Industry Surveys

Household Durables

JULY 2022

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CHARTS & FIGURES

NEW THEMES

What's Changed: Digital transformation is knocking on the real estate industry's door as we see the emerging disruptors are slowly but surely changing how homes are transacted. Read more about the real estate market on pages 17 & 18.

What's Changed: China is the top country to export its furniture to the U.S. However, China's lockdown imposition in April 2022 had affected its furniture export growth tremendously—updates on the situation on page 34.

EXECUTIVE SUMMARY

CFRA has a neutral overall outlook with a negative bias to market trends in the household durables industry, which is highly dependent on a sustained U.S. economic recovery. Here are the key investment themes for the largest sub-industries.

U.S. Recession in 2022-2023 has Higher Probability Outcome, Leading to Lower Consumer Spending and Weaker Housing Market

We think a U.S. recession is expected with the Federal Reserve Bank's mandate to control inflation that is well above the 2% target. Whether the recession scenario is shallow and short in duration or deep and prolonged is likely to impact consumer spending, the housing market, and demand for household durable goods. We think inflation metrics above 4% would compel the Fed to continue a rate rise regime to deflate demand to better balance with supply.

Household Behavior is Severely Challenged with Runaway Inflation and Higher Cost of Living

Many U.S. households are tightening their spending belts facing significantly higher food, fuel, and shelter costs. The Index of Consumer Sentiment for June 2022 declined to 50.0 from 58.4 in May 2022, -14.4% month-over-month (M/M) decline and 41.5% year-over-year (Y/Y) decline. About 79% of consumers expected bad business conditions in the year ahead, the highest level since 2009. 47% of consumers also blamed inflation as a major concern, with an expected year-ahead inflation rate of 5.3%.

Higher Mortgage Rates are likely to Lead to Demand Destruction in the Housing Market

The 30-year conventional fixed-rate mortgages have crossed 6% and are likely to move higher as the Fed has just started to raise the fed funds rate. Homebuyer demand has already slowed in June 2022 for both new and existing home sales. The National Association of Realtors' June 21, 2022 release for May 2022 data showed existing home sales of 5.41 million, 3.4% lower than in April 2022 and 8.6% lower than a year ago. Total housing inventory is rising and was 1.16 million units at the end of May 2022, an increase of 12.6% from April 2022 but a 4.1% Y/Y decline. The June 24, 2022 Census Bureau new residential sales release showed a slight bounce in May 2022 versus April 2022. In May 2022, sales of new single-family houses were at a seasonally adjusted annual rate of 696,000 homes, up 5.9% Y/Y.

Home Remodeling May Hold Up Better as Select Households have Cash and can Access Home Equity that has Risen

With higher mortgage rates, there are more than 126 million U.S. households ripe for household spending, including home improvement, as more families will stay put in their homes. We think high home equity value, low existing mortgage debt, and stable household income could lead to higher home improvement demand. The JCHS Leading Indicator of Remodeling Activity (LIRA) release in April 2022 reported remodeling activity rose to $391 billion, up 11.4% in Q1 2022, and forecasts residential remodeling will reach a decade high at $427 billion, up 19.7%, by the end of third quarter 2022. Home Depot and Lowe's saw a pivot in sales mix to larger ticker home remodeling with contractors versus DIY customers.

The Home Furnishings Sub-Industry is Likely to Consolidate with Large Retail Store Providers

Independent home furnishings companies face strong competition from larger e-commerce and diversified retailers amidst secular changes underway. The shift to larger retailers with more affordable furniture and e-commerce channels favors companies like IKEA, Target, Walmart, and Wayfair. The home furnishings industry remains highly dependent on China for case good manufacturing. Vietnam and other Southeast Asian countries are becoming the preferred choice for case goods furniture.

CFRA **Industry Snapshot** www.cfraresearch.com

HOUSEHOLD DURABLES

Overall Industry Outlook: Neutral

SUB-INDUSTRY OUTLOOKS	
Home Furnishings:	Neutral
Homebuilding:	Neutral
Household Appliances:	Neutral
Housewares & Specialties:	Neutral
Consumer Electronics:	Neutral

MARKET CAP BREAKDOWN*

RANK NO.	COMPANY NAME	MARKET CAP ($ billion)
1	D.R. Horton	23.2
2	Lennar	20.2
3	Garmin	19.1
4	NVR	13.0
5	Whirlpool	8.9
6	Others†	72.0

Source: CFRA, S&P Global Market Intelligence

**Data as of June 30, 2022.*

†Refer to the "Comparative Company Analysis" section of this survey for the list of companies.

ETF FOCUS

XLY Consumer Discretionary Select Sector SPDR	AUM ($M) 16,117.5	Expense Ratio 0.12
VCR Vanguard Consumer Discretionary	AUM ($M) 4,678.3	Expense Ratio 0.10
ITB iShares U.S. Home Construction	AUM ($M) 1,456.9	Expense Ratio 0.41
XHB SPDR S&P Homebuilders	AUM ($M) 1,153.6	Expense Ratio 0.35

BY THE NUMBERS

98.7
Consumer Confidence Index June 2022

3.9%
Household mortgage debt as a percentage of disposable income 2021

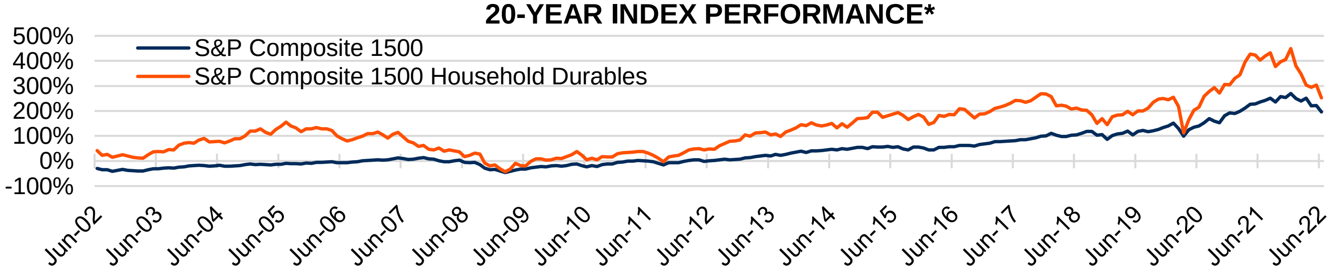
5.3%
Y/Y decrease for housing starts for single-family homes in June 2022

20.4%
Y/Y gain for the National Home Price Index in June 2022

$29.1 billion
Total global U.S. household furniture imports in 2021

9.4%
Y/Y gain for household appliances in 2021

20-YEAR INDEX PERFORMANCE*



*Data through June 30, 2022.
Source: CFRA, S&P Global Market Intelligence.

SCENARIO ANALYSIS

UPCOMING EVENTS / MAJOR CATALYSTS

- Weaker demand for household durable goods is expected due to declining economic growth as recession will reduce demand in most categories for household durables shopping and homebuying.
- Affordability with mortgage rates above 6% outweighs low existing home inventory; we expect home selling prices to begin to decline to perhaps 5%-10% over the next two years.
- The housing market contributes 20% or more to the U.S. economy. Higher cost of living with steep inflation and pessimistic outlook as measured by consumer confidence will damper consumer spending.
- Supply chain bottlenecks, especially from Asia, are the leading risk to home furnishings companies having issues with merchandise inventory and delivery to meet customer orders.

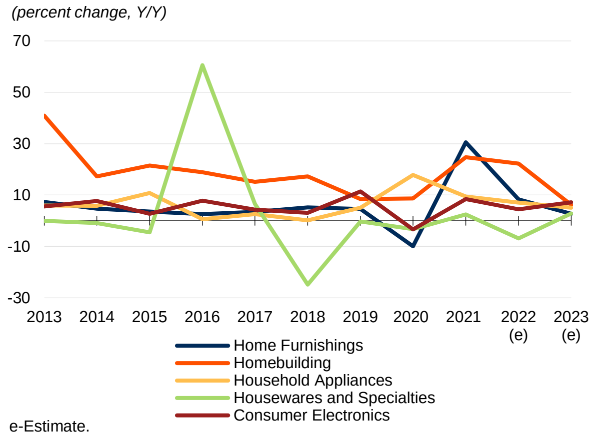
Bull Case Scenario	Bear Case Scenario
◆ U.S. economy realizes either a soft landing or a short-duration recession that also rebalances supply and demand. ◆ Higher salaries and wages and the wealth effect boost home remodeling and select household durable purchases like appliances and flooring. ◆ New and existing home sales level off instead of continuing to decline in the next 12 months, which benefits home appliances and home furnishings sales.	◆ Prolonged and deep recession for 24-36 months, hurting consumer spending and demand for household durable goods. ◆ Household job growth and income gains begin to reverse to higher unemployment levels across most industries. ◆ Higher mortgage rates above 6.0% will hurt housing affordability and directly impact new residential sales in 2022-2023. Housing prices decline and reduce the wealth effect for homeowners considering home remodeling projects, as cost of living remains elevated.

HOUSEHOLD DURABLES SUB-INDUSTRY EXPECTATION INVESTING

	Strong Fundamentals	Poor Fundamentals
High Expectations	Home Improvement Retail has formidable franchises like Home Depot and Lowe's. Consumers are increasing home improvement projects – whether in the backyard, remodeling a kitchen or bathroom, or finishing a basement. A shallow and short-duration recession would not hurt demand.	Household Appliances is a consolidated industry with manufacturers exposed to major supply chain risks that may limit shipments and revenue in the next six months. Global demand mix shift to lower-priced models in emerging markets and U.S. recession may hurt future sales growth and operating margins.
Low Expectations	Homebuilder activity declines less than expected in 2022-2023, leading to fewer downward revisions on homebuilder earnings estimates. While backlog value remains strong, the pace of home purchases has stressed builders in managing the cost and pace of new selling communities and home deliveries.	Home Furnishings may face decline in sales should there be a recession. Execution risks are likely with the availability of case goods and upholstery from China, Vietnam, and other foreign markets. Retailers are challenged by significant delays in the supply chain and higher material costs that put a strain on deliveries to the store and to customers.

FINANCIAL METRICS

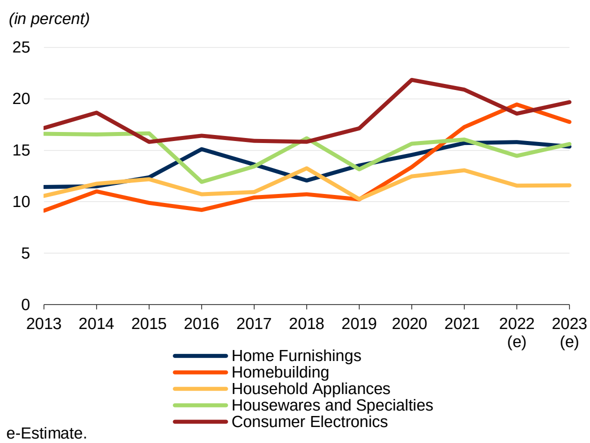
Revenue Growth



e-Estimate.
Source: CFRA, S&P Global Market Intelligence.

- Revenue growth in 2022 will depend on supply chain execution, pricing of household durables, consumer confidence, and household disposable income. Household durables companies had the pricing power to raise prices several times to match rising material and shipping costs. However, record inflation and higher interest rates are likely to reduce disposable income and demand for household durable products.
- Following 30.5% revenue growth in 2021 for Home Furnishings, we see only 8.3% growth in 2022 and just 2.2% growth in 2023 with expected recession. Homebuilders realized 24.8% revenue growth in 2021, and we estimate it to grow 20.8% in 2022 and 5.4% in 2023 with slower pace of new housing starts. Household Appliances, one of the smaller sub-industries, realized 9.4% revenue growth in 2021; we see it growing 6.3% in 2022 and 5.1% in 2023. We forecast Consumer Electronics to grow 4.3% in 2022 and 7.1% in 2023. We think the risk of a sharp falloff in 2023 revenue for Homebuilding and Household Appliances has a high probability outcome.

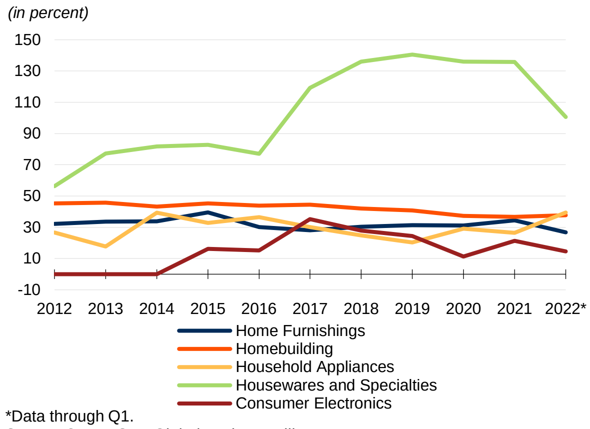
EBITDA Margin



e-Estimate.
Source: CFRA, S&P Global Market Intelligence.

- Like revenue growth, Home Furnishings EBITDA margins are estimated to widen 10 basis points to 15.8% in 2022 and then narrow to 15.4% in 2023, with lower sales volumes and moderating price increases anticipated. For sub-industries with manufacturing facilities, higher plant utilization will contribute to positive margin contributions, barring supply chain constraints or higher material costs from inflation.
- For Homebuilding, we think margins may widen significantly, by 221 basis points to 19.5% in 2022, given the strong housing demand, low existing home inventory, and builder's pricing power, but EBITDA margins are expected to narrow 165 basis points to 17.8% in 2023 as we enter a housing downturn. Household Appliances are seeing weaker demand and rising input costs narrow EBITDA margins by 150 basis points to 11.6% in 2022 and expected to be flat in 2023.

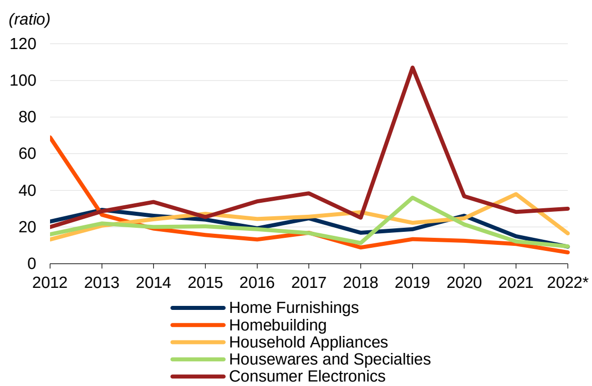
Debt/Capitalization



*Data through Q1.
Source: CFRA, S&P Global Market Intelligence.

- With the expected risk of interest rates rising in 2022-2023, companies have been racing to increase liquidity, reduce weighted average interest rates, and extend debt maturities. In most cases, companies have paid back on drawn credit revolver facilities from banks and continue to refinance higher rate debt maturing in the next two years with debt issuance at lower rates and longer maturities.
- Most companies will be able to make required debt payments in 2022-2023, by our calculations, given higher revenue growth, cost control, and growing funds from operations. Homebuilders are deleveraging their balance sheets to 36.7% in 2021 and estimated 37.8% in 2022, versus 37.4% in 2020 and 40.8% in 2019.

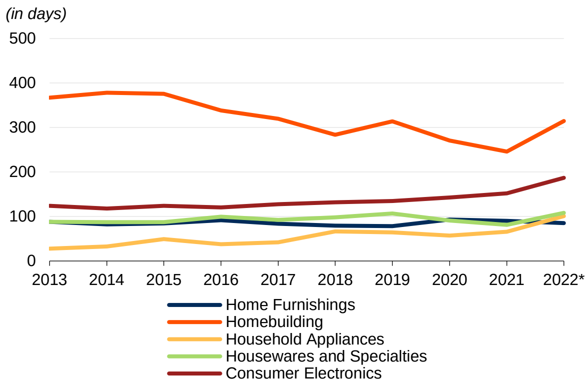
Normalized Price-to-Earnings (P/E) Ratio



*Data through Q1.
Source: CFRA, S&P Global Market Intelligence.

- For constituents in the S&P Composite 1500 Homebuilding index, we project normalized median P/E ratios of 4.0x-6.0x in 2022, given the significantly higher risk of a housing market downturn and lower homebuying demand ahead. Compared to 10.7x in 2021 and 12.5x in 2020.
- For constituents in the S&P Composite 1500 Home Furnishings Index, we project normalized median P/E ratios of 8.9x in 2022 compared to 14.9x in 2021 and 26.1x in 2020. Again, P/E multiples are targeted to be lower because of explosive earnings growth Y/Y and global recession looming in 2022.
- Household Appliances are estimated to realize P/E ratios of 38.0x in 2021, following 24.8x in 2020 and 22.4x in 2019, mostly skewed to two small-cap stock constituents in the index. We estimate a 15.1x P/E multiple in 2022 as weaker demand and supply chain risks support a narrower risk premium.

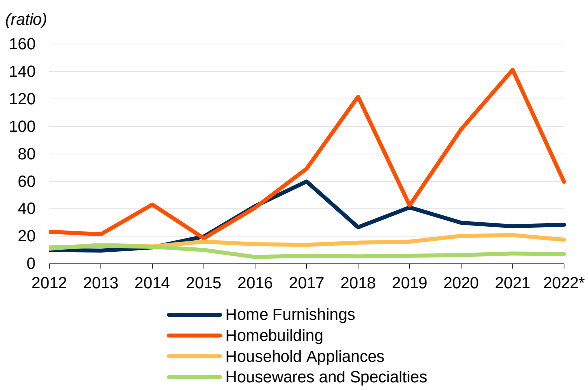
Average Cash Conversion Cycle



*Data through Q1.
Source: CFRA, S&P Global Market Intelligence.

- The cash conversion cycle is a useful metric that measures the number of days it takes for a company to convert its investment in inventory into cash flow from total net sales.
- The most efficient sub-industry based on this metric is Household Appliances, followed by Home Furnishings. Supply chain and raw material shortages may hurt this metric measured in days, as companies can only manage what they can control to receive goods and ship final products to appliance retailers.
- Within the Household Durables industry, Homebuilding has a very different business profile that skews its average cash conversion cycle to a significantly longer cycle time with high inventories for land development and new home construction in progress. The average cash conversion cycle has been improving in the last three years, but we see a reversal to 315 days in 2023 from 246 days in 2022 as the economy and demand weaken.

EBITDA/Interest Expense

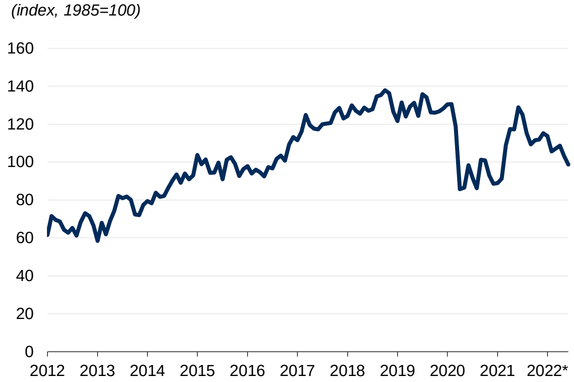


*Data through Q1.
Source: CFRA, S&P Global Market Intelligence.

- The Homebuilding sub-industry stands out as the least leveraged, with a high EBITDA to interest expense ratio.
- This ratio can show wider improvement should a sub-industry improve its sales and operating profitability or reduce its total outstanding debt – thus lowering interest expense.
- Household Appliances is a fixed-cost sub-industry with significant capital investment in plant and equipment. Housewares and Specialties is not a major sub-industry in the household durables industry.
- The Consumer Electronics sub-industry is excluded from the chart as both constituents, Universal Electronics and Garmin, have little or no debt.

KEY INDUSTRY DRIVERS

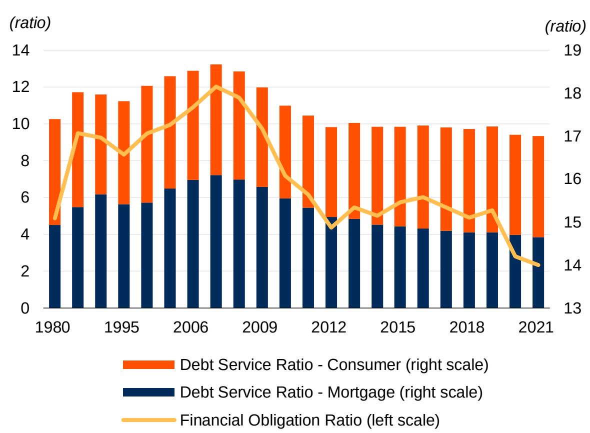
Consumer Confidence Index



*Data through June.
Source: The Conference Board.

