Industry Surveys

Household Durables

JULY 2023

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CHARTS & FIGURES

NEW THEMES

What's Changed: We think the possibility of an economic slowdown, if not a U.S. recession, as likely, which will substantially affect homeownership affordability. Read our overall market outlook on page 14.

What's Changed: We added a new chart showing the trend of furniture and home furnishing sales growth over the last few years. Check out page 27.

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 the U.S. household and the U.S. housing market. Here are the key investment themes for the largest sub-industries.

The Consumer Remains Healthier Than Expected Pushing a Potential Recession Into 2024

Demand is certainly muted compared to the year-ago period. However, we are seeing signs of a resilient consumer with consumer confidence ticking up to 109.7 in June 2023 and the Federal Reserve Bank of San Francisco estimating $500 billion in accumulated pandemic savings in consumer wallets. We view this resiliency challenging the Federal Reserve's recent rate hike pause and encouraging at least one more rate hike in 2023. We view further economic slowdown, if not a U.S. recession, as likely, given the Federal Reserve's mandate to control inflation, which is still above its 2% target. Year-to-date, there have been bright spots within the Household Durables industry as a result of low expectations. Without further economic shocks such as an uptick in unemployment or wage growth deceleration, we expect continued mixed performance in consumer spending, the housing market, and demand for household durable goods.

Incoming Headwinds Are Expected to Test Already Challenged Household Behaviors and Wallets

Despite continuing its downward trend over the last 10 months, inflation remains elevated, stressing consumer wallets and behaviors. We expect further pressure to materialize as U.S. households face the rollback of extended SNAP emergency allotments, the end to the student loan moratorium, and dwindling pandemic savings. We expect some compression in consumer sentiment readings in the second half for this reason. The Consumer Sentiment Index for June 2023 increased to 63.9 from May's 59.2, +7.9% month-over-month and +27.8% year-over-year.

Higher Mortgage Rates Likely to Continue to Pressure Demand in Housing Market

The 30-year conventional fixed-rate mortgages crossed 7% in 2022 and has remained above the 6% level year-to-date. We expect rates to remain elevated until the Federal Reserve eases its restrictive policy and/or a recession occurs. Homebuyer demand has pulled back for both new and existing home sales, but new construction demand has been buoyed by a tight resale market. The National Association of Realtors' reading for May 2023 showed existing home sales of 4.3 million, 0.2% above the previous month and 20.4% lower than a year ago. The Census Bureau's new residential sales release showed an increase in May 2023 of 12.2% from April 2023 and 20% higher than the year-ago period. In May 2023, sales of new single-family houses were at a seasonally adjusted annual rate of 763,000 homes.

Home Remodeling Expected to Cool Despite Rising Home Equity as Consumers Are Defensive With Spending

Even though there are more than 127 million U.S. households that are ripe for household spending, with the uncertainty of an impending recession, we think consumers will be defensive with their high home equity values, low existing debt levels, and stable household incomes. We expect home remodeling projects to lean to the smaller, more cosmetic-focused tasks, especially as the pandemic-induced project boom pulled forward revenues. The JCHS Leading Indicator of Remodeling Activity (LIRA), released in April 2023, reported that remodeling activity rose to $471 billion, up 13.8% in the first quarter of 2023. The LIRA forecasts residential remodeling will reach a decade-high of $492 billion in the third quarter of 2023, up 5.8% Y/Y. Growth is expected to taper and contract by 2.8% in the first quarter of 2024 to $458 billion.

HOUSEHOLD DURABLES

Overall Industry Outlook: Neutral

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

MARKET CAP BREAKDOWN*

RANK NO.	COMPANY NAME	MARKET CAP ($ billion)
1	D.R. Horton	41.5
2	Lennar	35.6
3	NVR	20.6
4	Garmin	19.9
5	PulteGroup	17.3
6	Others†	88.2

Source: CFRA, S&P Global Market Intelligence.
**Data as of June 30, 2023.*
†Refer to the "Comparative Company Analysis" section of this survey for the list of companies.

ETF FOCUS

ETF	AUM ($M)	Expense Ratio
XLY Consumer Discretionary Select Sector SPDR	17,009.4	0.10
VCR Vanguard Consumer Discretionary	4,719.2	0.10
ITB iShares U.S. Home Construction	1,358.6	0.39
XHB SPDR S&P Homebuilders	1,335.9	0.35

BY THE NUMBERS

102.3 Consumer Confidence Index in May 2023

4% Household mortgage debt as a percentage of disposable income in 2022

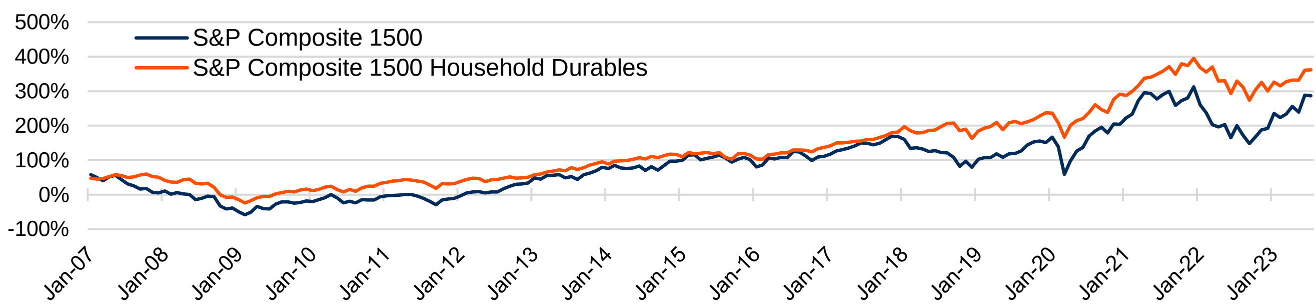
27.9% Y/Y decrease for housing starts for single-family homes in April 2023

60.9% Y/Y decline for the National Home Price Index in March 2023

$28 billion Total top 10 countries of U.S. household furniture imports in 2022

10% Y/Y decline for household appliances in 2022

20-YEAR INDEX PERFORMANCE*



*Data through June 30, 2023.
Source: 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.
- Rising mortgage rates, which currently hover above 6.5%, have constricted the home resale market proving itself as a boon to homebuilder demand. We continue to expect home price declines between 2% and 4%, which could offset affordability concerns stemming from higher mortgage rates, which are expected to stay higher for longer.
- The housing market contributes 20% or more to the U.S. economy. A higher cost of living with persistent elevated inflation and pessimistic outlooks as measured by consumer confidence and consumer expectations will put a damper on consumer spending. Improved consumer confidence, as observed in the June 2023 reading, could prolong the existing economic dynamics of sticky inflation, in our view.
- Supply chain bottlenecks and shipping cost headwinds have subsided for the most part, which has helped speed up delivery to customers. We expect further improvement, though this improvement may be brought on by weaker consumer demand, which will be a risk to home furnishing companies.

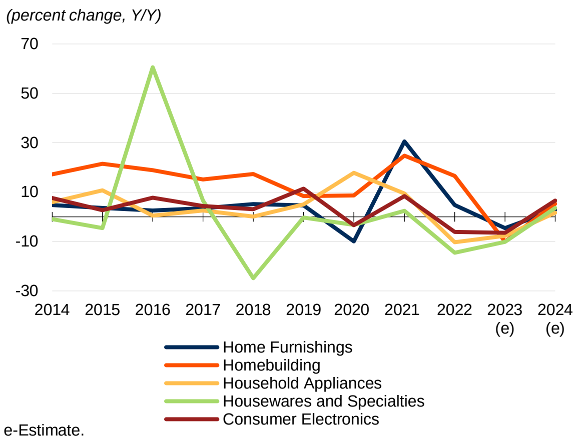
Bull Case Scenario	Bear Case Scenario
◆ The U.S. economy realizes either a soft landing or a short-duration recession that also rebalances supply and demand. ◆ Higher salaries and wages and the wealth effect boost home remodeling and select household durable purchases like appliances and flooring. ◆ New and existing home sales level off instead of continuing to decline in the next 12 months, which benefits sales of home appliances and home furnishings.	◆ A prolonged and deep recession for 24-36 months could hurt consumer spending and demand for household durable goods. ◆ Household job growth and income gains begin to reverse to higher unemployment levels across most industries. ◆ Mortgage rates above 6.0% will hurt housing affordability and directly impact new residential sales in 2023-2024. Housing prices decline and reduce the wealth effect for homeowners considering home remodeling projects as the cost of living remains elevated.

HOUSEHOLD DURABLES SUB-INDUSTRIES – INVESTING EXPECTATIONS

	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 sub-industry with manufacturers exposed to major supply chain risks that limited shipments in the first half of 2023. However, consumers are choosing to buy smaller electric appliances and pushing off bigger appliance purchases. Global demand mix shift to lower-priced models in emerging markets and the U.S. recession may hurt future sales growth and operating margins as consumers pull back from small electric appliances, too.
Low Expectations	Homebuilder activity may decline less than expected in 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 a further decline in sales due to a recession. Execution risks are likely with the availability of case goods and upholstery from China, Vietnam, and other foreign markets. Retailers were challenged by supply chain delays as well as higher material and shipping costs that strained deliveries to the store and customers, but these headwinds appear to be subsiding.

FINANCIAL METRICS

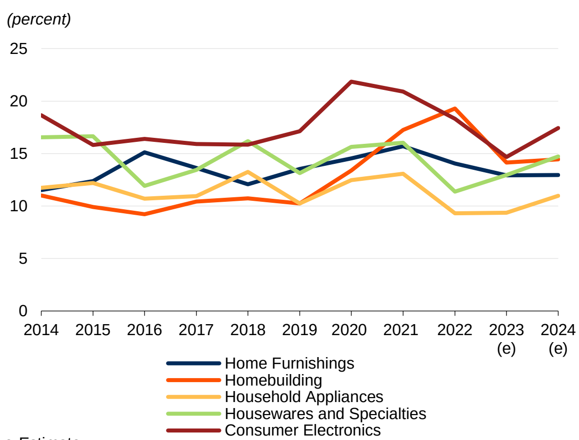
Revenue Growth



e-Estimate.
Source: S&P Global Market Intelligence, S&P Capital IQ Consensus Estimates.

- With supply chain headwinds subsiding, revenue growth in 2023 will depend on pricing of household durables, consumer confidence, and household disposable incomes. Since early 2023, high inflation and higher interest rates have been wearing down consumer demand and are reflected in lower consensus revenue expectations. As a result, we continue to expect promotional activity by retailers through the second half of 2023 to boost revenue.
- Following 4.8% revenue growth in 2022 for Home Furnishings, we see -4.6% growth in 2023 with an expected recession followed by a 2.9% rebound in 2024 as the economy recovers. Homebuilders saw revenue grow 16.6% in 2022; we estimate this to decline 10% in 2023 but grow 6.1% in 2024 with a slower pace of new housing starts. Household Appliances realized -10.0% revenue growth in 2022; we see it growing to -7.6% in 2023 and 1.5% in 2024. We forecast Consumer Electronics to contract 6.5% in 2023 and grow 5.5% in 2024. Housewares and Specialties is expected to decline 10.2% in 2023 and grow 3% in 2024.

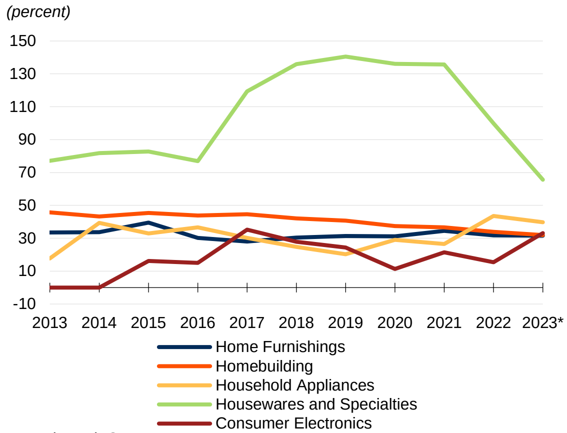
EBITDA Margin



e-Estimate.
Source: S&P Global Market Intelligence, S&P Capital IQ Consensus Estimates.

- Home Furnishings' EBITDA margins are estimated to narrow to 12.9% in 2023, with lower sales volumes and moderating price increases anticipated, and we expect margins to hold for 2024. For sub-industries with manufacturing facilities, higher plant utilization will contribute to positive margins, barring further supply chain constraints or higher material costs from inflation. However, our view is tamed should demand decline meaningfully.
- For Homebuilding, we think margins will narrow to 14.2% for 2023, given the weak housing demand and builder pricing power. However, Homebuilding is benefiting from a tight resale market, which has led to a rollback of incentives to engage the consumer. We also expect a decline in repair and remodeling activity to decrease input costs, which could help margins. Household Appliances is seeing weaker demand and high input costs, narrowing EBITDA margins to 9.3% in 2023, but a recovery to 11.0% is expected in 2024.

