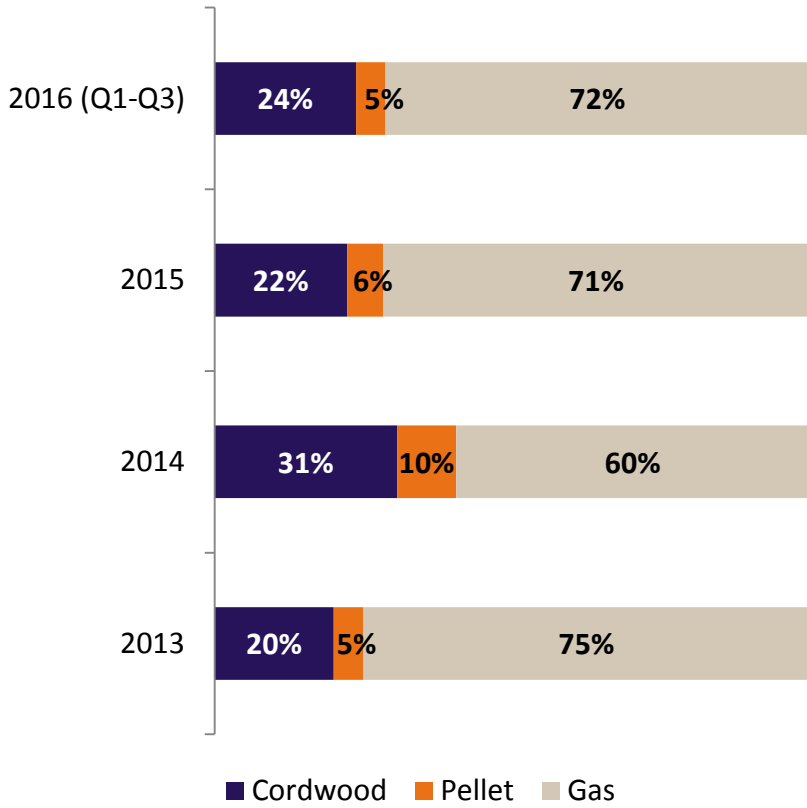


North American Fuel-type Shifts

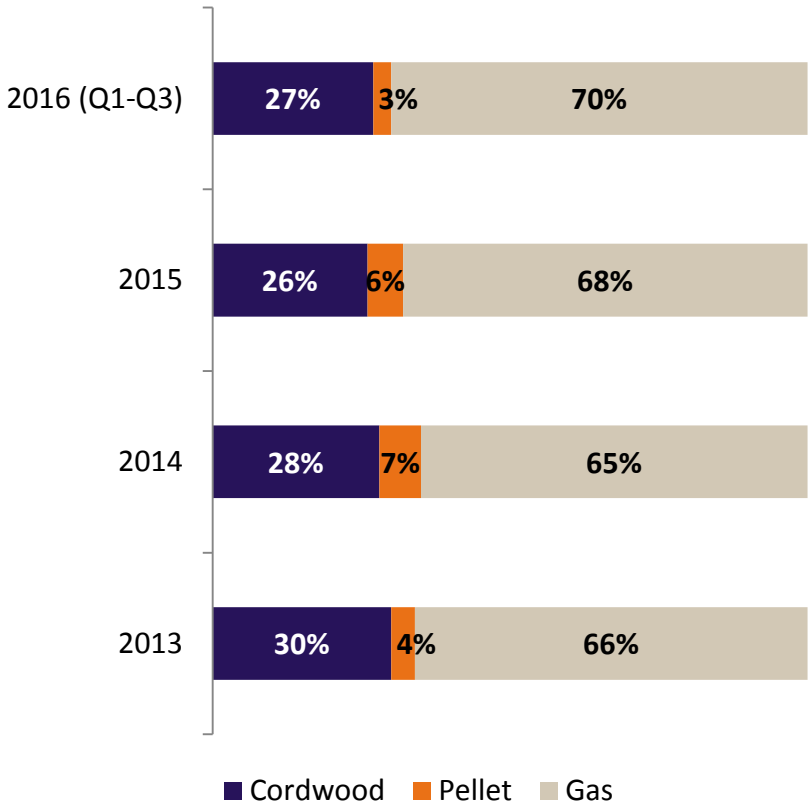


But how do those fuel shifts hold in each country?

