

Floor and Decor Holdings, Inc.

Bull vs. Bear: Lack of turnover pressures near-term trends, LT outlook intact

Reiterate Rating: BUY | PO: 112.00 USD | Price: 107.36 USD

Macro challenged, but signs of recovery from trough levels

FND comps have faced increasing pressure from macro headwinds (particularly low housing turnover) which have negatively impacted flooring demand. FND lowered guidance twice this past year, pushing back expectations for a trough in home activity, and noted that if existing home sales remain at current levels, comparable sales could decline in 2024 (particularly in 1H). While recent industry data points remain challenged, we continue to see signs of improvement from trough levels (see [latest FND report](#)).

Expect moderation in new store growth to mid-teens% y/y

FND is more pressured than its big box peers by rising interest rates due to its high pace of store growth and its leverage level. Our model assumes FND slows its new store growth from a 20% pace historically to 15% as new store growth becomes prohibitively costly. Our 2024 comp forecast is flat, with sales growth supported fully by new stores.

Supply chain & mix should continue to support margins

FND expects 4Q Gross Margin (GM) to be flat or improve sequentially from 3Q's 42.2% level and expects modest GM improvement next year (2024) from 4Q's exit rate (see Exhibit 10). We expect GM to see continued support from supply chain cost tailwinds into early next year (given weighted avg. cost inventory method), increasing "better" and "best" penetration, vendor cost reductions, and design & Pro strategic initiatives.

FND continues to gain share vs. independents

We believe FND is in a strong position to take market share given its strong value proposition including broad assortment, EDLP, and in-stock job-size quantities. Total sales comparisons suggest FND has continued to gain share vs. smaller regional players & independents (see Exhibit 11), and a recent BofA flooring expert call highlighted FND's share gains from LL Flooring. We also expect strategic price reductions in installation materials to support continued share gains in the Pro segment.

Long-term growth story in challenged near-term macro

We reiterate our Buy on FND shares. We continue to view FND as a best-in-class retailer in a category that is poised for recovery. Our PO is unchanged at \$112, based on 44x our 2024 EPS of \$2.56. See Exhibit 1 for our detailed bull vs. bear case analysis.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.44	2.76	2.22	2.56	3.21
GAAP EPS	2.64	2.78	2.22	2.56	3.21
EPS Change (YoY)	62.7%	13.1%	-19.6%	15.3%	25.4%
Consensus EPS (Bloomberg)			2.21	2.16	2.84
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	44.0x	38.9x	48.4x	41.9x	33.4x
GAAP P/E	40.7x	38.6x	48.4x	41.9x	33.4x
EV / EBITDA*	28.0x	23.5x	25.8x	22.3x	18.3x
Free Cash Flow Yield*	-0.9%	-3.0%	1.9%	-1.0%	-0.4%

* For full definitions of *IQmethod™* measures, see page 12.

22 January 2024

Equity

Key Changes

(US\$)	Previous	Current
2023E Rev (m)	4,371.9	4,367.6
2024E Rev (m)	4,896.5	4,853.4
2025E Rev (m)	5,680.0	5,561.1

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Stock Data

Price	107.36 USD
Price Objective	112.00 USD
Date Established	15-Dec-2023
Investment Opinion	C-1-9
52-Week Range	76.30 USD - 116.70 USD
Mrkt Val (mn) / Shares Out (mn)	11,538 USD / 107.5
Free Float	93.9%
Average Daily Value (mn)	142.30 USD
BofA Ticker / Exchange	FND / NYS
Bloomberg / Reuters	FND US / FND.N
ROE (2023E)	13.4%
Net Dbt to Eqty (Dec-2022A)	24.0%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

EDLP = Everyday low price

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Timestamp: 22 January 2024 05:00AM EST

iQprofileSM Floor and Decor Holdings, Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	10.5%	9.8%	7.1%	7.6%	8.6%
Return on Equity	22.6%	19.9%	13.4%	13.4%	14.3%
Operating Margin	10.2%	9.4%	7.3%	7.8%	8.5%
Free Cash Flow	(106)	(345)	220	(113)	(44)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.2x	0.4x	3.2x	1.7x	1.6x
Asset Replacement Ratio	3.4x	2.9x	2.9x	2.7x	2.5x
Tax Rate	23.8%	23.9%	21.9%	24.0%	24.0%
Net Debt-to-Equity Ratio	4.4%	24.0%	5.6%	5.7%	2.3%
Interest Cover	NM	36.0x	28.8x	34.2x	41.0x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	3,434	4,264	4,368	4,853	5,561
% Change	41.5%	24.2%	2.4%	11.1%	14.6%
Gross Profit	1,422	1,728	1,838	2,050	2,347
% Change	37.4%	21.5%	6.4%	11.5%	14.5%
EBITDA	467	556	507	587	714
% Change	52.4%	19.1%	-8.8%	15.8%	21.5%
Net Interest & Other Income	(5)	(11)	(11)	(11)	(12)
Net Income (Adjusted)	262	297	240	278	350
% Change	64.6%	13.2%	-19.2%	15.9%	26.0%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	262	297	239	278	350
Depreciation & Amortization	118	155	190	211	242
Change in Working Capital	(79)	(340)	340	(26)	(36)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	0	0	0	0	0
Capital Expenditure	(408)	(457)	(550)	(575)	(600)
Free Cash Flow	-106	-345	220	-113	-44
% Change	NM	-226.1%	NM	NM	60.9%
Share / Issue Repurchase	63	37	21	43	59
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(11)	210	(210)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	139	10	91	71	135
Trade Receivables	81	95	97	108	124
Other Current Assets	1,052	1,353	1,168	1,307	1,503
Property, Plant & Equipment	929	1,258	1,618	1,982	2,340
Other Non-Current Assets	1,528	1,636	1,636	1,636	1,636
Total Assets	3,731	4,351	4,609	5,103	5,738
Short-Term Debt	2	2	2	2	2
Other Current Liabilities	925	899	1,056	1,180	1,356
Long-Term Debt	196	406	195	195	195
Other Non-Current Liabilities	1,284	1,387	1,437	1,487	1,537
Total Liabilities	2,407	2,694	2,691	2,865	3,091
Total Equity	1,323	1,657	1,918	2,238	2,647
Total Equity & Liabilities	3,731	4,351	4,609	5,103	5,738

