

UNIVERSAL FOREST PRODUCTS INC  
Form 10-Q  
April 30, 2012

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UNIVERSAL FOREST PRODUCTS, INC.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-22684

UNIVERSAL FOREST PRODUCTS, INC.  
(Exact name of registrant as specified in its charter)

|  |   |
|--|---|
| Michigan<br>(State or other jurisdiction of incorporation or organization) | 38-1465835<br>(I.R.S. Employer Identification Number) |
|--|---|

|  |                     |
|--|---------------------|
| 2801 East Beltline NE, Grand Rapids,<br>Michigan<br>(Address of principal executive offices) | 49525<br>(Zip Code) |
|--|---------------------|

Registrant's telephone number, including area code (616) 364-6161

NONE

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(Former name or former address, if changed since last report.)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

| Class                      | Outstanding as of March 31, 2012 |
|----------------------------|----------------------------------|
| Common stock, no par value | 19,715,647                       |

UNIVERSAL FOREST PRODUCTS, INC.

## TABLE OF CONTENTS

| PART I. FINANCIAL INFORMATION.  | Page No. |
|---|----------|
| Item 1. Financial Statements.   |          |
| <u>Consolidated Condensed Balance Sheets at March 31, 2012, December 31, 2011 and March 26, 2011.</u>                                       | 3        |
| <u>Consolidated Condensed Statements of Earnings and Comprehensive Income for the Three Months Ended March 31, 2012 and March 26, 2011.</u> | 4        |
| <u>Consolidated Condensed Statements of Equity for the Three Months Ended March 31, 2012 and March 26, 2011.</u>                            | 5        |
| <u>Consolidated Condensed Statements of Cash Flows for the Three Months Ended March 31, 2012 and March 26, 2011.</u>                        | 6        |
| <u>Notes to Consolidated Condensed Financial Statements.</u>  | 7        |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>                                       | 14       |
| Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk.</u>  | 25       |
| Item 4. <u>Controls and Procedures.</u>   | 25       |
| PART II. OTHER INFORMATION.   |          |
| Item 1. Legal Proceedings - NONE.   |          |
| Item 1A. Risk Factors - NONE.   |          |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>   | 26       |
| Item 3. Defaults upon Senior Securities - NONE.   |          |
| Item 4. Mine Safety Disclosures - NONE.   |          |
| Item 5. <u>Other Information.</u>   | 26       |
| Item 6. <u>Exhibits.</u>  | 27       |

Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(Unaudited)

(in thousands, except share data)

|   | March 31,<br>2012 | December 31,<br>2011 | March 26,<br>2011 |
|---|-------------------|----------------------|-------------------|
| <b>ASSETS</b>   |                   |                      |                   |
| <b>CURRENT ASSETS:</b>  |                   |                      |                   |
| Cash and cash equivalents   | \$-               | \$ 11,305            | \$-               |
| Accounts receivable, net  | 192,427           | 127,316              | 176,970           |
| <b>Inventories:</b>   |                   |                      |                   |
| Raw materials   | 121,595           | 111,526              | 146,435           |
| Finished goods  | 96,958            | 83,171               | 97,204            |
|   | 218,553           | 194,697              | 243,639           |
| Assets held for sale  | -                 | -                    | 7,528             |
| Refundable income taxes   | 2,091             | 3,482                | 3,379             |
| Other current assets  | 21,661            | 21,394               | 24,526            |
| <b>TOTAL CURRENT ASSETS</b>   | <b>434,732</b>    | <b>358,194</b>       | <b>456,042</b>    |
| <b>OTHER ASSETS</b>   | <b>15,712</b>     | <b>15,380</b>        | <b>11,698</b>     |
| <b>GOODWILL</b>   | <b>154,702</b>    | <b>154,702</b>       | <b>154,702</b>    |
| <b>INDEFINITE-LIVED INTANGIBLE ASSETS</b>                                 | <b>2,340</b>      | <b>2,340</b>         | <b>2,340</b>      |
| <b>OTHER INTANGIBLE ASSETS, net</b>                                       | <b>10,200</b>     | <b>10,924</b>        | <b>14,492</b>     |
| <b>PROPERTY, PLANT AND EQUIPMENT:</b>                                     |                   |                      |                   |
| Property, plant and equipment   | 540,223           | 537,208              | 516,588           |
| Accumulated depreciation and amortization                                 | (318,519 )        | (314,741 )           | (299,786 )        |
| <b>PROPERTY, PLANT AND EQUIPMENT, NET</b>                                 | <b>221,704</b>    | <b>222,467</b>       | <b>216,802</b>    |
| <b>TOTAL ASSETS</b>   | <b>\$839,390</b>  | <b>\$ 764,007</b>    | <b>\$856,076</b>  |
| <b>LIABILITIES AND EQUITY</b>   |                   |                      |                   |
| <b>CURRENT LIABILITIES:</b>   |                   |                      |                   |
| Cash overdraft  | \$4,282           | \$ -                 | \$41              |
| Accounts payable  | 75,347            | 49,433               | 66,571            |
| <b>Accrued liabilities:</b>   |                   |                      |                   |
| Compensation and benefits   | 32,666            | 30,920               | 34,821            |
| Other   | 15,075            | 12,172               | 14,606            |
| Current portion of long-term debt and capital lease obligations           | 42,774            | 40,270               | 74,647            |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>170,144</b>    | <b>132,795</b>       | <b>190,686</b>    |
| <b>LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion</b> | <b>43,668</b>     | <b>12,200</b>        | <b>52,474</b>     |
| <b>DEFERRED INCOME TAXES</b>  | <b>19,008</b>     | <b>19,049</b>        | <b>20,506</b>     |
| <b>OTHER LIABILITIES</b>  | <b>16,104</b>     | <b>17,364</b>        | <b>12,512</b>     |
| <b>TOTAL LIABILITIES</b>  | <b>248,924</b>    | <b>181,408</b>       | <b>276,178</b>    |
| <b>EQUITY:</b>  |                   |                      |                   |
| Controlling interest shareholders' equity:                                |                   |                      |                   |

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|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| Preferred stock, no par value; shares authorized 1,000,000;issued and outstanding, none                               |                   |                   |                   |
| Common stock, no par value; shares authorized 40,000,000;issued and outstanding 19,715,647, 19,623,803 and 19,524,953 | \$ 19,716         | \$ 19,624         | \$ 19,525         |
| Additional paid-in capital  | 146,523           | 143,988           | 140,083           |
| Retained earnings   | 415,003           | 410,848           | 410,438           |
| Accumulated other comprehensive earnings  | 4,234             | 3,600             | 4,704             |
| Employee stock notes receivable   | (1,080 )          | (1,255 )          | (1,493 )          |
|   | 584,396           | 576,805           | 573,257           |
| Noncontrolling interest   | 6,070             | 5,794             | 6,641             |
| <b>TOTAL EQUITY</b>   | <b>590,466</b>    | <b>582,599</b>    | <b>579,898</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>   | <b>\$ 839,390</b> | <b>\$ 764,007</b> | <b>\$ 856,076</b> |

See notes to unaudited consolidated condensed financial statements.

Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS AND  
COMPREHENSIVE INCOME  
(Unaudited)

(in thousands, except per share data)

|   | Three Months Ended |                   |
|---|--------------------|-------------------|
|   | March 31,<br>2012  | March 26,<br>2011 |
| NET SALES   | \$457,111          | \$387,233         |
| COST OF GOODS SOLD  | 403,445            | 345,819           |
| GROSS PROFIT  | 53,666             | 41,414            |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES  | 45,778             | 46,488            |
| NET LOSS ON DISPOSITION OF ASSETS, EARLY RETIREMENT, AND OTHER<br>IMPAIRMENT AND EXIT CHARGES | 95                 | 7                 |
| EARNINGS (LOSS) FROM OPERATIONS   | 7,793              | (5,081 )          |
| INTEREST EXPENSE  | 1,011              | 883               |
| INTEREST INCOME   | (241 )             | (248 )            |
| EQUITY IN EARNINGS OF INVESTEE  | (62 )              | (17 )             |
|   | 708                | 618               |
| EARNINGS (LOSS) BEFORE INCOME TAXES   | 7,085              | (5,699 )          |
| INCOME TAXES (BENEFIT)  | 2,699              | (2,287 )          |
| NET EARNINGS (LOSS)   | 4,386              | (3,412 )          |
| LESS NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTEREST                                     | (231 )             | (258 )            |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST                                      | \$4,155            | \$(3,670 )        |
| EARNINGS (LOSS) PER SHARE - BASIC   | \$0.21             | \$(0.19 )         |
| EARNINGS (LOSS) PER SHARE - DILUTED   | \$0.21             | \$(0.19 )         |
| WEIGHTED AVERAGE SHARES OUTSTANDING   | 19,569             | 19,306            |
| WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON STOCK<br>EQUIVALENTS                          | 19,700             | 19,306            |
| COMPREHENSIVE INCOME (LOSS)   | \$5,444            | \$(2,702 )        |

|   |         |            |
|---|---------|------------|
| LESS COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST | (655 )  | (429 )     |
| COMPREHENSIVE INCOME (LOSS)ATTRIBUTABLE TO CONTROLLING INTEREST   | \$4,789 | \$(3,131 ) |

See notes to unaudited consolidated condensed financial statements.

Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF EQUITY  
(Unaudited)

(in thousands, except share and per share data)

|   | Controlling Interest Shareholders' Equity |                                   |                      |   |   |                            |            | Total |
|---|---|-----------------------------------|----------------------|---|---|----------------------------|------------|-------|
|   | Common<br>Stock                           | Additional<br>Paid-<br>In Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Earnings | Employees<br>Stock<br>Notes<br>Receivable | Noncontrolling<br>Interest |            |       |
| Balance at December 25, 2010                                  | \$ 19,333                                 | \$ 138,573                        | \$ 414,108           | \$ 4,165  | \$ (1,670 )                               | \$ 6,667                   | \$ 581,176 |       |
| Net loss  |   |                                   | (3,670 )             |   |   | 258                        | (3,412 )   |       |
| Foreign currency translation adjustment                       |   |                                   |                      | 539   |   | 171                        | 710        |       |
| Purchase of additional noncontrolling interest                |   |                                   |                      |   |   | (100 )                     | (100 )     |       |
| Capital contribution from noncontrolling interest             |   |                                   |                      |   |   | 40                         | 40         |       |
| Distributions to noncontrolling interest                      |   |                                   |                      |   |   | (395 )                     | (395 )     |       |
| Issuance of 24,738 shares under employee stock plans          | 25  | 431                               |                      |   |   |                            | 456        |       |
| Issuance of 164,201 shares under stock grant programs         | 164                                       | (24 )                             |                      |   |   |                            | 140        |       |
| Issuance of 3,213 shares under deferred compensation plans    | 3   | (3 )                              |                      |   |   |                            | -          |       |
| Tax benefits from non-qualified stock options exercised       |   | 152                               |                      |   |   |                            | 152        |       |
| Expense associated with share-based compensation arrangements |   | 735                               |                      |   |   |                            | 735        |       |
| Accrued expense under deferred compensation plans             |   | 231                               |                      |   |   |                            | 231        |       |
| Notes receivable adjustment                                   |   | (12 )                             |                      |   | 12  |                            | -          |       |
| Payments received on employee stock notes receivable          |   |                                   |                      |   |   | 165                        | 165        |       |
| Balance at March 26, 2011                                     | \$ 19,525                                 | \$ 140,083                        | \$ 410,438           | \$ 4,704  | \$ (1,493 )                               | \$ 6,641                   | \$ 579,898 |       |
| Balance at December 31, 2011                                  | \$ 19,624                                 | \$ 143,988                        | \$ 410,848           | \$ 3,600  | \$ (1,255 )                               | \$ 5,794                   | \$ 582,599 |       |
| Net earnings  |   |                                   | 4,155                |   |   | 231                        | 4,386      |       |
| Foreign currency translation adjustment                       |   |                                   |                      | 634   |   | 424                        | 1,058      |       |
| Distributions to noncontrolling interest                      |   |                                   |                      |   |   | (379 )                     | (379 )     |       |
|   | 42  | 994                               |                      |   |   |                            | 1,036      |       |



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|   |           |            |            |          |             |          |            |
|---|-----------|------------|------------|----------|-------------|----------|------------|
| Issuance of 42,287 shares under employee stock plans          |           |            |            |          |             |          |            |
| Issuance of 24,335 shares under stock grant programs          | 25        | 28         |            |          |             |          | 53         |
| Issuance of 25,222 shares under deferred compensation plans   | 25        | (25 )      |            |          |             |          | -          |
| Tax benefits from non-qualified stock options exercised       |           | 103        |            |          |             |          | 103        |
| Expense associated with share-based compensation arrangements |           | 451        |            |          |             |          | 451        |
| Accrued expense under deferred compensation plans             |           | 984        |            |          |             |          | 984        |
| Payments received on employee stock notes receivable          |           |            |            |          | 175         |          | 175        |
| Balance at March 31, 2012                                     | \$ 19,716 | \$ 146,523 | \$ 415,003 | \$ 4,234 | \$ (1,080 ) | \$ 6,070 | \$ 590,466 |

See notes to unaudited consolidated condensed financial statements.

Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(Unaudited)

(in thousands)

|  | Three Months Ended |                   |
|--|--------------------|-------------------|
|  | March 31,<br>2012  | March 26,<br>2011 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                    |                   |
| Net earnings (loss) attributable to controlling interest   | \$4,155            | \$(3,670 )        |
| Adjustments to reconcile net earnings (loss) attributable to controlling interest to net cash from operating activities: |                    |                   |
| Depreciation   | 7,178              | 6,902             |
| Amortization of intangibles  | 745                | 1,441             |
| Expense associated with share-based compensation arrangements  | 504                | 875               |
| Excess tax benefits from share-based compensation arrangements   | (12 )              | (121 )            |
| Deferred income tax credit   | (50 )              | (69 )             |
| Net earnings attributable to noncontrolling interest   | 231                | 258               |
| Equity in earnings of investee   | (62 )              | (17 )             |
| Net loss on sale or impairment of property, plant and equipment  | (25 )              | (142 )            |
| Changes in:  |                    |                   |
| Accounts receivable  | (64,829 )          | (55,869 )         |
| Inventories  | (23,392 )          | (53,007 )         |
| Accounts payable   | 25,585             | 7,035             |
| Accrued liabilities and other  | 5,327              | (13,095 )         |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>  | <b>(44,645 )</b>   | <b>(109,479 )</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                    |                   |
| Purchase of property, plant and equipment  | (7,860 )           | (6,309 )          |
| Proceeds from sale of property, plant and equipment  | 2,035              | 177               |
| Purchase of patents  | (21 )              | -                 |
| Collections of notes receivable  | 647                | 243               |
| Other, net   | (302 )             | 25                |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>  | <b>(5,501 )</b>    | <b>(5,864 )</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                    |                   |
| Net borrowings under revolving credit facilities   | 33,968             | 71,817            |
| Debt issuance costs  | (81 )              | -                 |
| Proceeds from issuance of common stock   | 1,036              | 456               |
| Purchase of additional noncontrolling interest   | -                  | (100 )            |
| Distributions to noncontrolling interest   | (379 )             | (395 )            |
| Capital contribution from noncontrolling interest  | -                  | 40                |
| Excess tax benefits from share-based compensation arrangements   | 12                 | 121               |
| Other, net   | 3                  | -                 |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>  | <b>34,559</b>      | <b>71,939</b>     |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | <b>(15,587 )</b>   | <b>(43,404 )</b>  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | <b>11,305</b>      | <b>43,363</b>     |

|                               |            |         |
|-------------------------------|------------|---------|
| CASH OVERDRAFT, END OF PERIOD | \$(4,282 ) | \$(41 ) |
|-------------------------------|------------|---------|

**SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:**

Cash paid during the period for:

|              |       |       |
|--------------|-------|-------|
| Interest     | \$261 | \$250 |
| Income taxes | 3,400 | 1,690 |

**NON-CASH FINANCING ACTIVITIES:**

|   |       |       |
|---|-------|-------|
| Common stock issued under deferred compensation plans | \$851 | \$109 |
|---|-------|-------|

See notes to unaudited consolidated condensed financial statements

Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.

NOTES TO UNAUDITED  
CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

A. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated condensed financial statements (the "Financial Statements") include our accounts and those of our wholly-owned and majority-owned subsidiaries and partnerships, and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, the Financial Statements do not include all of the information and footnotes normally included in the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States. All intercompany transactions and balances have been eliminated.

In our opinion, the Financial Statements contain all material adjustments necessary to present fairly our consolidated financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. These Financial Statements should be read in conjunction with the annual consolidated financial statements, and footnotes thereto, included in our Annual Report to Shareholders on Form 10-K for the fiscal year ended December 31, 2011.

Certain prior year information has been reclassified to conform to the current year presentation.

In June 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-05, Presentation of Comprehensive Income ("ASU 2011-05"). ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. Under ASU 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a continuous statement of comprehensive income or in two separate consecutive statements. We have adopted the provisions of ASU 2011-05 by presenting comprehensive income in a continuous statement of earnings and comprehensive income.

B. FAIR VALUE

We apply the provisions of ASC 820, Fair Value Measurements and Disclosures, to assets and liabilities measured at fair value. Assets measured at fair value are as follows:

Table of Contents

## UNIVERSAL FOREST PRODUCTS, INC.

| (in thousands)            | March 31, 2012<br>Quoted Prices in<br>Active Markets<br>(Level 1) | March 26, 2011<br>Quoted Prices in<br>Active Markets<br>(Level 1) |
|---------------------------|---|---|
| Recurring:                |   |   |
| Money market funds        | \$ 99   | \$ 84   |
| Mutual funds:             |   |   |
| Domestic stock funds      | 592   | 528   |
| International stock funds | 494   | 518   |
| Target funds              | 139   | 144   |
| Bond funds                | 110   | 104   |
| Total mutual funds        | 1,335   | 1,294   |
|                           | \$ 1,434  | \$ 1,378  |

Mutual funds are valued at prices quoted in an active exchange market and are included in "Other Assets". We have elected not to apply the fair value option under ASC 825, Financial Instruments, to any of our financial instruments except for those expressly required by U.S. GAAP.

We do not maintain any Level 2 or Level 3 assets or liabilities that would be based on significant observable or unobservable inputs.

### C. REVENUE RECOGNITION

Earnings on construction contracts are reflected in operations using percentage-of-completion accounting, under either cost to cost or units of delivery methods, depending on the nature of the business at individual operations. Under percentage-of-completion using the cost to cost method, revenues and related earnings on construction contracts are measured by the relationships of actual costs incurred related to the total estimated costs. Under percentage-of-completion using the units of delivery method, revenues and related earnings on construction contracts are measured by the relationships of actual units produced related to the total number of units. Revisions in earnings estimates on the construction contracts are recorded in the accounting period in which the basis for such revisions becomes known. Projected losses on individual contracts are charged to operations in their entirety when such losses become apparent.

The following table presents the balances of percentage-of-completion accounts which are included in "Other current assets" and "Accrued liabilities: Other", respectively (in thousands):

|   | March 31,<br>2012 | December 31,<br>2011 | March 26,<br>2011 |
|---|-------------------|----------------------|-------------------|
| Cost and Earnings in Excess of Billings | \$ 2,752          | \$ 3,670             | \$ 4,927          |
| Billings in Excess of Cost and Earnings | 1,235             | 2,668                | 1,820             |

Table of Contents

## UNIVERSAL FOREST PRODUCTS, INC.

## D. EARNINGS PER SHARE

A reconciliation of the changes in the numerator and the denominator from the calculation of basic EPS to the calculation of diluted EPS follows (in thousands, except per share data):

|  | Three Months Ended March 31, 2012 |               |           | Three Months Ended March 26, 2011 |               |            |
|--|-----------------------------------|---------------|-----------|-----------------------------------|---------------|------------|
|  | Income                            | Shares        | Per Share | Income                            | Shares        | Per Share  |
|  | (Numerator)                       | (Denominator) | Amount    | (Numerator)                       | (Denominator) | Amount     |
| Net Earnings<br>Attributable to<br>Controlling Interest                        | \$ 4,155                          |               |           | \$ (3,670 )                       |               |            |
| EPS – Basic  |                                   |               |           |                                   |               |            |
| Income available to<br>common stockholders                                     | 4,155                             | 19,569        | \$ 0.21   | (3,670 )                          | 19,306        | \$ (0.19 ) |
| Effect of dilutive<br>securities   |                                   | 131           |           |                                   | -             |            |
| EPS - Diluted  |                                   |               |           |                                   |               |            |
| Income available to<br>common stockholders<br>and assumed options<br>exercised | \$ 4,155                          | 19,700        | \$ 0.21   | \$ (3,670 )                       | 19,306        | \$ (0.19 ) |

Options to purchase 10,000 shares were not included in the computation of diluted EPS for the quarter ended March 31, 2012 because the options' exercise price was greater than the average market price of the common stock during the period and, therefore would be antidilutive.