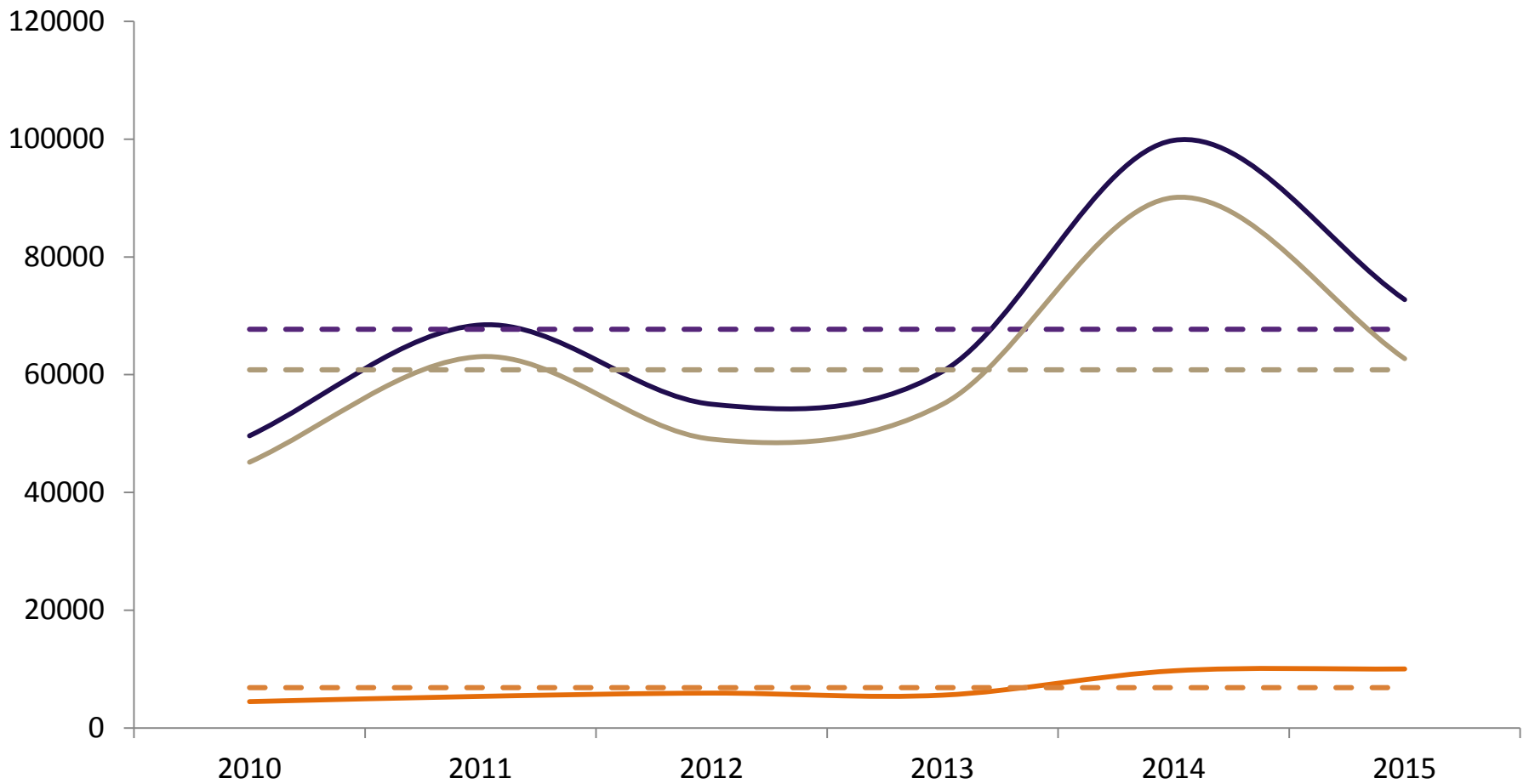
US



Canada



Annual Pellet Hearth Appliance Shipments