* For full definitions of iQmethodSM measures, see page 12.

Company Sector

Retailing-Hardlines

Company Description

Floor & Decor was founded in 2000 in Smyrna, Georgia. The initial concept focused on buy-outs of product, but has since evolved to direct. The stores carry all major categories of hard flooring (tile, wood, laminate and stone) along with decorative items and the accessories needed to complete a project. FND has a balanced customer mix of Homeowners and Pros. FND had 194 stores at YE2022 and is targeting 500+ stores over the long term.

Investment Rationale

Floor & Decor is a category killer with product assortment and service levels that exceed peers. The company operates in an attractive subsector in hardlines and is led by a long time industry veteran with a very strong track record. In our view, FND has ample opportunity for market share gains and to grow its store base.

Stock Data

Average Daily Volume 1,325,445

Quarterly Earnings Estimates

	2022	2023
Q1	0.67A	0.66A
Q2	0.76A	0.66A
Q3	0.70A	0.61A
Q4	0.64A	0.28E

Exhibit 1: FND Bull vs. Bear

Key highlights of the bull and bear cases for FND

Category	Bull	Bear
Existing Home Sales & Reno Activity	Our Homebuilder team's US Existing Home Sales Indicator (see report) suggests existing home sales have troughed. Average 30-yr mortgage rates in the US have dropped >100bps from October highs of 8%+, which could support existing home turnover. Longer-term, favorable LT drivers (including millennials aging into home buying years, migration to suburban/rural markets from urban centers, pent-up demand for investment in US housing) remain intact.	Housing "lock-in" could cause existing home sales to remain lower for longer as existing home inventory is historically low with 80% of homeowners currently locked in at <5% mortgage rates. Our Homebuilder team's US Existing Home Sales Indicator (see report) suggests that while existing home sales have troughed, they will remain muted into 2024 (the EHS indicator leads existing home sales by 5 months). The flooring category is relatively more sensitive to housing turnover than the broader home improvement sector. Movers spent 2.3x as much on flooring as non-movers at the peak, but also spent more on flooring for several months leading up to the move (See Home Work report).
Same-Store Sales	4Q BAC debit and credit card spending on flooring improved sequentially to a decline of (9%) vs. (11%) in 3Q, which compares to FND's guidance for a comp deceleration. In 2024, we expect comps to improve and potentially inflect in 2H as top-line comparisons ease, particularly in 4Q. BofA's latest RENO Barometer also suggests that renovation activity should begin to recover from trough levels. Longer-term, increasing penetration of PRO and Design services should support ticket given larger transaction sizes.	While BAC debit and credit card spending on flooring in 4Q improved from 3Q levels, spending slowed exiting the quarter with December down (10.4%) y/y compared to (8.2%) and (8.5%) in November & October, respectively. If Existing Home Sales remain at depressed levels, FND noted that comparable store sales could decline in 2024 vs. our current forecast of flat (which includes negative 1H comps with a positive inflection in 2H as comparisons ease). On the commercial side, architecture firm billings remained below 50 (which indicates declining billings) for the fourth consecutive month in November, which could suggest softness in commercial flooring demand.
Stores	While we expect FND to slow its store growth to mid-teens% vs. 20% historically, the company has reiterated its whitespace target of 500. A slowdown to mid-teens% growth would also support SG&A leverage as well as cash flow as capex flattens out.	FND is more pressured than its big box peers by rising interest rates due to its high pace of store growth and leverage level - we expect FND to slow its store growth from a 20% pace to a 15% pace as new store growth becomes prohibitively costly (See FND 3Q earnings report).
Gross Margin	FND is expecting 4Q GM to be flat or improve sequentially from F3Q's 42.2% levels and modest GM improvement next year (2024) from 4Q's exit rate (see Exhibit 10). Supply chain cost tailwinds should continue to support 2024 GM given FND's weighted average cost inventory method. GM should also see support in 2024 & beyond from "better" and "best" penetration increases, vendor cost reductions, as well as design & Pro strategic initiatives.	Macro pressures have driven ticket pressure as customers engage in smaller projects with less square footage, which are often higher GM (e.g. tile for a bathroom renovation). As project sizes recover, mix tailwinds to GM could see some reversion. In addition, outsized growth in the commercial business could pressure GM (though positive for operating margins overall).
EBIT Margin	FND is taking a "prudent approach to 2024" with more rigor in its expense management and discipline in its growth investments & capital spending, which could provide an offset to deleverage from top-line weakness. A slower pace of new store openings should also be supportive to margins as new stores carry a higher SG&A as a % of sales than mature stores.	Sales deleverage from negative comparable sales could offset GM tailwinds
Competitive Landscape	We continue to view FND as a best-in-class retailer with opportunities to take market share in the US hard-surface flooring category given its strong value proposition including broad assortment (~4.4k SKUs per store & good/better/best merchandise selection), EDLP (supported by direct sourcing model), and in-stock job-size quantities. Total sales comparisons imply FND has continued to gain share against smaller regional players & independents (See Exhibit 11) and a recent BofA flooring expert call highlighted that FND has continued to gain share from LL Flooring. Strategic price reductions in installation materials should also support continued share gains in the higher-margin PRO segment.	FND has seen better relative performance in its "better" and "best" categories, for which it competes more directly with independents, which may suggest home improvement centers are maintaining or growing share in "good".
Valuation	The stock has pulled back over 10% from December highs and is now trading in-line with its 7-yr average (since IPO) P/E multiple of 35.4x (See Exhibit 13).	FND's stock recovery in December was preemptive of any improvement in 2024 earnings / consensus estimates (See Exhibit 15).

