

COMPANY PROFILE

# Owens Corning

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## COMPANY OVERVIEW

Owens Corning (Owens Corning or “the company”) is a global producer of glass fiber reinforcements and other materials for composites and of residential and commercial building materials. The major products of the company include glass fiber materials, glass reinforcement materials, thermal and acoustical batts, loose fill insulation, foam sheathing and accessories, glass fiber pipe insulation, energy efficient flexible duct media, bonded and granulated mineral wool insulation, foam insulation, cellular glass insulation, laminate and strip asphalt roofing shingles, oxidized asphalt, roofing components and synthetic packaging materials. The company sells its products directly to parts molders, fabricators, other shingle manufacturers, roofing contractors and to manufacturers in a variety of other industries, including automotive, chemical, rubber and construction. It primarily operates in the US, Canada, Europe, and Asia Pacific. Owens Corning is headquartered in Toledo, Ohio, the US.

The company reported revenues of (US Dollars) US\$6,384 million for the fiscal year ended December 2017 (FY2017), an increase of 12.5% over FY2016. In FY2017, the company’s operating margin was 10.4%, compared to an operating margin of 12.3% in FY2016. In FY2017, the company recorded a net margin of 4.5%, compared to a net margin of 6.9% in FY2016.

The company reported revenues of US\$1,824.0 million for the second quarter ended June 2018, an increase of 7.9% over the previous quarter.

## KEY FACTS

<b>Head Office</b>	Owens Corning One Owens Corning Parkway Toledo Ohio Toledo Ohio USA
<b>Phone</b>	1 419 2488000
<b>Fax</b>	1 302 6555049
<b>Web Address</b>	<a href="http://www.owenscorning.com">www.owenscorning.com</a>
<b>Revenue / turnover (USD Mn)</b>	6,384.0
<b>Financial Year End</b>	December
<b>Employees</b>	17,000
<b>New York Stock Exchange Ticker</b>	OC

## SWOT ANALYSIS

Owens Corning (Owens Corning or “the company”) is a producer of residential and commercial building materials, glass fiber reinforcements and other materials for composite systems. The company’s market leadership position, steady revenue growth, diversified portfolio of offerings are its competitive strengths, whereas large concentration on the US market remains the major area of concern. In the future, increasing labor costs in the US, significant competition and increase in raw material prices could negatively impact its business operations. However, positive growth in the US construction spending, strategic acquisitions and launch of online portal provide new growth opportunities to Owens Corning.

<p><b>Strength</b></p> <p>Diversified portfolio of offerings Steady revenue growth Market leadership position</p>	<p><b>Weakness</b></p> <p>Large concentration on the US market</p>
<p><b>Opportunity</b></p> <p>Positive growth in the US construction spending Strategic acquisitions Launch of online portal</p>	<p><b>Threat</b></p> <p>Increasing labor costs in the US Increase in raw material prices Significant competition</p>

### Strength

Diversified portfolio of offerings

Owens Corning is one of the leading companies in composite solutions and building materials systems, delivering a broad range of high-quality products and services. Its products range from glass reinforcements in the form of fiber, fabrics, mat, and other specialized products to insulation products like thermal and acoustical batts, loose fill insulation, foam sheathing and accessories, glass fiber pipe insulation, energy efficient flexible duct media, bonded and granulated mineral wool insulation, cellular glass insulation and foam insulation, and roofing products such as laminate and strip asphalt roofing shingles, oxidized asphalt, roofing components and synthetic packaging materials. The company's composites systems provide a broad range of high-performance solutions for transportation, marine, wind energy, electronics, telecommunications, and infrastructure and consumer markets. In FY2017, the company's roofing, composites, and insulation reportable segments accounted for approximately 38.6%, 31.2%, and 30.2% of its total revenue, respectively. A diversified portfolio enables the company to serve diverse customer segments, reduces risk of dependence on a single product or service for revenues and thus widens the scope of revenues.

Steady revenue growth

Owens Corning exhibited a steady revenue growth during the review year. In FY2017, the company

generated revenues of US\$6,384 million as compared to US\$5,677 million in FY2016, with an annual growth of 12.5% over FY2016. This growth in revenue was driven by higher sales volumes in all three segments. It is also attributable to the acquisitions of Pittsburgh Corning into the company's Insulation segment and InterWrap into its Roofing segment. Strong revenue growth improves investors' confidence in the company and enables it to pursue its expansion plans.

#### Market leadership position

Owens Corning is a leading global producer of residential and commercial building materials, glass fiber reinforcements and engineered materials for composite systems. With operations in the US, Canada, Europe, and Asia Pacific, Owens Corning is a market-leading innovator of glass fiber technology. In May 2018, the company was ranked No. 3 on Corporate Responsibility Magazine's 100 Best Corporate Citizens list. In February 2018, it was recognized as one of the 2018 World's Most Ethical Companies by the Ethisphere Institute. In June 2017, the company was ranked No. 2 among large organizations on IDG's Computerworld list of the 2017 Best Places to Work in IT. A strong market position increases the company's bargaining power and strengthens its brand image.