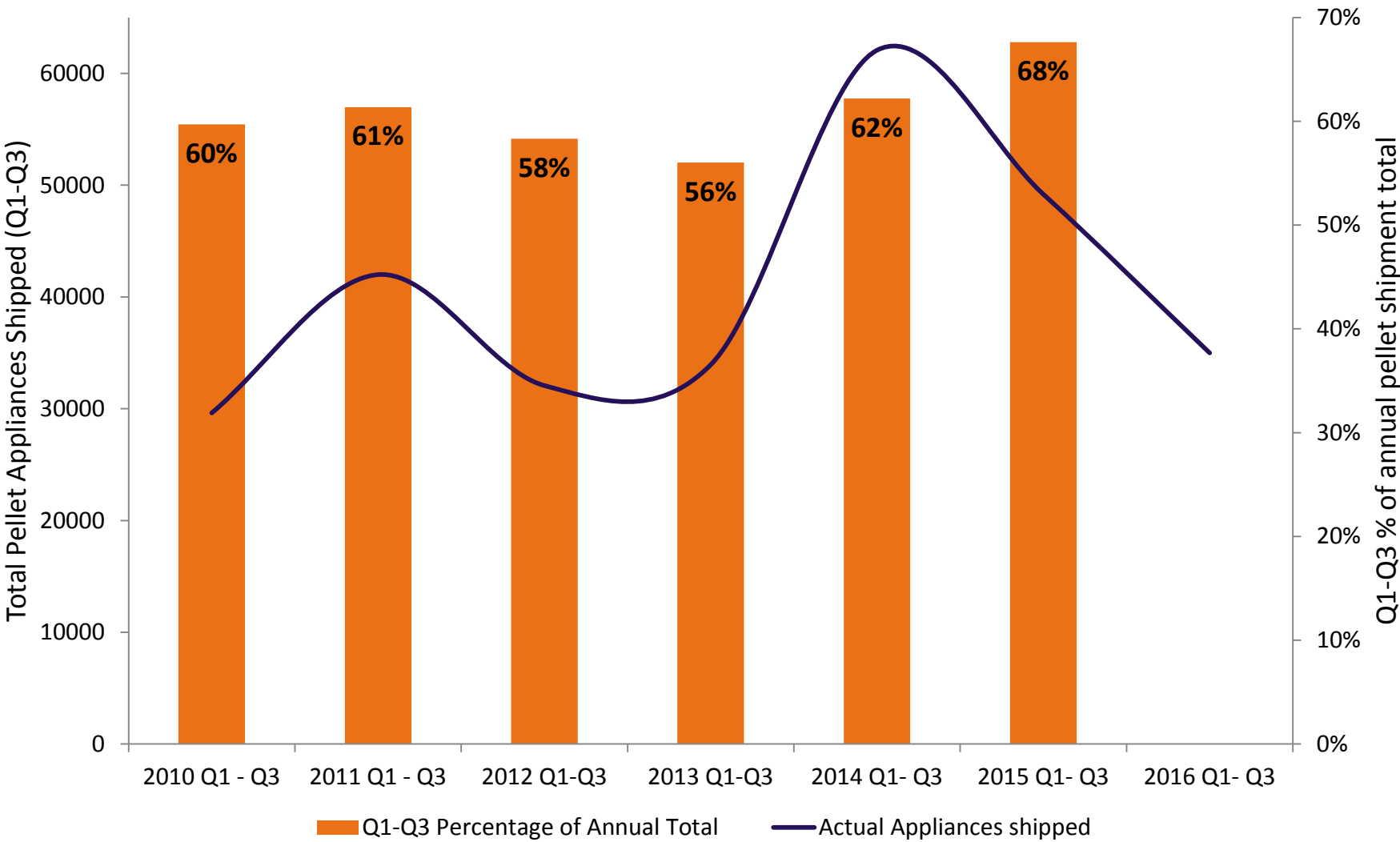


— North America — North American average — US — US average — Canada — Canada average