Options to purchase shares and certain other shares of common stock were not included in the computation of diluted EPS because they were anti-dilutive given the net loss for the quarter ended March 26, 2011.

#### E. ASSETS HELD FOR SALE AND NET LOSS ON DISPOSITION OF ASSETS AND OTHER IMPAIRMENTS AND EXIT CHARGES

Included in "Assets held for sale" on our Consolidated Condensed Balance Sheets are certain property, plant and equipment totaling \$7.5 million on March 26, 2011. The assets held for sale consist of certain vacant land and facilities we previously closed to better align manufacturing capacity with the current business environment. The fair values were determined based on appraisals or recent offers to acquire assets. These and other idle assets were evaluated based on the requirements of ASC 360, which resulted in impairment and other exit charges included in "Net loss on disposition of assets, early retirement and other impairment and exit charges" for the periods presented below. These amounts include the following, separated by reporting segment (in thousands):

Table of Contents

## UNIVERSAL FOREST PRODUCTS, INC.

|   | Three Months Ended March 31, 2012 |                |              |        | Three Months Ended March 26, 2011 |                |              |        |
|---|-----------------------------------|----------------|--------------|--------|-----------------------------------|----------------|--------------|--------|
|   | Eastern<br>and<br>Western         | Site-<br>Built | All<br>Other | Total  | Eastern<br>and<br>Western         | Site-<br>Built | All<br>Other | Total  |
| Severances<br>and early<br>retirement                     | \$ 84                             | \$ 2           | \$ 34        | \$ 120 | \$ 115                            | \$ 9           | \$ 24        | \$ 148 |
| Property, plant<br>and equipment                          | (36 )                             | (28 )          | 41           | (23 )  | (107 )                            | (4 )           | (30 )        | (141 ) |
| Loss (gain) on<br>impairment or<br>sale of real<br>estate | (2 )                              |                |              | (2 )   |                                   |                |              |        |
| Total   | \$ 46                             | \$ (26 )       | \$ 75        | \$ 95  | \$ 8                              | \$ 5           | \$ (6 )      | \$ 7   |

The changes in assets held for sale are as follows (in thousands):

| Description                                  | Net Book<br>Value |
|--|-------------------|
| Assets held for sale as of December 25, 2010 | \$ 2,446          |
| Additions                                    | 5,082             |
| Assets held for sale as of March 26, 2011    | \$ 7,528          |

## F. COMMITMENTS, CONTINGENCIES, AND GUARANTEES

We are self-insured for environmental impairment liability, including certain liabilities which are insured through a wholly owned subsidiary, Ardellis Insurance Ltd., a licensed captive insurance company.

We own and operate a number of facilities throughout the United States that chemically treat lumber products. In connection with the ownership and operation of these and other real properties, and the disposal or treatment of hazardous or toxic substances, we may, under various federal, state, and local environmental laws, ordinances, and regulations, be potentially liable for removal and remediation costs, as well as other potential costs, damages, and expenses. Environmental reserves, calculated with no discount rate, have been established to cover remediation activities at our affiliates' wood preservation facilities in Stockertown, PA; Elizabeth City, NC; Auburndale, FL; Janesville, WI; and Medley, FL. In addition, a reserve was established for our affiliate's facility in Thornton, CA to remove certain lead containing materials which existed on the property at the time of purchase. During 2009, a subsidiary entered into a consent order with the State of Florida to conduct additional testing at the Auburndale, FL facility. We admitted no liability and the costs are not expected to be material.

On a consolidated basis, we have reserved approximately \$3.4 million on March 31, 2012 and March 26, 2011, representing the estimated costs to complete future remediation efforts. These amounts have not been reduced by an insurance receivable.





Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.

From time to time, various special interest environmental groups have petitioned certain states requesting restrictions on the use or disposal of CCA treated products. The wood preservation industry trade groups are working with the individual states and their regulatory agencies to provide an accurate, factual background which demonstrates that the present method of uses and disposal is scientifically supported. Our affiliates market a modest amount of CCA treated products for permitted, non-residential applications.

We have not accrued for any potential loss related to the CCA contingencies above. However, potential liabilities of this nature are not conducive to precise estimates and are subject to change.

In addition, on March 31, 2012, we were parties either as plaintiff or defendant to a number of lawsuits and claims arising through the normal course of our business. In the opinion of management, our consolidated financial statements will not be materially affected by the outcome of these contingencies and claims.

On March 31, 2012, we had outstanding purchase commitments on capital projects of approximately \$19.2 million.

We provide a variety of warranties for products we manufacture. Historically, warranty claims have not been material. We distribute products manufactured by other companies, some of which are no longer in business. While we do not warrant these products, we have received claims as a distributor of these products when the manufacturer no longer exists or has the ability to pay. Historically, these costs have not had a material affect on our consolidated financial statements.

In certain cases we supply building materials and labor to site-built construction projects or we jointly bid on contracts with framing companies for such projects. In some instances we are required to post payment and performance bonds to insure the owner that the products and installation services are completed in accordance with our contractual obligations. We have agreed to indemnify the surety for claims made against the bonds. As of March 31, 2012, we had approximately \$10.0 million in outstanding payment and performance bonds, which expire during the next two years. In addition, approximately \$22.6 million in payment and performance bonds are outstanding for completed projects which are still under warranty.

On March 31, 2012, we had outstanding letters of credit totaling \$31.3 million, primarily related to certain insurance contracts and industrial development revenue bonds described further below.

In lieu of cash deposits, we provide irrevocable letters of credit in favor of our insurers to guarantee our performance under certain insurance contracts. We currently have irrevocable letters of credit outstanding totaling approximately \$18.9 million for these types of insurance arrangements. We have reserves recorded on our balance sheet, in accrued liabilities, that reflect our expected future liabilities under these insurance arrangements.

Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.

We are required to provide irrevocable letters of credit in favor of the bond trustees for all of the industrial development revenue bonds that we have issued. These letters of credit guarantee principal and interest payments to the bondholders. We currently have irrevocable letters of credit outstanding totaling approximately \$12.4 million related to our outstanding industrial development revenue bonds. These letters of credit have varying terms but may be renewed at the option of the issuing banks.

Certain wholly owned domestic subsidiaries have guaranteed the indebtedness of Universal Forest Products, Inc. in certain debt agreements, including the Series 2002-A Senior Notes and our revolving credit facility. The maximum exposure of these guarantees is limited to the indebtedness outstanding under these debt arrangements and this exposure will expire concurrent with the expiration of the debt agreements.