Source: Company filings, BAC Internal Data, BofA Global Research

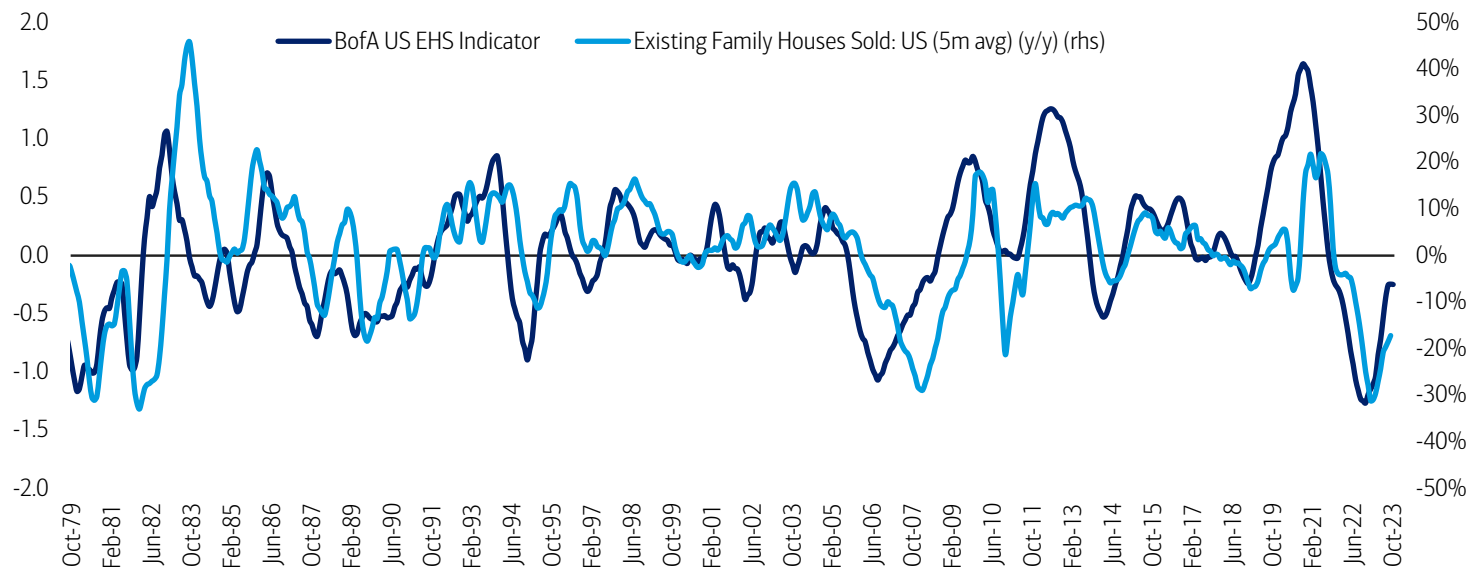
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Existing Home Sales and Renovation Activity

Exhibit 2: BofA US Existing Home Sales Indicator vs. existing family houses sold year over year (see [BofA US Home Sales Indicators](#) report)

The EHS indicator leads existing home sales by five months with a positive correlation (0.69 since 1979)