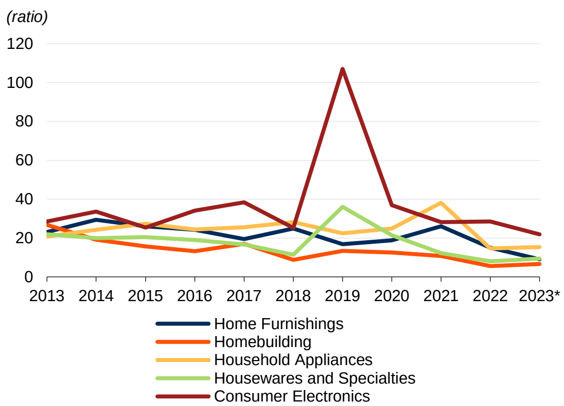
Debt/Capitalization



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

- Companies raced to increase liquidity, reduce weighted average interest rates, and extend debt maturities at the start and throughout the interest rate hike regimen. In most cases, companies paid back on drawn credit revolver facilities from banks and continued to refinance higher rate debt maturing within two years with debt issuance at lower rates and longer maturities. These efforts have proved favorable, as they led to lower cost of capital and less weight on companies' bottom lines.
- Most companies will be able to make required debt payments in 2023, by our calculations, given revenue growth levels, cost control, and growing funds from operations. Homebuilders, in particular, deleveraged their balance sheets to 33.8% in 2022, versus 36.7% in 2021.

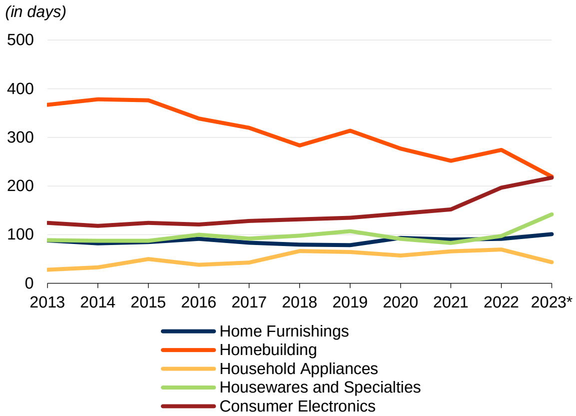
Normalized Price-to-Earnings (P/E) Ratio



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

- For constituents in the S&P Composite 1500 Homebuilding Index, we project higher normalized median P/E ratios in 2023 versus 2022, given the tight resale market, which has proved to be a boon to homebuilders, contrary to expectations. However, we think that there is still a risk of a sustained housing market downturn and lower homebuying demand ahead, so our projections are lower than levels observed in the three years previous to 2022.
- For constituents in the S&P Composite 1500 Home Furnishings Index, we project lower normalized median P/E ratios in 2023 compared to 9x in 2022 and 14.9x in 2021. Again, P/E multiples are targeted to be lower because of the pull forward in demand during the Covid-19 pandemic and global recession looming in the back half of 2023 or first half of 2024.
- Household Appliances realized P/E ratios of 14.6x in 2022, following 38x in 2021 and 24.8x in 2020, driven largely by HELE and IRBT, two small cap stocks. We estimate a lower P/E multiple in 2023 as weaker demand and supply chain risks support a narrower risk premium.

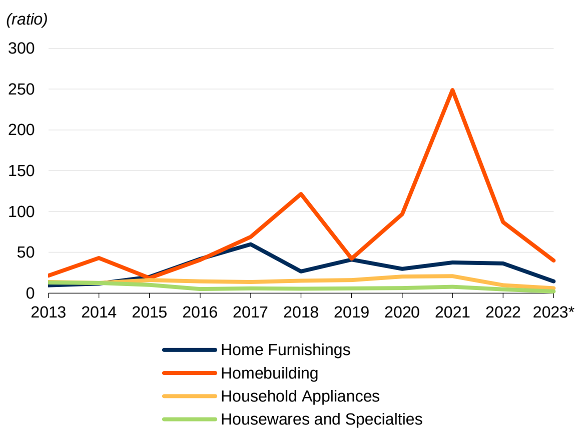
Average Cash Conversion Cycle



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

- The cash conversion cycle (CCC) is a useful metric that measures the number of days it takes for a company to convert an 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 hurt this metric during the pandemic as inventories tied up cash. We think companies that are better equipped to take the pulse of their consumers will manage working capital in a way that shortens their CCC.
- Within the Household Durables industry, Homebuilding has a very different business profile that skews its average CCC to a significantly longer cycle time, with high inventories for land development and new home construction in progress. The average CCC improved from 2019 levels and the recent pivot to speculative builds has shortened the CCC significantly to an all-time low of 219 days, which is also helped by prudent lot management, in our view.

EBITDA/Interest Expense



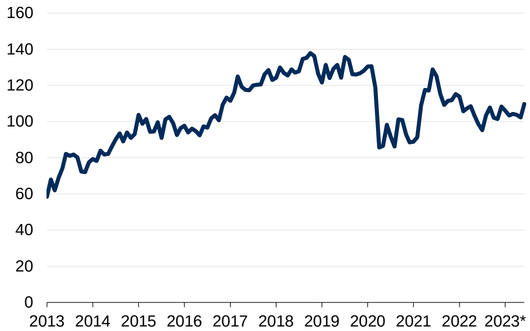
*Data through Q1.
Source: CFRA, S&P Global Market Intelligence.

- 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. The recent efforts to raise liquidity, reduce weighted average interest rates, and extend maturities were particularly effective as impending EBITDA compression, now being realized, has lowered these ratios, which may have been even lower had liquidity raising efforts gone unpursued.
- Household Appliances is a fixed-cost sub-industry with significant capital investment in plants 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

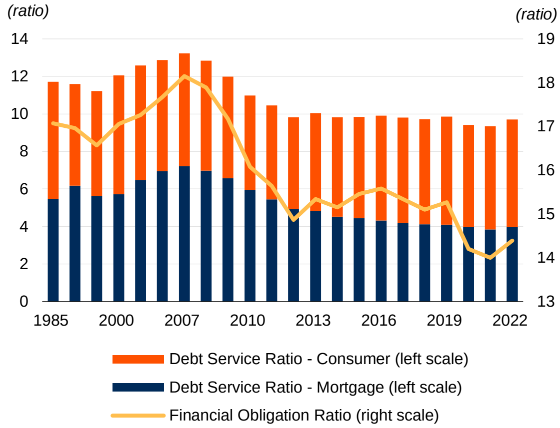
(index, 1985=100)



*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 the plunge in the consumer sentiment index in 2022. On a more positive note, the industry is still likely to benefit from wage growth that is currently ticking above inflation.
- As inflation continued its descent from the June 2022 high, consumer confidence has benefited. We attribute improved confidence to wage growth and low unemployment, but are cautious to assume consumers will pursue options to use home equity values to subsidize discretionary expenses, such as renovation and appliances, given the uncertainty surrounding the current state and future path of the global economy.
- Consumer confidence, as measured by the Conference Board, has demonstrated weakness since the beginning of 2022, as the Fed embarked on its rate hike path. In the June 2023 reading, consumer confidence was at 109.7, still below the 115.2 reading at the end of 2021. With economic data coming in stronger than anticipated, we expect consumer confidence to fluctuate until a more definitive path is established.
- The June 2023 release for the Conference Board Expectations Index of 79.3, from 71.5 in May, reflects consumers' uncertain view on the economy and labor market. We note that this reading has come in below 80, a level associated with recession, since February 2022, except for December 2022.

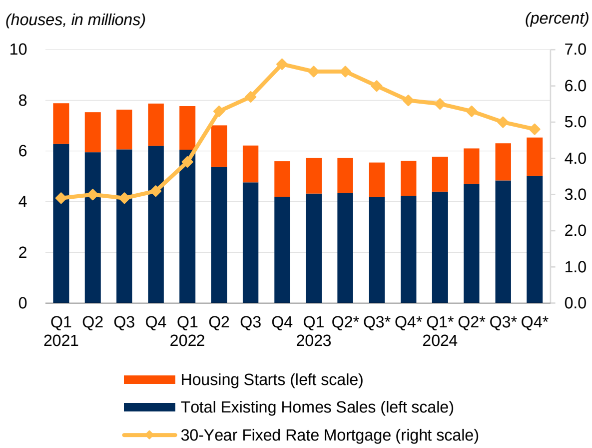
Average Household Debt-to-Income Ratio



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, but we expect benefits from this trend to be muted as consumers are more defensive with their spending, choosing to forgo discretionary goods in favor of services 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 4% as of the fourth quarter of 2022 (and 40.9% 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 much higher at 7.2%. We do note that there has been a recent uptick in credit delinquencies as reported by the New York Fed's Household Debt and Credit Report, another sign of stressed consumer wallets.

Housing Starts & Existing Home Sales



*Estimates.
Source: Mortgage Bankers Association.

- The Mortgage Bankers Association anticipates home sales to decline 14% in 2023, with the resale market falling 16% and new construction declining 0.3%. These projections give a more bearish view than the January 2023 projections, which anticipated a 12% decline, with the resale market falling 13% and new construction declining 4%. The tight resale market has been a boon to the Homebuilding sub-industry.
- The April 2023 release by the U.S. Census Bureau registered single-family building permits down 22.9% Y/Y and up 4.5% M/M, while housing starts were down 27.9% Y/Y and down 1.7% M/M. Most of the housing permits and starts are from the Sun Belt market in the South and West regions, comprising 79.8% of total authorized permits and 78.4% of total starts.
- We think new housing permits and starts could decline further due to high mortgage rates, which are still 170 bps higher than a year ago due to the Fed's plan to pause on rate hikes without any sign of rate cuts. Additionally, we think the probability of a U.S. economic slowdown is likely in the next 12 months.

Producer Price Index (PPI)

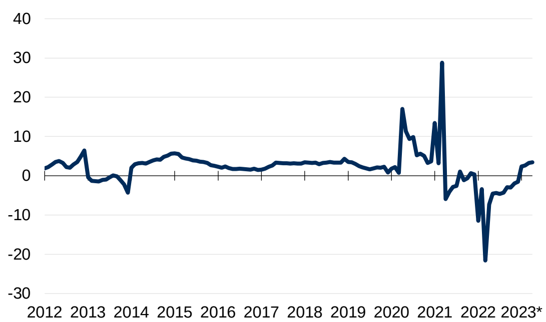
(percent change, Y/Y)

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

- Inflation, which was in full force in 2022, likely peaked due to the Fed's aggressive pace of rate hikes. In 2023, while we expect inflation to remain above the Fed's 2% target, barring a recession, we expect continued moderation.
- The leading contributors to a rise in the PPI are raw materials and wage inflation. In the April 2023 index, the PPI fell to 2.3% compared to 11.2% in the year ago period and 6.4% in 2022. We expect energy, shipping, and other material costs to continue their downward descent, especially if demand for household durable products like home furnishings and home appliances remains muted. Cost-push inflation from higher salaries and wages is expected to be less transitory to inflation in 2023, in our opinion.

U.S. Real Disposable Personal Income

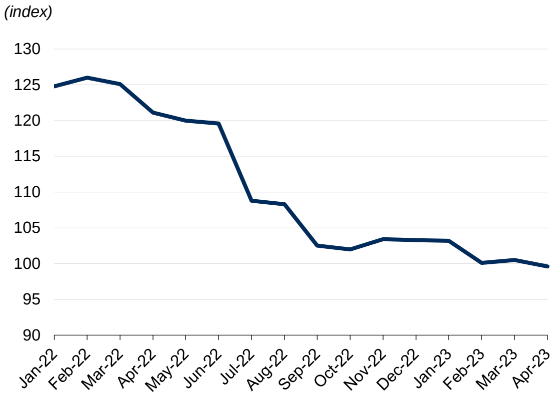
(percent change, Y/Y)



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

- The U.S. labor participation rate remains below pre-pandemic levels and has fueled a competitive job market leading to wage increases. With the remaining Covid-19 fiscal stimulus in consumer wallets expected to go largely unspent and a tight monetary policy, the U.S. personal savings rate remains below pre-pandemic levels, despite the recent year-over-year increases in real disposable personal income.
- Real personal income increased to $15,566 billion in April 2023 compared to $15,560 billion in March 2023, according to the Bureau of Economic Analysis. This reflects a monthly improvement in U.S. real disposable personal income due to higher compensation. We do not expect this lift in consumer income to meaningfully impact household durable demand.

Mortgage Credit Availability Index



Source: Mortgage Bankers Association.

- Lenders continue to navigate a challenging environment in a much slower housing market with higher mortgage rates, as evidenced by the mortgage credit availability index (MCAI) performance.
- In April 2023, the MCAI saw a marginal decrease of 0.9% to 99.6 compared to the previous month.
- We foresee the MCAI continuing its descent attributed to the tightening of credit availability due to the worsening outlook of the housing market as well as the banking crisis observed in the first quarter of 2023.