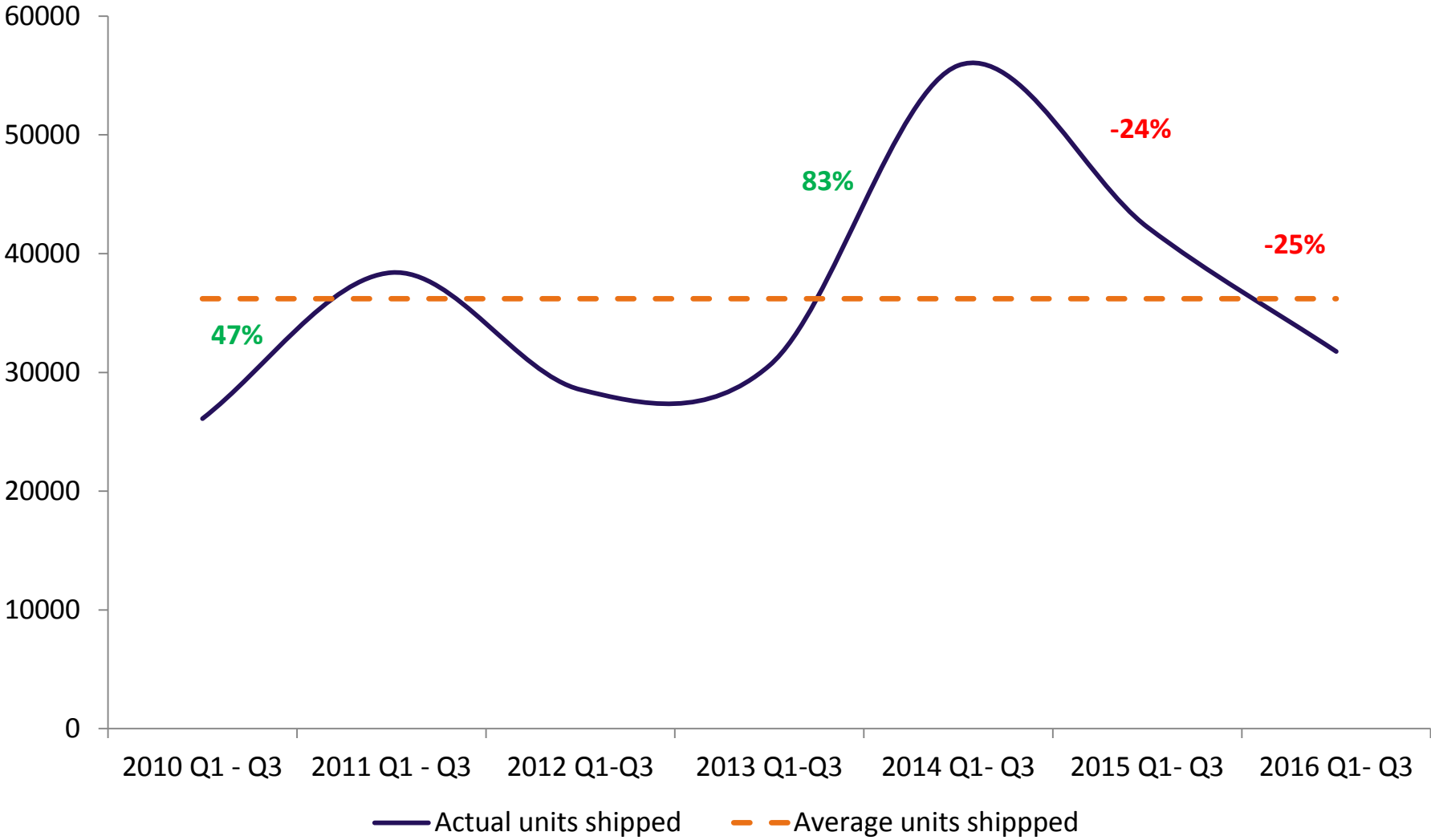
North American Pellet Appliances Shipped (Q1-Q3)

(All appliance types combined)