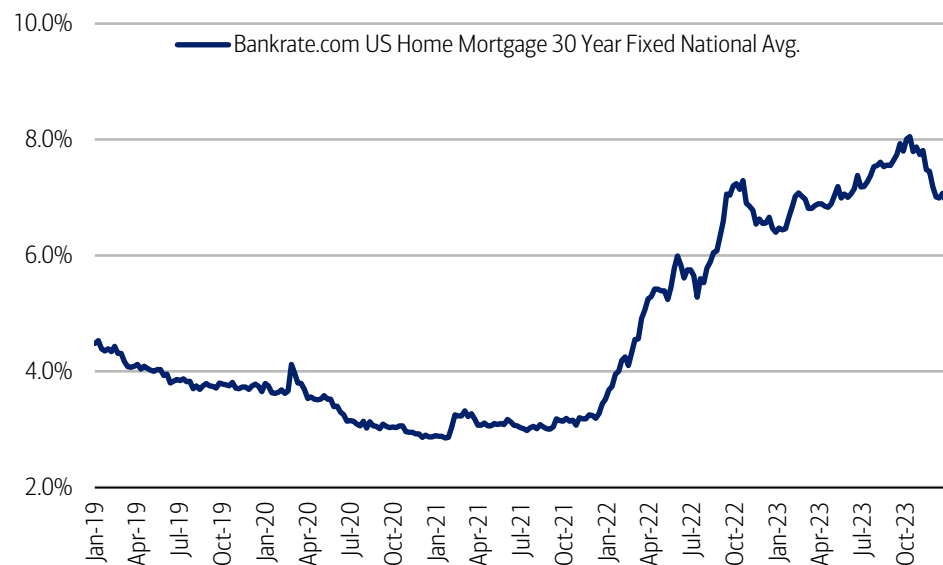


Source: BofA Global Research, National Association of Realtors. **Note:** The BofA US Existing Housing Indicator identified in this report is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This indicator was not created to act as a benchmark

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Exhibit 3: Bankrate.com US Home Mortgage 30 Year Fixed National Avg

30 Year fixed mortgage rates have declined ~100bps+ from peak October levels

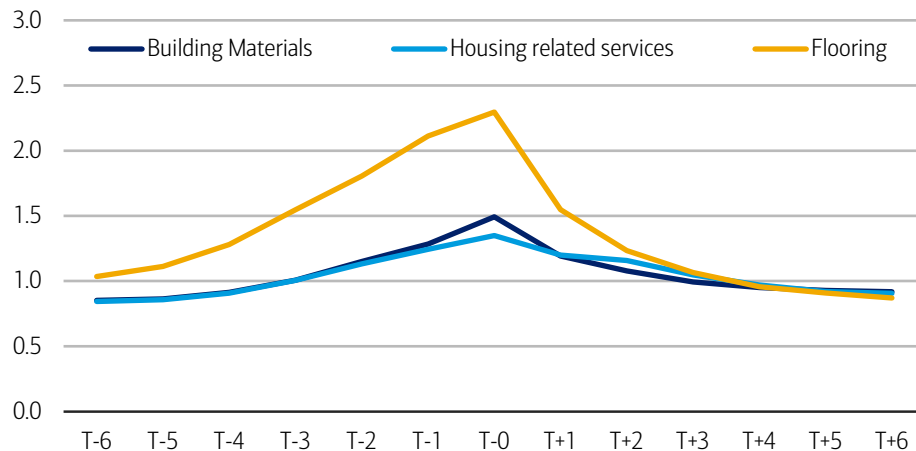


Source: Bloomberg, Bankrate.com

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Exhibit 4: Within home improvement categories, flooring is materially impacted by housing turnover, with movers spending 2.3x as much as non-movers

Home improvement spending comparison by month for households who moved in month T-0 vs. households who did not move



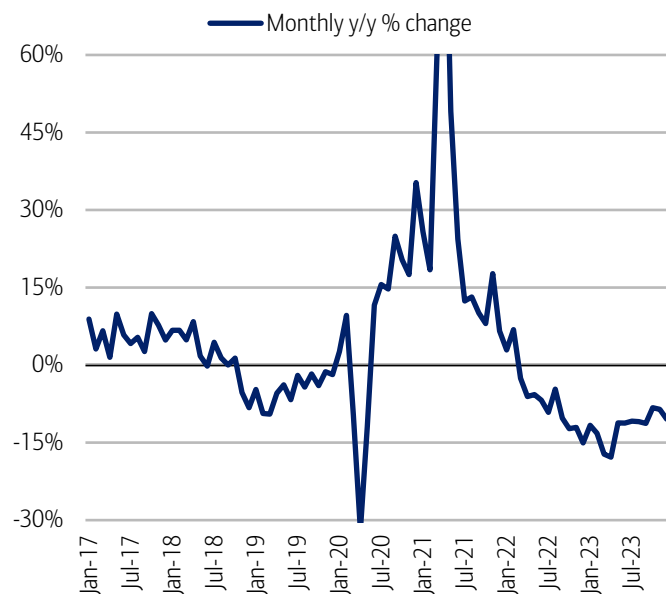
Source: BAC internal data

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Same-Store Sales

Exhibit 5: Monthly BAC aggregated credit and debit card spending data at floor covering retailers (y/y % change)

December 2023 spending at floor covering retailers fell (10.4%) y/y, a sequential decel. vs. (8.5%) in November 2023