- Consumers are no longer confident about the near future due to runaway inflation that hurts disposable income for food, fuel, and shelter costs. This is evidenced by a plunge of 41.3% Y/Y growth in the consumer sentiment index in June 2022. On a more positive note, the industry is still likely to benefit as home equity values and higher savings may lead to higher home improvement spending on appliances and renovations.
- Consumer confidence, as measured by the Conference Board, had demonstrated weakness since December 2021, when the Consumer Confidence Index was 115.2 and came in at 98.7 in June 2022. We think the wealth effect may be at risk in 2023 to home prices and whether the stock market is in a prolonged and deep bear market.
- The June 28, 2022 release for the Conference Board Expectations Index dipped to 98.7 compared to 103.2 in May 2022. We expect July 2022 reading to be even lower than 98.7 as consumers are feeling higher living costs. Headwinds come from inflation with continued price increases and rising interest rates are going to put more pressure on consumers.

Average Household Debt-to-Income Ratio



Source: The Federal Reserve Board.

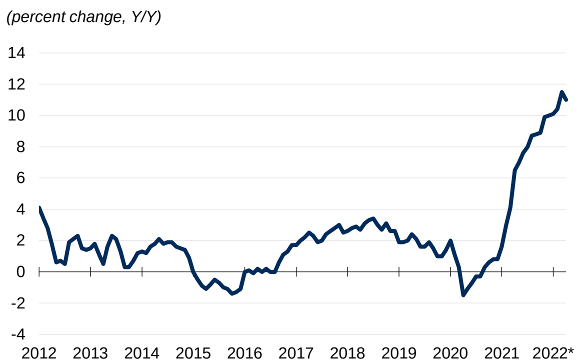
- A sizable number of U.S. households living in single-family homes remain in stable condition with jobs (many working remotely). This is critical to home improvement spending. Since the financial crisis of 2008, U.S. households have been more conservative with lower mortgage debt.
- Household mortgage debt as a percent of disposable income was 3.9% in 2021 (and 41.9% of total household debt), according to the U.S. Federal Reserve. Contrast these recent levels to those right before the financial crisis in 2008, when mortgage debt was 7.2%.

Housing Starts & Existing Home Sales

*Estimate.
Source: Mortgage Banking Association.

- We project home sales will be down low- to mid-single digits in 2022-2023 as affordability with higher mortgage rates will negatively impact households who desire single-family homes as they continue to exit high-rise multifamily living in urban centers impacted by Covid-19.
- From the June 2022 release by the U.S. Census Bureau, single-family building permits were down 7.9% Y/Y and down -5.5% M/M, and housing starts were -5.3% Y/Y and down -9.2% M/M. Most of the housing permits and starts are from Sun Belt markets in the South and West regions, comprising 81.8% of total authorized permits and 80.9% of total starts.
- We think 2022-2023 new housing starts may decline further as rising mortgage rates and higher probability of U.S. recession would negatively impact housing permits and starts.

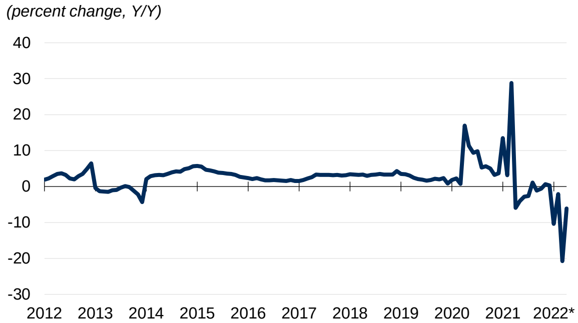
Producer Price Index



*Data through April.
Source: U.S. Department of Labor.

- Covid-19, for a while, delayed the onset of inflation that is now in full force, given the confluence of high consumer demand and rising input costs with supply chain challenges.
- The leading contributor to a rise in the PPI index is raw materials and wage inflation. In the June 2022 index, the PPI rose to 10.8% compared to 0.8% in December 2020 and 4.1% in March 2021. In May 2022, nearly two-thirds of the rise in the index for final demand was due to a 1.4% advance in prices for final demand goods. We expect higher energy and other material costs to remain elevated, especially with strong demand for household durable products like home furnishings and home appliances. Cost-push inflation from higher salaries and wages is expected to be less transitory to inflation in 2022-2023, in our opinion.

U.S. Real Disposable Personal Income



*Data through April.
Source: Federal Reserve Bank of St. Louis.

- Covid-19, for a while, did change a healthy labor market into a challenging one with high unemployment. This reversed in 2020-2021 with government fiscal and monetary stimulus. There has been an increase in government social benefits and significantly higher unemployment insurance benefits for families.
- Real personal income increased decreased to $18,380.7 billion in April 2022 compared to $18,519.8 billion in March 2022, according to the Bureau of Economic Analysis (BEA). The estimate in April reflects economic easing and the federal government response to the Covid-19 pandemic, says the BEA.

HOUSING MARKET OUTLOOK 2022

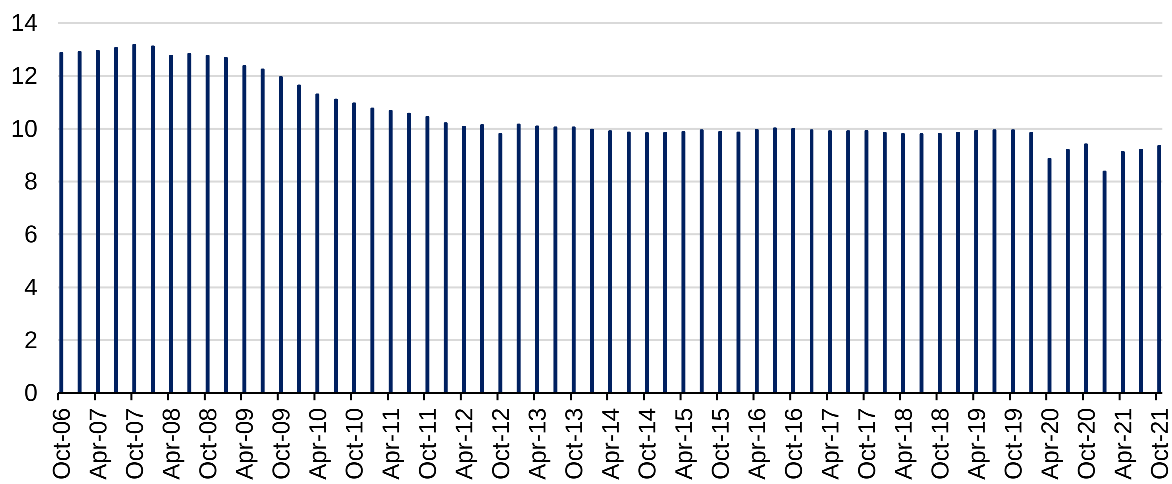
The housing market is undergoing a secular shift, in our opinion, to safe shelters for families and the migration to the suburbs by millennials, who have higher household income and net worth than before. This large generation is aging, like everyone else. Nevertheless, we foresee housing demand shrinkage in 2022 after a great year in 2021 for both existing homes and new residential sales. This is largely driven by higher mortgage rates and possibility of U.S. recession that will substantially affect households' affordability. Homebuilding stands to benefit from the housing shortage, but headwinds remain on home deliveries from supply chain bottlenecks, higher material costs, and shortages of skilled labor.

Consumer sentiment seems to contradict near-full employment, low mortgage payments, and consumer spending in the holiday season. Many consumers were able to save funds during the Covid-19 pandemic and are beginning to open their bank accounts to spend more freely now. The U.S. Bureau of Economic Analysis shows April 2022's personal savings rate down to 4.4%, versus recent highs in December 2021 at 7.9%. Further proof of consumer spending comes from The National Retail Federation, which expects U.S. retail sales to grow 6% to 8% to more than $4.9 trillion in 2022.

Today, families are more conservative, especially with debt obligations. Unlike the all-time peak in 2006-2007 before the financial crisis, U.S. households have been reducing their mortgage debt as a percentage of total disposable income. Total household debt service payments and financial obligations as a percentage of disposable personal income have been in the 15%-17% range since 1980. Total household debt service inclined to 14% in the fourth quarter of 2021 from 12.7% in the first quarter of 2021, before rising to 13.7% in the second quarter of 2021. The highest period for total household debt service was right before the 2008 financial crisis, with a reading of 18.1% in the fourth quarter of 2008.

HOUSEHOLD DEBT NEAR ALL-TIME LOW*

(percent)



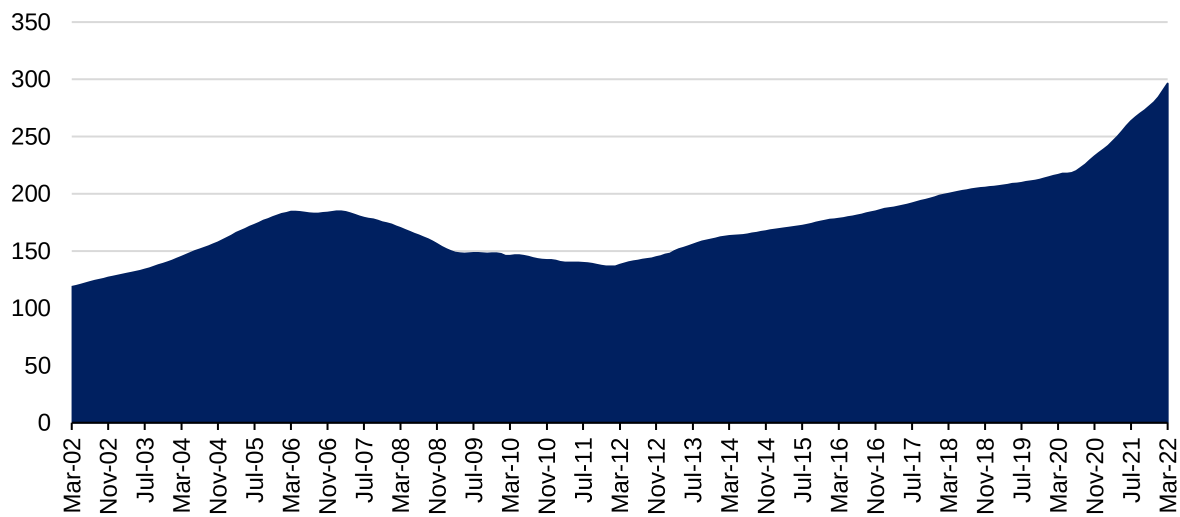
*Data as of Q4 2021.
Source: Federal Reserve Bank of St. Louis.

Mortgage rates are at 5-year highs as of June 2022. Mortgage purchase activity has been sluggish in 2022, down more than 15% from last year, driven by inventory shortages and dampened demand due to affordability challenges. According to the Mortgage Bankers Association (MBA), the refinance share of mortgage activity decreased to 31.7% of total applications in the week of June 10, 2022 from 32.2% in the previous week. Given high rates making fixed-rate mortgages less appealing for mortgage origination or refinancing, the adjustable-rate mortgage (ARM) share of activity was 8.1% of total applications. The average contract interest rate for 30-year fixed-rate mortgages as of June 20, 2022 is 5.99% as compared to just below 3% in early November 2021. The average contract interest rate for 15-year fixed-rate mortgages stands at 5.18% as of June 20, 2022 compared to 2.59% in November 2021.

The MBA mortgage finance forecast released on June 10, 2022 looks for 30-year fixed-rate mortgages to increase from 3.8% in the first quarter of 2022 to 5.1% in the second quarter of 2022 and 5% in the second quarter of 2023. The MBA is bullish on housing starts, estimating 1.701 million in the second quarter of 2022 and 1.734 million in the second quarter of 2023. Total existing homes are estimated to be 5.630 and 5.838 million, while new home sales forecasts are 693,000 and 832,000 for the same respective periods. The MBA's forecast for the median price of total existing homes at about $396,000 for both same periods, and new homes are expected to increase from $430,900 in the first quarter of 2022 to $452,600 in the second quarter of 2022 and $442,000 in the second quarter of 2023. We attribute higher new home sales prices to inflationary pressures. Finally, the MBA's total mortgage originations are projected to be $678 billion in the second quarter of 2022 and $621 billion in the second quarter of 2023. The purchase to refinance mortgage ratio is 30% and 22% for the same respective periods.

Housing prices continue to outpace last year's increases. We think the housing market will continue to see pricing acceleration in 2022 due to inflation and higher mortgage rates. Mortgage appraisals at the time of sale are having a hard time justifying the steep price increases in 2021 for the existing and new residential housing market.

HOUSING PRICES ARE AT RECORD HIGHS
(percent)



Source: Federal Reserve Bank of St. Louis.

Household Wealth Effect Uncompelling for Single-Family Homes

Market data shows week-to-week improvement in customer traffic and deposits at new selling communities. Home equity values benefit from low housing inventory and rising average selling prices. S&P CoreLogic Case-Shiller Indices continue to show price gains, as evidenced by the June 2022 data, with a 20.4% year-over-year gain for the National Home Price NSA Index, while the 20-City Index rose 21.2% and the 10-City was up 19.7%. Home pricing is expected to rise further in 2022 for both new and existing home sales and household wealth effect may be at risk due to rising mortgage rates.

2022 HOME PRICING IS STRONG VS. PAST HOUSING BOOM/BUST PEAKS AND TROUGHS

	2006 PEAK		2012 TROUGH			2022 JUNE		
INDEX	LEVEL	DATE	LEVEL	DATE	FROM PEAK	LEVEL	FROM TROUGH	FROM PEAK
National	184.62	Jul-06	134.00	Feb-12	-27.4%	312.55	133.2%	69.3%
20-City	206.52	Jul-06	134.07	Mar-12	-35.1%	324.38	141.9%	57.1%
10-City	226.29	Jul-06	146.45	Mar-12	-35.3%	300.85	105.4%	32.9%

Source: S&P Dow Jones Indices, CoreLogic.

Consumer Confidence Expected to Be Pessimistic Through 2022

Consumer confidence as measured by the Conference Board has deteriorated, with 23% of June 2022 survey respondents assessing business conditions as bad versus 21.7% in the previous month. The response to consumers' optimism for the short-term (six months) outlook decreased to 14.7% from 16.4%, while the labor market has shown a moderately less favorable outlook, posting a decrease to 51.3% from 51.9% for the same respective periods.

CONSUMER SENTIMENT WEAKENS – JUNE 2022

CONSUMER CONFIDENCE METRICS	JUN-22	MAY-22	JUN-21	M/M	Y/Y
Index of Consumer Sentiment	50.0	58.4	85.5	-14.4%	-41.5%
Current Economic Conditions	53.8	63.3	88.6	-15.0%	-39.3%
Index of Consumer Expectations	47.5	55.2	83.5	-13.9%	-43.1%

Source: University of Michigan.

The overall economic outlook has portrayed a negative momentum in the first half of 2022, and we expect the trend to persist through the end of 2022. This is primarily attributed to rising interest rates and inflationary challenges. The overall economic deterioration is also expected to help heighten worries about the uneven path ahead and economic uncertainty over many U.S. households.

CONSUMER CONFIDENCE IS EXPECTED TO BE PESSIMISTIC

CONSUMER CONFIDENCE METRICS	JUN-22	MAY-22
Consumer Confidence Index	98.7	103.2
Present Situation Index	147.1	147.4
Expectations Index	66.4	73.7
Consumer assessment of current conditions		
Business conditions are good	19.6%	19.8%
Business conditions are bad	23.0%	21.7%
Consumers' optimism for short-term outlook		
Business conditions will improve	14.7%	16.4%
Expecting business conditions will worsen	29.5%	26.4%
Consumer outlook for the labor market		
Expecting more jobs in the months ahead	51.3%	51.9%
Anticipating fewer jobs ahead	11.6%	12.4%

Source: The Conference Board.

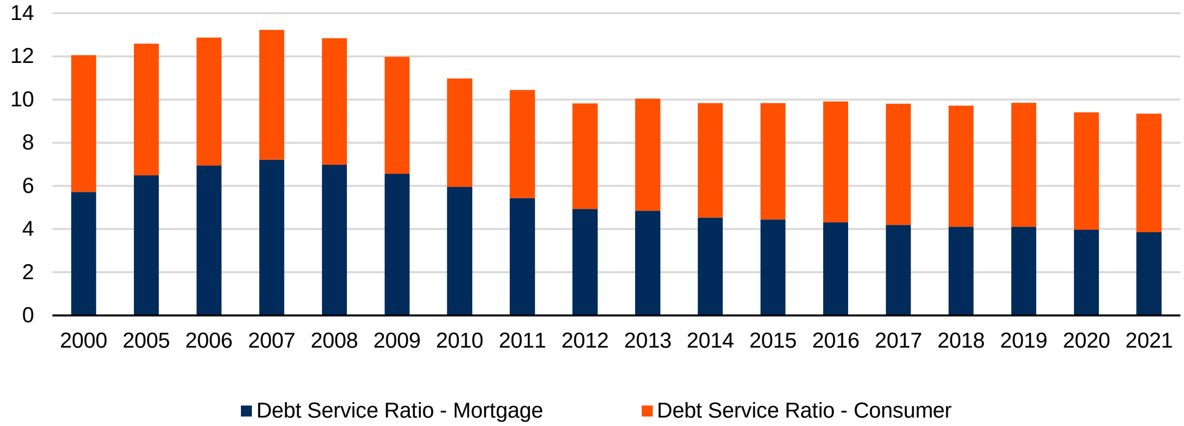
Consumers Spending Expected to Diminish

Household mortgage debt as a percent of disposable income was 3.9% in 2021 (and 41.2% of total household debt), according to the U.S. Federal Reserve. Similarly, consumer debt as a percent of disposable income was 5.5% in 2021 (and 58.8% of total household debt). Contrast these recent levels to those right before the financial crisis in 2008, when mortgage debt was 7.2% (54.6% of 2007 total household debt), and consumer debt was 6% (45.4%). We anticipate consumer spending to potentially diminish in the near term, driven by a decline in real disposable personal income as of April 2022.

Low Debt-to-Disposable Income Ratio Favorable for Home Improvement

We think a sizable number of U.S. households who own single-family homes remain in stable condition, employed, and working remotely. These two factors, along with consumer confidence, are critical to home improvement spending. Since the financial crisis, U.S. households have been more conservative with lower consumer and mortgage debt. In past years, households took advantage of lower rates to refinance their mortgages. The average household debt-to-income ratio confirms this trend, with the peak ratio in 2006 at 12.9% compared to 9.3% in 2021 (the lowest level since 1980). Going forward, however, we foresee a potential trend reversal due to the impact of rising interest rate.

AVERAGE HOUSEHOLD DEBT TO DISPOSABLE INCOME RATIO
(in percent)



Source: The Federal Reserve Board.

U.S. Homes are Getting Older

Nearly half of the homes in the U.S. were built before 1980, and 38% before 1970, according to iProperty Management. The median age of homes in the U.S. is rising, and as homes age, the need for upgrades, improvements, and renovation will only continue to grow. There is a shortage of new and existing housing throughout most of the country. At the peak in 2008, there were 12 million existing homes for sale, compared to only 6.1 million in the first quarter of 2022. So, most homeowners living in homes, even more now adapting to the new norm from the pandemic, are thinking about improving the appearance of an aging house. Many property owners indicate that renovating is a more affordable option than buying a more expensive property. Home offices are also in high demand.

Kitchens and baths continue to be the most popular projects, even though they are expensive. Many homeowners regard their kitchens as a central place in the home, especially since the pandemic began. Healthy food, cooking, and nutrition are increasingly valuable to younger generations of homeowners, and having a beautiful, functional kitchen to cook in is part of a new normal lifestyle.

Digital Transformation Set to Revolutionize the Real Estate Industry

Homebuilders enjoy record-level demand and historically low existing inventory from the resale market. Underneath the radar is the acceleration of digital applications to assist buyers and sellers in marketing and closing homes. We think digitalization is in the early innings and can disrupt how homes are transacted, even with today's low level of inventory. Compared to offline realtors, we see emerging disruptors as having competitive advantages with their expertise in software and data.

The residential real estate market is ripe for a change in transactions. The current state of doing business is a massive offline market, where 90% of transactions involve an agent. The sale process to complete a real estate transaction is complex, uncertain, time-consuming, and offline. There are over two million licensed real estate agents in the U.S., who on average complete less than six transactions per year, and nearly 30% of realtors do not work solely in real estate. The residential real estate market did $5.8 trillion in transactions as of March 2021 (latest available), according to data sourced from the National Association of Realtors (NAR) – this is larger than mass markets for food ($1 trillion in 2021), according to Research and Markets, or used autos ($153 billion in 2021), according to IBISWorld. We think the challenge of speed and accuracy to close transactions is even more important today in a supply constrained market of existing homes for sale.