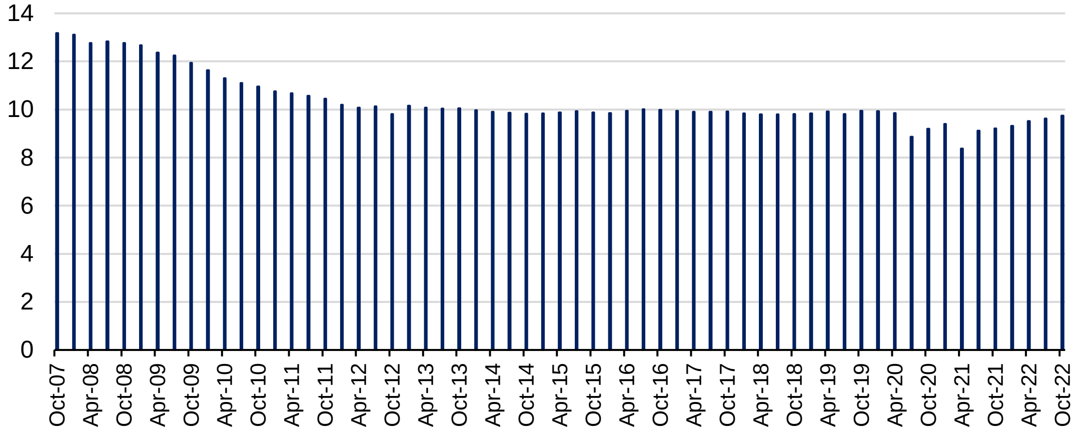
HOUSING MARKET OUTLOOK 2023

CFRA believes that the housing market is undergoing a secular shift. Millennials are migrating to the suburbs and have higher household income and net worth than before. This large generation is aging, like everyone else. Nevertheless, we foresee continued housing demand shrinkage in 2023, after a tumultuous year in 2022 for both existing homes and new residential sales, which was largely driven by a sharp rise in mortgage rates. Starting in the second half of 2022, the Federal Reserve's (Fed) shift to a more restrictive stance and the fastest pace of rate hikes in decades in response to runaway inflation, lifted mortgage rates to a two-decade high. We think the possibility of an economic slowdown, if not a U.S. recession, as likely, which will substantially affect homeownership affordability. Despite the recent rate hike pause in June 2023, we see economic data supporting at least one additional rate increase, which encourages higher mortgage rates for longer. We can see a rebound in housing demand and homebuilding benefiting from the structural housing shortage, given the pace of household formation among millennials. Nonetheless, headwinds will likely remain on home deliveries from supply chain bottlenecks and shortages of skilled labor. But we note that cycle times have been improving for homebuilders due to easing supply chain headwinds, though we acknowledge that this may also be happening due to overall lower demand. We see material costs as a tailwind to profitability, with lumber prices retreating 57% on average on a month-to-month basis in 2023.

Consumer sentiment seems to contradict near-full employment and consumer spending that has come in ahead of expectations in 2023. Many consumers were able to save funds during the Covid-19 pandemic, but many are beginning to turn to credit as they have spent much of the savings built up during the pandemic. Once the Covid-19-related lockdowns ended, most consumers began to spend more freely. The U.S. Bureau of Economic Analysis shows April 2023's personal savings rate is at 4.1%, up from the June 2022 low of 2.7%. However, we note that the April reading broke the five-month streak of increases in the personal savings rate. Further proof of consumers cutting on spending comes from the National Retail Federation, which expects U.S. retail sales to grow between 4% and 6% in 2023 to $5.18 trillion, which is down from the 7% growth observed 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 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 increased to 14.39% in the fourth quarter of 2022 from 13.9% in the fourth quarter of 2021. The highest period for total household debt service was right before the 2008 financial crisis, with a reading of 18.0% in the fourth quarter of 2007.

HOUSEHOLD DEBT NEAR ALL-TIME LOW*
(percent)



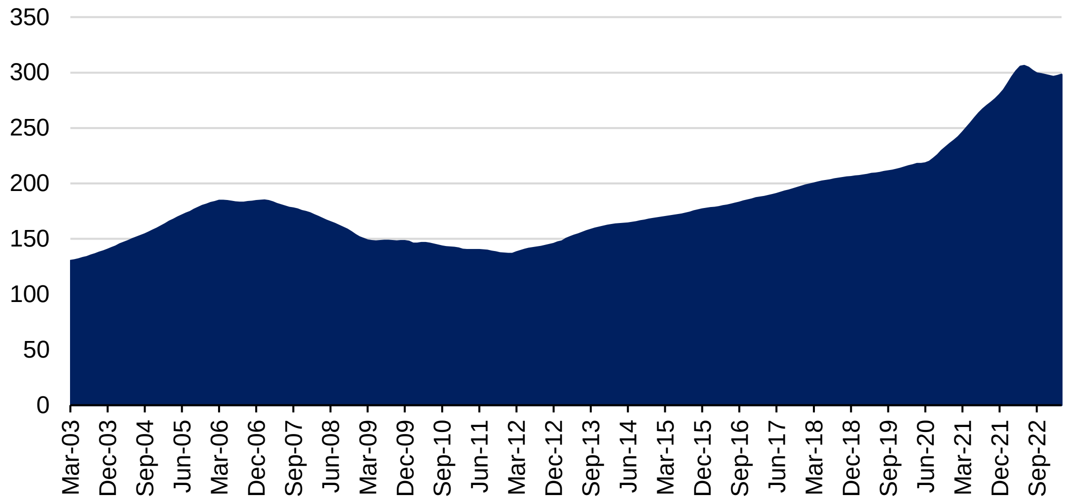
*Latest available data as of Q4 2022.
Source: Federal Reserve Bank of St. Louis.

Mortgage rates surpassed two-decade highs in the second half of 2022, causing mortgage purchase activity to be sluggish in 2022. Mortgage originations as measured by number of loans were down 56% from 2021, driven by weaker demand due to affordability challenges and less inventory, which remained below historical averages throughout 2022. Similarly, in the first quarter of 2023, mortgage originations were down 58% from the first quarter of 2022, but as comps get easier through the rest of the year, we expect the rate to ease. Mortgage originations are projected to decrease 25% in 2023, as existing mortgage holders are hesitant to let go of their lower mortgage rates. According to the Mortgage Bankers Association (MBA), the refinance share of mortgage activity increased to 27.3% of total applications for the week ending June 2, 2023 from the previous week's 26.7%. However, we note that the MBA's Refinance Index came in 42% below the year-ago period for the week ending June 2, 2023. Given high mortgage rates, fixed-rate mortgages have become less appealing for mortgage origination or refinancing, with the adjustable-rate mortgage (ARM) share of activity unchanged at 6.8% of total applications. The average contract interest rate for 30-year fixed-rate mortgages as of the week ended June 22, 2023 was 6.67%, the second highest rate of 2023. The average contract interest rate for 15-year fixed-rate mortgages stands at 6.25% for the same period, which is below the 6.41% registered for the previous reading.

The MBA mortgage finance forecast, released on May 19, 2023, looks for the 30-year fixed-rate mortgages to hover around 6.4% in the second quarter of 2023, but is expected to decrease to 5.3% in the second quarter of 2024. The MBA expects housing starts will pick up from the projected 1.374 million in the second quarter of 2023 to 1.409 million in the second quarter of 2024. The inflection is expected to occur in the fourth quarter of 2023. Total existing homes are estimated to be 4.345 million and 4.701 million, while new home sales forecasts are 644,000 and 683,000 for the same respective periods. The MBA's forecast for the median price of total existing homes is about $370,000 and $374,000 for the same respective periods, and new homes are expected to decrease from $440,000 in the second quarter of 2023 to $430,000 in the second quarter of 2024. We attribute higher new home sales prices to the tight resale market. Finally, the MBA's total mortgage origination value is projected to be $463 billion in the second quarter of 2023 and $490 billion in the third quarter of 2023. The refinance share of origination value is 20% and 26% for the same respective periods.

The increase in housing prices has moderated from the peaks seen in the summer of 2022, but remained meaningful. We think the housing market will continue to see higher pricing in 2023, but should materialize at a slower rate than in 2022, primarily driven by the shortage in housing supply, partially offset by weaker housing demand due to inflation and higher mortgage rates.

HOUSING PRICES AT RECORD HIGHS
(Index, Jan 2000 = 100)



Source: Federal Reserve Bank of St. Louis.

Household Wealth Effect Uncompelling for Single-Family Homes
Market data shows week-to-week declines 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 fading price gains, as evidenced by the March 2023 data, with a 0.7% year-over-year gain for the National Home Price NSA Index, while the 20-City Index declined 1.2% and the 10-City was down 0.8%. However, month-over-month gains materialized for all three indices after recording declines since July 2022. Even with the monthly gains, home pricing is expected to moderate in 2023 for both new and existing home sales as the household wealth effect may be at risk due to high mortgage rates.

2023 HOME PRICING IS STRONG VS. PAST HOUSING BOOM/BUST PEAKS AND TROUGHS

	2006 PEAK		2012 TROUGH			2023 MARCH		
INDEX	LEVEL	DATE	LEVEL	DATE	FROM PEAK	LEVEL	FROM TROUGH	FROM PEAK
National	184.62	July 2006	134.00	Feb. 2012	-27.4%	297.08	121.7%	60.9%
20-City	206.52	July 2006	134.07	Mar. 2012	-35.1%	315.34	135.2%	52.7%
10-City	226.29	July 2006	146.45	Mar. 2012	-35.3%	302.30	106.4%	33.6%

Source: S&P Dow Jones Indices, CoreLogic.

Consumer Confidence Expected to Be Pessimistic With a Potential Rebound in 2H 2023
Consumer confidence as measured by the Conference Board has shown an improvement, with 17% of May 2023 survey respondents assessing business conditions as bad versus 18.1% in the previous month. However, not all measurements registered improvements as respondents were less positive on what the future has in store. The response to consumers' optimism for the short-term (six months) outlook decreased to 12.9% from 14.1%, with an equally unfavorable outlook on the labor market, posting a decrease to 43.5% from 47.5% for the same respective periods.

CONSUMER SENTIMENT – MAY 2023

CONSUMER CONFIDENCE METRICS	MAY-23	APR-23	MAY-22	M/M	Y/Y
Index of Consumer Sentiment	59.2	63.5	58.4	-6.8%	1.4%
Current Economic Conditions	64.9	68.2	63.3	-4.8%	2.5%
Index of Consumer Expectations	55.4	60.5	55.2	-8.4%	0.4%

Source: University of Michigan.

We expect overall economic outlooks to fluctuate, especially given recent economic data that has shown strength and resilience in the U.S. economy. However, we expect outlooks to be tamed by rising interest rates or elevated interest rates if a pause should materialize as the Fed works to address inflation. However, overall economic conditions may improve going into the second half of 2023 as inflation continues its descent and as the Fed is closer to the end of its hike regimen than the beginning. We expect consumer outlooks to be influenced positively as consumers start to expect an end to rate hikes and potentially rate cuts.

CONSUMER CONFIDENCE – MAY 2023

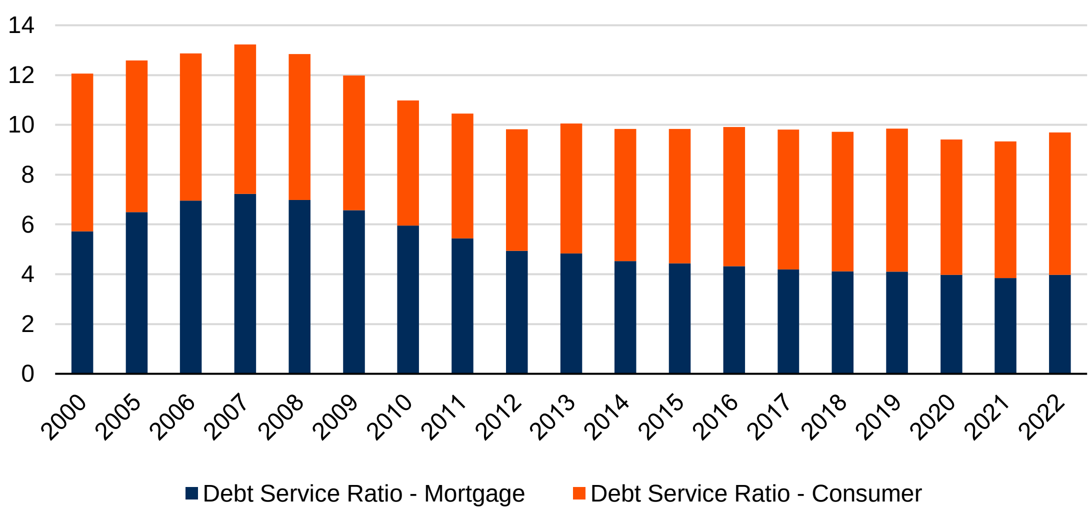
CONSUMER CONFIDENCE METRICS	MAY-23	APR-23
Consumer Confidence Index	102.3	103.7
Present Situation Index	148.6	151.8
Expectations Index	71.5	71.7
Consumer assessment of current conditions		
Business conditions are good	19.6%	19.0%
Business conditions are bad	17.0%	18.1%
Consumers' optimism for short-term outlook		
Business conditions will improve	12.9%	14.1%
Expecting business conditions will worsen	20.6%	21.4%
Consumer outlook for the labor market		
Expecting more jobs in the months ahead	43.5%	47.5%
Anticipating fewer jobs ahead	12.5%	10.6%

Source: The Conference Board.