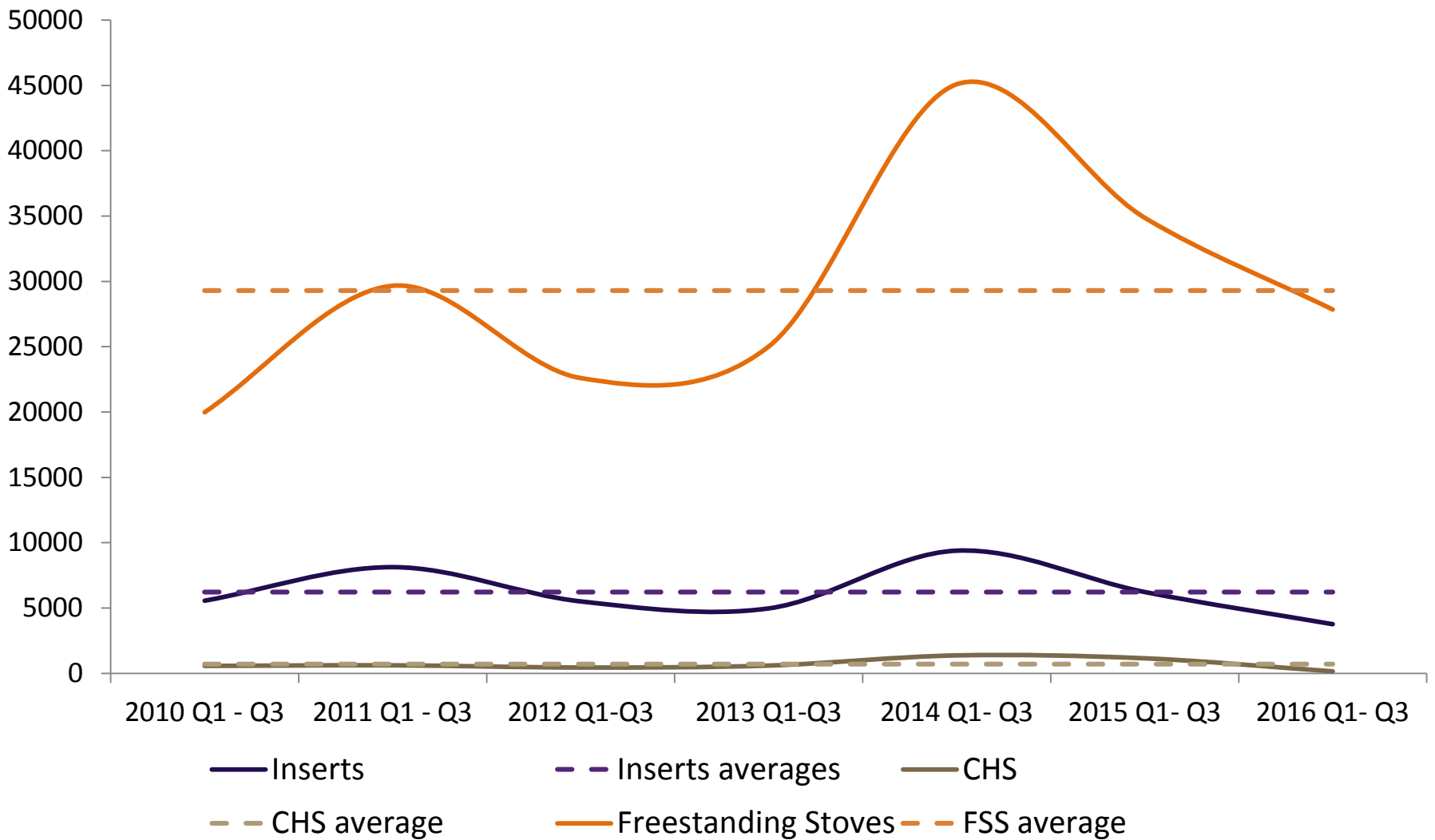
US Pellet Appliances Shipped (Q1-Q3)

(All appliance types combined)



US Pellet Appliances Shipped (Q1-Q3)