Many of our wood treating operations utilize "Subpart W" drip pads, defined as hazardous waste management units by the EPA. The rules regulating drip pads require that the pad be "closed" at the point that it is no longer intended to be used for wood treating operations or to manage hazardous waste. Closure involves identification and disposal of contaminants which are required to be removed from the facility. The cost of closure is dependent upon a number of factors including, but not limited to, identification and removal of contaminants, cleanup standards that vary from state to state, and the time period over which the cleanup would be completed. Based on our present knowledge of existing circumstances, it is considered probable that these costs will approximate \$0.6 million. As a result, this amount is recorded in other long-term liabilities on March 31, 2012.

We did not enter into any new guarantee arrangements during the first quarter of 2012 which would require us to recognize a liability on our balance sheet.

G.SEGMENT REPORTING

ASC 280, Segment Reporting ("ASC 280"), defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Table of Contents

## UNIVERSAL FOREST PRODUCTS, INC.

Our operating segments consist of the Eastern, Western, Site-Built, Consumer Products and Distribution divisions. In accordance with ASC 280, due to the similar economic characteristics, nature of products, distribution methods, and customers, we have aggregated our Eastern and Western operating segments into one reportable segment. The Site-Built division is considered a separate reportable segment. Our other divisions do not collectively form a reportable segment because their respective operations are dissimilar and they do not meet the applicable quantitative requirements. These operations have been included in the "All Other" column of the table below. The "Corporate" column includes unallocated administrative costs.

## Three Months Ended March 31, 2012

|                                 | Eastern and<br>Western | Site-Built | All Other | Corporate | Total      |
|---------------------------------|------------------------|------------|-----------|-----------|------------|
| Net sales to outside customers  | \$ 366,837             | \$ 47,543  | \$ 42,731 | \$ -      | \$ 457,111 |
| Intersegment net sales          | 18,141                 | 3,823      | 4,353     | -         | 26,317     |
| Segment operating profit (loss) | 12,513                 | (593 )     | (1,475 )  | (2,652 )  | 7,793      |

## Three Months Ended March 26, 2011

|                                 | Eastern and<br>Western | Site-Built | All Other | Corporate | Total      |
|---------------------------------|------------------------|------------|-----------|-----------|------------|
| Net sales to outside customers  | \$ 319,949             | \$ 36,880  | \$ 30,404 | \$ -      | \$ 387,233 |
| Intersegment net sales          | 20,610                 | 5,841      | 8,537     | -         | 34,988     |
| Segment operating profit (loss) | (727 )                 | (2,849 )   | (1,492 )  | (13 )     | (5,081 )   |

## H. SUBSEQUENT EVENT

On April 18, 2012, our Board approved a semi-annual dividend of \$0.20 per share, payable on June 15, 2012 to shareholders of record on June 1, 2012.

Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Universal Forest Products, Inc. ("the Company") is a holding company that provides capital, management and administrative resources to subsidiaries that design, manufacture and market wood and wood-alternative products for retail building materials home centers and other retailers, structural lumber and other products for the manufactured housing industry, engineered wood components for the residential construction market, and specialty wood packaging and components and packing materials for various industries. The Company's subsidiaries also provide framing services for the residential market and forming products for concrete construction. The Company's consumer products operations offer a large portfolio of outdoor living products, including wood composite decking, decorative balusters, post caps and plastic lattice. Its lawn and garden group offers an array of products, such as trellises and arches, to retailers nationwide. The Company is headquartered in Grand Rapids, Michigan, and its subsidiaries operate facilities throughout North America. For more about Universal Forest Products, Inc., go to [www.ufpi.com](http://www.ufpi.com).

Please be aware that: Any statements included in this report that are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made by, and information currently available to, the Company at the time such statements were made. The Company does not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. Actual results could differ materially from those included in such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty. Among the factors that could cause actual results to differ materially from forward-looking statements are the following: adverse lumber market trends, competitive activity, negative economic trends, government regulations and weather. Certain of these risk factors and additional information are included in the Company's reports on Form 10-K and 10-Q on file with the Securities and Exchange Commission. We are pleased to present this overview of 2012.

OVERVIEW

Our results for the first quarter of 2012 were impacted by the following:

- Our sales increased 18% primarily due to increases in unit sales to all of our markets, primarily due to favorable weather in the first quarter which had a significant impact on our sales in 2012 compared to 2011 when we lost many production days due to inclement weather. In addition, improved customer demand increased sales in all of our markets. During 2012, we believe we gained additional share of the industrial market, achieved in part by adding many new customers. We lost some market share with a major retail customer, primarily in product lines with lower gross margins, which was offset to some extent by gaining share with other customers in a variety of other product lines. Due to our focus on profitability and cash flow and the significant excess capacity of suppliers servicing the residential construction market, we have lost share in that market. We believe we have also maintained our share of the manufactured housing market in the product lines we offer.

Table of Contents

## UNIVERSAL FOREST PRODUCTS, INC.

- The retail building materials market which has been adversely impacted by a decline in consumer demand has started to see a trend up as the economy is beginning to improve and consumer confidence rises combined with favorable weather.
- National housing starts increased approximately 26% in the period of December through February of 2012 (our sales trail housing starts by about a month), compared to the same period of 2011.
- Shipments of HUD code manufactured homes were up 43% in January and February 2012, compared to the same period of 2011.
- Our gross profit percentage increased to 11.7% from 10.7% comparing 2012 to 2011. In addition, our gross profit dollars increased by 30%, which compares favorably to our 17% increase in unit sales.

## HISTORICAL LUMBER PRICES

We experience significant fluctuations in the cost of commodity lumber products from primary producers ("Lumber Market"). The following table presents the Random Lengths framing lumber composite price:

|                                 | Random Lengths Composite<br>Average \$/MBF |        |
|---------------------------------|--|--------|
|                                 | 2012                                       | 2011   |
| January                         | \$ 281                                     | \$ 301 |
| February                        | 286  | 296    |
| March                           | 300  | 294    |
| First quarter average           | \$ 289                                     | \$ 297 |
| First quarter percentage change | (2.7                                       | %)     |

In addition, a Southern Yellow Pine ("SYP") composite price, which we prepare and use, is presented below. Sales of products produced using this species, which primarily consists of our preservative-treated products, may comprise up to 50% of our sales volume.

Table of Contents

## UNIVERSAL FOREST PRODUCTS, INC.

|                                 | Random Lengths SYP<br>Average \$/MBF |        |
|---------------------------------|--------------------------------------|--------|
|                                 | 2012                                 | 2011   |
| January                         | \$ 269                               | \$ 282 |
| February                        | 278                                  | 289    |
| March                           | 300                                  | 290    |
| First quarter average           | \$ 282                               | \$ 287 |
| First quarter percentage change | (1.7 %)                              |        |

The Lumber Market had a minor impact on our overall selling prices and gross margins this quarter.