As the world is heading towards a collaborative work environment, technology plays a vital role in establishing a coherent process of owning/renting property from initial screening to closing a deal for end users, landlords, tenants, investors, and brokers. In June 2022, Les Agences de Papa, the largest independent real estate company in France unveiled Versity, a metaverse platform aiming to achieve a painless process of purchasing a property, according to Decrypt. The company emphasized that the inefficient and lengthy procedure of showing, renting, and buying a property today has created a bottleneck in the real estate industry. It also indicated that videos, photos, and 3D virtual walkthrough software do not suffice to help people experience a listing, and physical walkthroughs frequently do not translate to a sale. This is factored by many aspects, such as perhaps the potential buyer is keen on the apartment but not the neighborhood, or probably the space does not look as appealing as it is in the photos.

The company aims to remove that gridlock in the industry through Versity. The Versity metaverse platform offers opportunities for potential buyers to enter a property by exploring a digitized version of the real neighborhood and the surrounding streets where their intended apartment for rent is situated. The platform also allows buyers to move around the apartment at will and communicate with a virtual real estate agent, mortgage providers, or interior designers. On top of that, they will also have the opportunity to visualize what the space would look like with real furniture in 3D. The experience also does not require the use of a VR headset or any special device and is available through a website that is accessible via phone, tablet, or laptop.

In addition, the company is also introducing a new economic model to alter the traditional real estate model through Versity. The platform is being developed with the adoption of blockchain technology and will be powered by $SITY tokens running on the Polygon blockchain. A postal or ZIP code in the real world represents 1 NFT or “Parsell” within Versity. The popularity and desirability of the real neighborhood are the main indicators of the price of a Parsell. For instance, an NFT for the Lower East Side of New York City would have a distinct price compared to a suburb somewhere in Arkansas. Real estate agents who wish to list a client’s property inside the Versity metaverse will be required to pay a fee using $SITY tokens to the owner of NFT that represents the real neighborhood where that particular property is located. This structure will help to generate value for every party involved in the transaction, including sellers, buyers, and investors. Versity will make its debut in France and will be rolled out in other countries in the near term.

Apart from easing the process of purchasing a property, technology also plays a pivotal role in construction management. According to *Economic Times*, developers have begun adopting advanced technology such as drones, robotics, building information modeling (BIM), 3D printing, and virtual reality (VR) for various stages of construction. These technologies have proven to help to improve quality and lessen the completion time of constructions, and have also uplifted the efficiency of construction technologies. Furthermore, high-performance buildings have also used technology to achieve sustainability and minimize carbon footprints. Developers have also started utilizing well-known tools for construction management like CoGence, CoPro, Primavera, and Microsoft Projects, in an effort to further escalate efficiency in construction.

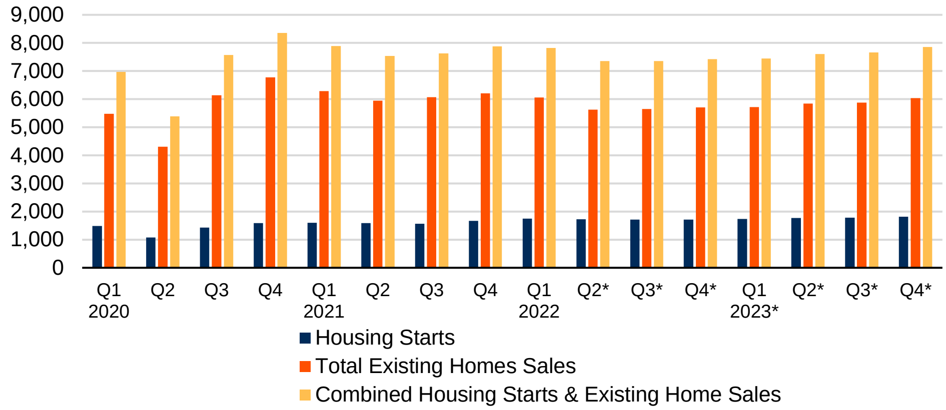
There is debate around whether growth can continue to spur digital market share in a cyclical, fragmented industry. We think it is not a question of whether residential real estate will face a market downturn, but when will it happen. And yet, the ultimate driver for digitalization would be making idiosyncratic residential real estate transactions easier to understand, faster to process, and remove timing risks to selling or buying a home. We believe this digital transformation will provide a one-step solution for all stakeholders and will revolutionize the real estate industry in the near future.

Single-Family Home Sales Are Expected to Narrow in 2022

This trend is being driven by households fleeing high-rise living in urban markets. Monthly new residential construction in May 2022 from Census Bureau June 16, 2022 release showed single-family home building permits, 5.5% below the April 2022 rate, and 7.9% below the May 2021 rate. Housing starts for the same periods were down 9.2% month over month and down 5.3% year over year, as homebuilders pause development and new starts due to rising costs due to inflation. Traffic from prospective homebuyers is forecasted to be subdued in 2022.

EXISTING HOME SALES AND HOUSING STARTS*

(units in thousands)



*Data as June 10, 2022.

Source: Mortgage Bankers Association, includes forecasts.

Homebuilders Confidence Decline

Our fundamental outlook for the homebuilding sub-industry is neutral, given the expected decline in single-family home demand with rising mortgage rates. The industry's homebuilders have acquired land and are developing new selling communities to realize future growth. Higher selling prices more than offset rising material and labor costs. Frustrating supply chain issues and significantly higher shipping costs are a risk, and yet homebuilders have the pricing power to pass higher costs on to homebuyers.

Homebuilders were doing well in all product categories, and we think the wealth effect from the stock market and home equity values is bringing in more cash buyers. Active adult communities are getting baby boomers who are finding it easy to sell their homes. Entry-level first-time homebuyers may have some headwinds with higher mortgage rates.

For the rest of 2022 and 2023, we think demand is now a major fundamental risk. Our more cautious view is based on the recent housing data – monthly new residential sales, NAHB homebuilder sentiment, and housing starts and permits, which are slowing based on M/M and Y/Y comps. The June 2022 reading on homebuilder sentiment does not bode well for the industry based on the NAHB reading that came in at 67, down from 69 a month ago and 84 last December. While any measure above 50 is positive, we think industry sentiment is likely going from elevated to normalized levels (55-65), based on 35 years of data. Homebuilders face higher inflation costs (wages and materials) and construction delays that hurt the pace of home deliveries.

Home Improvement Retailers Confidence Rise

We have a positive fundamental outlook for the home improvement retail sub-industry. Despite recession looming ahead, we have conviction this sub-industry will benefit from a multi-year secular shift in consumer habits and spending that boosts home improvement retail demand.

In 2022-2023, we think home improvement retailers will benefit from continued time at home for work, play, and leisure. We believe homeowners will continue to allocate their discretionary spending to lasting improvements for their homes versus a major shift of spending to automobiles or spending on personal and family travel. This should benefit contractors for home remodeling. A shortage of existing homes for sale means most households with record home equity value are staying put and remodeling their homes for the long term, in our view.

The U.S. household savings rate has reverted to normalized levels of 4%-5% of total disposable income and credit card balances are likely to rise again. Nonetheless, the consumer is healthy, with low household debt, and poised to spend on the home in 2022-2023, in our opinion. Rising interest rates and inflation remain risks to this sub-industry. The wealth effect from higher home prices and the stock market bodes well for home spending, as home prices are hitting records in just about every part of the country. Nevertheless, consumer confidence has been hurt by inflation affecting fuel, food, and other goods and services. Supply chain issues have delayed deliveries and raised pricing.

We are seeing a shift to larger remodeling projects in 2022 from the do-it-yourself (DIY) activity in 2021. The JCHS Leading Indicator of Remodeling Activity (LIRA) release in April 2022 reported remodeling activity rose to $391 billion, up 11.5% in Q1 2022, and forecasts residential remodeling will reach a decade high at $449 billion, up 15.1%, by Q1 2023. The LIRA is released by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University in the third week after each quarter's closing. The next LIRA release date is July 21, 2022, and may show lower revisions.

Many home improvement retailers are shifting capital spending to technology investments and improving existing stores. Home Depot and Lowe's understand how to integrate e-commerce with in-store purchases and delivery to job sites. Both retailers are enhancing their online and in-store experience for the PRO segment, which is 20% to 30% of total revenues. This could lead to higher returns and launching new market delivery operations.

HOUSING MARKET INDEX

*Data through June.

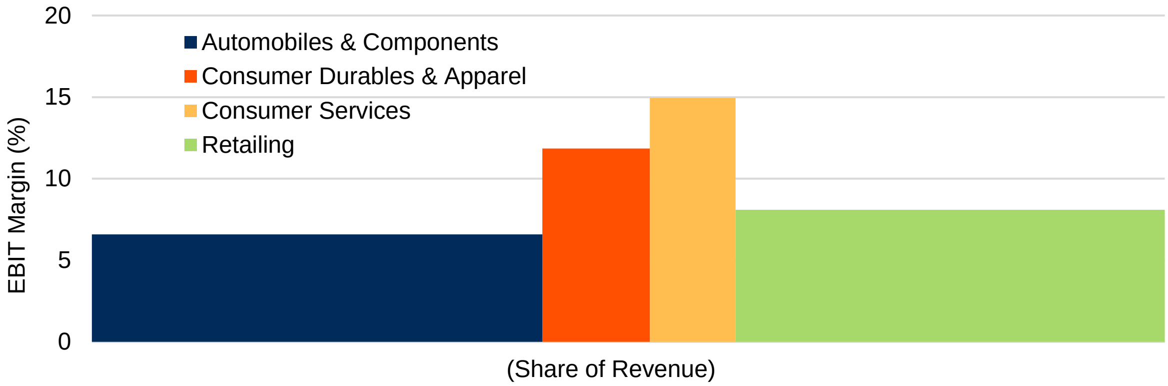
Source: The National Association of Home Builders.

INDUSTRY TRENDS

INDUSTRY PROFIT SHARE MAP

The Household Durables industry comes under the Consumer Durables & Apparel industry group and comprises 5.6% revenues of the entire Consumer Discretionary sector, according to the Global Industry Classification Standard (GICS). The following charts illustrate the profitability map of the Consumer Discretionary sector and Household Durables industry.

PROFIT SHARE MAP OF THE CONSUMER DISCRETIONARY SECTOR*
(5-year average)

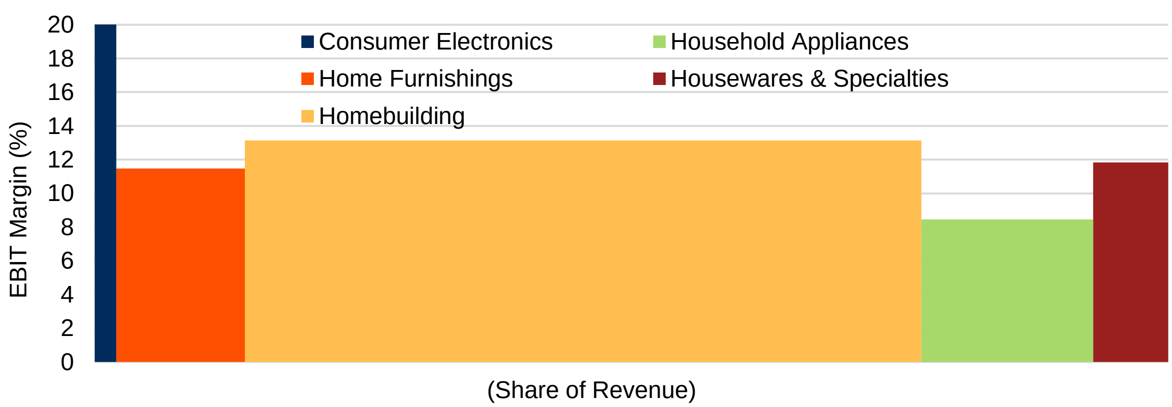


*Data as of Q1 2022.

Source: CFRA, S&P Global Market Intelligence.

The largest revenue contributors within the Household Durables industry are Homebuilding sub-industry at 61.4%, followed by the Household Appliances sub-industry at 15.4% and Home Furnishings sub-industry at 12.4%. Despite its relatively minuscule revenue contribution, the Consumer Electronics sub-industry had the highest operating profit at 20.7%.

PROFIT SHARE MAP OF THE HOUSEHOLD DURABLES SUB-INDUSTRY*



*Data as of Q1 2022.

Source: CFRA, S&P Global Market Intelligence.

PORTER'S FIVE FORCES

The Household Durables industry has wide divergence in the industry structure and competitive landscape for each sub-industry: homebuilding, home furnishings, household appliances, consumer electronics, and housewares & specialties. Homebuilding and household appliances have the lowest threat of new entry, while home furnishings and housewares & specialties face new disruptors (Amazon and other start-up companies). Also, Walmart and Target have become growing sellers of these home categories.

The power of buyers is a step function of the health of the general economy and the household in terms of consumer confidence, employment, and household income growth. Homebuilders sell directly to the customer, while the other sub-industries usually distribute via wholesale to retailers who sell their products to the consumer. Concentrated buyer power is a risk for household appliances doing business with Best Buy, Home Depot, or Lowe's. Omnichannel platforms create new sales and marketing opportunities for direct online sales for all sub-industries, except homebuilding. Generally, the threat of substitutes is low to medium across sub-industries, except the low-end category of housewares & specialties.

HOUSEHOLD DURABLES SUB-INDUSTRIES PORTER'S COMPETITIVE MATRIX

	RIVALRY AMONG EXISTING COMPETITORS	POWER OF BUYERS	POWER OF SUPPLIERS	THREAT OF SUBSTITUTES	THREAT OF ENTRY
HOMEBUILDING	**Moderate** Competition from the major builders is rational in today's market, given what the industry learned by aggressive pricing before the Great Recession in 2008. The industry will continue to face competitive pricing spurred by the probability of recession in late 2022 or 2023. Each of the top builders carefully manages the pace and price of selling new homes, land acquisition plans, and adjusting to local market conditions that may vary for national builders. Funds from operations and capital raises are needed to fund the development of new communities that take many years to acquire and develop homesites.	**Moderate** The housing market cycle usually determines how much buyer power prospective U.S. households have in purchasing a new home. Today's strong U.S. economy with limited supply of new construction tilts in favor of the builder in limiting incentives to sell a new home. Builders are reluctant to push the pace too aggressively, with high cost of land affecting gross margins. Millennials and empty-nesters seem to be the strongest areas of demand, especially in moving young households from multifamily rentals to owning a new home	**Moderate** Land is the highest input cost representing nearly two-thirds of total cost, followed by labor and material costs. The availability of skilled labor had narrowed in recent years, leading to higher salaries and wages. Labor issues is gradually being mitigated as U.S. unemployment rates steadily declined to 3.6% in May 2022. Lumber and steel costs are other key input costs that have risen in recent years and will continue to fluctuate due to inflationary pressures. With Russia being the major softwood lumber supplier, the ripple effect of Russia-Ukraine war is anticipated to cause a negative supply shock to the global lumber market in the near term.	**Low** Demographics and a renter's lifestyle could be a risk to new residential demand. Nevertheless, homeownership reached 65.4% of total U.S. households in the first quarter of 2022, according to the U.S. Census Bureau. Homeownership has been on a steady climb since 2016, but we think that rising mortgage rates could affect households decisions in owning their own homes.	**Low** The industry continues to consolidate, and the top 10 builders dominate new residential sales and construction, representing 57.6% of 2021 revenue for the top 100 builders. There are no outside firms that are expected to enter the single-family residential market.

Source: CFRA.

HOUSEHOLD DURABLES SUB-INDUSTRIES PORTER'S COMPETITIVE MATRIX (CONTINUED)

	RIVALRY AMONG EXISTING COMPETITORS	POWER OF BUYERS	POWER OF SUPPLIERS	THREAT OF SUBSTITUTES	THREAT OF ENTRY
HOME FURNISHINGS	**Moderate** Existing traditional home furnishings companies compete for floor space at retailers' home furniture stores. Many home furnishings firms have managed to resume their plans for retail stores expansion after the pandemic, as the top 100 retailers saw 80% of sales increases in double digits in 2021. Risks to all competitors are market conditions tied to the U.S. economy.	**High** Customers have many choices in the home furnishings market; that gives buyers power to shop across different stores or the expanding direct online sources. Lifestyle changes to the minimalist style in decorating homes have hurt U.S. demand along with a general decrease in discretionary spending.	**Moderate** The biggest risks to home furnishing companies are higher input costs factored by Russia-Ukraine war impact and materials from China that are subject to trade tariffs that move wholesale costs higher. Trade policy impacts cost more than a single source with supplier concentration power.	**Moderate** Risk to incumbent firms comes from private label furniture offered by mega-retailers like Walmart and Target, who have become top 5 home furnishings providers. There is less threat coming from higher demographic households who seek higher quality and sales service in the stores.	**High** We think the threat of entry is different for the major categories of home furnishings including bedding, case goods, and upholstery. Case goods have consolidated in Asia, mostly China and Vietnam, while upholstery has adapted with more plant operations based in North America that avoid trade tariff risks.
HOUSEHOLD APPLIANCES	**High** Competition among U.S. firms and Asia-based providers remains intense. The U.S. industry association has petitioned the Federal Trade Commission about dumping activity from China (Haier) and South Korean manufacturers (LG and Samsung).	**Moderate** Customers have choices on where to purchase appliances. While there are price discounts and event store sales like Memorial Day, the top appliance brands control their pricing lists with retailers.	**Moderate** Rising steel input costs are a risk, especially coming from the Russia-Ukraine war aftermath. Strength of the U.S. dollar is another risk to higher input costs.	**Low** The basic functions of kitchen and washer/dryer products have not changed much, even with new digital boards added to appliances. The pace of change is evolutionary, not revolutionary.	**Low** For large appliance products (refrigerators, ovens, dishwashers, washers, and dryers), the risk of new entrants is extremely low to compete in a highly capital-intensive industry that requires global distribution and retail dealer networks.
HOUSEWARES & SPECIALTIES	**Moderate** As a fragmented industry, household companies offer so many different housewares that a single product is not likely to weigh on competition in the market. We think getting the right shelf space at retail stores matters, as does the growing demand for direct online shopping.	**Moderate** Buyers have choices in products in most cases, and brand loyalty to individual products may vary versus purchasing lower-priced competitors, including private label offerings.	**Low** Most suppliers are fragmented.	**High** It is very hard to identify a must-have houseware or specialty product that does not have a substitute product, often from a low-cost provider outside the U.S. Manufacturing capabilities and plant locations are a factor in driving substitute products.	**High** This is a fragmented industry with the largest incumbent firms that offer dozens of houseware products to the mass consumer market. The greatest threat to entry comes from low-cost producers located in China. Trade tariffs for many low-priced housewares are not likely to get relief from U.S. regulatory agencies, in our view.

Source: CFRA.

Competitive Environment

Although the industry structures and competitive environments of the household appliances and home furnishings sub-industries are markedly different, they have similar customer bases. Homebuilders, although they also sell to consumers, operate with altogether different dynamics and are much more sensitive to economic cycles.

Household appliance manufacturing is highly concentrated, while the home furnishings sub-industry is fragmented. Their production modes also differ: appliance manufacturing tends to be more automated and less labor-intensive than furniture making. The U.S.-based appliance makers also have more diversified, global revenue bases compared with the U.S. home furnishings companies, which are mostly concentrated in the domestic market.

Traditional retail outlets (full-service department stores and multi-brand home furnishings and appliance stores) continue to ring up the most sales for both sub-industries. However, nontraditional distribution channels, including privately-owned home furnishings stores, home improvement chains, and warehouse clubs, are gaining market share. Still, somewhat weak economies in developed markets have led to further consolidation in retail stores that sell home appliances and home furnishing goods, while emerging markets are still expanding retail outlets.