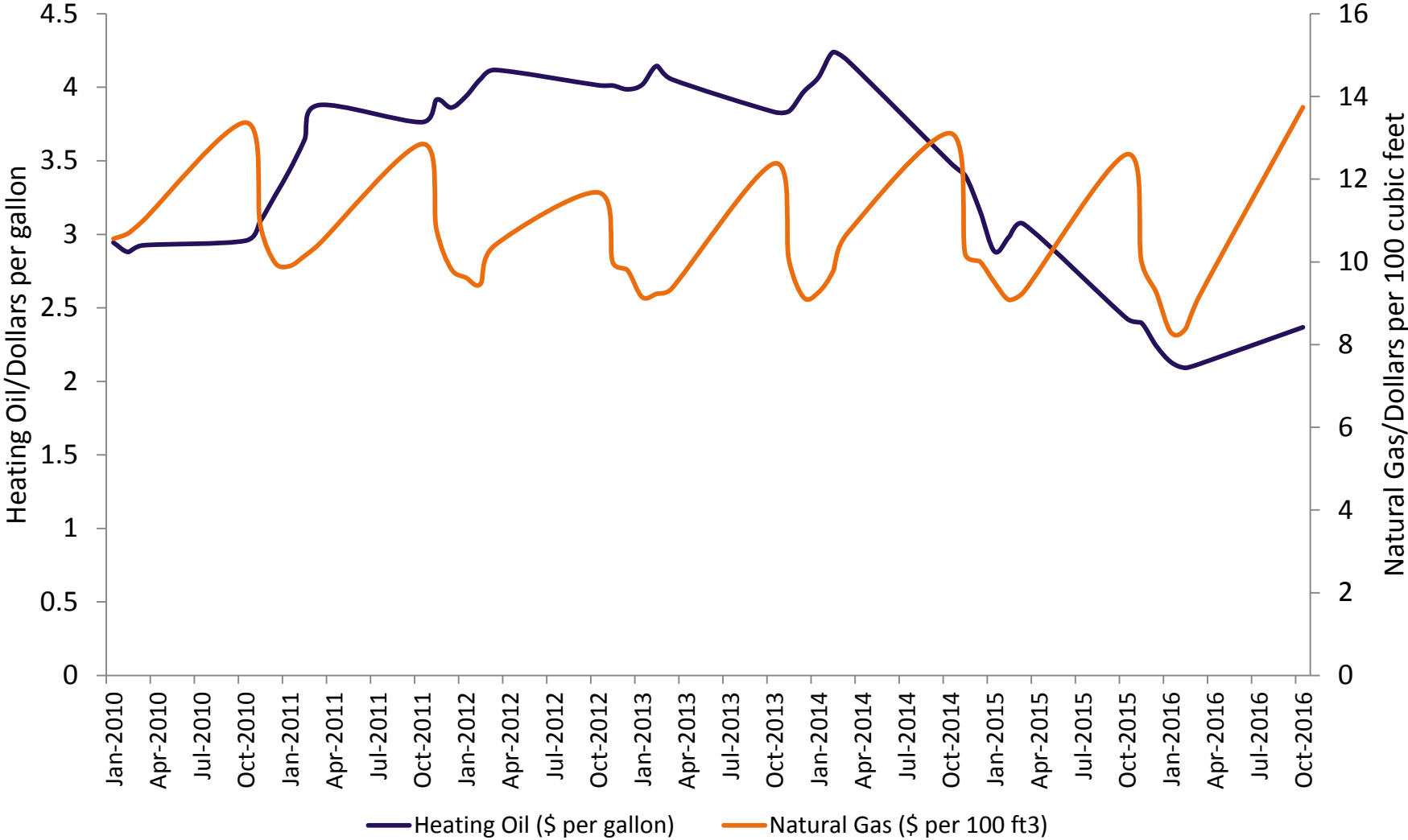
(By individual appliance type)



2016 Hearth Ownership, Usage, & Attitudes Report

- Hearth appliance ownership
 - ~ 2/3 of North American homeowners have SOME type of hearth appliance in their household
 - Primary usage of product is changing from just a heat source
- Purchase intent
 - Approximately 1/3 of North American homeowners intend to purchase a new hearth appliance in the next 2 years
- Pellet hearth appliance ownership is up
 - 2% in 2014 increased to 4% in 2016
 - Average pellet hearth appliance is 8 years old
 - 88% report being either satisfied or very satisfied with their pellet hearth appliance

Oil & Natural Gas Heating Prices



Source: EIA

Implications

- Pellet appliances remain the most volatile of fuel types in the hearth appliance marketplace and freestanding stoves remain the most volatile of the primary pellet appliances by change of volume
- 2014 is looking like an outlier rather than the new norm as the first 3 quarters of 2016 moved back towards the averages we have seen over the past 7-9 years
- Trends coincide with home heating prices (if home heating costs are deemed high, more appliances sell, but when homeowners are satisfied with home heating costs, shipments are low). While other heating fuel costs are currently low, they have recently begun to turn back up. Is this a potential sign of things to come and an opportunity for pellets?