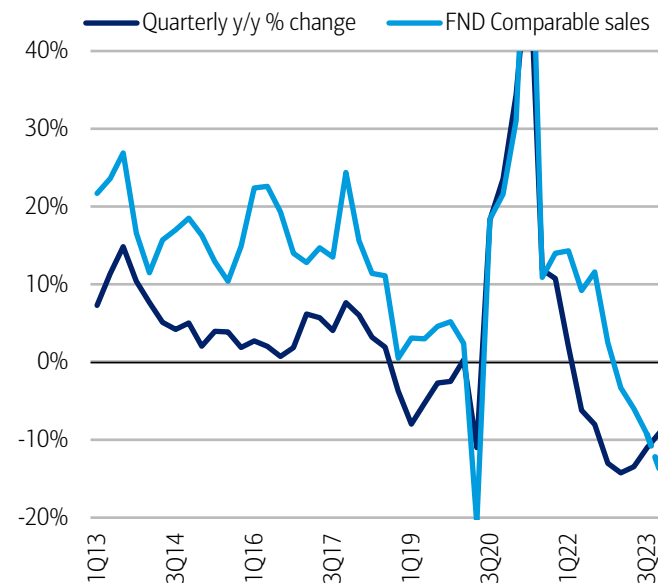


Source: BAC Internal Data
Data through December 2023

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Exhibit 6: Quarterly BAC aggregated credit and debit card spending data at floor covering retailers vs. FND comparable sales (y/y % change)

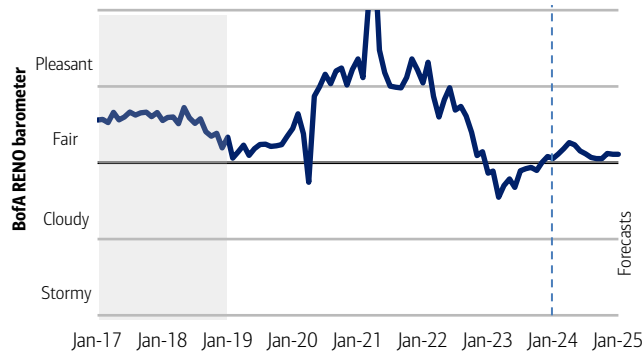
4Q23 spending at floor covering retailers fell (9%) y/y, an improvement from (11%) in 3Q23. BAC floor covering spending has a 0.87 correlation with FND comparable sales growth



Source: Company filings, BofA Global Research, BAC Internal Data
BAC data through December 2023; Note: dotted line represents BofA 4Q comp forecast
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Exhibit 7: The BofA RENO Barometer is moving past the 1H23 trough

BofA RENO Barometer recent readings and forecasts

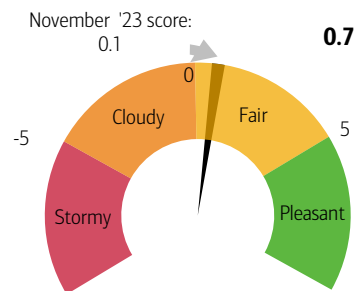


Source: BofA Global Research. The shaded area represents backtested results from Feb 2009-Sep 2018. The unshaded area represents actual performance since Oct 2018. This performance is back-tested and does not represent the actual performance of any account or fund. Back-tested performance depicts the theoretical (not actual) performance of a particular strategy over the time period indicated. No representation is being made that any actual portfolio is likely to have achieved returns similar to those shown herein.

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Exhibit 8: The BofA RENO Barometer for December '23 ticked up vs November, remaining "Fair"

Most recent BofA RENO Barometer reading

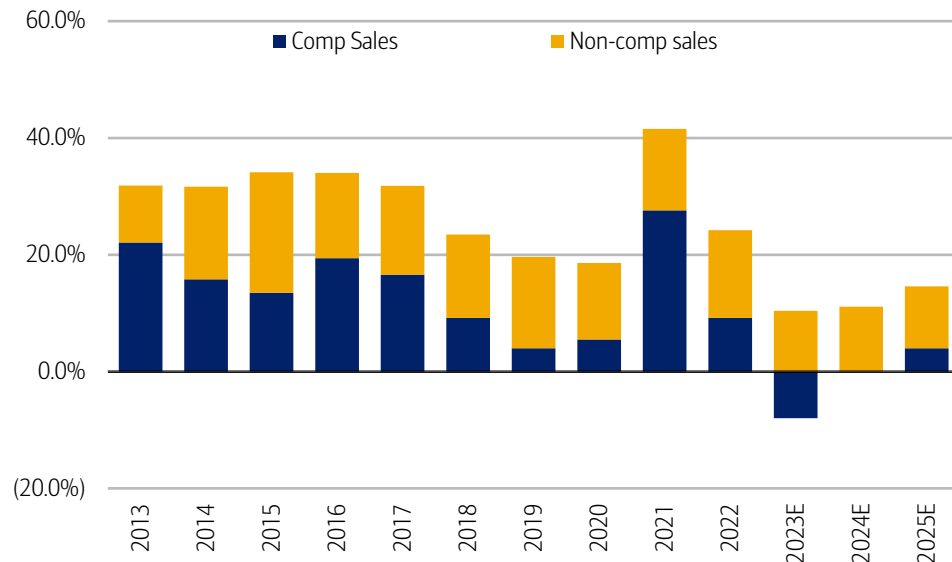
**Source:** BofA Global Research

The indicator identified above as the BofA RENO Barometer is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This indicator was not created to act as a benchmark