KEY SOURCES FOR THE U.S. FURNITURE MARKET
(ranked by 2021 furniture revenues)

RANK NO.	COMPANY NAME	REVENUES *(in $, millions)* 2021	2020	PERCENT CHANGE
1	Ashley HomeStore	6,346	5,060	25.4
2	Williams-Sonoma	4,603	3,749	22.8
3	Ikea	3,970	3,178	24.9
4	Mattress Firm	3,929	2,976	32.0
5	RH	3,507	2,676	31.1
6	Rooms To Go	3,460	2,850	21.4
7	Berkshire Hathaway furniture division	2,405	1,933	24.4
8	Sleep Number	2,185	1,857	17.7
9	Raymour & Flanigan	2,180	1,436	51.8
10	Bob's Discount Furniture	2,015	1,713	17.6
11	Big Lots	1,845	1,881	(1.9)
12	Crate and Barrel	1,720	1,318	30.5
13	La-Z-Boy Furniture Galleries	1,632	1,392	17.2
14	American Signature	1,275	1,024	24.5
15	Dufresne Spencer Group	1,070	803	33.2
16	Havertys	1,013	748	35.3
17	American Furniture Warehouse	1,003	796	26.1
	TOTAL	44,158	35,390	24.8

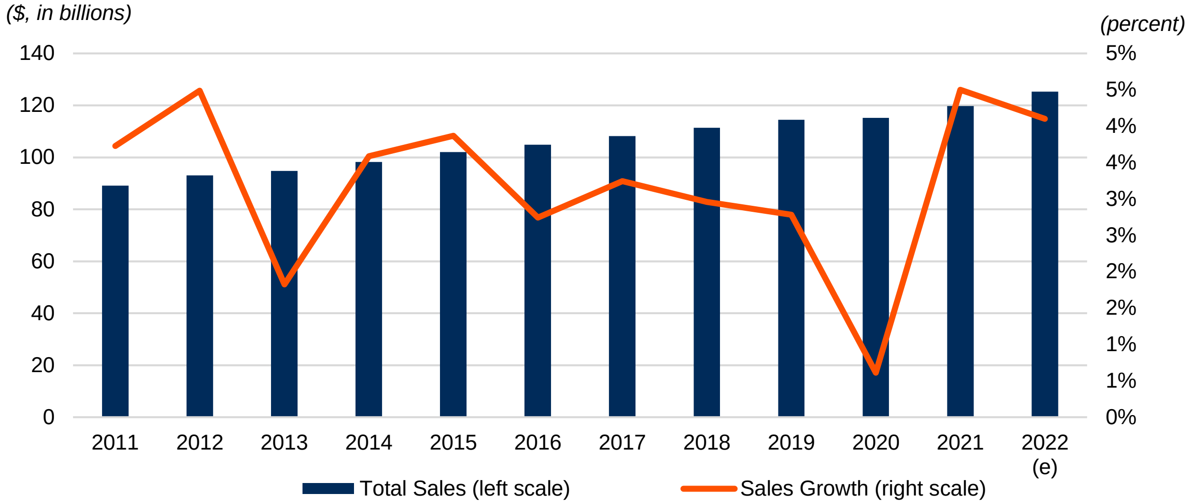
Source: Furniture Today.

Home Furnishings

The U.S. home furniture and bedding business is growing, and the largest retailers are gaining share. According to *Furniture Today*, furniture and bedding sales are forecasted to increase by 4.1% (highest since 2012) and to reach $125.3 billion in 2022 from a year ago, primarily attributed to the pandemic-induced focus on home upgrades. The spending on furniture and bedding is also estimated to grow by leaps and bounds, reaching $145 billion (+20.8%) in 2026—an upgrade from the stagnant sales performance over the past 10 years.

FURNITURE AND BEDDING SALES GROWTH

($, in billions)



e-Estimate.
Source: *Furniture Today, December 2021.*

Looking forward to 2022, the home furnishings sales outlook could potentially encounter uncertainties, mainly due to supply chain challenges and rising inflation throughout 2022 coupled with a mixture of changes in the unemployment rate, wage growth, and median income.

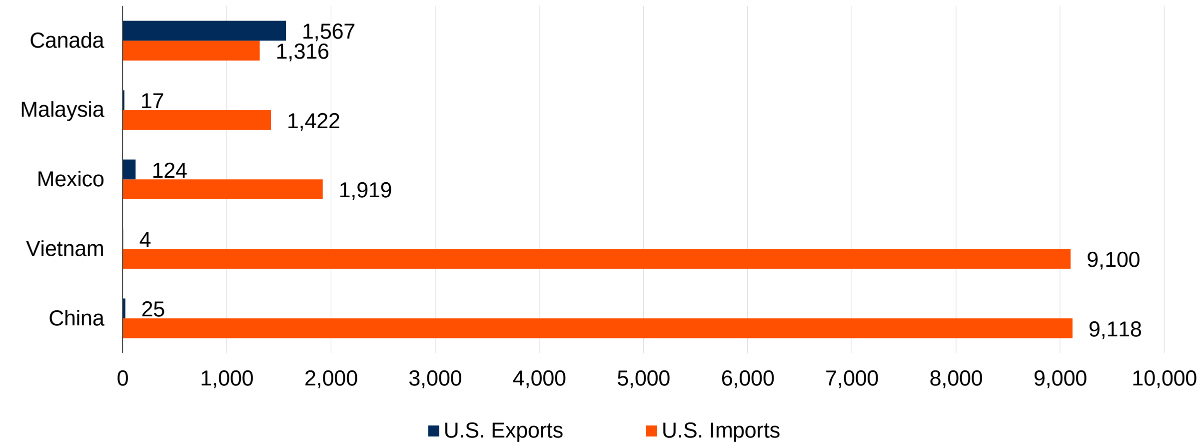
TOP TEN U.S. BEDDING PRODUCERS*

----------- RANK -----------		U.S. BEDDING COMPANY	----- EST. U.S. WHOLESALE BEDDING SHIPMENTS -----		
2020	2019		2020 ($, *in millions*)	2019	2020-2019 % change
1	1	Sealy	1,646	1,436	14.6
2	4	Tempur-Pedic	1,378	1,115	23.6
3	2	Simmons	1,094	1,229	(11.0)
4	3	Serta	974	1,205	(19.2)
5	5	Sleep Number	669	660	1.4
6	6	Ashley Furniture Inds.	425	367	15.8
7	7	Corsicana	320	297	7.7
8	8	Therapedic	184	170	8.2
9	11	Restonic	149	129	15.5
10	9	Sherwood	140	155	(9.7)
Top 10, total			6,979	6,763	3.2
Other producers			503	558	(9.9)
Top 15 total			7,482	7,321	2.2

*Latest available data.
Source: *Furniture Today*, *June 2021.*

In 2021, U.S. furniture imports soared 28% to $29.1 billion compared to the same period in the prior year, according to *Furniture Today*. China has regained the top spot for the top overseas source during this period, with a shipment value of $9.2 billion, compared to a value of $7.3 billion in the previous year. Exports from the U.S. in 2021 also increased 15.3% to $2.3 billion. Canada was the biggest export destination by a wide margin, being the destination for 68% of U.S. furniture exports, with Mexico being a distant second at about 5.4%.

TOP 5 U.S. HOME FURNISHINGS IMPORT AND EXPORT COUNTRIES IN 2021
(in $ millions)



Source: U.S. Census Bureau.

LARGEST SOURCE COUNTRIES OF U.S. HOUSEHOLD FURNITURE IMPORTS AND EXPORTS

RANK NO.	COUNTRY	IMPORTS *(in $, millions)* 2021	2020	PERCENT CHANGE
1	China	9,117.5	7,331.0	24.4
2	Vietnam	9,100.0	7,405.0	22.9
3	Mexico	1,919.9	1,193.4	60.9
4	Malaysia	1,422.2	1,383.9	2.8
5	Canada	1,315.5	1,118.3	17.6
6	Indonesia	1,174.8	855.3	37.4
7	Italy	1,117.6	780.2	43.2
8	India	549.9	347.6	58.2
9	Thailand	458.4	295.9	54.9
10	Poland	363.8	248.9	46.2
	Top 10, total	26,539.6	20,959.5	26.6
	Other countries	2,534.1	1,762.3	43.8
	World total	29,073.7	22,721.8	28.0

RANK NO.	COUNTRY	EXPORTS *(in $, millions)* 2021	2020	PERCENT CHANGE
1	Canada	1,566.6	1,312.6	19.4
2	Mexico	124.2	108.8	14.2
3	United Kingdom	45.0	39.8	13.1
4	South Korea	36.7	35.5	3.4
5	Bahamas	35.7	26.3	35.7
6	Australia	27.8	26.4	5.3
7	Japan	25.8	26.6	(3.0)
8	China	25.0	26.5	(5.7)
9	Germany	23.6	26.0	(9.2)
10	Saudi Arabia	22.3	28.2	(20.9)
	Top 10, total	1,932.7	1,656.7	16.7
	Other countries	370.0	340.7	8.6
	World total	2,302.7	1,997.4	15.3

Sources: U.S. Customs Service; U.S. Census Bureau; U.S. International Trade Commission.

TOP 10 U.S. HOUSEHOLD FURNITURE PRODUCTS IMPORTS AND EXPORTS, BY PRODUCT CATEGORY

RANK NO.	PRODUCT	IMPORTS (in $, millions) 2021	2020	PERCENT CHANGE
1	Miscellaneous wood furniture	6,758.6	5,389.7	25.4
2	Upholstered seats, wood frame	4,900.0	3,360.6	45.8
3	Upholstered chairs, wood frame	3,291.3	2,479.2	32.8
4	Wood bedroom furniture	2,510.4	2,148.7	16.8
5	Wood kitchen furniture	2,185.5	1,752.5	24.7
6	Wood beds	1,731.4	1,569.8	10.3
7	Metal outdoor seats with textiled-covered cushions	1,896.2	1,359.2	39.5
8	Upholstered seats, metal frame	1,485.1	1,168.5	27.1
9	Furniture of other materials	1,061.8	836.0	27.0
10	Wood dining tables	783.1	695.8	12.5
	Top 10, total	26,603.4	20,760.0	28.1
	Other household furniture products shipped	2,470.3	1,961.8	25.9
	World total	29,073.7	22,721.8	28.0

RANK NO.	PRODUCT	EXPORTS (in $, millions) 2021	2020	PERCENT CHANGE
1	Miscellaneous wood furniture	414.2	354.4	16.9
2	Upholstered seats, wood frame	273.3	205.3	33.1
3	Metal furniture, miscellaneous	215.9	205.0	5.3
4	Mattresses	193.1	162.2	19.1
5	Upholstered chairs, wood frame	173.7	141.5	22.8
6	Wood bedroom furniture	148.1	134.0	10.5
7	Cane, etc., furniture	127.8	118.0	8.3
8	Plastic furniture	113.5	102.5	10.7
9	Bedding foundations	110.9	99.3	11.7
10	Seats other than metal or wood frame	109.0	97.2	12.1
	Top 10, total	1,879.5	1,619.4	16.1
	Other household furniture products shipped	423.2	378.0	12.0
	World total	2,302.7	1,997.4	15.3

Note: A "seat" is any product for sitting that is not a "chair."
Source: U.S. Customs Service, U.S. Census Bureau, U.S. International Trade Commission.

We think the U.S. home furniture industry is dependent on imports that may shift from China to countries in Asia or Mexico, if there are no trade resolution between China and the U.S. Both case goods (wood) and upholstery furniture are leading U.S. import product categories. Trade tariffs are changing the economics that may lead to select expansion of U.S. manufacturing.

Household Appliances

Unit shipments of major kitchen and other household appliances in North America posted a slight first quarter decline of 1.7% in 2022 compared to the same period in the previous year, according to the industry trade group Association of Home Appliance Manufacturers (AHAM). Appliance shipments in the first quarter of 2022 have been lagging compared to the previous year due to supply chain issues. First quarter 2022 contractions were posted in all key product categories, including home laundry equipment (-9.0%), food preservation (-2.7%), and kitchen cleanup (-2.3%).

CFRA thinks appliance manufacturers are looking to major developing countries for new revenue growth as developed markets in North America and Europe have high penetration rates for major appliances. In our opinion, there are market opportunities for the leading global appliance manufacturers to gain market share from smaller suppliers that may only have a country or regional presence, at best.

Home Building

Publicly traded companies have certain advantages over the small builders, such as better access to credit from their own balance sheets, economies of scale in land and material purchases, as well as in land holdings and advertising. Nonetheless, small builders can better address the growth in their local markets and can be more flexible in customizing their products to meet local demands and preferences.

Homebuilding companies compete aggressively on many fronts—for acquisition of land parcels, for labor to construct homes, for customers to buy homes, and so on. Some homebuilders keep large inventories of land on their balance sheets, enough for several years of construction, while others keep enough for only the next year or so. Homebuilders with large inventories of land are well situated in a rising housing market but are at increased risk of write-downs should the housing market turn down. Some homebuilders have a competitive advantage because they have inventories of prime property in high-demand areas, such as in the San Francisco Bay area. Homebuilders who want to enter good markets can acquire their way in or compete for land parcels.

Pricing strategies vary by company, by region, and by the homebuilding economic cycle. Some homebuilders build a supply of homes on “spec,” that is, without a signed contract for that home. This aggressive strategy is designed to get sales from customers who need homes right away, and who have the option of either renting or buying existing homes. Homebuilders who do not build “spec” homes run the risk of missing out on sales. If market conditions soften due to weather, rising interest rates, or a local economic downturn, the builders with relatively large inventories of “spec” homes will need to discount their prices significantly.

In addition, homebuilding companies need to compete for skilled and semi-skilled labor. Labor costs are highly variable, and labor supply depends on the market. Besides higher labor costs, inflation and supply chain bottlenecks have increased building materials costs by 20% or more in the first half of 2022. Only lumber costs have come down sharply in the second quarter of 2022 as the pace of homebuilding has slowed down considerably, and demand is expected to weaken in the second half of 2022 and 2023.

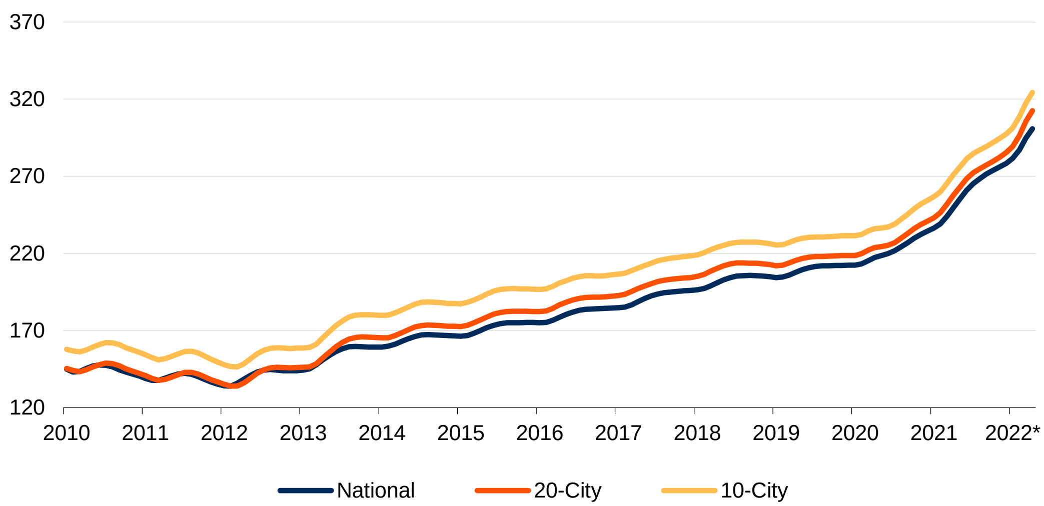
Operating Environment

In the highly competitive household durables industry, companies are taking steps to improve demand and control the underlying costs, for their products and their profitability. Steps include rolling out more innovative and affordable products, shifting production overseas when possible, and selling products through new channels. Most companies are introducing omnichannel ways for customers to shop supported by more intelligent technology platforms and well-thought-out supply chain architectures.

U.S. Housing Market Expected to Decelerate Through 2022
We change our fundamental outlook for the homebuilding sub-industry from positive to neutral due to record inflation and rising interest rates. As of April 2022, the U.S. housing economic data has demonstrated declines in new housing sales, housing starts and permits, as well as home deliveries, and this trend is expected to sustain throughout 2022.

Home prices are hitting records in just about every part of the country. The S&P CoreLogic Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices that track changes in the value of residential real estate. The June 28, 2022 release for the 20-City Composite reported a 21.2% increase Y/Y for April 2022 data, up from 2.3% in the previous month. Showing the highest Y/Y gains among the 20 cities were Tampa (+35.8%), Miami (+33.3%), Phoenix (+31.3%), and Dallas (+31.0%_. The lowest gains in home prices were in Minneapolis (+12.3%), Washington DC metro (12.7%), New York (+14.3%), and Chicago (+13.0%). Again, we think rising mortgage rates should lead to some deceleration of home prices for the rest of 2022 and 2023.

S&P CORELOGIC CASE-SHILLER INDICES



*Data through April.

Source: S&P Dow Jones Indices.

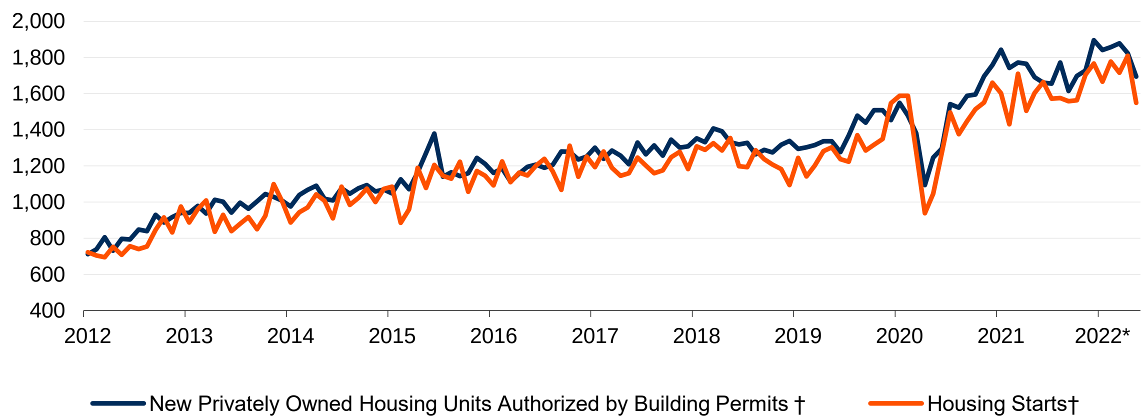
The U.S. existing home sales declined to 5.4 million in May 2022 from 6.5 million in January 2022. Unsold inventory stood at a 2.6-month supply in May 2022, according to the National Association of Realtors, up from a 1.9-month level in both April 2022 and 1.9-month level in March 2022.

TOTAL EXISTING HOME SALES, U.S. ANNUAL RATE
(units in thousands)

*Data through May.
Source: The National Association of Realtors

Housing starts, which are a more forward-looking measure of housing completions, were down 3.5% to 1,549,000 units in May 2022 compared to a year ago. The single-family housing starts in May 2022 declined 5.3% from a year ago. For single-family starts, the May 2022 year-over-year decrease by region were the Northeast (-4.9%), Midwest (-12.8%), South (no % change), and West (-12.1%).

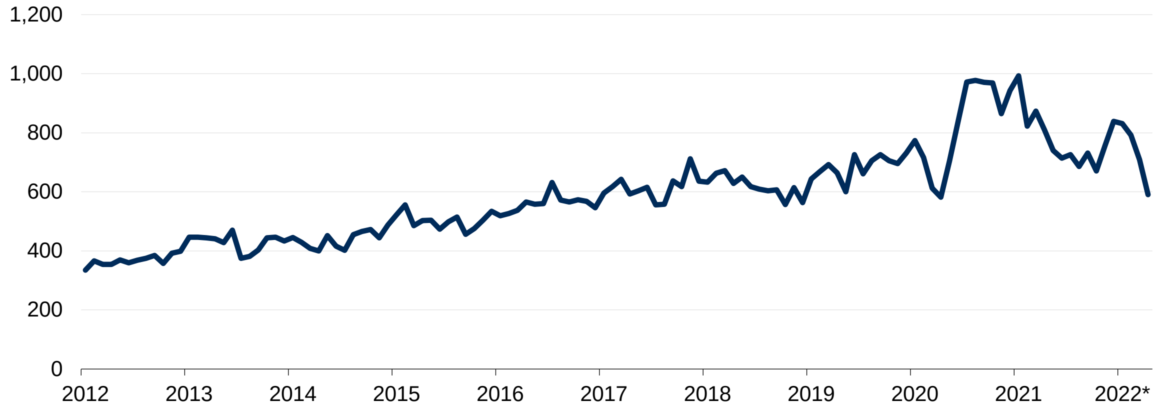
HOUSING STARTS AND NEW BUILDING PERMITS
(thousands)



†Seasonally adjusted annual rate. *Data through May.
Source: U.S. Federal Housing Finance Board, U.S. Department of Commerce.