Consumer Spending Is Expected to Diminish
Household mortgage debt as a percent of disposable income was 3.97% in the fourth quarter of 2022 (and 40.9% of total household debt), according to the U.S. Federal Reserve. Similarly, consumer debt as a percent of disposable income was 5.73% in the fourth quarter of 2022 (and 59.1% 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%). Despite low unemployment and modest wage growth, we expect consumers to be defensive with their spending, choosing to buy necessary items versus discretionary items due to the uncertainty in the economy. Additionally, pandemic savings are now estimated to hover around $500 billion per the Federal Reserve Bank of San Francisco. These savings could sustain necessary spend, but the Federal Reserve Bank of San Francisco expects these savings to last only through the end of 2023. Per the Federal Reserve Bank of New York's quarterly report on Household Debt and Credit, consumers are turning to their credit lines to subsidize purchases in the first quarter of 2023. The report also registered an uptick in credit delinquencies, which we expect to continue as the U.S. consumer faces new headwinds, including the end to the student loan repayment moratorium and the extended SNAP emergency allotments.

Low Debt-to-Disposable Income Ratio Favorable for Home Improvement
We think a sizable number of U.S. households who own single-family homes will remain in stable condition and employed. This factor and 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, which the Federal Reserve Bank of New York's Liberty Street Economics estimates to have extracted approximately $430 billion in home equity. The average household debt-to-income ratio confirms this trend, with the peak ratio in 2006 at 12.9% compared to 9.7% in the fourth quarter of 2022. Going forward, however, we foresee a potential trend reversal due to the impact of higher interest rates, but we would anticipate a weaker labor market being necessary to accelerate the reversal, which has not materialized to date.

AVERAGE HOUSEHOLD DEBT TO DISPOSABLE INCOME RATIO
(percent)



Source: The Federal Reserve Board.

U.S. Homes Are Getting Older

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 4.3 million in the first quarter of 2023. As a result, most homeowners are thinking about improving the appearance of their 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 as a result of the remote and hybrid work models encouraged by the pandemic.

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. However, home improvement retailers have signaled a cooling in bigger project demand with homeowners choosing instead to focus on smaller, cosmetic projects. We expect this ambivalence to continue in the second half of 2023 as the U.S. gains a better perspective on the economy’s path forward.

Digital Transformation Set to Revolutionize the Real Estate Industry

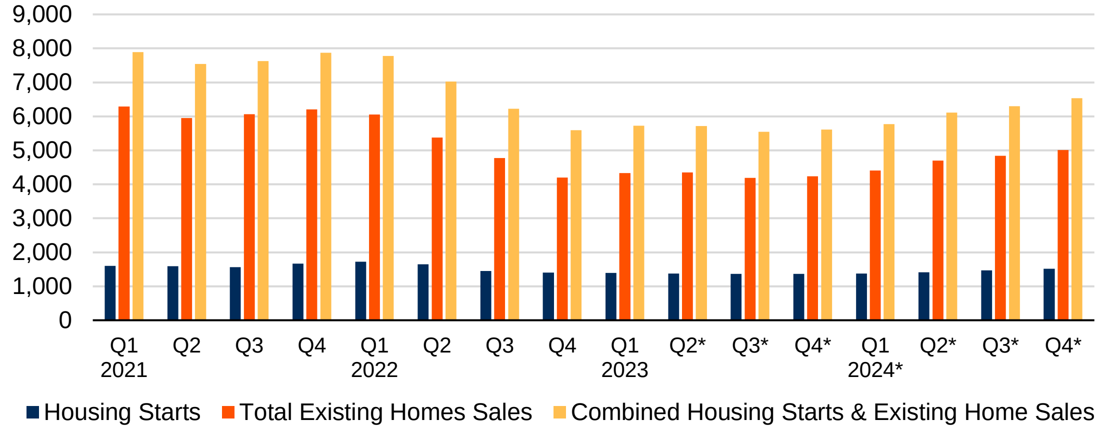
Homebuilders enjoy historically low existing inventory from the resale market, but homebuying demand has fallen meaningfully since mid-2022 due to higher mortgage rates. Underneath the radar is the acceleration of digital applications to assist buyers and sellers in marketing and closing homes. We think digitalization is still 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 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 complete less than six transactions per year on average, and nearly 30% of realtors do not work solely in real estate. The residential real estate market did $59 billion in transactions from April 2021 to March 2022 (latest available), according to data sourced from the National Association of Realtors (NAR) – compared to mass markets for food ($1.1 trillion in 2022), according to Research and Markets, or used autos ($146.5 billion in 2022), 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 and we expect development in this transformation to ramp with the recent advancement in artificial intelligence.

Single-Family Home Sales Are Expected to Level Off in the Back Half of 2023

We believe a sizeable part of the single-family home sale contraction trend is largely in the rearview mirror. Despite recent upticks in mortgage rates, the MBA expects mortgage rates to come down in the next 24 months. We think this will encourage a certain subset of the consumer to engage in transactions. Monthly new residential construction in April 2023 from Census Bureau release showed single-family home building permits, 4.5% above March levels, marking the third month-over-month gain. Housing starts for the same periods were down 1.7% month-over-month and down 27.9% year-over-year as homebuilders pause developments and new starts on the back of rising costs due to inflation. However, we note that the contractions should come down in the second half of the year as they face easier comps. Traffic from prospective homebuyers has come in ahead of expectations with homebuilding participants reporting favorable metrics that support consumer interest.

EXISTING HOME SALES AND HOUSING STARTS
(units, in thousands)



*Estimates. Actual data as June 6, 2023.
Source: Mortgage Bankers Association, includes forecasts.

Homebuilders' Confidence Improves
Our fundamental outlook for the Homebuilding sub-industry is neutral due to elevated mortgage rates, which are expected to sustain through 2023 and cause further weakness in single-family home demand. However, we note that the sub-industry continues to benefit from a tight resale market, which we expect to continue as the majority of existing mortgage rates are sitting below 4%. This benefit has caused homebuilders to raise guidance across different metrics, including the investment going towards the purchase of land and the number of selling communities they aim to have by year-end to realize growth. This is in stark contrast to 2022, when homebuilders were cautious with spending and prepared their portfolios for a fall in demand. In addition, frustrating supply chain issues experienced in 2022 are subsiding, with industry participants reporting shorter cycle times. We are cautious, though, as we see prolonged elevated mortgage rates wearing down the consumer, which could threaten demand and encourage homebuilders to roll out incentives to engage the consumer, impacting profitability.

Despite outsized weakness in entry-level first-time homebuyer demand, we think the wealth effect from the stock market and home equity values will still bring in some cash buyers. Active adult communities are also getting baby boomers who are still able to sell their homes, albeit less easily than in recent years. Additionally, we see the rate at which older adults pass on wealth to the next generation as impacting home demand. We also expect to see some pressure stemming from student loan repayment resumption in the U.S., as it could hinder affordability of monthly mortgages considering the confluence of elevated interest rates and elevated home prices.

In 2023, we think demand will remain a fundamental risk that depends largely on mortgage rates and the path of inflation. We also expect that pressure could stem from falling mortgage rates as it may spark activity in the resale market, which could threaten homebuilder demand and potentially its pricing power. The May 2023 reading on homebuilder sentiment by the NAHB bodes well for the industry, registering at 50, the highest reading in 10 months. The index has registered monthly gains since January 2023, but increases are largely hinged on the state of the existing home market. While any measure above 50 is positive, we think industry sentiment is likely to remain near or below normalized levels (55-65) through 2023, based on 35 years of data. Homebuilders face demand softness due to unfavorable home buying and selling conditions, coupled with higher inflation costs (wages and materials) and construction delays that hurt the pace of home deliveries. Further, with the Fed suggesting a pause and not an end to the hike regimen, we think that further rate hikes would pressure demand as homebuilders reported consumer hesitancy in transacting when rates were above 6.5%.

Home Improvement Retailers' Confidence Is Mixed

We have a neutral fundamental outlook for the Home Improvement Retail sub-industry. With recession looming ahead, we expect trends benefiting this sub-industry will be tested. Home improvement retailers had been benefiting from a multi-year secular shift in consumer habits and spending that boosted home improvement retail demand.

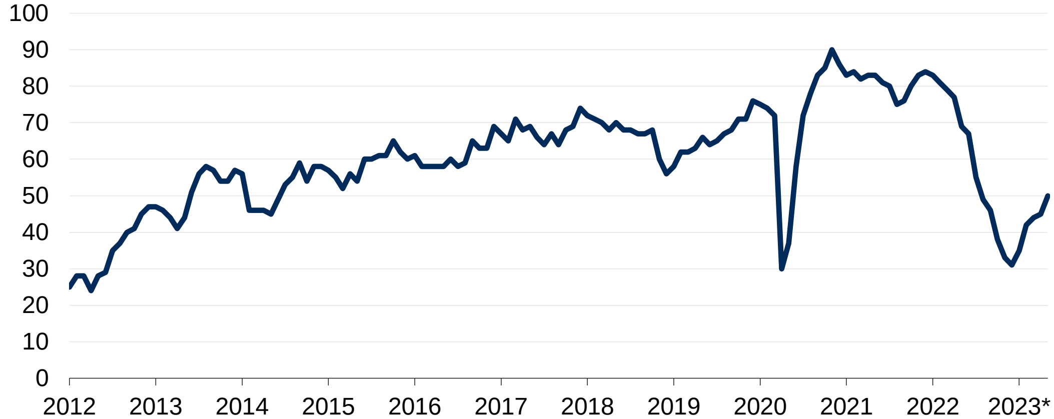
Long term, we think home improvement retailers will benefit from continued time at home for work, play, and leisure, but these trends will be challenged in 2023 as inflation is proving to be stickier than anticipated, challenging consumer budgets. We believe homeowners will be defensive with their spend, pushing off discretionary spending, including home improvement projects. We expect consumers to favor cosmetic and smaller cost projects, which would impact home improvement retailers' top line. Despite a shortage of existing homes for sale and most households with record home equity value staying put, we continue to expect households to be defensive with their spending, given the uncertainty of the path forward for the U.S. economy.

The U.S. household savings rate fell below normalized levels of 7%-8% to 2%-3% of total disposable income and most recently broke into the 4% territory. Reflecting this headwind is the increase in consumers' credit card balances, which increased 17% in the first quarter of 2023, with credit delinquencies also on the rise. Nonetheless, the consumer and labor market are still relatively strong, with low household debt, and poised to spend in 2023, but focused more on smaller size projects, in our opinion. Rising interest rates and inflation remain risks to this sub-industry. We also expect consumer budgets to face incoming headwinds with the rollback of both the student loan repayment moratorium and the extended SNAP emergency allotments.

The JCHS Leading Indicator of Remodeling Activity (LIRA) release in April 2023 reported that remodeling activity rose to $471 billion, up 13.8% in the first quarter of 2023, and forecasts residential remodeling will reach a decade high at $492 billion, up 5.8%, by the third quarter of 2023. However, after more than a decade of continuous growth, remodeling expenditures are expected to decline in the first quarter of 2024 by approximately 2.8% year-over-year. 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 20, 2023, 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 (professional customers) segment, with first quarter 2023 online sales growth decreasing 2.9% from a year ago for Home Depot and increasing 6% for Lowe's in the same period. We attribute the year-over-year gain for Lowe's to recent investments and development initiatives to its online platform, whereas Home Depot's is more established. We think weak consumer demand could pressure online sale realization, too.

HOUSING MARKET INDEX



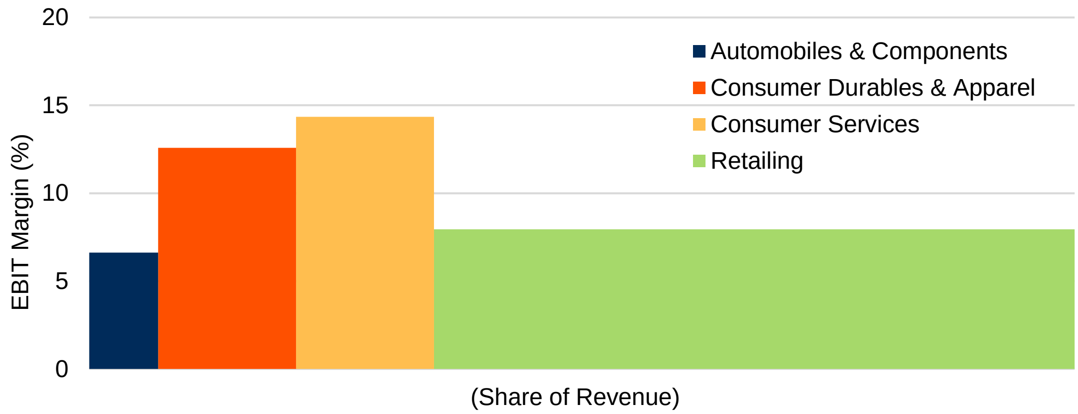
*Data through May.
Source: The National Association of Home Builders.