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New Store Growth**Exhibit 9: Total sales breakdown between comparable and non-comparable growth**

We expect 2023 and 2024 sales growth to be supported entirely by new store openings

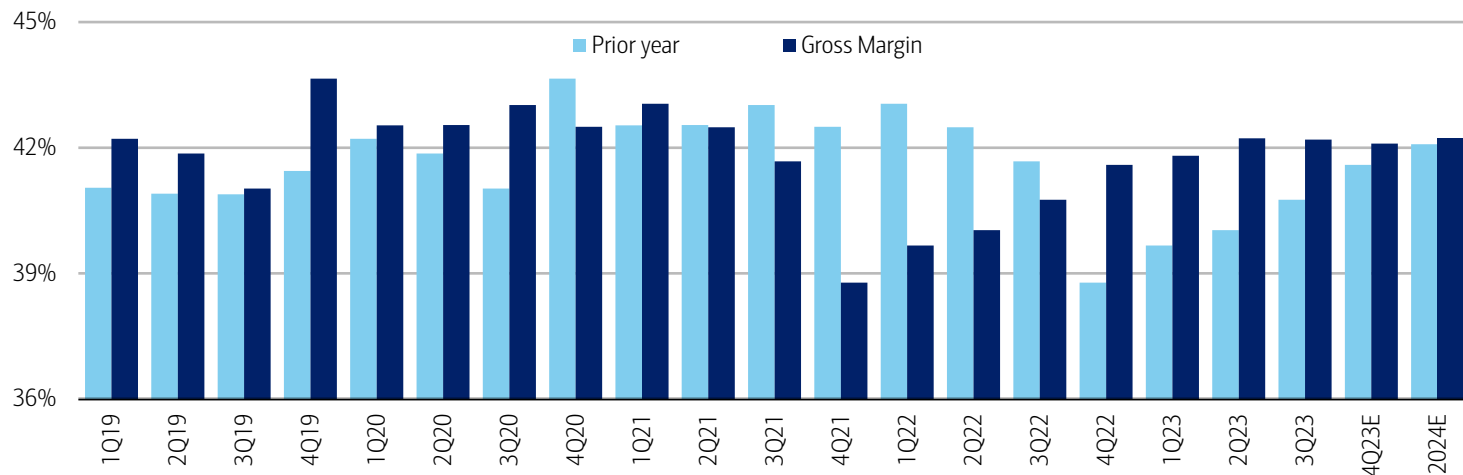
**Source:** Company filings, BofA Global Research estimates

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Gross & EBIT Margin

Exhibit 10: FND Gross Margin (GM)

GM should see continued support from supply chain cost tailwinds into early next year, increasing penetration of “better” & “best”, and vendor cost reductions



Source: Company filings, BofA Global Research

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Competitive Landscape

Exhibit 11: Quarterly Net Sales Growth in Home Improvement & Flooring

FND net sales have continued to grow (supported by new store openings) compared to declines at home improvement & flooring peers

Net Sales	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
HD	32.7%	8.1%	9.8%	10.7%	3.8%	6.5%	5.6%	0.3%	(4.2%)	(2.0%)	(3.0%)
LOW	24.1%	1.0%	2.7%	5.1%	(3.1%)	(0.3%)	2.4%	5.2%	(5.5%)	(9.2%)	(12.8%)
LL	6.0%	30.9%	(4.6%)	(6.2%)	(1.6%)	(0.8%)	(4.8%)	(7.5%)	(13.7%)	(20.9%)	(19.7%)
TILE	(2.3%)	42.0%	13.2%	10.6%	11.3%	11.9%	5.3%	(3.0%)	(0.4%)	(8.4%)	(5.2%)
MOHAWK (Flooring NA)	14.3%	35.1%	6.9%	5.4%	10.6%	1.7%	3.7%	(6.8%)	(11.1%)	(8.9%)	(11.7%)
FND	41.0%	86.0%	28.0%	26.4%	31.5%	26.7%	25.2%	14.6%	9.1%	4.2%	0.9%
AVERAGE	19.3%	33.8%	9.3%	8.7%	8.7%	7.6%	6.2%	0.5%	(4.3%)	(7.5%)	(8.6%)

Source: Company filings, BofA Global Research

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Exhibit 12: Quarterly Comparable Sales Growth in Home Improvement & Flooring

On a comparable sales basis, FND continues to gain share from large hard flooring retailer LL Flooring, but has seen steeper declines vs. others