Sales of new single-family houses in May 2022 were at a seasonally adjusted rate of 696,000, according to the U.S. Census Bureau. This is 10.7% above the prior-year level. The median sales price was $449,000 in May 2022, and the average price was $511,400. Seasonally adjusted estimate of new houses for sale at the end of the same month stood at 444,000 units, representing a supply of 7.7 months at the current sales rate.

NEW RESIDENTIAL SALES
(thousands, seasonally adjusted)



*Data through April. †Seasonally adjusted annual rate.

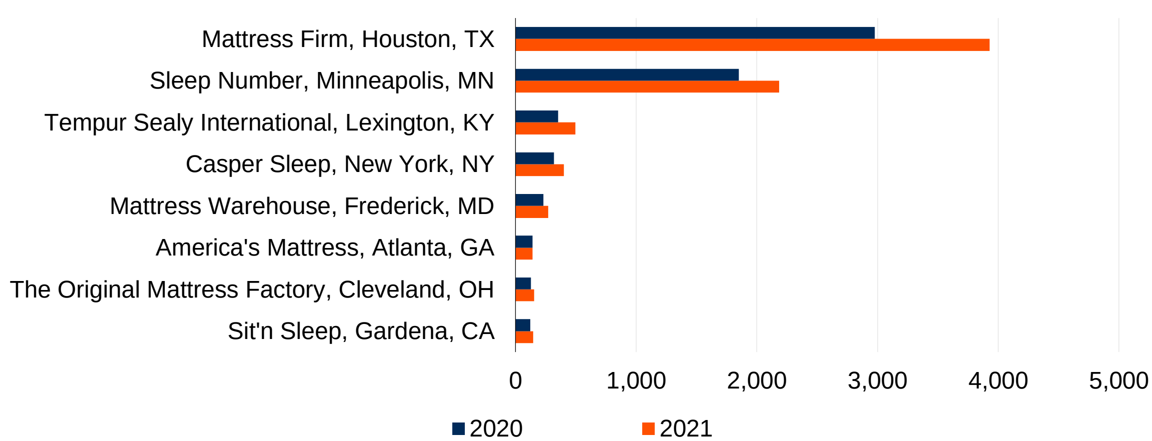
Source: U.S. Census Bureau

Rising Influence of the Internet

As with many other industries, the household durables industry is undergoing change brought about by the depth and breadth of information available to consumers on the internet. Prospective homebuyers can look up properties for sale and recent comparable sales in a neighborhood, for example. Retailers are expanding their presence online and via mobile to spur home furnishing orders. Indeed, online home furnishings sales represent one of the strongest e-commerce sales categories in the U.S. In 2022, eMarketer forecasted e-commerce sales to grow 15.9% to $1.065 trillion.

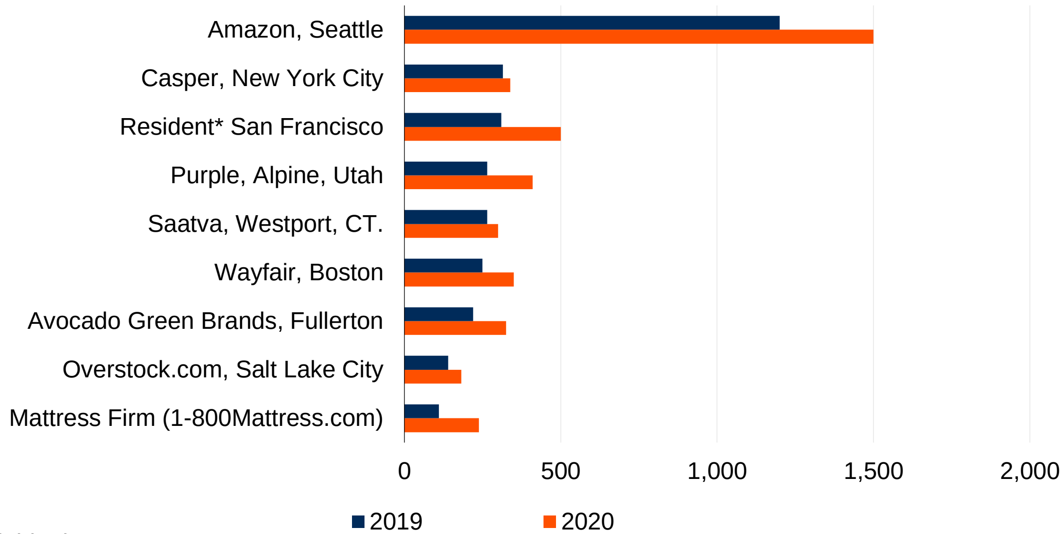
According to *Furniture Today*, the pandemic has significantly driven the rise of e-commerce in the furniture industry, where e-commerce reached an all-time high, at one point making up 16.4% of total global retail sales, according to a study from Shopify. Retailers have also observed a significant recovery in store traffic with more than 100% increase as of May 2022, compared to the stagnant growth in 2020. Nevertheless, CFRA foresees a neutral outlook for the furniture industry due to supply chain bottleneck and economic uncertainties that could influence the industry outlook in the near future.

TOP ONLINE BEDDING SPECIALISTS
(sales, in $ million)



Source: Furniture Today.

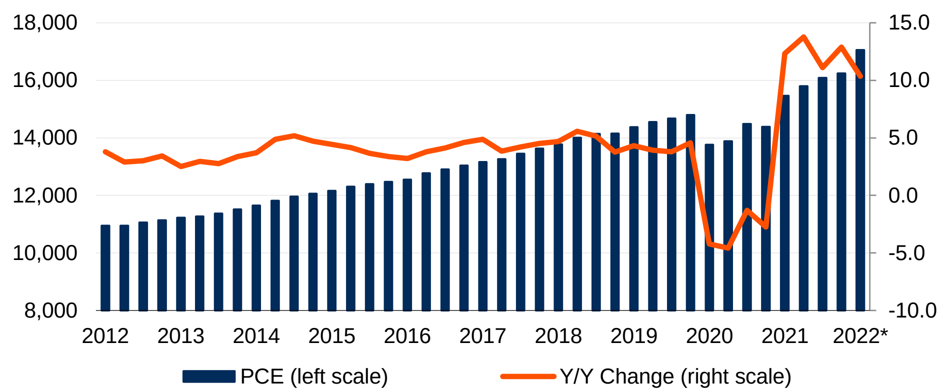
TOP ONLINE BEDDING E-COMMERCE RETAILERS*
(sales, in $ million)



*Latest available data.
Source: Furniture Today.

Consumer Spending Review
According to the Federal Reserve Economic Data (FRED), the real personal consumption expenditures (PCE) increased 10.4% as of April 2022 from the year-ago period. However, we observe a declining trend in PCE growth from 2021, mainly driven by inflationary pressures, restricting consumer spending. The PCE is a leading indicator to determine inflation for U.S. household spending.

PERSONAL CONSUMPTION EXPENDITURES
($, in billions) *(percent change, Y/Y)*



*Data through April.
Source: Federal Reserve Economic Data.

Adjusted furniture and home furnishing sales as of April 2022 increased 3.4% versus the end of 2021 as hunkered down consumers increased their home improvement spending. It is important to remember that consumer spending dominates the U.S. economy; it typically accounts for around 70% of GDP.

CONSUMER SPENDING FOR FURNITURE AND APPLIANCES
(seasonally adjusted annual rate, in $, millions)

YEAR	-------------- HOUSEHOLD APPLIANCES -------------- SMALL ELECTRIC	MAJOR	TOTAL	FURNITURE	TOTAL FURNITURE & APPLIANCES
2005	4,943	40,154	45,097	96,090	141,187
2006	5,093	41,880	46,973	100,194	147,167
2007	5,144	41,618	46,762	100,760	147,522
2008	5,331	40,762	46,093	90,182	136,275
2009	5,367	37,451	42,818	79,333	122,151
2010	5,823	38,268	44,091	80,256	124,347
2011	6,387	39,584	45,971	81,638	127,609
2012	6,949	41,183	48,132	84,147	132,279
2013	7,153	42,942	50,095	86,691	136,786
2014	7,441	43,930	51,371	90,810	142,181
2015	7,772	44,968	52,740	97,186	149,926
2016	8,105	46,227	54,332	102,230	156,562
2017	8,738	48,114	56,852	119,814	176,666
2018	8,686	47,771	56,457	121,241	177,698
2019	9,507	48,944	58,451	130,967	189,418
2020	10,076	53,321	63,397	147,649	211,045
2021	11,649	63,376	75,025	180,235	255,260
2022*	12,141	65,569	77,710	186,164	263,874

*Data through April.

Source: U.S. Bureau of Economic Analysis.

Housing Starts/Homeownership Rates

Housing starts are beginning to show unfavorable growth, fueled by a combination of multifamily and single-family units, according to the U.S. Department of Commerce’s “New Residential Construction” report that covers housing starts, permits, and completions. For May 2022, U.S. housing starts were at a seasonally adjusted annual rate (SAAR) of about 1,549,000, down 14.4% from the previous month. Single-family housing starts in May 2022 decreased month-over-month by 9.2% at the rate of 1,051,000, while housing starts for units in buildings with five units stood at 469,000.

Multifamily housing starts increased 19.8% above the monthly average in May 2022, according to the U.S. Monthly New Residential Construction report released by the U.S. Census Bureau on June 16, 2022. However, multifamily housing starts are expected at 514,000 units in 2022 and 463,000 units in 2023, according to the NAHB housing forecast in June 2022. NAHB also reported that single-family housing starts increased 3.7% from 1,061,000 units in April 2021 to 1,100,000 units in April 2022 and would likely continue to increase to 1,181,000 units in 2022. Overall, NAHB forecasted that total housing starts of 1.70 million in 2022, 1.73 million in 2023, and 1.71 million in 2024.

Owning a home remains a dream for many because consumers face strict credit guidelines. The homeownership rate in the first quarter of 2022, at 65.4%, was 2.0% lower than the year-earlier period but not statistically different from the fourth quarter of 2021 (65.5%), according to the U.S. Census Bureau. The homeownership rate has been around 65.0% from 2016 to 2021. The Federal Home Loan Mortgage Corp. (Freddie Mac) in January 2022 forecasted that 2022 home sales will stand at 6.2 million.

China Makes a Comeback As Top Furniture Exporter in U.S. Home Furnishings Market in 2021, but its Outlook for 2022 May Be Unfavorable

Since the early 1990s, home furnishings manufacturers in the U.S. have steadily lost market share to foreign producers. Furniture imports have risen at about four times the rate of domestic furniture, according to U.S. government data. U.S. furniture manufacturers have downsized significantly in the past decade. According to *Furniture Today*, total U.S. furniture imports saw a 28% increase hitting more than $29 billion in 2021 compared to the same period a year before. China regained its top spot and overtook Vietnam as the largest exporter of finished goods to the U.S. market, with a 24% surge in imports in 2021. By comparison, Vietnam shipped $9.1 billion to the U.S in the same period, up 23% from the same period in the previous year.

Nevertheless, China's lockdown imposition in April 2022 to achieve "Zero Covid" has tremendously decelerated its global export growth. The country's export growth declined aggressively to 3.9% in April 2022, reaching its lowest level since June 2020. This is driven by a halt in production due to the shutdown of production facilities throughout major cities in China. In light of this, a number of manufacturers expressed their concerns on potential impact on upholstery availability in the long run. This is because China is the primary exporter of fabric and cut-and-sew kits, a crucial component for upholstery manufacturers. Most manufacturers reported that the impact of China's lockdown on the supply chain is still minimal as of June 2022, but they are monitoring the situation attentively. They also caution that the real repercussions could be felt in the coming months, which could affect the industry significantly in the fourth quarter of 2022.

Competition from Non-U.S. Appliance Makers Increases Consumer Choice

Historically, U.S. companies such as Whirlpool battled a small group of domestic competitors. Increasingly, however, domestic manufacturers are facing competition from Asian firms, including South Korea-based LG Electronics Inc. and Samsung Electronics Co., as well as Europe's largest appliance manufacturer, AB Electrolux. China's leading appliance maker, Haier Group, is also beginning to make inroads.

The Rise of the Smart Home

Smart homes give consumers centralized control of many systems in the home, such as lighting, heating, ventilation and air conditioning, appliances, and security. Most systems allow remote access through a smartphone or computer, giving a homeowner control while outside the home. The worldwide shipments of smart home devices grew 11.7% from the previous year, reaching 895 million units in 2021, according to International Data Corporation (IDC).s

The North American market accounts for the largest revenue share contribution to the global smart home market in 2021, according to IDC. This is attributed to factors such as increasing demand for reliable home energy management systems, enhanced home security levels, and growing popularity of integration of smart devices such as tablets and smartphones in smart home solutions.

We expect smart home systems to become mass-market favorites for households spending on home improvement. Retailers like Home Depot and Lowe's will likely benefit from consumers buying smart systems or embedded smart home features like thermostats, refrigerators, or alarm systems. The home monitoring/security category includes connected door locks, cameras, moisture sensors near furnaces or humidifiers, and doorbells. Another area of new market opportunity is connected lighting.

HOW THE INDUSTRY OPERATES

Major Appliances

Historically, the largest home appliance category (in terms of unit sales) has been cooking equipment: electric and gas ranges, microwave ovens, and cooktops, according to the AHAM, an industry trade group. The next categories are laundry, food preservation, and kitchen clean-up equipment.

Manufacturing
The production of appliances and other durable household products is capital intensive, with significant upfront and ongoing cash costs. Companies that want to expand can add to existing facilities or build new plants on vacant land. Manufacturing facilities are highly mechanized, with assembly lines designed for long production runs. Consequently, the household durables industry's fixed costs are moderately high. However, the business also has a significant variable cost element: it is somewhat sensitive to price changes in raw materials and components.

Because of the industry's high level of automation, labor is a relatively small percentage of appliance makers' costs. Labor expense generally can be reduced when product runs are suspended temporarily, but equipment and facilities still require maintenance, albeit at a lower cost than when in full operation.

One ongoing expense is research and development (R&D). New products and features must be introduced so that a company's goods can remain competitive in otherwise undifferentiated markets. In addition, consumer demand forces manufacturers to create innovative features and styles that suit customer needs. However, in the short term, companies can reduce R&D spending when cash needs to be conserved.

Distribution
Finished appliances are usually shipped to regional warehouses and then trucked to retailers. Because of their high-volume purchases, major retailers often receive shipments directly from the manufacturing facility to their own warehouses.

Consumers purchase most appliances from retail outlets. The primary reason is that large products (such as washers, dryers, and refrigerators) usually need professional installation, which retail outlets can provide by keeping trained workers on staff. In addition, customers typically wish to inspect major appliances in person before purchasing.

E-commerce is becoming an increasingly popular distribution channel as well, but traditional bricks-and-mortar retailers are the primary beneficiaries. Most customers prefer to view the merchandise in stores before placing their order on a well-known retailer's website. There has been a shift in appliance retailing to larger stores like Best Buy, Home Depot, and Lowe's from smaller independent retailers. Many of these smaller stores have moved to niche segments, marketing more expensive luxury brand models.

Home Furnishings

The production process for home furnishings, such as that for major appliances, is capital intensive. Manufacturers must invest in factories and equipment (machinery for cutting, sanding, drilling, sewing, finishing, etc.) needed to convert raw materials to finished products. Given the greater variety of product colors and styles for furniture, home furnishing production runs are generally smaller than those for appliances, although they may be more numerous.

High-quality furniture tends to have more labor content (including finishing work) than mass-produced furniture or appliances.

Distribution
Manufacturers that have some control over retail distribution—through company-owned stores, independent dealer networks, or other contractual arrangements—often gain a competitive advantage. Most major home furnishings manufacturers and retailers have regional warehouse distribution facilities located strategically near a cluster of stores. This lets them provide prompt delivery of in-stock items, reduce inventory requirements at individual stores, undertake more efficient production runs, and make available a broader selection of merchandise.

Homebuilding

Demographics are a key input to executive decision-making for homebuilders, as demographics can reveal much about the potential markets for new homes, even though these trends are constantly changing.

Location is an important factor to consider in buying land. Usually, bidding is done before land is purchased. Prior to this, land value is estimated in comparison with the market price.

Once a title to the land is secured, and before starting to break the ground, several preparations are needed, such as building of access roads to the property, connecting the site to the electric grid, leveling the site, and drilling for septic system installation.

Before all phases of construction begin, necessary permits are secured for approval in compliance with the local, state, regional, and federal regulatory requirements.

The land development stage involves the alteration of the landscape (clearing away the trees and doing whatever draining, dredging, excavating, filling, grading, or paving is necessary) into suitability for housing in accordance with the site plan. Real estates are then subdivided into lots, for the purpose of building homes; hence, the term “subdivision” was derived.

Homebuilders use different strategies to market houses. Longstanding companies used traditional marketing—the use of “funnel” term to describe their strategy of acquisition, conversion, and retention. At the top of the funnel are the clients that they are looking for. They will considerably spend more time converting these potential clients into loyal customers. In today’s digital age, the use of social media has eased the burden of finding prospective clients. Social media is just the inverted funnel—the focus lies in the retention of customers instead of acquisition of customers, hence, creating a pyramid—a platform where customers are able to interact with the homebuilding company through word of mouth. Facebook and Twitter are the most common social media platforms used by many homebuilders.

Building speculative homes without a purchase contract is one strategy that some homebuilders implement; they build homes for sale with no buyer in mind. This is a way for homebuilders to attract first-time, entry-level homebuyers who are moving from multifamily rental properties. The Covid-19 impact has increased the appeal of single-family homes (versus high-rise living), as single-family homes provide better health safety and more space for growing families.

Homebuilders are always on the lookout for new ways to satisfy consumer demand; hence, they take the risk of investing in landholdings and home inventories. However, if the builder’s inventories become excessive and hit record levels, this leads to oversupply, falling prices, and even write-downs of lands and home inventories to fair market value. For this reason, most builders do not practice speculative construction. Instead, when a contract is signed, construction begins, and it usually takes about six months to deliver the home to the homebuyer.

To fund the cost of work in progress, homebuilders need financing before sales to homebuyers are closed. On the other hand, once a homebuyer has signed the purchase, they are required to enter into a financing arrangement, either to obtain a loan from banks (also known as end loans), and mortgage institutions, or directly from the developer.

Contracting a homebuilding activity involves warranties. In considering a home warranty, according to the Federal Trade Commission (the nation's consumer protection agency), it is important to understand what the warranty covers and how to make a claim. It is also important to understand the process for resolving disputes that may arise between the buyer and the builder or warranty company.

Satisfied customers pass on recommendations, so it is in a homebuilder's best interests to establish a good relationship with realtors and homebuyers. Brand reputation is critical to homebuilders in getting customer referrals and maintaining an excellent standing in the marketplace.

For information on the Building Products sub-industry, which includes companies that manufacture and sell items (pipes and valves to larger heating, ventilation, and air conditioning systems) used in residential and nonresidential buildings, please refer to CFRA's *Building Products* Industry Survey.

HOW TO ANALYZE A COMPANY IN THIS INDUSTRY

When examining a manufacturer in the household durables industry, investors typically begin by assessing general industry prospects and relevant macroeconomic factors. This overview provides a framework for evaluating individual companies. To identify the strengths, weaknesses, and potential future performance of an individual firm, company-specific qualitative and quantitative factors (outlined in further detail below) should be examined and compared with those of competing firms. The investor may decide to emphasize certain measures more than others, depending on company- and industry-specific factors.

For instance, major appliances that are used every day are considered less discretionary than home furnishings, so a company that sells only refrigerators may have less downside risk than a company that sells furniture. Financial policies matter as well: a firm that carries a high level of debt, particularly at a floating rate, may be more susceptible to changes in interest rates than another firm with a lower net debt ratio. In addition, high debt payment obligations lead to greater strain on liquidity for companies that experience lower funds from operations during economic downturns.

Qualitative Factors

Business strategy and leadership, and the company's competition are some of the factors that an investor should review.

Business Strategy and Leadership
Arguably, the most important qualitative factors pertain to strategy and leadership. Does the company have a coherent, focused business strategy? Does its management possess the depth of experience and the leadership ability to carry out that strategy? If a company is clear about its goals, the direction in which management wants to lead the company should be obvious. Moreover, if investors understand and appreciate the soundness of the firm's strategy, the value of the firm's shares often will rise.