INDUSTRY TRENDS

INDUSTRY PROFIT SHARE MAP

The Household Durables industry comes under the Consumer Durables & Apparel industry group, which comprises 7.0% of revenue 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.

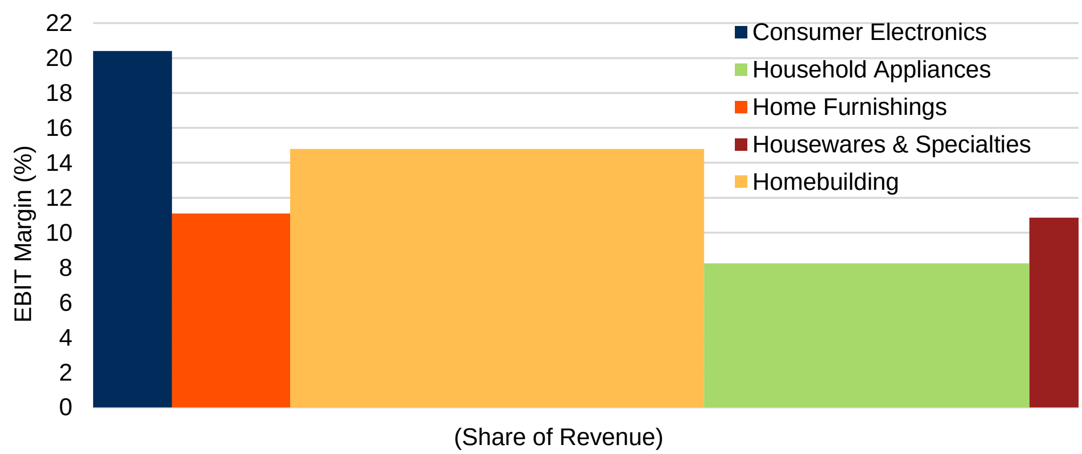
PROFIT SHARE MAP OF THE CONSUMER DISCRETIONARY SECTOR*
(5-year average)



*Data as of calendar year 2022.
Source: S&P Global Market Intelligence.

The largest revenue contributors within the Household Durables industry are the Homebuilding sub-industry at 65.9%, followed by the Household Appliances sub-industry at 13.4% and the Home Furnishings sub-industry at 11.7%. Despite its relatively minuscule revenue contribution, the Consumer Electronics sub-industry has the highest operating profit at 20%.

PROFIT SHARE MAP OF THE HOUSEHOLD DURABLES INDUSTRY*
(5-year average)



*Data as of calendar year 2022.
Source: 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 the 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 2023 or 2024. 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 that 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 the 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 has narrowed in recent years, leading to higher salaries and wages. Labor issues have been gradually mitigated as U.S. unemployment rates remain low at 3.7% in May 2023. 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 sidestepping sanctions and remaining a major softwood lumber supplier, the ripple effect of the Russia-Ukraine war may lead to 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 66.0% of total U.S. households in the first quarter of 2023, 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 59.3% of 2022 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 furnishing companies compete for floor space at retailers' home furniture stores. Many home furnishing firms have scaled back their plans for retail store expansion, as many Covid-19-related tailwinds reversed in 2022. Risks to all competitors are market conditions tied to the U.S. economy.	**High** Customers have many choices in the home furnishing market, which gives buyers the 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 the Russia-Ukraine war impact and materials from China that are subject to trade tariffs, which 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, which have become among the top five home furnishing 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 are still primarily consolidated in Asia, mostly China and Vietnam, despite recent trends of more onshoring to Mexico due to supply chain challenges. 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; the largest incumbent firms 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 furnishing 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, non-traditional distribution channels, including privately-owned home furnishing 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 2022 furniture revenues)

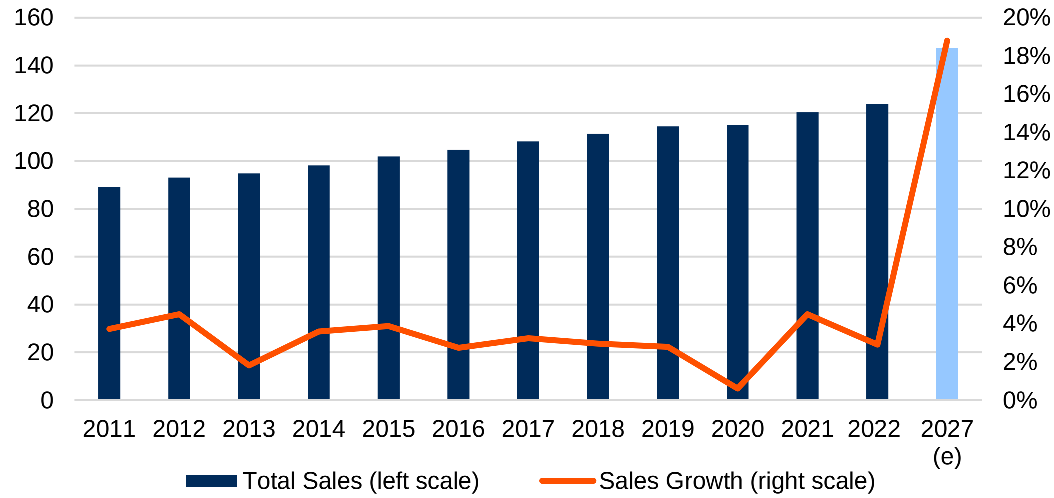
RANK NO.	COMPANY NAME	REVENUES *($, in millions)* 2022	2021	PERCENT CHANGE
1	Ashley HomeStore	6,102	6,346	(3.8)
2	Williams-Sonoma	4,771	4,603	3.6
3	Ikea	3,994	3,970	0.6
4	Mattress Firm	3,953	3,929	0.6
5	Rooms To Go	3,810	3,460	10.1
6	RH	3,339	3,507	(4.8)
7	Berkshire Hathaway (furniture division)	2,325	2,405	(3.3)
8	Bob's Discount Furniture	2,125	2,015	5.5
9	Sleep Number	2,114	2,185	(3.2)
10	Raymour & Flanigan	2,000	2,180	(8.3)
11	Crate and Barrel	1,940	1,720	12.8
12	La-Z-Boy Furniture Galleries	1,465	1,632	(10.2)
13	Big Lots	1,279	1,684	(24.1)
14	Arhaus	1,229	797	54.2
15	American Signature	1,213	1,275	(4.9)
16	Dufresne Spencer Group	1,144	1,070	6.9
17	Havertys	1,047	1,013	3.4
18	American Furniture Warehouse	1,029	1,003	2.5
19	Ethan Allen	818	685	19.4
20	At Home	816	725	12.5
	TOTAL	46,512	46,205	0.7

Source: Furniture Today.

Home Furnishings
U.S. home furniture and bedding sales slowed and then contracted in the first four months of 2023, which we expect will continue through the first half of 2023, with the largest retailers expected to gain market share. According to Furniture Today, furniture and bedding sales growth was relatively stagnant at $123.9 billion in 2022, growing 2.9% from a year ago, primarily due to the weaker macro backdrop and supply chain volatility. The spending on furniture and bedding is also estimated to grow, reaching $147.2 billion (+18.8%) in 2027 – an upgrade from the sluggish sales growth over the past 10 years.

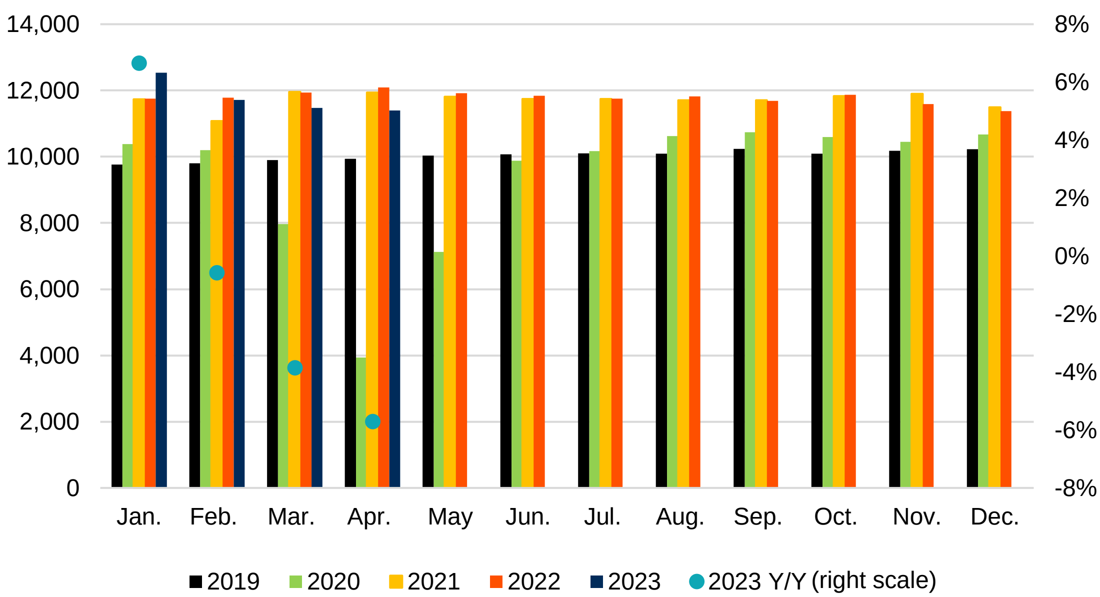
FURNITURE AND BEDDING SALES GROWTH

($, in billions)



e-Estimate.
Source: Furniture Today, December 2022.

FURNITURE AND HOME FURNISHING SALES GROWTH
($, in millions)



Source: U.S. Census Bureau, seasonally adjusted.

Looking forward to 2023, the home furnishing sales outlook could potentially moderate further, mainly due to supply chain challenges and a weaker housing market throughout 2023, coupled with a mixture of changes in the unemployment rate, wage growth, and median income.

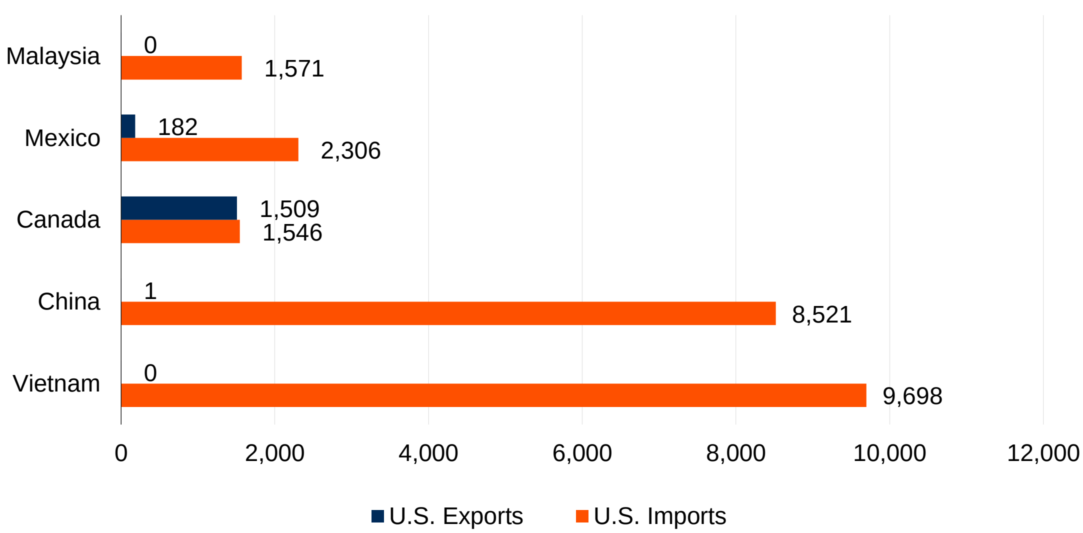
TOP U.S. BEDDING SPECIALISTS

RANK (2022)	COMPANY NAME	----EST. U.S. WHOLESALE BEDDING SALES----- 2022	2021	2022-2021 % change
		($, in millions)		
4	Mattress Firm	3,953	3,929	0.6
9	Sleep Number	2,114	2,185	(3.2)
28	Tempur Sealy	496	495	0.2
31	Slumberland	427	430	(0.7)
33	Casper Sleep	380	400	(5.0)
42	Mattress Warehouse	275	271	1.5
59	The Original Mattress Factory	150	154	(2.6)
61	America's Mattress	138	142	(2.9)
66	Sit'n Sleep	130	146	(11.0)
	TOTAL	8,064	8,153	(1.1)

Source: Furniture Today, May 2023.

In 2022, U.S. furniture imports from the top 10 countries in the world reached $28 billion, according to data from Furniture Today. Vietnam and China remained the top overseas sources in 2022, with a shipment value of $9.7 billion for Vietnam and $8.5 billion for China. Exports from the U.S. in 2022 also increased by 2.1% to $2 billion. Canada was the biggest export destination by a wide margin, being the destination for a total of $1.5 billion of U.S. furniture exports, followed by Mexico at about $182 million.

TOP 5 U.S. HOME FURNISHINGS IMPORT AND EXPORT COUNTRIES IN 2022
($, in millions)



Source: Furniture Today, U.S. Census Bureau.