Comparable Sales	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
HD	31.0%	4.5%	6.1%	8.1%	2.2%	5.8%	4.3%	(0.3%)	(4.5%)	(2.0%)	(3.1%)
LOW	25.9%	(1.6%)	2.2%	5.0%	(4.0%)	(0.3%)	2.2%	(1.5%)	(4.3%)	(1.6%)	(7.4%)
LL	6.9%	31.3%	(4.5%)	(6.7%)	(3.6%)	(3.1%)	(7.3%)	(9.5%)	(15.4%)	(22.2%)	(20.5%)
TILE	(2.3%)	41.6%	12.8%	10.3%	10.7%	12.0%	5.3%	(2.8%)	0.1%	(8.0%)	(4.9%)
MOHAWK (Flooring NA) *	14.3%	35.1%	6.9%	2.4%	10.6%	1.7%	3.7%	(6.9%)	(11.1%)	(12.1%)	(12.1%)
FND	31.1%	68.4%	10.9%	14.0%	14.3%	9.2%	11.6%	2.5%	(3.3%)	(6.0%)	(9.3%)
AVERAGE	17.8%	29.9%	5.7%	5.5%	5.0%	4.2%	3.3%	(3.1%)	(6.4%)	(8.6%)	(9.6%)

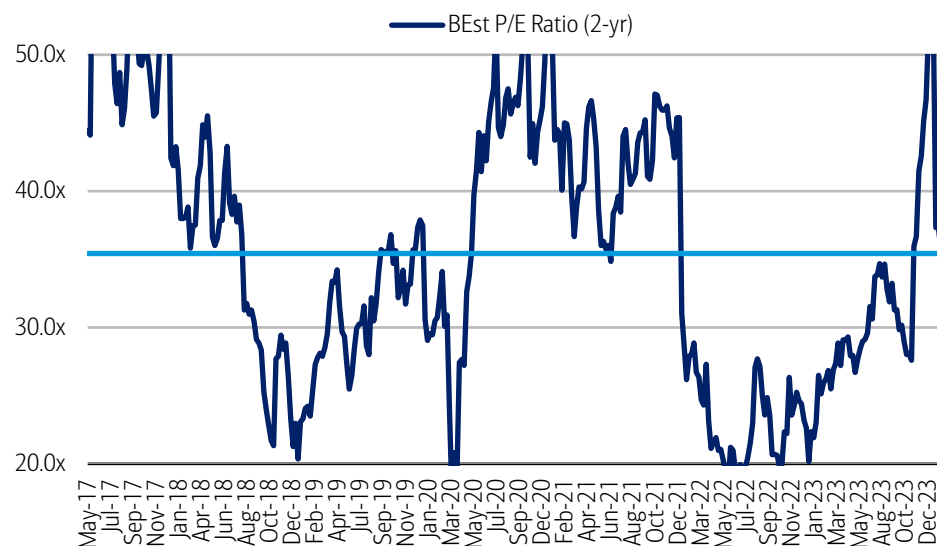
Source: Company filings, BofA Global Research

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Valuation

Exhibit 13: 2-yr forward P/E Ratio (Bloomberg)

FND is currently trading at 36.1x Bloomberg Consensus 2025e EPS of \$2.85, above its historical average of 35.4x

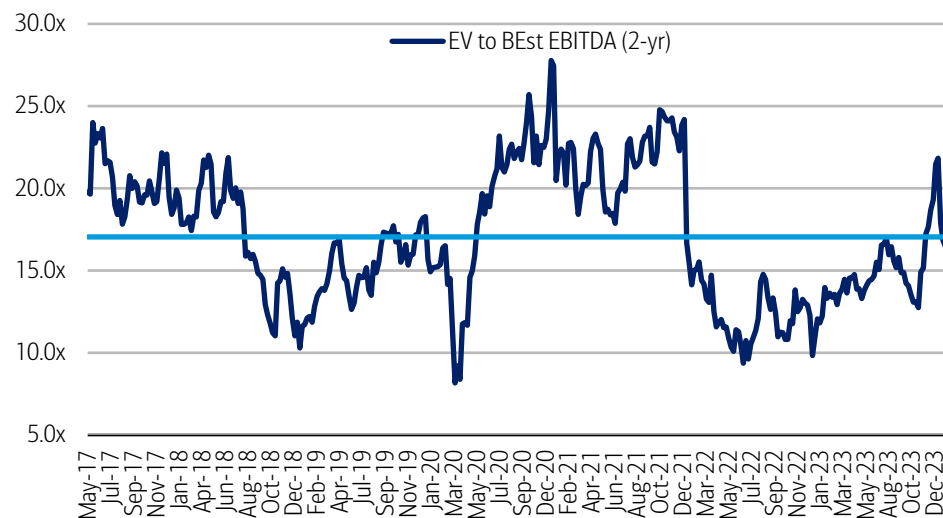


Source: Bloomberg; Priced as of close on 1/17

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Exhibit 14: 2-yr forward EV/EBITDA Ratio (Bloomberg)

FND is currently trading at 16x Bloomberg Consensus 2025e EBITDA, below its historical average of 17x