A firm's management should quantify its goals so investors can track how well it meets its performance objectives. Investors should audit management's performance by comparing stated goals with actual practice. For example, if a company announces a new business strategy of investing more money in research to develop innovative products, then research & development (R&D) expenses would be expected to increase as a percentage of sales. If they do, the investor should examine whether the new products are indeed innovative and capable of generating higher revenue growth.

Management experience in the industry and its track record are also important success factors. Top management's background is discussed in the 10-K report, a document that companies are required to submit annually to the Securities and Exchange Commission. In addition, it is helpful to examine the composition of a company's board of directors; the proxy statement carries short descriptions of board members' backgrounds. With this information, determine if the board's members are business leaders with diverse, relevant experience, who can oversee a complex enterprise.

Corporate governance is also becoming an increasingly important topic, as it is a measure of a corporation's transparency, accountability, and fairness to shareholders. A review of the company's proxy statement can provide investors with information on important corporate governance topics, such as board composition, voting rights, related-party transactions, and management compensation.

The Competition
Investors should also compare a company's fundamental attributes with those of its competitors. How do the companies' managements, business plans, products, and financial resources compare? Do they

serve the same population, economic segment, or geographic market? Which markets seem most promising? Is the company, or its competitors, investing in emerging regions, such as Latin America, Eastern Europe, and Asia? If so, how are they going about it: through joint ventures or through “greenfield” operations (*i.e.,* building new plants on vacant land)?

Are the company’s labor and employee turnover rates like those of its competitors? Which operations are run most efficiently? The low-cost producer will have greater flexibility to reduce prices during economic slumps, helping it gain market share. Trends support manufacturing outside the U.S. to gain a low-cost advantage or to maintain margins. Most of these issues reflect factors that management can control. They are thus useful in assessing how well the company is being run.

Quantitative Factors

Assessment of a company’s past results and of its potential future performance would be incomplete without a careful analysis of financial statements. Growth trends over time should be noted. A company’s financial ratios and statistics (including those listed below) should be compared with those of its competitors. If the company’s results differ significantly, the reasons for that divergence should be examined.

Market Share
Growth in market share indicates that a company may have scale advantages in manufacturing, distribution, and marketing versus its peers. It may also suggest that a company has accurately assessed demand and is distributing products effectively, and that the market is responding positively to those products. If a company can expand its market share, this also means that the company is growing faster than its industry, and this could be an indication that the company is outperforming its peers. However, one caveat is that gains in market share can also be achieved through extreme price-cutting or product dumping, both of which harm profitability.

Gross Margin
The gross profit margin is a measure of a manufacturing operation’s efficiency and profitability. Well-run and profitable companies can sell their goods well above the cost of production, if pricing remains stable. It is important to observe whether margins are widening, narrowing, or holding steady, and to discern the reasons behind those trends.

Watch Out! *Costs for bad debts, sales returns, obsolete inventory, and other provisions are estimated by management and recorded as either expenses or offsets to revenue (depending upon the provision). Management has discretion in calculating these estimates, and therefore has the ability to manipulate earnings, and sometimes revenues. Specifically, by under-provisioning or reversing previous provisions, management can generate artificial, and therefore unsustainable, earnings.*

Operating Margin

Like gross margins, operating margins help to illustrate a company's efficiency and profitability, although on a broader scope. The operating margin reflects the efficiency and profitability of an entire enterprise—not just manufacturing, but corporate, selling, and distribution operations as well. For example, a company with lean management, lower fixed costs, and well-run distribution centers will likely report wider operating margins than one with a bloated bureaucracy and duplicative distribution centers.

An investor should be aware that some companies might hide normal operating expenses or disguise poor decisions as write-offs, thus boosting the reported operating margin. If significant "special items" such as asset impairment charges or goodwill write-downs crop up every year, it is a red flag. In such cases, the investor may want to add special items back to operating expenses. What this essentially does is reduce the reported operating margin to something more useful and realistic, so that comparisons can be made with the company's past results and with those of its peers.

Particularly in times of restructuring and consolidation, some companies separate unusual one-time expense items, such as a restructuring charge for closing plants and making severance payments. Removing such costs from the operating expense total makes a company's financial statements comparable on an apples-to-apples or an operating basis. This makes sense because the investor wants to know what the company is going to look like going forward.

Same-Store Sales

Some home furnishings manufacturers have significant single network retail operations. For such firms, sales gains measure their success with customers. The most closely watched quantitative indicator for retail operations is comparable-store, or same-store sales. These tally year-to-year growth in sales at stores that have been open for at least one year.

Watch Out! *Companies may hide a revenue slowdown by recognizing revenue in an earlier period than originally expected. As such, the reported revenue growth during a period in which revenue has been accelerated is likely unsustainable. There are many available tactics that management can use to accelerate revenue, some of which include allocating a higher proportion of transaction price to elements delivered upfront in contracts with multiple deliverables or performance obligations, faster recognition of deferred revenue, large shipments at period-end, a change in revenue recognition policy, and a change in the interpretation of the revenue recognition policy.*

Asset Utilization and Profitability Measures

One of the best ways to evaluate management is to assess the returns achieved on company resources. Common measures are return on assets (ROA), return on equity (ROE), and growth in net earnings per share (EPS), as described in further detail in this section. Managements try to achieve maximum profits by using the fewest assets possible. There are limits, however, to how far they can go. For example, if a company reduces its investment in its plants, those plants may become outdated, inefficient, or too small to satisfy a growing market, which would hinder sales and profits over the long term. Similarly, aggressive plans to limit receivables growth, by being too tight with customer credit, can crimp sales growth. Finally, if inventory levels are kept too low, insufficient product availability will hurt sales.

◆ Return on assets. This financial metric reflects a company's profitability as well as its efficiency in using its working capital (such as its inventory and receivables), and long-term assets (such as property, plant, and equipment). Returns on assets (ROA) is calculated by dividing net income from a given period by the average total assets for the same period. Companies that use their assets efficiently and have wider profit margins than their competitors will achieve higher ROAs than those with less optimal configurations. In evaluating a company, investors look at trends in the company's own performance, as well as how those trends compare with other companies in the same industry. ROA and operating margins do not indicate whether the company has struck a good balance between debt and equity financing. Operating profits and margins are calculated before interest expense, and ROA measures returns on assets without regard to leverage (debt financing).

Watch Out! *Off-balance sheet commitments such as joint ventures may signal financial risk that is not evident in traditional balance sheet ratios. Certain option contracts may entail more risk exposure to the company than others. There is a lack of clarity regarding the sustainability and source of earnings from off-balance sheet items as well as their inherent financial stability.*

◆ Return on equity. Return on equity (ROE) is the net income during a period divided by the average value of common equity during that period. It lets the investor evaluate a company's profitability and asset utilization, and how efficiently its managers are using capital resources. Two companies could have identical ROAs, but if one uses debt financing more aggressively, it will have the superior ROE.

◆ Earnings per share. All other things being equal, companies that consistently achieve above-average growth in earnings per share (EPS), compared with their peers, are generally rewarded with higher valuations (such as richer price-to-earnings, price-to-book, price-to-sales, and price-to-cash flow multiples). Sustainable EPS growth reflects an ability to manage a company's profitability in both up cycles and down cycles.

Equity Valuation

Household durables stocks generally tend to be somewhat volatile, partly reflecting the underlying cyclicality of the industry. CFRA thinks that prospects for future profit growth are paramount in determining a company's worth. Common valuation measurements include multiples of EPS and cash flow. Keep in mind that valuations depend on various factors, including overall investor sentiment, industry and economic conditions, the level of interest rates, and the extent to which future earnings seem predictable. As is the case with other measures, valuations of a particular company should be compared with those of similar companies in the same sub-industry. An investor should also examine a company's or sub-industry's historical valuations relative to a benchmark price-to-earnings ratio.

For the household durables industry, wide swings in the valuation ratios can occur over the business cycle. The industry's earnings are affected by changing economic conditions, as well as by investor sentiment.

Caution must be exercised in the interpretation of these metrics. A company that appears cheap relative to its peers, for example, may be at certain competitive disadvantages, such as a relative lack of attractive new products, higher debt levels, or lower profit margins, to name a few reasons. As a result, other investors may place a lower valuation on the shares of such a company.

It is also important to consider how management is performing and how well it is using the company's capital, such as examining the profitability on various assets. A change in management can lead to an increase in the value of a company's stock if investors perceive that steps will be taken to produce higher returns.

◆ **P/E ratio.** The most common means of valuing equities is the price-to-earnings (P/E) ratio, calculated as the share price divided by net EPS for either the past 12 months or projected EPS for a specified future period.

◆ **Enterprise value-to-EBITDA.** As an alternative to the standard P/E ratio, to eliminate distortions caused by differing tax rates and leverage, and to better evaluate a company's operating performance, investors compare the company's enterprise value (EV)—a combination of net debt and stock market value—to its earnings before interest, taxes, depreciation, and amortization (EBITDA).

Housing is highly cyclical and has some unique factors to evaluate relative to other household durables sub-industries. Understanding the big economic picture is the first step.

Demographics—the age, income, and socioeconomic characteristics of a population—are likely the most significant company-specific factors to bear in mind when analyzing a homebuilder. Age is not only highly predictable—which bolsters the validity of forecasts using it as an independent variable—it also strongly correlates with income levels and other socioeconomic data that are extremely relevant to builders.

The economics of supply and demand in served markets help dictate a builder's success, in CFRA's view. Thus, we compare a builder's demographics and aggregate job growth profile (the best proxy for local demand) with related permit data by locale, a good estimator of corresponding home supply. A builder concentrated in markets with positive overall job and population growth characteristics should expect to enjoy favorable demand for its homes.

Two of the more important items on a builder's balance sheet, inventories and long-term debt, are typically related. The large outlays required to purchase land and materials make the industry very capital intensive, underscoring the importance of its investments. Analyzing the balance sheet gives an indication of how capital is strategically deployed, as well as the cash flows expected to result. For example, a large increase in inventories might portend a like increase in revenues—or it might suggest that a builder is having difficulty obtaining entitlements, or that it may be entering a difficult sales environment.

Most of the cost of homebuilding depends on the size, structure, material, location, and topography. Costs include labor, materials, permitting costs, and discounts given to buyers. These factors may differ by geographic region.

GLOSSARY

Asset impairment charge—An accounting line item that goes relatively unnoticed but receives more attention as a weak economy and faltering stock market force more write-downs or write-offs of goodwill, inventory, land deposits, and investments in joint ventures, and create increased concerns about corporate balance sheets.

Case goods—Generally refer to furniture made of hard materials, such as wood, metal, glass, or plastic. Examples of case goods include chests, dressers, bookshelves, and cabinets. (See *Upholstery.*)

Durable goods—In economics, a durable good (or hard good) is a product that does not quickly wear out or, more specifically, one that yields utility over time rather than being completely consumed in one use. Examples of consumer durable goods include cars and such household goods as home appliances, consumer electronics, home furnishings, etc. In contrast, nondurable goods (also known as soft goods or consumables) are products that are either consumed in one use or have a lifespan of less than three years.

Existing home sales—The number of previously owned homes that are sold in a given period.

Fannie Mae—Formally called the Federal National Mortgage Association, it was created by the U.S. government in 1938 to establish a secondary market for mortgages insured by the Federal Housing Administration (FHA). Fannie Mae buys mortgages on the secondary market, pools them, and sells them as mortgage-backed securities to investors on the open market. The secondary mortgage market helps replenish the supply of lendable money for mortgages and ensures that money continues to be available for new home purchases.

Freddie Mac—Formally called the Federal Home Loan Mortgage Corporation, this stockholder-owned, publicly traded company was chartered by the U.S. government in 1970 to purchase mortgages and related securities, and then issue securities and bonds backed by those mortgages in secondary financial markets. Freddie Mac, like its competitor Fannie Mae, is regulated by the Office of Federal Housing Enterprise Oversight in the U.S. Department of Housing and Urban Development.

Household formations—The number of new households formed in a population during a given period, usually a calendar year.

Housing starts—The number of housing units on which construction has begun during a given period. Construction is considered to start when excavation begins on a building's foundation. Reported monthly, housing starts are usually expressed at a seasonally adjusted annual rate (SAAR).

Mortgage—A temporary, conditional pledge of real property represented to a creditor as security for a loan.

Same-store sales—The measure of year-on-year sales growth or decline for a store or chain of stores; also called comparable-store sales. Same-store sales results exclude new and closed stores, which can skew results.

Single-family home—Residential structure containing one housing unit (*i.e.*, a traditional home). A multifamily home, in contrast, is a residential structure that contains more than one housing unit.

Upholstery—A category of furniture (usually seating) that has padding, springs, webbing, and fabric or leather covers. Four elements are common to most upholstered items: the frame (usually wood), support system (solid, tension, or spring), cushioning (cushions and padding), and covering (fabrics and leathers). (See *Case goods.*)

INDUSTRY REFERENCES

PERIODICALS

Decrypt
decrypt.co
Provides daily insights on latest happenings on cryptocurrency.

Economic Times
economictimes.indiatimes.com
Publishes daily national and international business-focused news.

Furniture Today
furnituretoday.com
Covers furniture industry conferences, manufacturing, retail company strategies and results, and product trends.

Gallup
gallup.com
Analytics and advisory company known for its public opinions conducted worldwide.

iPropertyManagement
ipropertymanagement.com
Provides most up-to-date information from leading experts in property management, investing, and real estate law.

Joint Center for Housing Studies of Harvard University (JCHS)
jchs.harvard.edu
Produces a wide range of working papers, research briefs, and major reports about homeownership, rental housing, affordability, aging, and remodeling.

New Residential Construction Reports
census.gov/construction/nrc
Provides statistics on housing starts and building permit authorizations.

New Residential Sales Reports
census.gov/construction/nrs
Provides statistics on new one-family houses sold, inventories, and pricing trends.

MARKET RESEARCH FIRMS

eMarketer
emarketer.com
Subscription-based market research company that provides insights and trends related to digital marketing, media, and commerce.

The Conference Board
conference-board.org
Reports consumer confidence levels.

IBISWorld
ibisworld.com
Produces industry research reports to help companies and institutions to make better business decisions.

IHS Markit
ihsmarkit.com
Market intelligence firm providing information, statistics, content, and analysis.

Research and Markets
Researchandmarkets.com
Delivers market insights and analysis for business decision-making.

Smith Leonard Accountants & Consultants
smith-leonard.com
Accounting firm and business adviser that publishes the "Furniture Insights" report.

TRADE ASSOCIATIONS

American Home Furnishings Alliance (AHFA)
ahfa.us
Industry trade group: collects and disseminates data, and provides economic forecasts on the home furnishings industry.

Association of Home Appliance Manufacturers (AHAM)
aham.org
Industry trade group: collects and disseminates data and provides economic forecasts and projections on the household appliance industry.

International Sleep Products Association (ISPA)
sleepproducts.org
Represents the full bedding industry on commercial, health, safety, and environmental issues.

Mortgage Bankers Association (MBA)
mba.org
A national association representing the real estate finance industry, with more than 2,400 member companies. Provides information on refinancing and mortgage applications, along with interest rates.

National Association of Home Builders (NAHB)
nahb.org

A national association that works in partnership with more than 800 state and local builders' groups. Open to all members of the light construction industry. Advocate for homebuilding industry; provides members with news, information, advice, and analysis.

National Association of Realtors (NAR)
realtor.org
Represents more than one million members involved in all aspects of the residential and commercial real estate industries. Publishes the Housing Affordability Index, a measure of the extent to which a typical family (one earning the median family income) can afford to purchase a typical home (the national median-priced, existing single-family home).

GOVERNMENT AGENCIES

Federal Reserve Economic Data (FRED)
fred.stlouisfed.org
Online database maintained by the research department at the Federal Reserve Bank of St. Louis that provides hundreds of thousands of economic data time series.

Freddie Mac
freddiemac.com
Publicly traded and government-sponsored enterprise that supports the U.S. housing finance system.

U.S. Bureau of Economic Analysis (BEA)
bea.gov
Federal agency that collects economic data.

U.S. Bureau of Labor Statistics (BLS)
stats.bls.gov
This division of the U.S. Department of Labor (DOL) is the principal fact-finding agency of the federal government in the broad fields of labor, economics, and statistics.

U.S. Census Bureau
census.gov
Federal agency that collects U.S. population data.

U.S. Department of Commerce (DOC)
commerce.gov
Cabinet-level department responsible for a variety of government agencies that monitor and regulate U.S. commerce.

COMPARATIVE COMPANY ANALYSIS

				Operating Revenues															
				Million $							CAGR(%)			Index Basis (2011=100)					
Ticker	**Company**		**Yr. End**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**10-Yr.**	**5-Yr.**	**1-Yr.**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
CONSUMER ELECTRONICS																			
GRMN	[] GARMIN LTD.		DEC	4,982.8	4,186.6	3,757.5	3,347.4	3,121.6	3,045.8	2,820.3	6.1	10.3	19.0	177	148	133	119	111	108
SONO	§ SONOS, INC.		OCT	1,716.7	1,326.3	1,260.8	1,137.0	992.5	901.3	843.5	NA	13.8	29.4	204	157	149	135	118	107
UEIC	§ UNIVERSAL ELECTRONICS INC.		DEC	601.6	614.7	753.5	680.2	695.8	651.4	602.8	2.5	(1.6)	(2.1)	100	102	125	113	115	108
HOME FURNISHINGS																			
ETD	§ ETHAN ALLEN INTERIORS INC.		JUN	685.2	589.8	746.7	766.8	763.4	794.2	754.6	0.1	(2.9)	16.2	91	78	99	102	101	105
LZB	§ LA-Z-BOY INCORPORATED	#	APR	0.0	1,734.2	1,704.0	1,745.4	1,583.9	1,520.1	1,525.4	3.9	2.6	1.8	0	114	112	114	104	100
LEG	† LEGGETT & PLATT, INCORPORATED		DEC	5,072.6	4,280.2	4,752.5	4,269.5	3,943.8	3,749.9	3,917.2	3.4	6.2	18.5	129	109	121	109	101	96
MHK	[] MOHAWK INDUSTRIES, INC.		DEC	11,200.6	9,552.2	9,970.7	9,983.6	9,491.3	8,959.1	8,071.6	7.1	4.6	17.3	139	118	124	124	118	111
TPX	† TEMPUR SEALY INTERNATIONAL, INC.		DEC	4,930.8	3,676.9	3,106.0	2,702.9	2,700.6	3,079.7	3,154.6	13.3	9.9	34.1	156	117	98	86	86	98
HOMEBUILDING																			
CVCO	§ CAVCO INDUSTRIES, INC.	#	APR	1,627.2	1,108.1	1,061.8	962.7	871.2	773.8	712.4	20.5	9.2	4.4	228	156	149	135	122	109
CCS	§ CENTURY COMMUNITIES, INC.		DEC	4,216.3	3,161.2	2,535.9	2,147.4	1,423.8	994.4	734.5	50.6	33.5	33.4	574	430	345	292	194	135
DHI	[] D.R. HORTON, INC.		SEP	27,774.2	20,311.1	17,592.9	16,068.0	14,091.0	12,157.4	10,824.0	22.5	18.0	36.7	257	188	163	148	130	112
IBP	§ INSTALLED BUILDING PRODUCTS, INC.		DEC	1,968.7	1,653.2	1,511.6	1,336.4	1,132.9	863.0	662.7	23.5	17.9	19.1	297	249	228	202	171	130
KBH	† KB HOME		NOV	5,724.9	4,183.2	4,552.7	4,547.0	4,368.5	3,594.6	3,032.0	15.8	9.8	36.9	189	138	150	150	144	119
LEN	[] LENNAR CORPORATION		NOV	27,130.7	22,488.9	22,259.6	20,571.6	12,646.4	10,950.0	9,474.0	24.2	19.9	20.6	286	237	235	217	133	116
LGIH	§ LGI HOMES, INC.		DEC	3,050.1	2,367.9	1,838.2	1,504.4	1,258.0	838.3	630.2	50.7	29.5	28.8	484	376	292	239	200	133
MDC	§ M.D.C. HOLDINGS, INC.		DEC	5,254.7	3,901.2	3,293.3	3,065.2	2,577.6	2,326.8	1,909.0	20.1	17.7	34.7	275	204	173	161	135	122
MHO	§ M/I HOMES, INC.		DEC	3,745.9	3,046.1	2,500.3	2,286.3	1,962.0	1,691.3	1,418.4	20.8	17.2	23.0	264	215	176	161	138	119
MTH	§ MERITAGE HOMES CORPORATION		DEC	5,141.3	4,501.2	3,666.9	3,528.6	3,241.0	3,041.7	2,579.5	19.6	11.1	14.2	199	175	142	137	126	118
NVR	[] NVR, INC.		DEC	8,966.3	7,562.8	7,425.6	7,187.1	6,320.2	5,832.9	5,168.4	12.9	9.0	18.6	173	146	144	139	122	113
PHM	[] PULTEGROUP, INC.		DEC	13,926.9	11,036.1	10,213.0	10,188.3	8,577.7	7,676.5	5,982.0	12.9	12.7	26.2	233	184	171	170	143	128
TMHC	† TAYLOR MORRISON HOME CORPORATION		DEC	7,501.3	6,129.3	4,762.1	4,227.4	3,885.3	3,550.0	2,976.8	18.5	16.1	22.4	252	206	160	142	131	119
TOL	† TOLL BROTHERS, INC.		OCT	8,790.4	7,077.7	7,224.0	7,143.3	5,815.1	5,169.5	4,171.2	19.5	11.2	24.2	211	170	173	171	139	124
BLD	† TOPBUILD CORP.		DEC	3,486.2	2,718.0	2,624.1	2,384.2	1,906.3	1,742.9	1,616.6	NA	14.9	28.3	216	168	162	147	118	108
TPH	§ TRI POINTE HOMES, INC.		DEC	3,982.2	3,260.4	3,083.0	3,262.7	2,810.3	2,405.1	2,401.2	16.9	10.6	22.1	166	136	128	136	117	100
HOUSEHOLD APPLIANCES																			
HELE	† HELEN OF TROY LIMITED	#	FEB	2,223.4	2,098.8	1,707.4	1,564.2	1,478.8	1,397.5	1,392.6	10.4	8.6	22.9	160	151	123	112	106	100
IRBT	§ IROBOT CORPORATION	#	JAN	0.0	1,565.0	1,214.0	1,092.6	883.9	660.6	660.6	12.9	18.8	9.4	0	237	184	165	134	100
WHR	[] WHIRLPOOL CORPORATION		DEC	21,985.0	19,456.0	20,419.0	21,037.0	21,253.0	20,718.0	20,891.0	1.7	1.2	13.0	105	93	98	101	102	99
HOUSEWARES AND SPECIALTIES																			
NWL	[] NEWELL BRANDS INC.		DEC	10,589.0	9,385.0	9,715.0	10,154.0	11,170.4	9,181.1	5,915.7	6.7	2.9	12.8	179	159	164	172	189	155
TUP	§ TUPPERWARE BRANDS CORPORATION		DEC	1,602.3	1,557.8	1,614.1	2,069.7	2,255.8	2,213.1	2,283.8	(4.7)	(6.3)	2.9	70	68	71	91	99	97

Note: Data as originally reported. CAGR-Compound annual growth rate. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
Souce: S&P Capital IQ.