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

RANK NO.	COUNTRY	IMPORTS ($, in millions) 2022	2021	PERCENT CHANGE	RANK NO.	COUNTRY	EXPORTS ($, in millions) 2022	2021	PERCENT CHANGE
1	Vietnam	9,698.4	9,100.0	6.6	1	Canada	1,509.4	1,566.6	(3.7)
2	China	8,521.0	9,117.5	(6.5)	2	Mexico	181.5	124.2	46.1
3	Mexico	2,306.0	1,919.9	20.1	3	United Kingdom	56.2	45.0	24.9
4	Malaysia	1,570.7	1,422.2	10.4	4	Bahamas	49.0	35.7	37.3
5	Canada	1,546.1	1,315.1	17.6	5	Australia	36.9	27.8	32.7
6	Indonesia	1,410.8	1,174.8	20.1	6	South Korea	31.0	36.7	(15.5)
7	Italy	1,389.5	1,117.6	24.3	7	Japan	26.1	25.8	1.2
8	India	607.0	549.9	10.4	8	Germany	23.5	23.6	(0.4)
9	Thailand	592.6	458.4	29.3	9	Dominican Republic	21.8	12.4	75.8
10	Poland	399.7	363.8	9.9	10	United Arab Emirates	20.9	18.5	13.0
	Top 10, total	28,041.8	26,539.2	5.7		Top 10, total	1,956.3	1,916.3	2.1

Source: 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) 2022	2021	PERCENT CHANGE
1	Miscellaneous wood furniture	6,898.0	6,758.6	2.1
2	Upholstered seats, wood frame	4,536.6	4,900.0	(7.4)
3	Upholstered chairs, wood frame	3,376.3	3,291.3	2.6
4	Wood bedroom furniture	2,920.1	2,510.4	16.3
5	Wood kitchen furniture	2,917.1	2,185.5	33.5
6	Wood beds	1,895.5	1,731.4	9.5
7	Metal outdoor seats with textile-covered cushions	2,037.6	1,896.2	7.5
8	Upholstered seats, metal frame	1,746.2	1,485.1	17.6
9	Furniture of other materials	1,184.4	1,061.8	11.5
10	Wood dining tables	950.2	783.1	21.3
	Top 10, total	28,462.0	26,603.4	7.0
	Other household furniture products shipped	2,608.6	2,470.3	(115.8)
	World total	31,070.6	29,073.7	28.0

RANK NO.	PRODUCT	EXPORTS ($, in millions) 2022	2021	PERCENT CHANGE
1	Miscellaneous wood furniture	412.9	414.2	(0.3)
2	Upholstered seats, wood frame	331.3	273.3	21.2
3	Metal furniture, miscellaneous	248.8	215.9	15.2
4	Mattresses	199.1	193.1	14.6
5	Upholstered chairs, wood frame	178.4	173.7	(7.6)
6	Wood bedroom furniture	150.6	148.1	38.2
7	Cane, etc., furniture	140.2	127.8	(5.3)
8	Plastic furniture	133.4	113.5	4.4
9	Bedding foundations	132.2	110.9	16.5
10	Seats other than metal or wood frame	130.6	109.0	17.8
	Top 10, total	2,057.5	1,879.5	9.5
	Other household furniture products shipped	341.7	423.2	(19.3)
	World total	2,399.2	2,302.7	4.2

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.

Both case goods (wood) and upholstery furniture are leading U.S. import product categories. The U.S. home furniture market is still dependent on imports from China. We think U.S. home furniture companies may increasingly source their imports from other countries in Asia, and to a lesser extent Mexico, due to the lack of trade resolutions between China and the U.S. and risk mitigation to potential supply chain challenges.

Household Appliances

Unit shipments of major kitchen and other household appliances in North America posted a decline of 7.9% in 2022 compared to the same period in the previous year, according to industry trade group Association of Home Appliance Manufacturers. Appliance shipments in 2022 have been lagging compared to the previous year due to supply chain issues and inflation. Contractions were posted in all key product categories in 2022, including laundry equipment (-12.1%), cooking (-4.6%), kitchen cleanup (-4.0%), and food preservation (-3.3%).

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 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, region, and 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 eased in the past year but remain a concern. Most material costs have also dropped over the past six months as the pace of homebuilding has slowed down considerably, which we expect to continue through the second half of 2023 due to higher mortgage rates and affordability challenges.

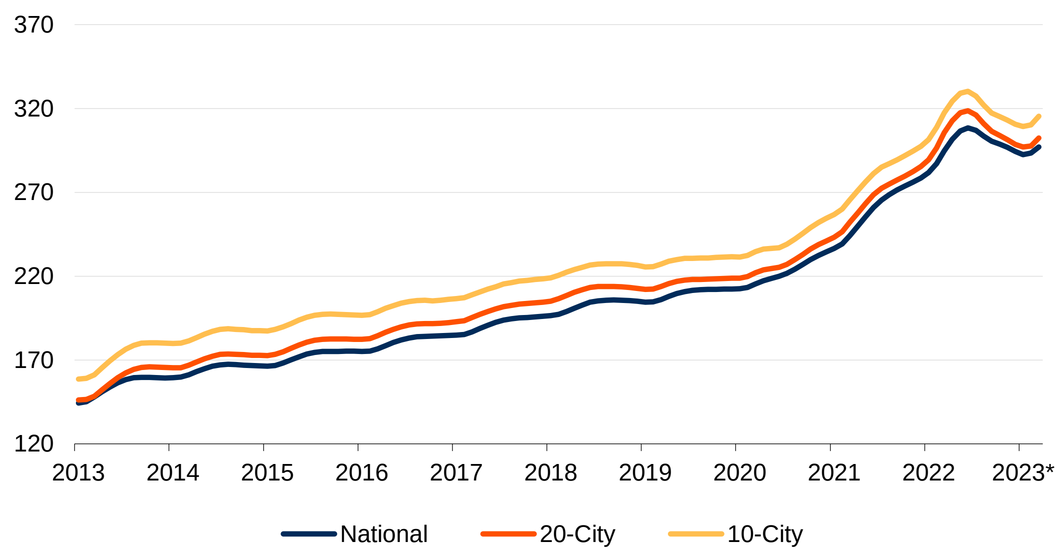
Operating Environment

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 2023
We maintain our neutral fundamental outlook for the Homebuilding sub-industry due to higher interest rates that will continue to weigh on demand through 2023, but our concerns are offset in part due to the tight resale market. The U.S. housing economic data continues to demonstrate better-than-expected momentum in new housing sales, housing starts, and permits, as well as home deliveries, and this trend is expected to continue as long as the resale market remains tight.

Home prices are still near records in just about every part of the country, but home price appreciation has moderated meaningfully. We expect this trend to continue in 2023 with higher cost of living and Sun Belt cities being the most negatively impacted due to affordability challenges and the sharper increase in home price appreciation over the past two years. 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 May 30, 2023 release for the 20-City Composite reported a 1.09% decrease Y/Y for March 2023 data, up 1.5% from the previous month. Showing the highest Y/Y gains among the 20 cities were Miami (+7.7%), Tampa (+4.8%), Charlotte (+4.7%), and Atlanta (+4.5%). The largest declines in home prices were in Seattle (-12.4%), San Francisco (-11.2%), San Diego (-5.3%), and Las Vegas (-5.1%). We think that low supply versus demand is driving the recent price upticks.

S&P CORELOGIC CASE-SHILLER INDICES



*Data through March.

Source: S&P Dow Jones Indices.

U.S. existing home sales have declined for the better part of the last 15 months except for February 2023. April 2023 existing home sales registered at 4.28 million from 4.0 million in January 2023. Unsold inventory stood at a 2.9-month supply in April 2023, according to the National Association of Realtors, up from 2.6 months in March 2023, and a 2.2-month level in April 2022.

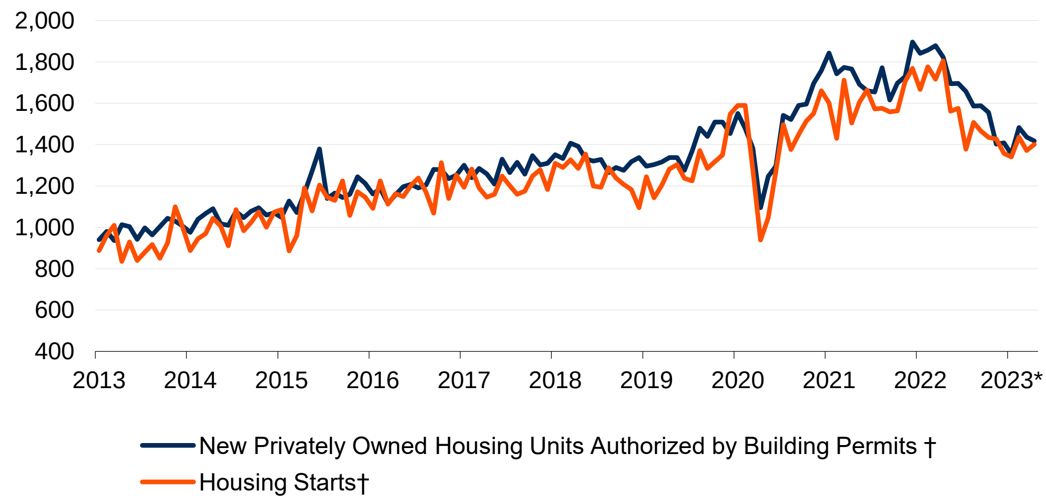
TOTAL EXISTING HOME SALES, U.S. ANNUAL RATE
(units, in thousands)

*Data through April.
Source: National Association of Realtors.

Housing starts, which are a more forward-looking measure of housing completions, were down 22.3% to 1,401,000 units in April 2023 compared to a year ago. The single-family housing starts in April 2023 declined 27.9% from a year ago. For single-family housing starts, the April 2023 year-over-year decrease/increase by region were the Northeast (+17.3%), Midwest (-42.2%), South (-27.1% change), and West (-30.2%).

HOUSING STARTS AND NEW BUILDING PERMITS*

(units, in thousands)

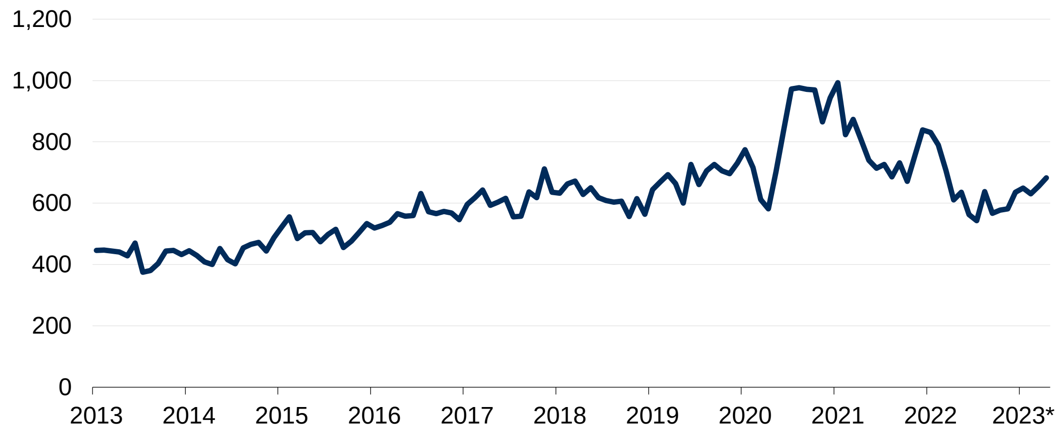


†Seasonally adjusted annual rate.
*Housing Starts data through November, New Building Permits latest available data through April.
Source: U.S. Federal Housing Finance Board, U.S. Department of Commerce.

Sales of new single-family houses in April 2023 were at a seasonally adjusted rate of 683,000, according to the U.S. Census Bureau. This is 11.8% above the prior-year level. The median sales price was $420,800 in April 2023, and the average price was $501,000. The seasonally adjusted estimate of new houses for sale at the end of the same month stood at 433,000 units, representing a supply of 7.6 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

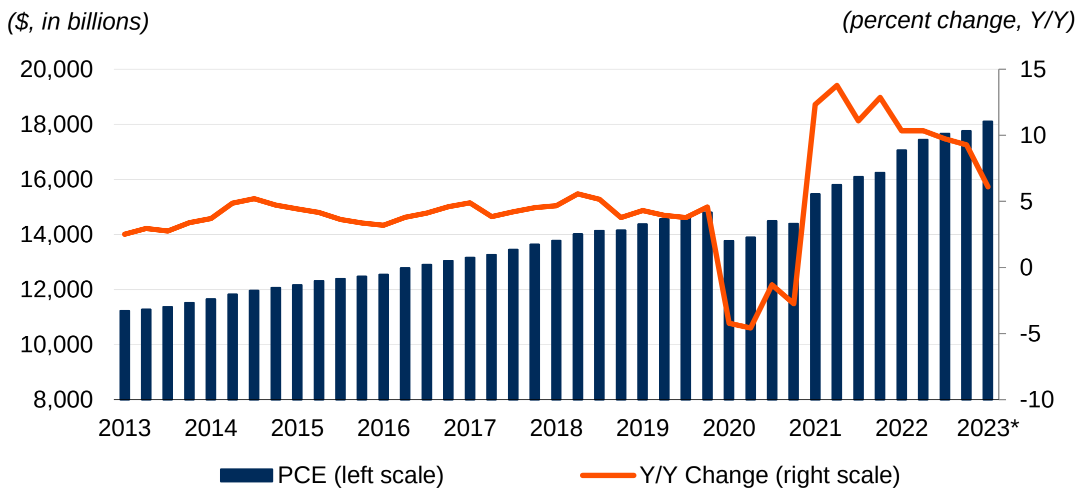
As with many other industries, the Household Durables industry is undergoing change brought about by the depth and breadth of information available to consumers on the internet. Prospective homebuyers can look up properties for sale and recent comparable sales in a neighborhood, for example. Retailers are expanding their presence online and via mobile to spur home furnishing orders. Indeed, online home furnishing sales represent one of the major e-commerce sales categories in the U.S. Market research firm eMarketer forecasts e-commerce sales to rise to $6.2 trillion in 2023 from $3.4 trillion in 2019.