#### IMPACT OF THE LUMBER MARKET ON OUR OPERATING RESULTS

We experience significant fluctuations in the cost of commodity lumber products from primary producers ("Lumber Market"). We generally price our products to pass lumber costs through to our customers so that our profitability is based on the value-added manufacturing, distribution, engineering, and other services we provide. As a result, our sales levels (and working capital requirements) are impacted by the lumber costs of our products. Lumber costs are a significant percentage of our cost of goods sold.

Our gross margins are impacted by (1) the relative level of the Lumber Market (i.e. whether prices are higher or lower from comparative periods), and (2) the trend in the market price of lumber (i.e. whether the price of lumber is increasing or decreasing within a period or from period to period). Moreover, as explained below, our products are priced differently. Some of our products have fixed selling prices, while the selling prices of other products are indexed to the reported Lumber Market with a fixed dollar adder to cover conversion costs and profits. Consequently, the level and trend of the Lumber Market impact our products differently.

Below is a general description of the primary ways in which our products are priced.

Products with fixed selling prices. These products include value-added products such as decking and fencing sold to retail building materials customers, as well as trusses, wall panels and other components sold to the residential construction market, and most industrial packaging products. Prices for these products are generally fixed at the time of the sales quotation for a specified period of time or are based upon a specific quantity. In order to maintain margins and reduce any exposure to adverse trends in the price of component lumber products, we attempt to lock in costs with our suppliers for these sales commitments. Also, the time period and quantity limitations generally allow us to re-price our products for changes in lumber costs from our suppliers.

Table of Contents

## UNIVERSAL FOREST PRODUCTS, INC.

Products with selling prices indexed to the reported Lumber Market with a fixed dollar "adder" to cover conversion costs and profits. These products primarily include treated lumber, remanufactured lumber, and trusses sold to the manufactured housing industry. For these products, we estimate the customers' needs and we carry anticipated levels of inventory. Because lumber costs are incurred in advance of final sale prices, subsequent increases or decreases in the market price of lumber impact our gross margins. For these products, our margins are exposed to changes in the trend of lumber prices. As a result of the decline in the housing market and our sales to residential and commercial builders, a greater percentage of our sales fall into this general pricing category. Consequently, we believe our profitability may be impacted to a much greater extent to changes in the trend of lumber prices.

Changes in the trend of lumber prices have their greatest impact on the following products:

Products with significant inventory levels with low turnover rates, whose selling prices are indexed to the Lumber Market. In other words, the longer the period of time these products remain in inventory, the greater the exposure to changes in the price of lumber. This would include treated lumber, which comprises approximately 17% of our total sales. This exposure is less significant with remanufactured lumber, trusses sold to the manufactured housing market, and other similar products, due to the higher rate of inventory turnover. We attempt to mitigate the risk associated with treated lumber through vendor consignment inventory programs. (Please refer to the "Risk Factors" section of our annual report on form 10-K, filed with the United States Securities and Exchange Commission.)

Products with fixed selling prices sold under long-term supply arrangements, particularly those involving multi-family construction projects. We attempt to mitigate this risk through our purchasing practices by locking in costs.

In addition to the impact of the Lumber Market trends on gross margins, changes in the level of the market cause fluctuations in gross margins when comparing operating results from period to period. This is explained in the following example, which assumes the price of lumber has increased from period one to period two, with no changes in the trend within each period.

|                 | Period 1 | Period 2 |
|-----------------|----------|----------|
| Lumber cost     | \$ 300   | \$ 400   |
| Conversion cost | 50       | 50       |
| = Product cost  | 350      | 450      |
| Adder           | 50       | 50       |
| = Sell price    | \$ 400   | \$ 500   |
| Gross margin    | 12.5 %   | 10.0 %   |

Table of Contents

## UNIVERSAL FOREST PRODUCTS, INC.

As is apparent from the preceding example, the level of lumber prices does not impact our overall profits, but does impact our margins. Gross margins are negatively impacted during periods of high lumber prices; conversely, we experience margin improvement when lumber prices are relatively low.

## RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the components of our Consolidated Condensed Statements of Earnings as a percentage of net sales.

|   | For the Three Months Ended |                   |
|---|----------------------------|-------------------|
|   | March 31,<br>2012          | March 26,<br>2011 |
| Net sales   | 100.0 %                    | 100.0 %           |
| Cost of goods sold  | 88.3                       | 89.3              |
| Gross profit  | 11.7                       | 10.7              |
| Selling, general, and administrative expenses   | 10.0                       | 12.0              |
| Net loss on disposition of assets, early retirement,<br>and other impairment and exit charges | 0.0                        | 0.0               |
| Earnings (loss) from operations   | 1.7                        | (1.3 )            |
| Other expense (revenue)   | 0.2                        | 0.2               |
| Earnings (loss) before income taxes   | 1.5                        | (1.5 )            |
| Income taxes (benefit)  | 0.6                        | (0.6 )            |
| Net earnings  | 1.0                        | (0.9 )            |
| Less net earnings attributable to noncontrolling<br>interest                                  | (0.1 )                     | (0.1 )            |
| Net earnings (loss) attributable to controlling interest                                      | 0.9 %                      | (1.0 %)           |

Note: Actual percentages are calculated and may not sum to total due to rounding.

## GROSS SALES

We design, manufacture and market wood and wood-alternative products for national home centers and other retailers, structural lumber and other products for the manufactured housing industry, engineered wood components for residential and commercial construction, and specialty wood packaging, components and packing materials for various industries. Our strategic long-term sales objectives include:

Diversifying our end market sales mix by increasing sales of specialty wood packaging to industrial users, increasing our penetration of the concrete forming market, increasing our sales of engineered wood components for custom home, multi-family, military and light commercial construction, and increasing our market share with independent retailers.



Table of Contents

## UNIVERSAL FOREST PRODUCTS, INC.

Expanding geographically in our core businesses, domestically and internationally.

Increasing sales of value-added products, which primarily consist of fencing, decking, lattice, and other specialty products sold to the retail building materials market, specialty wood packaging, engineered wood components, and wood alternative products. Wood alternative products consist primarily of composite wood and plastics. Engineered wood components include roof trusses, wall panels, and floor systems. Although we consider the treatment of dimensional lumber with certain chemical preservatives a value-added process, treated lumber is not presently included in the value-added sales totals.

Developing new products and expanding our product offering for existing customers.

Maximizing unit sales growth while achieving return on investment goals.

The following table presents, for the periods indicated, our gross sales (in thousands) and percentage change in gross sales by market classification.

| Market Classification                        | For the Three Months Ended |                   |             |
|--|----------------------------|-------------------|-------------|
|  | March 31,<br>2012          | March 26,<br>2011 | %<br>Change |
| Retail Building Materials                    | \$ 196,871                 | \$ 175,265        | 12.3        |
| Residential Construction                     | 51,926                     | 47,831            | 8.6         |
| Commercial Construction and Concrete Forming | 20,206                     | 14,652            | 37.9        |
| Industrial                                   | 132,307                    | 109,427           | 20.9        |
| Manufactured Housing                         | 63,039                     | 47,046            | 34.0        |
| Total Gross Sales                            | 464,349                    | 394,221           | 17.8        |
| Sales Allowances                             | (7,238 )                   | (6,988 )          |             |
| Total Net Sales                              | \$ 457,111                 | \$ 387,233        | 18.0        |

Gross sales in the first quarter of 2012 increased 18% compared to the same period of 2011, primarily due to an increase in unit sales resulting from improved demand in each of our markets and more favorable weather in the first quarter compared to inclement weather in 2011.