				Net Income																
				Million $							CAGR(%)			Index Basis (2011=100)						
Ticker	Company		Yr. End	2021	2020	2019	2018	2017	2016	2015	10-Yr.	5-Yr.	1-Yr.	2021	2020	2019	2018	2017	2016
CONSUMER ELECTRONICS																			
GRMN	[] GARMIN LTD.		DEC	1,082.2	992.3	952.5	694.1	709.0	517.7	456.2	7.6	15.9	9.1	237	218	209	152	155	113
SONO	§ SONOS, INC.		OCT	158.6	(20.1)	(4.8)	(15.6)	(14.2)	(38.2)	(68.8)	NA	NM	NM	(231)	29	7	23	21	56
UEIC	§ UNIVERSAL ELECTRONICS INC.		DEC	5.3	38.6	3.6	11.9	(10.3)	20.4	29.2	(12.4)	(23.6)	(86.3)	18	132	12	41	(35)	70
HOME FURNISHINGS																			
ETD	§ ETHAN ALLEN INTERIORS INC.		JUN	60.0	8.9	25.7	36.4	36.2	56.6	37.1	7.4	1.2	574.2	162	24	69	98	97	152
LZB	§ LA-Z-BOY INCORPORATED	#	APR	0.0	106.5	77.5	68.6	80.9	85.9	79.3	16.0	6.1	37.4	0	134	98	87	102	108
LEG	† LEGGETT & PLATT, INCORPORATED		DEC	402.4	253.0	314.0	305.9	292.6	385.8	325.1	10.1	0.8	59.1	124	78	97	94	90	119
MHK	[] MOHAWK INDUSTRIES, INC.		DEC	1,033.2	515.6	744.2	861.7	971.6	930.4	615.3	19.5	2.1	100.4	168	84	121	140	158	151
TPX	† TEMPUR SEALY INTERNATIONAL, INC.		DEC	624.5	348.8	189.5	100.5	151.4	190.6	64.5	11.0	26.8	79.0	968	541	294	156	235	296
HOMEBUILDING																			
CVCO	§ CAVCO INDUSTRIES, INC.	#	APR	197.7	76.6	75.1	68.6	61.5	38.0	28.5	39.1	21.8	2.1	693	269	263	240	215	133
CCS	§ CENTURY COMMUNITIES, INC.		DEC	498.5	206.2	113.0	96.5	50.3	49.5	39.9	54.9	58.7	141.8	1,250	517	283	242	126	124
DHI	[] D.R. HORTON, INC.		SEP	4,175.8	2,373.7	1,618.5	1,460.3	1,038.4	886.3	750.7	50.1	36.3	75.9	556	316	216	195	138	118
IBP	§ INSTALLED BUILDING PRODUCTS, INC.		DEC	118.8	97.2	68.2	54.7	41.1	38.4	26.5	NA	25.3	22.1	448	367	257	206	155	145
KBH	† KB HOME		NOV	564.7	296.2	268.8	170.4	180.6	105.6	84.6	NA	39.8	90.6	667	350	318	201	213	125
LEN	[] LENNAR CORPORATION		NOV	4,430.1	2,465.0	1,849.1	1,695.8	810.5	911.8	802.9	47.3	37.2	79.7	552	307	230	211	101	114
LGIH	§ LGI HOMES, INC.		DEC	429.6	323.9	178.6	155.3	113.3	75.0	52.8	62.5	41.8	32.6	813	613	338	294	214	142
MDC	§ M.D.C. HOLDINGS, INC.		DEC	573.7	367.6	238.3	210.8	141.8	103.2	65.8	NA	40.9	56.1	872	559	362	320	216	157
MHO	§ M/I HOMES, INC.		DEC	396.9	239.9	127.6	107.7	72.1	56.6	51.8	NA	47.6	65.4	767	463	246	208	139	109
MTH	§ MERITAGE HOMES CORPORATION		DEC	737.4	423.5	249.7	227.3	143.3	149.5	128.7	NA	37.6	74.1	573	329	194	177	111	116
NVR	[] NVR, INC.		DEC	1,236.7	901.2	878.5	797.2	537.5	425.3	382.9	25.3	23.8	37.2	323	235	229	208	140	111
PHM	[] PULTEGROUP, INC.		DEC	1,946.3	1,406.8	1,016.7	1,022.0	447.2	602.7	494.1	NA	26.4	38.3	394	285	206	207	91	122
TMHC	† TAYLOR MORRISON HOME CORPORATION		DEC	663.0	243.4	254.7	206.4	91.2	52.6	61.0	24.9	66.0	172.4	1,086	399	417	338	149	86
TOL	† TOLL BROTHERS, INC.		OCT	833.6	446.6	590.0	748.2	535.5	382.1	363.2	35.6	16.9	86.7	230	123	162	206	147	105
BLD	† TOPBUILD CORP.		DEC	324.0	247.0	191.0	134.8	158.1	72.6	79.0	NA	34.9	31.2	410	313	242	171	200	92
TPH	§ TRI POINTE HOMES, INC.		DEC	469.3	282.2	207.2	269.9	187.2	195.2	205.5	29.4	19.2	66.3	228	137	101	131	91	95
HOUSEHOLD APPLIANCES																			
HELE	† HELEN OF TROY LIMITED	#	FEB	223.8	253.9	152.3	168.5	44.4	140.7	101.2	10.5	20.2	66.7	221	251	150	167	44	139
IRBT	§ IROBOT CORPORATION	#	JAN	0.0	30.4	85.3	88.0	51.0	41.9	41.9	(2.8)	(6.2)	(79.3)	0	72	203	210	122	100
WHR	[] WHIRLPOOL CORPORATION		DEC	1,783.0	1,075.0	1,168.0	(183.0)	350.0	888.0	783.0	16.4	15.0	65.9	228	137	149	(23)	45	113
HOUSEWARES AND SPECIALTIES																			
NWL	[] NEWELL BRANDS INC.		DEC	572.0	(770.0)	107.0	(6,942.0)	2,748.8	527.8	350.0	16.4	1.6	NM	163	(220)	31	NM	785	151
TUP	§ TUPPERWARE BRANDS CORPORATION		DEC	18.6	112.2	12.4	155.9	(265.4)	223.6	185.8	(21.8)	(39.2)	(83.4)	10	60	7	84	(143)	120

Note: Data as originally reported. CAGR-Compound annual growth rate. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
Souce: S&P Capital IQ.

Ticker	Company		Yr. End	Return on Revenues (%) 2021	2020	2019	2018	2017	2016	Return on Assets (%) 2021	2020	2019	2018	2017	2016	Return on Equity(%) 2021	2020	2019	2018	2017	2016
CONSUMER ELECTRONICS																					
GRMN	[] GARMIN LTD.		DEC	21.7	23.7	25.3	20.7	22.7	17.0	13.8	14.1	15.4	12.9	14.3	11.4	18.6	19.3	21.3	17.3	19.5	15.3
SONO	§ SONOS, INC.		OCT	9.2	NM	NM	NM	NM	NM	13.9	NM	NM	NM	NM	NM	36.6	NM	NM	NM	NM	0.0
UEIC	§ UNIVERSAL ELECTRONICS INC.		DEC	0.9	6.3	0.5	1.8	NM	3.1	1.0	7.6	0.6	2.1	NM	3.9	1.8	13.1	1.4	4.6	NM	7.6
HOME FURNISHINGS																					
ETD	§ ETHAN ALLEN INTERIORS INC.		JUN	8.8	1.5	3.4	4.7	4.7	7.1	8.8	1.4	5.0	6.9	6.4	9.8	17.7	2.6	6.9	9.3	9.1	14.9
LZB	§ LA-Z-BOY INCORPORATED	#	APR	0.0	6.1	4.5	3.9	5.1	5.7	NA	6.0	5.4	6.5	9.1	9.7	0.0	14.4	11.2	10.6	13.3	15.0
LEG	† LEGGETT & PLATT, INCORPORATED		DEC	7.9	5.9	6.6	7.2	7.4	10.3	7.6	5.3	6.5	9.0	8.2	12.9	26.2	18.5	25.4	26.1	25.7	33.5
MHK	[] MOHAWK INDUSTRIES, INC.		DEC	9.2	5.4	7.5	8.6	10.2	10.4	7.3	3.6	5.6	6.6	8.0	9.1	12.2	6.2	9.6	11.9	15.1	17.5
TPX	† TEMPUR SEALY INTERNATIONAL, INC.		DEC	12.7	9.5	6.1	3.7	5.6	6.2	14.4	10.5	6.2	3.7	5.6	7.1	154.8	80.1	66.0	69.5	426.9	147.1
HOMEBUILDING																					
CVCO	§ CAVCO INDUSTRIES, INC.	#	APR	12.1	6.9	7.1	7.1	7.1	4.9	17.1	8.1	9.3	9.5	9.1	6.2	26.1	11.9	13.2	13.9	14.4	10.2
CCS	§ CENTURY COMMUNITIES, INC.		DEC	11.8	6.5	4.5	4.5	3.5	5.0	14.3	7.2	4.5	4.3	2.9	4.9	32.7	17.6	11.8	12.1	8.3	11.2
DHI	[] D.R. HORTON, INC.		SEP	15.0	11.7	9.2	9.1	7.4	7.3	17.4	12.6	10.4	10.3	8.5	7.7	30.7	21.2	16.6	17.3	14.3	14.0
IBP	§ INSTALLED BUILDING PRODUCTS, INC.		DEC	6.0	5.9	4.5	4.1	3.6	4.5	7.2	8.2	6.2	6.6	5.6	8.3	32.3	34.2	31.5	27.9	22.6	28.6
KBH	† KB HOME		NOV	9.9	7.1	5.9	3.7	4.1	2.9	9.7	5.5	5.4	3.4	3.6	2.1	19.9	11.7	12.0	8.5	9.9	6.2
LEN	[] LENNAR CORPORATION		NOV	16.3	11.0	8.3	8.2	6.4	8.3	13.3	8.2	6.3	5.9	4.3	5.9	22.8	14.5	12.0	15.2	10.2	13.9
LGIH	§ LGI HOMES, INC.		DEC	14.1	13.7	9.7	10.3	9.0	9.0	18.3	17.7	10.7	11.1	10.5	9.2	33.9	32.6	23.8	27.1	26.8	24.9
MDC	§ M.D.C. HOLDINGS, INC.		DEC	10.9	9.4	7.2	6.9	5.5	4.4	11.6	9.5	7.1	7.0	5.1	4.1	24.3	18.8	14.2	14.1	10.4	8.0
MHO	§ M/I HOMES, INC.		DEC	10.6	7.9	5.1	4.7	3.7	3.3	12.2	9.1	6.1	5.3	3.9	3.7	27.5	21.2	13.7	13.4	10.3	9.1
MTH	§ MERITAGE HOMES CORPORATION		DEC	14.3	9.4	6.8	6.4	4.4	4.9	15.3	11.0	7.3	6.8	4.4	5.2	27.4	19.6	13.5	13.8	9.6	11.2
NVR	[] NVR, INC.		DEC	13.8	11.9	11.8	11.1	8.5	7.3	21.2	15.6	23.1	25.2	18.0	16.1	40.5	33.1	42.3	46.7	36.9	33.4
PHM	[] PULTEGROUP, INC.		DEC	14.0	12.7	10.0	10.0	5.2	7.9	14.6	11.5	9.5	10.0	4.6	5.9	27.7	23.4	19.8	22.8	10.1	12.8
TMHC	† TAYLOR MORRISON HOME CORPORATION		DEC	8.8	4.0	5.3	4.9	2.3	1.5	7.6	3.1	4.9	3.9	2.1	1.2	18.0	8.1	10.3	8.8	7.8	10.0
TOL	† TOLL BROTHERS, INC.		OCT	9.5	6.3	8.2	10.5	9.2	7.4	7.2	4.0	5.4	7.3	5.7	3.9	16.2	8.9	11.9	16.1	12.2	9.0
BLD	† TOPBUILD CORP.		DEC	9.3	9.1	7.3	5.7	8.3	4.2	7.6	8.8	7.3	5.5	9.0	4.3	21.7	19.7	17.2	13.0	16.1	7.7
TPH	§ TRI POINTE HOMES, INC.		DEC	11.8	8.7	6.7	8.3	6.7	8.1	10.8	7.0	5.4	6.9	4.9	5.5	20.1	12.8	9.8	13.6	9.9	11.1
HOUSEHOLD APPLIANCES																					
HELE	† HELEN OF TROY LIMITED	#	FEB	10.1	12.1	8.9	10.8	3.0	10.1	7.9	11.2	8.0	10.2	2.7	7.8	17.4	21.2	14.1	17.3	12.7	14.8
IRBT	§ IROBOT CORPORATION	#	JAN	0.0	1.9	10.3	7.0	8.1	5.8	NA	2.6	12.4	9.3	11.5	7.4	0.0	4.0	20.2	14.4	17.5	11.9
WHR	[] WHIRLPOOL CORPORATION		DEC	8.1	5.5	5.7	NM	1.6	4.3	8.8	5.3	6.2	NM	1.7	4.6	36.8	23.9	32.3	NM	6.2	16.3
HOUSEWARES AND SPECIALTIES																					
NWL	[] NEWELL BRANDS INC.		DEC	5.4	NM	1.1	NM	24.6	5.7	4.0	NM	0.7	NM	8.3	1.6	14.3	NM	3.6	NM	19.0	NM
TUP	§ TUPPERWARE BRANDS CORPORATION		DEC	1.2	7.2	0.8	7.5	NM	10.1	1.5	9.2	1.0	11.9	NM	14.1	NM	NM	NM	NM	NM	119.6

Note: Data as originally reported. CAGR-Compound annual growth rate. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
Souce: S&P Capital IQ.

Ticker	Company		Yr. End	Current Ratio 2021	2020	2019	2018	2017	2016	Debt/Capital Ratio(%) 2021	2020	2019	2018	2017	2016	Debt as a % of Net Working Capital 2021	2020	2019	2018	2017	2016
CONSUMER ELECTRONICS																					
GRMN	[] GARMIN LTD.		DEC	2.9	3.2	3.0	2.9	3.0	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SONO	§ SONOS, INC.		OCT	2.0	1.7	1.7	1.7	1.4	1.2	0.0	5.8	8.1	13.7	30.5	28.5	0.0	6.8	9.0	16.4	50.6	76.9
UEIC	§ UNIVERSAL ELECTRONICS INC.		DEC	1.6	1.8	1.4	1.4	1.2	1.5	20.3	6.4	24.8	38.6	54.4	17.8	46.5	13.6	60.6	100.9	185.6	46.2
HOME FURNISHINGS																					
ETD	§ ETHAN ALLEN INTERIORS INC.		JUN	1.3	1.7	1.8	1.8	1.9	2.0	0.0	13.2	0.0	0.0	2.8	9.0	0.0	55.0	0.0	0.0	10.0	31.1
LZB	§ LA-Z-BOY INCORPORATED	#	APR	0.0	1.5	1.8	2.3	2.9	2.6	NA	0.0	10.5	0.0	0.0	0.0	NA	0.0	27.2	0.0	0.0	0.0
LEG	† LEGGETT & PLATT, INCORPORATED		DEC	1.5	1.6	1.7	1.9	1.8	1.9	52.0	56.4	61.1	50.1	48.0	46.6	244.9	283.2	338.3	164.2	138.9	154.6
MHK	[] MOHAWK INDUSTRIES, INC.		DEC	1.8	2.3	1.6	1.4	1.5	1.3	22.6	21.4	22.7	31.8	31.2	28.1	99.3	77.5	127.4	229.3	190.5	258.8
TPX	† TEMPUR SEALY INTERNATIONAL, INC.		DEC	1.2	1.0	1.2	1.2	1.1	1.2	88.3	71.1	80.1	87.6	93.3	101.9	997.7	NM	1140.0	1123.5	5275.1	1705.3
HOMEBUILDING																					
CVCO	§ CAVCO INDUSTRIES, INC.	#	APR	2.5	2.7	3.0	2.7	2.4	2.5	0.6	1.5	2.0	2.7	6.9	11.6	1.1	2.4	3.6	5.1	13.9	23.8
CCS	§ CENTURY COMMUNITIES, INC.		DEC	5.8	5.1	7.2	6.9	11.1	23.2	48.2	55.9	56.4	62.8	56.4	48.6	47.9	55.4	55.6	62.6	57.1	49.6
DHI	[] D.R. HORTON, INC.		SEP	5.8	5.3	4.6	5.7	4.5	5.9	20.5	18.5	12.7	18.4	20.9	26.5	20.4	19.1	13.0	18.8	24.2	27.5
IBP	§ INSTALLED BUILDING PRODUCTS, INC.		DEC	2.8	2.6	2.7	2.3	2.2	1.5	66.6	62.9	68.6	70.3	61.1	46.6	150.8	139.9	148.2	188.0	169.6	215.5
KBH	† KB HOME		NOV	4.2	6.0	5.6	3.1	4.2	4.6	30.7	39.6	42.3	40.7	51.2	58.0	32.4	42.8	48.0	47.5	62.7	71.7
LEN	[] LENNAR CORPORATION		NOV	6.2	16.4	15.7	12.4	15.9	16.2	15.8	24.8	32.8	36.8	46.8	41.9	18.7	28.1	37.6	43.7	48.4	43.6
LGIH	§ LGI HOMES, INC.		DEC	32.7	20.4	22.0	11.3	13.0	13.4	36.6	32.1	45.0	47.2	49.2	53.0	37.6	32.8	45.2	48.3	49.6	55.0
MDC	§ M.D.C. HOLDINGS, INC.		DEC	5.7	5.5	4.1	6.8	7.1	6.6	36.5	33.1	29.7	38.9	41.6	39.4	37.6	34.6	31.1	40.9	43.9	43.2
MHO	§ M/I HOMES, INC.		DEC	5.0	4.9	5.9	5.2	3.9	3.8	30.0	33.9	38.1	43.8	42.5	39.5	29.0	33.1	37.9	43.8	42.1	40.5
MTH	§ MERITAGE HOMES CORPORATION		DEC	8.7	8.4	9.4	10.6	9.7	8.8	27.6	30.3	34.0	43.2	44.9	44.2	28.1	31.1	35.0	44.8	45.7	46.2
NVR	[] NVR, INC.		DEC	6.3	6.1	4.8	4.1	3.7	3.1	33.6	32.8	20.4	24.8	27.1	31.4	36.5	36.2	24.9	31.7	34.9	46.6
PHM	[] PULTEGROUP, INC.		DEC	5.5	6.1	5.7	5.5	4.5	4.8	22.2	30.4	34.3	39.3	43.0	41.5	20.3	29.2	33.7	39.3	45.2	46.2
TMHC	† TAYLOR MORRISON HOME CORPORATION		DEC	5.2	8.7	7.8	6.4	8.7	7.0	46.8	45.8	44.5	51.4	40.2	43.1	51.8	51.2	47.7	55.6	43.2	47.4
TOL	† TOLL BROTHERS, INC.		OCT	4.9	5.5	6.3	6.2	6.1	5.4	40.7	45.3	44.1	44.5	42.2	48.4	44.5	50.5	47.9	47.2	45.1	53.1
BLD	† TOPBUILD CORP.		DEC	1.6	1.9	1.6	1.6	1.5	1.6	47.1	33.6	37.7	40.1	18.7	14.0	320.2	155.3	230.3	275.2	143.2	79.2
TPH	§ TRI POINTE HOMES, INC.		DEC	12.7	14.9	16.9	14.6	13.5	13.3	35.3	37.6	37.0	40.7	43.3	42.8	37.5	39.6	38.8	42.2	44.9	46.1
HOUSEHOLD APPLIANCES																					
HELE	† HELEN OF TROY LIMITED	#	FEB	1.8	1.6	2.0	1.9	1.9	1.9	38.0	21.9	22.9	24.3	22.2	31.1	169.5	97.3	100.2	109.1	111.8	172.9
IRBT	§ IROBOT CORPORATION	#	JAN	0.0	2.0	2.9	2.9	2.4	2.2	NA	0.0	0.0	0.0	0.0	0.0	NA	0.0	0.0	0.0	0.0	0.0
WHR	[] WHIRLPOOL CORPORATION		DEC	1.1	1.1	0.9	0.8	0.9	1.0	49.7	51.5	53.7	70.1	50.9	40.7	416.8	634.7	NM	NM	NM	NM
HOUSEWARES AND SPECIALTIES																					
NWL	[] NEWELL BRANDS INC.		DEC	1.3	1.3	1.4	1.8	2.2	1.7	54.6	57.3	52.1	58.7	43.8	52.4	520.8	520.2	477.6	264.2	181.4	372.5
TUP	§ TUPPERWARE BRANDS CORPORATION		DEC	1.2	0.6	0.8	0.8	1.0	1.0	142.0	493.7	185.8	164.5	124.9	73.8	758.5	(70.6)	NM	NM	NM	NM