According to Furniture Today, the Covid-19 pandemic significantly drove the rise of e-commerce in the furniture market, where e-commerce reached an all-time high. The trend has not stopped there; per Digital Commerce 360, U.S. ecommerce sales reached $1.03 trillion in 2022, passing $1 trillion for the first time ever. E-commerce grew 7.7% year-over-year, the slowest since 2009. Nevertheless, CFRA foresees a neutral outlook for the furniture industry due to weaker discretionary spending and housing demand. Over the near term, we think inflation, higher mortgage rates, and economic uncertainties will continue to weigh on the industry’s outlook.

Consumer Spending Review

The personal consumption expenditures (PCE) is a leading indicator to determine inflation for U.S. household spending. According to Federal Reserve Economic Data (FRED), real PCE decreased by 2.3% as of March 2023 over the past year. We see little chance of this trend reversing in 2023, given the Fed’s restrictive stance and the current level of inflation. In our view, if the unemployment rate remains below 4.5%, sticky components of inflation related to the service and housing sectors will likely outweigh wage inflation and lead to stagnant consumer demand. However, we also think a pause in rate hikes by the Fed in the second half of 2023 may lead to a short-lived rebound in real PCE.

PERSONAL CONSUMPTION EXPENDITURES



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

Adjusted furniture and home furnishing sales in 2022 increased 1.3% 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)

	------------- HOUSEHOLD APPLIANCES -------------				
YEAR	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	12,790	65,435	78,225	213,445	291,670
2023*	13,008	65,373	78,381	217,173	295,554

*Data through Q1.
Source: U.S. Bureau of Economic Analysis.

Unfavorable Outlook for 2023 May Encourage Exporter Leadership Dynamic Moving Forward

Since the early 1990s, home furnishing 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 for the year are down 13% but up 7.2% over pre-pandemic October 2019. In 2022, Vietnam held the top spot and overtook China as the largest exporter of finished goods to the U.S. market with $9.7 billion in exports. However, China remained a close second to Vietnam with just $1.2 billion less in exports. In 2022, China shipped $8.5 billion to the U.S., down 6.5% from the previous year.

China's lockdowns to achieve "zero Covid-19" tremendously decelerated its global export growth in 2022. The country's export growth declined aggressively to 9.9% in December 2022 from the previous year, the worst drop since the start of the pandemic. In May 2023, the country's exports continued to shrink by 7.5%, reaching the steepest decline since February 2023 amid an inability to sustain a recovery in outbound shipments due to weakening global demand.

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 and Samsung Electronics, as well as Europe's largest appliance manufacturer, AB Electrolux. China's leading appliance maker, Haier Group, is also beginning to make inroads.

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 shipment of smart home devices is expected to reach 1,247 million units in 2026 from 871.8 million units in 2022, according to International Data Corporation (IDC).

The North American market accounts for the largest revenue share contribution to the global smart home market in 2022, 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 household 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 newer area of 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 Association of Home Appliance Manufacturers, an industry trade group. The next categories are laundry, food preservation, and kitchen clean-up equipment.

Manufacturing

The production of appliances and other household durable 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 furnishing 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 the “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, which companies typically spend considerable time converting into loyal customers. However, 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 on 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 impact of the Covid-19 pandemic 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, as well as 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 furnishing 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-over-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). Return 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 ROA 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, as well as how efficiently its managers are using capital resources. Two companies could have identical ROA, 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.

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-over-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.

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

Gallup
gallup.com
An 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.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
A market research company that provides insights related to digital marketing, media, and commerce.

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

IHS Markit
ihsmarkit.com
A market intelligence firm that provides 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
An accounting firm and business adviser that publishes the "Furniture Insights" report.

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

TRADE ASSOCIATIONS

American Home Furnishings Alliance
ahfa.us
A trade group that collects and disseminates data and provides economic forecasts on the Home Furnishings sub-industry.

Association of Home Appliance Manufacturers
aham.org
A trade group that collects and disseminates data and provides economic forecasts and projections on the Household Appliances sub-industry.

International Sleep Products Association
sleepproducts.org
Represents the full bedding market on commercial, health, safety, and environmental issues.

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

National Association of Home Builders
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 business. Advocates for the Homebuilding sub-industry; provides members with news, information, advice, and analysis.

National Association of Realtors
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.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
A publicly traded and government-sponsored enterprise that supports the U.S. housing finance system.

U.S. Bureau of Economic
bea.gov
A federal agency that collects economic data.

U.S. Bureau of Labor Statistics
stats.bls.gov
This division of the U.S. Department of Labor 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
A federal agency that collects U.S. population data.

U.S. Department of Commerce
commerce.gov
A 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	2022	2021	2020	2019	2018	2017	2016	10-Yr.	5-Yr.	1-Yr.	2022	2021	2020	2019	2018	2017
CONSUMER ELECTRONICS																			
GRMN	[] GARMIN LTD.		DEC	4,860.3	4,982.8	4,186.6	3,757.5	3,347.4	3,121.6	3,045.8	6.0	9.3	(2.5)	160	164	137	123	110	102
SONO	§ SONOS, INC.		OCT	1,752.3	1,716.7	1,326.3	1,260.8	1,137.0	992.5	901.3	NA	12.0	2.1	194	190	147	140	126	110
UEIC	UNIVERSAL ELECTRONICS INC.		DEC	542.8	601.6	614.7	753.5	680.2	695.8	651.4	1.6	(4.8)	(9.8)	83	92	94	116	104	107
HOME FURNISHINGS																			
ETD	§ ETHAN ALLEN INTERIORS INC.		JUN	817.8	685.2	589.8	746.7	766.8	763.4	794.2	1.2	1.4	19.4	103	86	74	94	97	96
LZB	§ LA-Z-BOY INCORPORATED	#	APR	0.0	2,356.8	1,734.2	1,704.0	1,745.4	1,583.9	1,520.1	7.3	9.2	35.9	0	155	114	112	115	104
LEG	† LEGGETT & PLATT, INCORPORATED		DEC	5,146.7	5,072.6	4,280.2	4,752.5	4,269.5	3,943.8	3,749.9	4.2	5.5	1.5	137	135	114	127	114	105
MHK	[] MOHAWK INDUSTRIES, INC.		DEC	11,737.1	11,200.6	9,552.2	9,970.7	9,983.6	9,491.3	8,959.1	7.3	4.3	4.8	131	125	107	111	111	106
TPX	† TEMPUR SEALY INTERNATIONAL, INC.		DEC	4,921.2	4,930.8	3,676.9	3,106.0	2,702.9	2,700.6	3,079.7	13.4	12.8	(0.2)	160	160	119	101	88	88
HOMEBUILDING																			
CVCO	§ CAVCO INDUSTRIES, INC.	#	APR	2,142.7	1,627.2	1,108.1	1,061.8	962.7	871.2	773.8	13.9	16.0	46.8	277	210	143	137	124	113
CCS	§ CENTURY COMMUNITIES, INC.		DEC	4,505.9	4,216.3	3,161.2	2,535.9	2,147.4	1,423.8	994.4	46.9	25.9	6.9	453	424	318	255	216	143
DHI	[] D.R. HORTON, INC.		SEP	33,480.0	27,774.2	20,311.1	17,592.9	16,068.0	14,091.0	12,157.4	22.6	18.9	20.5	275	228	167	145	132	116
IBP	§ INSTALLED BUILDING PRODUCTS, INC.		DEC	2,669.8	1,968.7	1,653.2	1,511.6	1,336.4	1,132.9	863.0	24.4	18.7	35.6	309	228	192	175	155	131
KBH	† KB HOME		NOV	6,903.8	5,724.9	4,183.2	4,552.7	4,547.0	4,368.5	3,594.6	16.0	9.6	20.6	192	159	116	127	126	122
LEN	[] LENNAR CORPORATION		NOV	33,671.0	27,130.7	22,488.9	22,259.6	20,571.6	12,646.4	10,950.0	23.4	21.6	24.1	307	248	205	203	188	115
LGIH	§ LGI HOMES, INC.		DEC	2,304.5	3,050.1	2,367.9	1,838.2	1,504.4	1,258.0	838.3	40.6	12.9	(24.4)	275	364	282	219	179	150
MDC	§ M.D.C. HOLDINGS, INC.		DEC	5,718.0	5,254.7	3,901.2	3,293.3	3,065.2	2,577.6	2,326.8	16.9	17.3	8.8	246	226	168	142	132	111
MHO	§ M/I HOMES, INC.		DEC	4,131.4	3,745.9	3,046.1	2,500.3	2,286.3	1,962.0	1,691.3	18.4	16.1	10.3	244	221	180	148	135	116
MTH	§ MERITAGE HOMES CORPORATION		DEC	6,292.2	5,141.3	4,501.2	3,666.9	3,528.6	3,241.0	3,041.7	18.1	14.2	22.4	207	169	148	121	116	107
NVR	[] NVR, INC.		DEC	10,575.3	8,966.3	7,562.8	7,425.6	7,187.1	6,320.2	5,832.9	12.7	10.8	17.9	181	154	130	127	123	108
PHM	[] PULTEGROUP, INC.		DEC	16,229.0	13,926.9	11,036.1	10,213.0	10,188.3	8,577.7	7,676.5	12.9	13.6	16.5	211	181	144	133	133	112
TMHC	† TAYLOR MORRISON HOME CORPORATION		DEC	8,224.9	7,501.3	6,129.3	4,762.1	4,227.4	3,885.3	3,550.0	23.0	16.2	9.6	232	211	173	134	119	109
TOL	† TOLL BROTHERS, INC.		OCT	10,275.6	8,790.4	7,077.7	7,224.0	7,143.3	5,815.1	5,169.5	18.5	12.1	16.9	199	170	137	140	138	112
BLD	† TOPBUILD CORP.		DEC	5,008.7	3,486.2	2,718.0	2,624.1	2,384.2	1,906.3	1,742.9	15.3	21.3	43.7	287	200	156	151	137	109
TPH	§ TRI POINTE HOMES, INC.		DEC	4,348.5	3,982.2	3,260.4	3,083.0	3,262.7	2,810.3	2,405.1	15.0	9.1	9.2	181	166	136	128	136	117
HOUSEHOLD APPLIANCES																			
HELE	† HELEN OF TROY LIMITED	#	FEB	2,072.7	2,223.4	2,098.8	1,707.4	1,564.2	1,478.8	1,397.5	6.5	9.7	5.9	148	159	150	122	112	106
IRBT	§ IROBOT CORPORATION		DEC	1,183.4	1,183.4	1,565.0	1,214.0	1,092.6	883.9	660.6	10.5	6.0	(24.4)	179	179	237	184	165	134
WHR	[] WHIRLPOOL CORPORATION		DEC	19,724.0	21,985.0	19,456.0	20,419.0	21,037.0	21,253.0	20,718.0	0.8	(1.5)	(10.3)	95	106	94	99	102	103
HOUSEWARES AND SPECIALTIES																			
NWL	[] NEWELL BRANDS INC.		DEC	9,459.0	10,589.0	9,385.0	9,715.0	10,154.0	11,170.4	9,181.1	5.6	(3.3)	(10.7)	103	115	102	106	111	122
TUP	TUPPERWARE BRANDS CORPORATION		DEC	1,305.6	1,602.3	1,557.8	1,614.1	2,069.7	2,255.8	2,213.1	(6.6)	(10.4)	(18.5)	59	72	70	73	94	102