Changes in our gross sales by market are discussed below.

## Retail Building Materials:

Gross sales to the retail building materials market increased 12% in the first quarter of 2012 compared to the same period of 2011, primarily due to an increase in our overall unit sales. Unit sales increased primarily due to favorable weather and improvements in the economy allowing homeowners to begin projects that had been delayed. Within this market, sales to our big box customers increased 4% and our sales to other retailers increased 25%. We expect to experience the full impact of the loss of certain sales of lower-margin products to a major retail customer during the second quarter of this year, which we expect will be offset, in part, by the sale of other retail building material products to that customer and other retailers.



Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.

Residential Construction:

Gross sales to the residential construction market increased 9% in the first quarter of 2012 compared to the same period of 2011 primarily due to an increase in unit sales (plant closures since April of 2011 had the effect of decreasing unit sales by 2%). By comparison, national housing starts increased approximately 26% in the period of December through February of 2012 (our sales trail housing starts by about a month), compared to the same period of 2011. We continue to be selective in the business that we pursue in order to maximize profitability.

Commercial Construction and Concrete Forming:

Gross sales to the commercial construction and concrete forming market increased 38% in the first quarter of 2012 compared to the same period of 2011. Within this market, sales to commercial builders increased 33% as a result of our ability to supply “turnkey” (components and framing) services to customers and sales of products used to make concrete forms increased 42% due to our focus on growing our share of this market.

Industrial:

Gross sales to the industrial market increased 21% in the first quarter of 2012 compared to the same period of 2011, primarily due an increase in unit sales. We added almost 200 new customers this quarter and our sales to existing customers increased as we gained share with our top customers and demand improved.

Manufactured Housing and Recreation Vehicles:

Gross sales to the manufactured housing market increased 34% in the first quarter of 2012 compared to 2011, primarily due to an increase in unit sales. Unit sales to this market increased due to a rise in industry production of HUD-code homes related to orders from FEMA and strong demand for temporary housing in some areas of the country related to shale oil and gas development. In addition, we continued to add product lines and expand share in our distribution business. Shipments of HUD-code homes in January and February 2012 were up 43% compared to 2011. Due to our mix of products sold to this market, we believe we have maintained our market share.

Value-Added and Commodity-Based Sales:

The following table presents, for the periods indicated, our percentage of value-added and commodity-based sales to total sales. Value-added products generally carry higher gross margins than our commodity-based products.

Table of Contents

## UNIVERSAL FOREST PRODUCTS, INC.

|                 | Three Months Ended |   |                   |   |
|-----------------|--------------------|---|-------------------|---|
|                 | March 31,<br>2012  |   | March 26,<br>2011 |   |
| Value-Added     | 60.0               | % | 59.3              | % |
| Commodity-Based | 40.0               | % | 40.7              | % |

## COST OF GOODS SOLD AND GROSS PROFIT

Our gross profit percentage increased to 11.7% from 10.7% comparing the first quarter of 2012 to the same period of 2011. In addition, our gross profit dollars increased by 30%, which compares favorably to our 17% increase in unit sales. This improvement is primarily due to our increase in sales and operating leverage we have in our cost structure. In addition, more favorable weather in the first quarter of 2012 compared to 2011 when we lost many production days due to inclement weather, impacted our production efficiency and improved our gross profit percentage. The increase was offset to some extent by pricing pressure experienced during the quarter.

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses decreased by approximately \$0.7 million, or 1.5%, in the first quarter of 2012 compared to the same period of 2011, while we reported an 17% increase in unit sales. The decline in SG&A was primarily due to decreases in compensation and related expenses, amortization expense, benefits, bad debt expense and several other expenses as a result of our continuing efforts to reduce our cost structure. These decreases were offset by substantial increases in accrued bonus and other incentive compensation which is based on operating profits and return on investment.

## NET LOSS ON DISPOSITION OF ASSETS, EARLY RETIREMENT AND OTHER IMPAIRMENT AND EXIT CHARGES

We incurred approximately \$120,000 of charges in the first quarter of 2012 and \$148,000 in the first quarter of 2011 relating to asset impairments and other costs associated with idled facilities and down-sizing efforts. These costs were offset by gains on disposition of property, plant and equipment totaling approximately \$25,000 and \$141,000 in the first quarter of 2012 and 2011, respectively.

We regularly review the performance of each our operations and make decisions to permanently or temporarily close operations based on a variety of factors including:

- Current and projected earnings, cash flow and return on investment
- Current and projected market demand
- Market share
- Competitive factors
- Future growth opportunities
- Personnel and management

Table of Contents

## UNIVERSAL FOREST PRODUCTS, INC.

We currently have 12 operations which are experiencing operating losses and negative cash flow for the first three months of 2012. The net book value of the long-lived assets of these operations, which could be subject to an impairment charge in the future, was \$15.7 million at the end of March of 2012. In addition, these operations had future fixed operating lease payments totaling \$1.0 million at the end of March of 2012.

## INTEREST, NET

Net interest costs were comparable in the first quarter of 2012 compared to the same period of 2011. Our debt levels in 2012 were lower and our borrowing rates were slightly higher compared to 2011.

## INCOME TAXES

Effective tax rates differ from statutory federal income tax rates, primarily due to provisions for state and local income taxes and permanent tax differences. Our effective tax rate was 38.1% in the first quarter of 2012 compared to a benefit of 40.0% for same period of 2011. Our tax rate was slightly lower this quarter primarily due to the profits of our non-wholly owned partnerships that we consolidate and our non-U. S. subsidiaries, which have a lower tax rate.

## OFF-BALANCE SHEET TRANSACTIONS

We have no significant off-balance sheet transactions other than operating leases.

## LIQUIDITY AND CAPITAL RESOURCES

The table below presents, for the periods indicated, a summary of our cash flow statement (in thousands):

|  | Three Months Ended |                |
|--|--------------------|----------------|
|  | March 31,          | March 26, 2011 |
|  | 2012               |                |
| Cash from operating activities                 | \$(44,645 )        | \$ (109,479 )  |
| Cash from investing activities                 | (5,501 )           | (5,864 )       |
| Cash from financing activities                 | 34,559             | 71,939         |
| Net change in cash and cash equivalents        | (15,587 )          | (43,404 )      |
| Cash and cash equivalents, beginning of period | 11,305             | 43,363         |
| Cash overdraft, end of period                  | \$(4,282 )         | \$ (41 )       |

In general, we financed our growth in the past through a combination of operating cash flows, our revolving credit facility, industrial development bonds (when circumstances permit), and issuance of long-term notes payable at times when interest rates are favorable. We have not issued equity to finance growth except in the case of a large acquisition. We manage our capital structure by attempting to maintain a targeted ratio of debt to equity and debt to earnings before interest, taxes, depreciation and amortization. We believe this is one of many important factors to maintaining a strong credit profile, which in turn helps ensure timely access to capital when needed. We are currently below our internal targets but plan to manage our capital structure conservatively in light of current economic conditions.

Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.

Seasonality has a significant impact on our working capital from March to August which historically results in negative or modest cash flows from operations in our first and second quarters. Conversely, we experience a substantial decrease in working capital from September to February which typically results in significant cash flow from operations in our third and fourth quarters. For comparative purposes, we have included the March 26, 2011 balances in the accompanying unaudited consolidated condensed balance sheets.

Due to the seasonality of our business and the effects of the Lumber Market, we believe our cash cycle (days of sales outstanding plus days supply of inventory less days payables outstanding) is a good indicator of our working capital management. Our cash cycle decreased to 51 days in the first three months of 2012 from 64 days in the first three months of 2011, due to a 1 day increase in our payables cycle combined with a 12 day decrease in our days supply of inventory. In 2012, consumer demand and weather were unexpectedly good resulting in strong sales increases and higher inventory turnover due to much lower inventory levels than last year due to a higher than expected demand. Conversely, in 2011 demand and weather were poor, resulting in weak sales and higher inventory levels.

Cash used in operating activities was \$44.6 million in the first three months of 2012, which was comprised of net earnings of \$4.2 million and \$8.5 million of non-cash expenses, offset by a \$57.3 million increase in working capital since the end of 2011. Working capital increased primarily due to the usual seasonality of our business.

Capital expenditures were \$7.9 million in the first three months of 2012. We currently plan to spend up to \$40 million in 2012, which includes outstanding purchase commitments on existing capital projects totaling approximately \$19.2 million on March 31, 2012 primarily for expansion to drive an increase in sales. We intend to fund capital expenditures and purchase commitments through our operating cash flows for the balance of the year.

On March 31, 2012, we had \$34.0 outstanding on our \$265 million revolving credit facility. The revolving credit facility also supports letters of credit totaling approximately \$31.3 million on March 31, 2012. Financial covenants on the unsecured revolving credit facility and unsecured notes include a minimum net worth requirement, minimum interest and fixed charge coverage tests, and a maximum leverage ratio. The agreements also restrict the amount of additional indebtedness we may incur and the amount of assets which may be sold. We were within all of our lending requirements on March 31, 2012.

ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS

See Notes to Unaudited Consolidated Condensed Financial Statements, Note F, "Commitments, Contingencies, and Guarantees."

Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.

CRITICAL ACCOUNTING POLICIES

In preparing our consolidated financial statements, we follow accounting principles generally accepted in the United States. These principles require us to make certain estimates and apply judgments that affect our financial position and results of operations. We continually review our accounting policies and financial information disclosures. There have been no material changes in our policies or estimates since December 31, 2011.

24

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Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to market risks related to fluctuations in interest rates on our variable rate debt, which consists of a revolving credit facility and industrial development revenue bonds. We do not currently use interest rate swaps, futures contracts or options on futures, or other types of derivative financial instruments to mitigate this risk.

For fixed rate debt, changes in interest rates generally affect the fair market value, but not earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not influence fair market value, but do affect future earnings and cash flows. We do not have an obligation to prepay fixed rate debt prior to maturity, and as a result, interest rate risk and changes in fair market value should not have a significant impact on such debt until we would be required to refinance it.

We are subject to fluctuations in the price of lumber. We experience significant fluctuations in the cost of commodity lumber products from primary producers (the "Lumber Market"). A variety of factors over which we have no control, including government regulations, transportation, environmental regulations, weather conditions, economic conditions, and natural disasters, impact the cost of lumber products and our selling prices. While we attempt to minimize our risk from severe price fluctuations, substantial, prolonged trends in lumber prices can affect our sales volume, our gross margins, and our profitability. We anticipate that these fluctuations will continue in the future. (See "Impact of the Lumber Market on Our Operating Results.")

Item 4. Controls and Procedures.

- (a) Evaluation of Disclosure Controls and Procedures. With the participation of management, our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a – 15e and 15d – 15e) as of the quarter ended March 31, 2012 (the "Evaluation Date"), have concluded that, as of such date, our disclosure controls and procedures were effective.
- (b) Changes in Internal Controls. During the quarter ended March 31, 2012, there were no changes in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.

## PART II. OTHER INFORMATION

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

- (a) None.
- (b) None.
- (c) Issuer purchases of equity securities.

| Fiscal Month                    | (a) | (b) | (c) | (d)       |
|---------------------------------|-----|-----|-----|-----------|
| January 1 – February 4, 2012(1) |     |     |     | 2,988,229 |
| February 5 – March 3, 2012      |     |     |     | 2,988,229 |
| March 4 – March 31, 2012        |     |     |     | 2,988,229 |

- (a) Total number of shares purchased.
- (b) Average price paid per share.
- (c) Total number of shares purchased as part of publicly announced plans or programs.
- (d) Maximum number of shares that may yet be purchased under the plans or programs.

(1) On November 14, 2001, the Board of Directors approved a share repurchase program (which succeeded a previous program) allowing us to repurchase up to 2.5 million shares of our common stock. On October 14, 2011, our Board authorized an additional 2 million shares to be repurchased under our share repurchase program. The total number of shares that may be repurchased under the program is almost 3 million shares.

## Item 5. Other Information.

In the first quarter of 2012, the Audit Committee approved \$10,000 for non-audit services to be provided by our independent auditors, Ernst & Young LLP, for 2012.

Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.

PART II. OTHER INFORMATION

Item 6. Exhibits.

The following exhibits (listed by number corresponding to the Exhibit Table as Item 601 in Regulation S-K) are filed with this report:

31 Certifications.

(a) Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

(b) Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

32 Certifications.

(a) Certificate of the Chief Executive Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

(b) Certificate of the Chief Financial Officer of Universal Forest Products, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

101 Interactive Data File.

(INS) XBRL Instance Document.

(SCH) XBRL Schema Document.

(CAL) XBRL Taxonomy Extension Calculation Linkbase Document.

(LAB) XBRL Taxonomy Extension Label Linkbase Document.

(PRE) XBRL Taxonomy Extension Presentation Linkbase Document.

(DEF) XBRL Taxonomy Extension Definition Linkbase Document.

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\* Indicates a compensatory arrangement.

Table of Contents

UNIVERSAL FOREST PRODUCTS, INC.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL FOREST PRODUCTS, INC.

Date: April 30, 2012

By: /s/ Matthew J. Missad  
Matthew J. Missad,  
Chief Executive Officer and Principal Executive Officer

Date: April 30, 2012

By: /s/ Michael R. Cole  
Michael R. Cole,  
Chief Financial Officer,  
Principal Financial Officer and  
Principal Accounting Officer

Table of Contents

## EXHIBIT INDEX

| Exhibit No. | Description  |
|-------------|--|
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