Note: Data as originally reported. CAGR-Compound annual growth rate. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
Souce: S&P Capital IQ.

Ticker	Company		Yr. End	Price/Earnings Ratio (High-Low) 2021	2020	2019	2018	2017	2016
CONSUMER ELECTRONICS									
GRMN	[] GARMIN LTD.		DEC	32 - 20	24 - 12	20 - 12	19 - 16	17 - 13	20 - 12
SONO	§ SONOS, INC.		OCT	34 - 11	NM - NM	NM - NM	NM - NM	NA - NA	NA - NA
UEIC	§ UNIVERSAL ELECTRONICS INC.		DEC	163 - 91	20 - 11	228 - 92	65 - 28	NM - NM	56 - 33
HOME FURNISHINGS									
ETD	§ ETHAN ALLEN INTERIORS INC.		JUN	13 - 5	63 - 25	26 - 18	24 - 17	30 - 21	17 - 12
LZB	§ LA-Z-BOY INCORPORATED	#	APR	20 - 9	22 - 10	26 - 17	20 - 14	19 - 13	18 - 13
LEG	† LEGGETT & PLATT, INCORPORATED		DEC	20 - 13	28 - 12	24 - 15	21 - 15	25 - 20	19 - 14
MHK	[] MOHAWK INDUSTRIES, INC.		DEC	15 - 9	20 - 8	15 - 11	24 - 10	22 - 15	17 - 12
TPX	† TEMPUR SEALY INTERNATIONAL, INC.		DEC	16 - 8	17 - 4	26 - 12	35 - 21	25 - 14	25 - 16
HOMEBUILDING									
CVCO	§ CAVCO INDUSTRIES, INC.	#	APR	29 - 17	28 - 13	34 - 15	27 - 16	28 - 20	31 - 20
CCS	§ CENTURY COMMUNITIES, INC.		DEC	6 - 3	8 - 2	9 - 5	11 - 5	15 - 10	9 - 6
DHI	[] D.R. HORTON, INC.		SEP	9 - 6	12 - 4	12 - 8	14 - 10	14 - 10	14 - 10
IBP	§ INSTALLED BUILDING PRODUCTS, INC.		DEC	35 - 25	36 - 9	33 - 15	44 - 17	60 - 31	36 - 15
KBH	† KB HOME		NOV	8 - 5	13 - 3	12 - 6	20 - 9	14 - 7	14 - 8
LEN	[] LENNAR CORPORATION		NOV	8 - 5	11 - 4	11 - 7	13 - 7	18 - 12	13 - 9
LGIH	§ LGI HOMES, INC.		DEC	11 - 6	10 - 3	11 - 6	11 - 5	14 - 5	11 - 5
MDC	§ M.D.C. HOLDINGS, INC.		DEC	8 - 5	9 - 3	12 - 7	9 - 7	14 - 9	14 - 9
MHO	§ M/I HOMES, INC.		DEC	5 - 3	6 - 1	10 - 5	10 - 5	14 - 9	13 - 7
MTH	§ MERITAGE HOMES CORPORATION		DEC	6 - 4	10 - 2	12 - 6	10 - 6	15 - 9	11 - 7
NVR	[] NVR, INC.		DEC	17 - 11	18 - 9	16 - 10	17 - 10	24 - 11	17 - 14
PHM	[] PULTEGROUP, INC.		DEC	8 - 5	10 - 3	11 - 7	10 - 6	24 - 13	13 - 9
TMHC	† TAYLOR MORRISON HOME CORPORATION		DEC	7 - 4	15 - 4	12 - 7	15 - 8	17 - 13	12 - 7
TOL	† TOLL BROTHERS, INC.		OCT	10 - 6	15 - 4	10 - 7	11 - 6	14 - 8	17 - 11
BLD	† TOPBUILD CORP.		DEC	28 - 18	26 - 8	20 - 8	23 - 11	17 - 8	20 - 12
TPH	§ TRI POINTE HOMES, INC.		DEC	7 - 4	9 - 3	11 - 7	11 - 6	15 - 9	12 - 7
HOUSEHOLD APPLIANCES									
HELE	† HELEN OF TROY LIMITED	#	FEB	26 - 11	33 - 18	22 - 13	62 - 53	21 - 15	29 - 21
IRBT	§ IROBOT CORPORATION	#	JAN	147 - 31	25 - 8	39 - 19	34 - 17	34 - 15	24 - 18
WHR	[] WHIRLPOOL CORPORATION		DEC	9 - 6	12 - 4	9 - 6	NM - NM	42 - 34	16 - 11
HOUSEWARES AND SPECIALTIES									
NWL	[] NEWELL BRANDS INC.		DEC	22 - 15	NM - NM	86 - 53	NM - NM	10 - 5	44 - 27
TUP	§ TUPPERWARE BRANDS CORPORATION		DEC	100 - 37	16 - 1	150 - 29	21 - 10	NM - NM	15 - 10

Ticker	Dividend Payout Ratio(%) 2021	2020	2019	2018	2017	2016	Dividend Yield(High-Low, %) 2021	2020	2019	2018	2017	2016
CONSUMER ELECTRONICS												
GRMN	45	45	44	43	54	93	3.0 - 1.9	2.2 - 1.5	3.8 - 2.0	3.5 - 2.3	3.6 - 3.0	4.3 - 3.2
SONO	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
UEIC	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
HOME FURNISHINGS												
ETD	40	241	79	81	55	29	9.4 - 3.2	7.8 - 3.1	10.9 - 4.4	10.1 - 3.0	3.4 - 2.3	2.8 - 1.9
LZB	0	16	32	34	27	24	2.5 - 1.3	1.6 - 0.0	3.4 - 0.0	1.9 - 1.3	1.9 - 1.3	1.8 - 1.2
LEG	54	84	65	63	63	46	4.8 - 3.9	4.2 - 2.9	7.1 - 3.0	4.5 - 2.9	4.4 - 3.0	3.3 - 2.5
MHK	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
TPX	10	0	0	0	0	0	1.8 - 0.7	0.9 - 0.7	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
HOMEBUILDING												
CVCO	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
CCS	3	0	0	0	0	0	1.7 - 0.7	1.0 - 0.7	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
DHI	7	11	14	13	14	13	1.4 - 0.8	1.2 - 0.8	2.4 - 0.9	1.8 - 1.1	1.3 - 0.9	1.5 - 1.0
IBP	30	0	0	0	0	0	1.6 - 0.9	1.1 - 0.9	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
KBH	10	13	8	5	5	8	1.9 - 1.2	2.0 - 1.2	3.3 - 0.9	1.4 - 0.4	0.5 - 0.3	0.7 - 0.4
LEN	7	8	3	3	5	4	2.1 - 0.9	1.4 - 0.9	1.7 - 0.3	0.4 - 0.3	0.4 - 0.2	0.4 - 0.3
LGIH	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
MDC	21	24	31	32	37	48	5.8 - 3.6	4.2 - 2.4	7.9 - 2.5	4.6 - 2.6	4.7 - 2.7	3.8 - 2.7
MHO	0	0	0	0	5	9	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
MTH	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
NVR	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
PHM	8	9	12	10	25	21	1.5 - 1.0	1.4 - 0.9	2.7 - 1.0	1.8 - 1.1	1.7 - 1.0	2.0 - 1.1
TMHC	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
TOL	9	13	11	8	7	0	1.8 - 0.9	1.3 - 0.8	3.2 - 0.9	1.5 - 1.1	1.3 - 0.6	1.0 - 0.8
BLD	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
TPH	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
HOUSEHOLD APPLIANCES												
HELE	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
IRBT	0	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
WHR	19	29	26	NM	89	33	4.3 - 2.3	2.8 - 2.1	7.5 - 2.4	4.5 - 3.0	4.4 - 2.4	2.7 - 2.1
HOUSEWARES AND SPECIALTIES												
NWL	69	NM	365	NM	16	62	4.9 - 3.5	4.6 - 3.1	8.7 - 4.3	6.9 - 3.8	6.0 - 2.9	3.3 - 1.5
TUP	0	0	599	88	NM	62	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	11.2 - 0.0	9.0 - 4.2	5.2 - 3.7

Note: Data as originally reported. CAGR-Compound annual growth rate. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
Souce: S&P Capital IQ.

Ticker	Company		Yr. End	Earnings per Share($) 2021	2020	2019	2018	2017	2016	Tangible Book Value per Share($) 2021	2020	2019	2018	2017	2016
CONSUMER ELECTRONICS															
UEIC	§ UNIVERSAL ELECTRONICS INC.		DEC	0.39	2.72	0.26	0.85	(0.72)	1.38	16.17	17.79	14.78	13.76	12.51	14.36
HOME FURNISHINGS															
ETH															
LZB	§ LA-Z-BOY INCORPORATED	#	APR	3.39	2.30	1.66	1.44	1.67	1.73	13.51	12.51	11.15	9.94	11.09	10.26
LEG	† LEGGETT & PLATT, INCORPORATED		DEC	2.94	1.86	2.32	2.26	2.13	2.76	(3.82)	(5.02)	(6.51)	1.11	1.52	1.03
MHK	[] MOHAWK INDUSTRIES, INC.		DEC	14.94	7.22	10.30	11.47	12.98	12.48	74.89	70.18	64.51	54.64	49.66	35.96
TPX	† TEMPUR SEALY INTERNATIONAL, INC.		DEC	3.06	1.64	0.85	0.46	0.69	0.80	(8.39)	(4.36)	(4.71)	(5.31)	(5.94)	(6.65)
HOMEBUILDING															
CVCO	§ CAVCO INDUSTRIES, INC.	#	APR	21.34	8.25	8.10	7.40	6.68	4.17	77.45	64.34	56.40	49.12	41.36	34.95
DHI	[] D.R. HORTON, INC.		SEP	11.41	6.41	4.29	3.81	2.74	2.36	41.34	32.03	26.76	23.59	20.45	18.00
IBP	§ INSTALLED BUILDING PRODUCTS, INC.		DEC	4.01	3.27	2.28	1.75	1.30	1.23	(5.76)	(2.35)	(3.32)	(4.72)	(2.62)	(1.26)
KBH	† KB HOME		NOV	6.01	3.13	2.85	1.71	1.85	1.12	34.23	29.09	26.60	24.01	22.13	20.25
LEN	[] LENNAR CORPORATION		NOV	14.27	7.85	5.74	5.44	3.38	3.86	57.39	45.93	38.91	33.62	31.99	29.21
LGIH	§ LGI HOMES, INC.		DEC	17.25	12.76	7.02	6.24	4.73	3.41	57.86	45.11	32.85	28.36	21.87	16.10
MDC	§ M.D.C. HOLDINGS, INC.		DEC	7.83	5.17	3.44	3.14	2.13	1.59	36.63	30.16	26.26	23.74	21.37	20.21
MHO	§ M/I HOMES, INC.		DEC	13.28	8.23	4.48	3.70	2.26	1.84	56.12	42.79	34.43	30.25	26.55	24.09
MTH	§ MERITAGE HOMES CORPORATION		DEC	19.29	11.00	6.42	5.58	3.41	3.55	80.65	61.71	50.81	44.33	38.28	34.69
NVR	[] NVR, INC.		DEC	320.48	230.11	221.13	194.80	126.77	103.61	856.71	826.43	631.01	491.52	421.39	339.27
PHM	[] PULTEGROUP, INC.		DEC	7.43	5.18	3.66	3.55	1.44	1.75	29.45	24.04	19.74	16.93	13.99	14.12
TOL	† TOLL BROTHERS, INC.		OCT	6.63	3.40	4.03	4.85	3.17	2.18	44.08	38.54	36.00	32.57	28.82	26.14
BLD	† TOPBUILD CORP.		DEC	9.78	7.42	5.56	3.78	4.32	1.92	(30.52)	(7.72)	(11.98)	(14.42)	(3.25)	(2.02)
TPH	§ TRI POINTE HOMES, INC.		DEC	4.12	2.17	1.47	1.81	1.21	1.21	20.89	17.02	14.89	13.39	11.70	10.51
WLH															
HOUSEHOLD APPLIANCES															
HELE	† HELEN OF TROY LIMITED	#	FEB	9.17	10.08	6.02	6.40	1.63	5.04	(6.70)	5.83	4.80	4.12	4.11	3.05
IRBT	§ IROBOT CORPORATION	#	JAN	0.00	1.08	5.14	2.97	3.07	1.77	0.00	19.07	23.73	18.38	14.11	10.88
WHR	[] WHIRLPOOL CORPORATION		DEC	28.36	16.98	18.19	(2.72)	4.70	11.50	6.44	(12.78)	(23.33)	(38.66)	(21.39)	(9.87)
HOUSEWARES AND SPECIALTIES															
NWL	[] NEWELL BRANDS INC.		DEC	1.34	(1.82)	0.25	(14.65)	5.63	1.25	(6.54)	(7.64)	(8.65)	(11.37)	(6.03)	(26.91)
TUP	§ TUPPERWARE BRANDS CORPORATION		DEC	0.35	2.14	0.25	3.11	(5.22)	4.41	(5.33)	(5.48)	(7.38)	(7.48)	(5.11)	0.25

Ticker	Share Price (High-Low, $) 2021	2020	2019	2018	2017	2016
CONSUMER ELECTRONICS						
UEIC	65.02 - 35.23	56.99 - 29.50	60.00 - 23.57	55.90 - 23.29	74.85 - 46.05	80.42 - 45.20
HOME FURNISHINGS						
ETH						
LZB	46.74 - 31.92	42.69 - 15.61	37.48 - 26.87	39.15 - 25.30	34.25 - 23.15	32.90 - 19.56
LEG	59.16 - 37.05	51.76 - 22.03	55.42 - 34.95	49.88 - 33.48	54.97 - 43.17	54.63 - 36.64
MHK	231.80 - 134.09	144.37 - 56.62	156.60 - 108.93	282.21 - 109.35	286.85 - 199.90	216.58 - 148.56
TPX	50.51 - 25.88	28.65 - 5.50	23.08 - 9.95	16.43 - 9.73	17.61 - 9.89	20.58 - 12.64
HOMEBUILDING						
CVCO	327.24 - 170.86	236.10 - 99.58	210.00 - 112.00	261.80 - 121.40	157.80 - 93.65	110.67 - 70.28
DHI	110.45 - 64.32	81.21 - 25.51	56.12 - 34.08	53.32 - 32.39	51.83 - 27.21	34.56 - 22.97
IBP	141.43 - 99.36	121.67 - 29.02	76.60 - 32.79	78.15 - 29.24	79.40 - 40.00	44.30 - 17.60
KBH	52.48 - 31.76	42.20 - 9.82	37.40 - 18.68	38.80 - 16.82	32.48 - 15.51	17.38 - 9.04
LEN	117.54 - 71.52	86.80 - 25.42	62.63 - 38.43	72.17 - 37.29	64.42 - 41.40	48.63 - 36.41
LGIH	188.00 - 95.54	132.98 - 33.00	89.00 - 44.20	81.88 - 37.16	77.95 - 26.82	40.47 - 18.74
MDC	63.86 - 41.31	48.61 - 14.58	43.37 - 23.68	30.16 - 21.55	29.73 - 20.28	21.89 - 14.58
MHO	74.85 - 42.22	49.93 - 9.62	46.57 - 20.51	37.41 - 20.35	36.92 - 22.55	26.70 - 15.56
MTH	125.01 - 78.00	117.06 - 25.24	76.83 - 36.03	54.90 - 32.02	55.50 - 33.40	41.22 - 25.48
NVR	5982.45 - 3885.00	4530.00 - 2043.01	3946.50 - 2285.00	3700.00 - 2040.71	3536.97 - 1631.78	1845.37 - 1462.02
PHM	63.91 - 39.92	49.70 - 17.12	41.22 - 25.10	35.21 - 20.64	34.60 - 18.18	22.40 - 14.61
TOL	75.61 - 41.22	50.42 - 13.28	41.70 - 32.30	52.73 - 28.68	51.08 - 30.45	33.48 - 23.75
BLD	284.07 - 178.03	200.32 - 54.83	113.74 - 43.71	87.21 - 41.27	76.40 - 35.76	39.51 - 23.02
TPH	28.29 - 16.59	19.59 - 5.89	16.33 - 10.67	19.55 - 10.37	18.46 - 11.31	14.20 - 8.83
WLH						
HOUSEHOLD APPLIANCES						
HELE	265.97 - 201.02	230.56 - 104.02	181.32 - 108.31	145.47 - 81.10	102.88 - 84.38	106.18 - 77.50
IRBT	197.40 - 63.37	98.55 - 32.79	132.88 - 42.41	118.75 - 55.77	109.78 - 52.12	60.86 - 28.02
WHR	257.68 - 171.33	207.30 - 64.00	163.64 - 103.81	187.47 - 99.40	202.99 - 158.80	194.10 - 123.60
HOUSEWARES AND SPECIALTIES						
NWL	30.10 - 20.36	22.09 - 10.44	22.06 - 13.04	32.58 - 15.12	55.08 - 27.46	55.45 - 33.26
TUP	38.59 - 13.28	38.18 - 1.15	38.63 - 7.16	66.26 - 29.82	74.36 - 53.17	66.90 - 42.60

Note: Data as originally reported. CAGR-Compound annual growth rate. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
Souce: S&P Capital IQ.

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