### **Weakness**

#### Large concentration on the US market

Though the company has operations in the US, Canada, Europe, and the Asia Pacific region, it derives a major portion of its revenues from the US. In FY2017, Owens Corning derived 70.4% of its total revenues from the US. The high dependence of the company on the US for major portion of the revenues exposes it to the risks associated with the political and the economic conditions prevailing in the region. Concentrating on matured markets such as the US, increases the business and country specific risks to the company and restricts its growth opportunities compared to its competitors.

### **Opportunity**

#### Positive growth in the US construction spending

Construction spending in the US is witnessing positive growth. According to the US Census Bureau, construction spending in January 2018 was estimated at a seasonal adjusted annual rate of US\$1,262.8 billion, a 3.2% growth as compared to an estimated US\$1,223.5 billion in January 2017. Non-residential construction spending was at a seasonally adjusted annual rate of US\$439.6 billion and residential construction was at a seasonally adjusted annual rate of US\$523.2 billion in January 2018. Owens Corning is a leading player in commercial building materials, glass fiber reinforcements and other materials for composite systems in the US. It derived 70.4% of its total revenues from the US in FY2017 and is well placed to tap the growth in the US construction market.

#### Strategic acquisitions

Owens Corning has made several acquisitions in the recent year, which enable it to expand its

geographical footprint and product portfolio. In April 2018, the company acquired Guangde SKD Rock Wool Manufacture Co., Ltd., a mineral wool manufacturer in China. This acquisition enables the company to serve its customers in China with products in both the mid temperature building and high-temperature industrial-application markets. It also expands Owens Corning's technology portfolio across the three largest insulation markets in the world. In February 2018, the company acquired Paroc Group, a producer of mineral wool insulation. This acquisition is expected to enhance the company's presence in European insulation market, broaden its product portfolio and diversify its geographic scope to better address the customers' needs. In July 2017, the company acquired Aslan FRP, a concrete reinforcement division of Hughes Brothers, Inc, that produces and markets glass and carbon FRP (fiber reinforced polymer) products. This acquisition expands Owens Corning's portfolio of composite solutions and enhance its business globally. In June 2017, the company acquired Pittsburgh Corning, a producer and supplier of cellular glass insulation systems for industrial and commercial markets. This acquisition expands the company's insulation solutions base.

#### Launch of online portal

Owens Corning has introduced new online service for its customers. In April 2018, the company launched the OCConnect Resource Center, an online 24/7 resource portal in response to input from members of the Owens Corning Roofing Contractor Network. The all-new OCConnect will provide contractors with faster, user-friendly navigation features, a streamlined at-a-glance user dashboard and full access to a wide range of communication tools with enhanced capabilities. It also offers contractors flexibility to customize settings and navigate resources more easily today and into the future. Introduction of new service is likely to strengthen market position and improve revenue.

### **Threat**

#### Increasing labor costs in the US

Labor costs have significantly increased in the US. In recent times, tight labor markets, increased overtime, government mandated increases in minimum wages and a higher proportion of full-time employees are resulting in an increase in labor costs. The federal minimum Labor costs are rising significantly in the US. The federal minimum wage provisions are contained in the Fair Labor Standards Act (FLSA). As of January 2018, the minimum wage rate in the US was US\$7.25 per hour. The minimum wage rate in 29 states and the District of Columbia is more than the federal rate. These wages range from US\$8.5 in Arkansas, US\$10.5 in Arizona, US\$8.25 in Florida, US\$8.25 per hour in Illinois, US\$9.84 per hour in Alaska, US\$10.2 per hour in Colorado, US\$11.5 per hour in Washington and US\$11 in California. The minimum wage in the District of Columbia reached US\$12.5 per hour. As the company operates in the US, increase in labor costs in the region would increase its overall cost structure and can adversely affect its profit margin.

#### Increase in raw material prices

Owens Corning relies heavily on certain commodities and raw materials used in manufacturing processes. Additionally, the company spends significantly on natural gas inputs and services that are influenced by energy prices, such as asphalt, a large number of chemicals and resins and transportation costs. Price

increases for these inputs could raise costs and reduce the company's margins. Also the availability of some of these raw materials due to dependency on limited number of suppliers and in certain cases dependency on sole suppliers could limit the company's ability in producing and could materially and adversely impact its business, financial condition and results of operations.

#### Significant competition

All of the markets where the company serves are highly competitive. Owens Corning competes with manufacturers and distributors, both within and outside the US. The competition is primarily based on innovation and product design, global geographic reach, proximity to customers, compatibility of systems solutions, quality and price. The major competitors of the company's Composites segment include China Jushi Group Co., Ltd., Chongqing Polycom International Corporation Ltd (CPIC), Johns Manville, Nippon Electric Glass Co. Ltd. (NEG) and Taishan Glass Fiber Co., Ltd. The Insulation segment competes with CertainTeed Corporation, Dow Chemical, Johns Manville, Knauf Insulation and ROCKWOOL International. Similarly, the key competitors in the Roofing segment of the company include CertainTeed Corporation, GAF and TAMKO. New product technologies introduced by the competitors also become a cause of competition as they may serve the company's customers better. If Owens Corning is not able to successfully commercialize its innovation efforts, it may lose market share and, this may lead to pricing pressures which could impact the company's business and margins adversely.

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