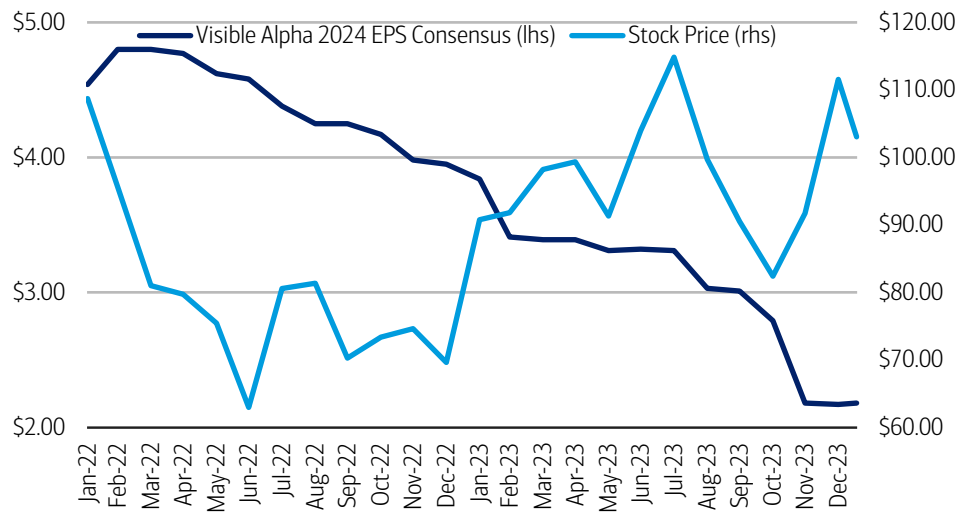


Source: Bloomberg; Priced as of close on 1/17

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Exhibit 15: Visible Alpha 2024 Consensus EPS vs. FND Stock Price (absolute)

FND stock saw a notable recovery in the stock price in December while consensus estimates for 2024 EPS have yet to see a similar recovery



Source: Visible Alpha, Bloomberg; Consensus EPS & price as of close on 1/17

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Disclaimer and Methodology regarding BAC internal data

Selected Bank of America ("BAC") transaction data are used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used are not comprehensive; they are based on aggregated and anonymized selections of BAC data and may reflect a degree of selection bias and limitations on the data available.

Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

BAC data used in this report include spending from active US households only. Spending from corporate cards are excluded.

Additional information about the methodology used to aggregate the data is available upon request.

See [BofA on USA](#) report for methodology, limitations, and disclaimers related to BAC aggregated credit and debit card data [and commentary on broader retail trends from BofA Global Research's US Economics team].

Price objective basis & risk

Floor and Decor Holdings, Inc. (FND)

Our 12-month price objective of \$112 is based on 44x our 2024 EPS estimate. We believe a multiple that is substantially above hardline retail peers (20x) is warranted given its superior store growth trajectory and above-average same-store sales growth. In 2024-2025 we expect annual earnings growth of almost 20%, illustrating the long-term compounding earnings growth opportunity of FND.

Downside risks to our price objective are a weakening of the housing market beyond our forecasts, execution risk given large store growth and supply chain diversification, increased competition, and higher labor costs. Upside risks are a stronger housing/flooring market than expected, or faster market share gains than modeled.

Analyst Certification

I, Robert F. Ohmes, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Retail Hardline Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Arhaus, Inc.	ARHS	ARHS US	Jason Haas, CFA
	Boot Barn	BOOT	BOOT US	Jason Haas, CFA
	Driven Brands	DRVN	DRVN US	Jason Haas, CFA
	Five Below Inc.	FIVE	FIVE US	Jason Haas, CFA
	Floor and Decor Holdings, Inc.	FND	FND US	Robert F. Ohmes, CFA
	Genuine Parts	GPC	GPC US	Jason Haas, CFA
	Lowe's Companies, Inc.	LOW	LOW US	Elizabeth L Suzuki
	Mattel	MAT	MAT US	Jason Haas, CFA
	Mister Car Wash	MCW	MCW US	Jason Haas, CFA
	Ollie's	OLLI	OLLI US	Jason Haas, CFA
	O'Reilly Automotive, Inc.	ORLY	ORLY US	Jason Haas, CFA
	Petco	WOOF	WOOF US	Jason Haas, CFA
	PROG Holdings Inc	PRG	PRG US	Jason Haas, CFA
	Rollins Inc.	ROL	ROL US	Jason Haas, CFA
	Tempur Sealy International Inc.	TPX	TPX US	Jason Haas, CFA
	The Home Depot, Inc.	HD	HD US	Elizabeth L Suzuki
	Upbound Group Inc.	UPBD	UPBD US	Jason Haas, CFA
NEUTRAL				
	AutoZone Inc.	AZO	AZO US	Jason Haas, CFA
	Hasbro	HAS	HAS US	Jason Haas, CFA
	Sonos, Inc.	SONO	SONO US	Jason Haas, CFA
	Williams-Sonoma	WSM	WSM US	Jason Haas, CFA
UNDERPERFORM				
	Advance Auto Parts, Inc.	AAP	AAP US	Jason Haas, CFA
	Best Buy Co., Inc.	BBY	BBY US	Robert F. Ohmes, CFA
	Snap-on	SNA	SNA US	Elizabeth L Suzuki
	Tractor Supply Company	TSCO	TSCO US	Jason Haas, CFA
	Whirlpool	WHR	WHR US	Jason Haas, CFA



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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Floor and Decor (FND) Price Chart



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Equity Investment Rating Distribution: Retailing Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	96	57.83%	Buy	39	40.63%
Hold	32	19.28%	Hold	12	37.50%
Sell	38	22.89%	Sell	18	47.37%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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