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	2022	2021	2020	2019	2018	2017	2016	10-Yr.	5-Yr.	1-Yr.	2022	2021	2020	2019	2018	2017
CONSUMER ELECTRONICS																			
GRMN	[] GARMIN LTD.		DEC	973.6	1,082.2	992.3	952.5	694.1	709.0	517.7	6.0	6.5	(10.0)	188	209	192	184	134	137
SONO	§ SONOS, INC.		OCT	67.4	158.6	(20.1)	(4.8)	(15.6)	(14.2)	(38.2)	NA	NM	(57.5)	(176)	(415)	53	12	41	37
UEIC	UNIVERSAL ELECTRONICS INC.		DEC	0.4	5.3	38.6	3.6	11.9	(10.3)	20.4	(31.0)	NM	(92.3)	2	26	190	18	59	(51)
HOME FURNISHINGS																			
ETD	§ ETHAN ALLEN INTERIORS INC.		JUN	103.3	60.0	8.9	25.7	36.4	36.2	56.6	7.6	23.3	72.1	182	106	16	45	64	64
LZB	§ LA-Z-BOY INCORPORATED	#	APR	0.0	150.0	106.5	77.5	68.6	80.9	85.9	5.5	11.8	40.9	0	175	124	90	80	94
LEG	† LEGGETT & PLATT, INCORPORATED		DEC	309.8	402.4	253.0	314.0	305.9	292.6	385.8	2.2	1.1	(23.0)	80	104	66	81	79	76
MHK	[] MOHAWK INDUSTRIES, INC.		DEC	25.2	1,033.2	515.6	744.2	861.7	971.6	930.4	(20.5)	(51.8)	(97.6)	3	111	55	80	93	104
TPX	† TEMPUR SEALY INTERNATIONAL, INC.		DEC	455.7	624.5	348.8	189.5	100.5	151.4	190.6	15.6	24.7	(27.0)	239	328	183	99	53	79
HOMEBUILDING																			
CVCO	§ CAVCO INDUSTRIES, INC.	#	APR	240.6	197.7	76.6	75.1	68.6	61.5	38.0	29.2	39.1	157.9	634	521	202	198	181	162
CCS	§ CENTURY COMMUNITIES, INC.		DEC	525.1	498.5	206.2	113.0	96.5	50.3	49.5	56.0	59.9	5.3	1,060	1,006	416	228	195	102
DHI	[] D.R. HORTON, INC.		SEP	5,857.5	4,175.8	2,373.7	1,618.5	1,460.3	1,038.4	886.3	19.9	41.3	40.3	661	471	268	183	165	117
IBP	§ INSTALLED BUILDING PRODUCTS, INC.		DEC	223.4	118.8	97.2	68.2	54.7	41.1	38.4	NA	40.3	88.1	581	309	253	177	142	107
KBH	† KB HOME		NOV	816.7	564.7	296.2	268.8	170.4	180.6	105.6	NA	35.2	44.6	773	535	280	254	161	171
LEN	[] LENNAR CORPORATION		NOV	4,614.1	4,430.1	2,465.0	1,849.1	1,695.8	810.5	911.8	21.1	41.6	4.2	506	486	270	203	186	89
LGIH	§ LGI HOMES, INC.		DEC	326.6	429.6	323.9	178.6	155.3	113.3	75.0	42.1	23.6	(24.0)	435	573	432	238	207	151
MDC	§ M.D.C. HOLDINGS, INC.		DEC	562.1	573.7	367.6	238.3	210.8	141.8	103.2	24.5	31.7	(2.0)	545	556	356	231	204	137
MHO	§ M/I HOMES, INC.		DEC	490.7	396.9	239.9	127.6	107.7	72.1	56.6	43.4	46.8	23.6	867	701	424	225	190	127
MTH	§ MERITAGE HOMES CORPORATION		DEC	992.2	737.4	423.5	249.7	227.3	143.3	149.5	25.2	47.3	34.5	663	493	283	167	152	96
NVR	[] NVR, INC.		DEC	1,725.6	1,236.7	901.2	878.5	797.2	537.5	425.3	25.3	26.3	39.5	406	291	212	207	187	126
PHM	[] PULTEGROUP, INC.		DEC	2,617.3	1,946.3	1,406.8	1,016.7	1,022.0	447.2	602.7	28.9	42.4	34.5	434	323	233	169	170	74
TMHC	† TAYLOR MORRISON HOME CORPORATION		DEC	1,052.8	663.0	243.4	254.7	206.4	91.2	52.6	NA	63.1	58.8	2,001	1,260	463	484	392	173
TOL	† TOLL BROTHERS, INC.		OCT	1,286.5	833.6	446.6	590.0	748.2	535.5	382.1	10.2	19.2	54.3	337	218	117	154	196	140
BLD	† TOPBUILD CORP.		DEC	556.0	324.0	247.0	191.0	134.8	158.1	72.6	NA	28.6	71.6	766	446	340	263	186	218
TPH	§ TRI POINTE HOMES, INC.		DEC	576.1	469.3	282.2	207.2	269.9	187.2	195.2	25.1	25.2	22.8	295	240	145	106	138	96
HOUSEHOLD APPLIANCES																			
HELE	† HELEN OF TROY LIMITED	#	FEB	143.3	223.8	253.9	152.3	168.5	44.4	140.7	7.3	9.7	(11.9)	102	159	181	108	120	32
IRBT	§ IROBOT CORPORATION		DEC	(286.3)	(286.3)	30.4	85.3	88.0	51.0	41.9	NA	NM	NM	(683)	(683)	72	203	210	122
WHR	[] WHIRLPOOL CORPORATION		DEC	(1,519.0)	1,783.0	1,075.0	1,168.0	(183.0)	350.0	888.0	NA	NM	NM	(171)	201	121	132	(21)	39
HOUSEWARES AND SPECIALTIES																			
NWL	[] NEWELL BRANDS INC.		DEC	197.0	622.0	(766.0)	107.0	(6,942.0)	2,748.8	527.8	(6.9)	(41.0)	(68.3)	37	118	(145)	20	NM	521
TUP	TUPPERWARE BRANDS CORPORATION		DEC	(14.2)	18.6	112.2	12.4	155.9	(265.4)	223.6	NA	(44.3)	NM	(6)	8	50	6	70	(119)

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 (%) 2022	2021	2020	2019	2018	2017	Return on Assets (%) 2022	2021	2020	2019	2018	2017	Return on Equity(%) 2022	2021	2020	2019	2018	2017
CONSUMER ELECTRONICS																					
GRMN	[] GARMIN LTD.		DEC	20.0	21.7	23.7	25.3	20.7	22.7	12.6	13.8	14.1	15.4	12.9	14.3	15.8	18.6	19.3	21.3	17.3	19.5
SONO	§ SONOS, INC.		OCT	3.8	9.2	NM	NM	NM	NM	5.7	13.9	NM	NM	NM	NM	11.9	36.6	NM	NM	NM	NM
UEIC	UNIVERSAL ELECTRONICS INC.		DEC	0.1	0.9	6.3	0.5	1.8	NM	0.1	1.0	7.6	0.6	2.1	NM	0.1	1.8	13.1	1.4	4.6	NM
HOME FURNISHINGS																					
ETD	§ ETHAN ALLEN INTERIORS INC.		JUN	12.6	8.8	1.5	3.4	4.7	4.7	14.3	8.8	1.4	5.0	6.9	6.4	27.2	17.7	2.6	6.9	9.3	9.1
LZB	§ LA-Z-BOY INCORPORATED	#	APR	0.0	6.4	6.1	4.5	3.9	5.1	NA	7.8	6.0	5.4	6.5	9.1	0.0	19.0	14.4	11.2	10.6	13.3
LEG	† LEGGETT & PLATT, INCORPORATED		DEC	6.0	7.9	5.9	6.6	7.2	7.4	6.0	7.6	5.3	6.5	9.0	8.2	18.8	26.2	18.5	25.4	26.1	25.7
MHK	[] MOHAWK INDUSTRIES, INC.		DEC	0.2	9.2	5.4	7.5	8.6	10.2	0.2	7.3	3.6	5.6	6.6	8.0	0.3	12.2	6.2	9.6	11.9	15.1
TPX	† TEMPUR SEALY INTERNATIONAL, INC.		DEC	9.3	12.7	9.5	6.1	3.7	5.6	10.5	14.4	10.5	6.2	3.7	5.6	324.2	154.8	80.1	66.0	69.5	426.9
HOMEBUILDING																					
CVCO	§ CAVCO INDUSTRIES, INC.	#	APR	11.2	12.1	6.9	7.1	7.1	7.1	18.4	17.1	8.1	9.3	9.5	9.1	26.6	26.1	11.9	13.2	13.9	14.4
CCS	§ CENTURY COMMUNITIES, INC.		DEC	11.7	11.8	6.5	4.5	4.5	3.5	13.9	14.3	7.2	4.5	4.3	2.9	26.8	32.7	17.6	11.8	12.1	8.3
DHI	[] D.R. HORTON, INC.		SEP	17.5	15.0	11.7	9.2	9.1	7.4	19.3	17.4	12.6	10.4	10.3	8.5	33.7	30.7	21.2	16.6	17.3	14.3
IBP	§ INSTALLED BUILDING PRODUCTS, INC.		DEC	8.4	6.0	5.9	4.5	4.1	3.6	12.6	7.2	8.2	6.2	6.6	5.6	49.1	32.3	34.2	31.5	27.9	22.6
KBH	† KB HOME		NOV	11.8	9.9	7.1	5.9	3.7	4.1	12.3	9.7	5.5	5.4	3.4	3.6	24.5	19.9	11.7	12.0	8.5	9.9
LEN	[] LENNAR CORPORATION		NOV	13.7	16.3	11.0	8.3	8.2	6.4	12.1	13.3	8.2	6.3	5.9	4.3	20.6	22.8	14.5	12.0	15.2	10.2
LGIH	§ LGI HOMES, INC.		DEC	14.2	14.1	13.7	9.7	10.3	9.0	10.5	18.3	17.7	10.7	11.1	10.5	21.5	33.9	32.6	23.8	27.1	26.8
MDC	§ M.D.C. HOLDINGS, INC.		DEC	9.8	10.9	9.4	7.2	6.9	5.5	10.5	11.6	9.5	7.1	7.0	5.1	19.8	24.3	18.8	14.2	14.1	10.4
MHO	§ M/I HOMES, INC.		DEC	11.9	10.6	7.9	5.1	4.7	3.7	13.2	12.2	9.1	6.1	5.3	3.9	26.6	27.5	21.2	13.7	13.4	10.3
MTH	§ MERITAGE HOMES CORPORATION		DEC	15.8	14.3	9.4	6.8	6.4	4.4	17.2	15.3	11.0	7.3	6.8	4.4	28.4	27.4	19.6	13.5	13.8	9.6
NVR	[] NVR, INC.		DEC	16.3	13.8	11.9	11.8	11.1	8.5	30.5	21.2	15.6	23.1	25.2	18.0	53.0	40.5	33.1	42.3	46.7	36.9
PHM	[] PULTEGROUP, INC.		DEC	16.1	14.0	12.7	10.0	10.0	5.2	17.7	14.6	11.5	9.5	10.0	4.6	31.9	27.7	23.4	19.8	22.8	10.1
TMHC	† TAYLOR MORRISON HOME CORPORATION		DEC	12.8	8.8	4.0	5.3	4.9	2.3	12.4	7.6	3.1	4.9	3.9	2.1	24.5	18.0	8.1	10.3	8.8	7.8
TOL	† TOLL BROTHERS, INC.		OCT	12.5	9.5	6.3	8.2	10.5	9.2	10.5	7.2	4.0	5.4	7.3	5.7	22.6	16.2	8.9	11.9	16.1	12.2
BLD	† TOPBUILD CORP.		DEC	11.1	9.3	9.1	7.3	5.7	8.3	12.1	7.6	8.8	7.3	5.5	9.0	31.2	21.7	19.7	17.2	13.0	16.1
TPH	§ TRI POINTE HOMES, INC.		DEC	13.2	11.8	8.7	6.7	8.3	6.7	12.2	10.8	7.0	5.4	6.9	4.9	22.0	20.1	12.8	9.8	13.6	9.9
HOUSEHOLD APPLIANCES																					
HELE	† HELEN OF TROY LIMITED	#	FEB	6.9	10.1	12.1	8.9	10.8	3.0	4.9	7.9	11.2	8.0	10.2	2.7	10.2	17.4	21.2	14.1	17.3	12.7
IRBT	§ IROBOT CORPORATION		DEC	NM	1.9	10.3	7.0	8.1	5.8	NM	2.6	12.4	9.3	11.5	7.4	NM	4.0	20.2	14.4	17.5	11.9
WHR	[] WHIRLPOOL CORPORATION		DEC	NM	8.1	5.5	5.7	NM	1.6	NM	8.8	5.3	6.2	NM	1.7	NM	36.8	23.9	32.3	NM	6.2
HOUSEWARES AND SPECIALTIES																					
NWL	[] NEWELL BRANDS INC.		DEC	2.1	5.9	NM	1.1	NM	24.6	1.5	4.4	NM	0.7	NM	8.3	5.1	15.4	NM	3.6	NM	19.0
TUP	TUPPERWARE BRANDS CORPORATION		DEC	NM	1.2	7.2	0.8	7.5	NM	NM	1.5	9.2	1.0	11.9	NM	NM	NM	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	Current Ratio 2022	2021	2020	2019	2018	2017	Debt/Capital Ratio(%) 2022	2021	2020	2019	2018	2017	Debt as a % of Net Working Capital 2022	2021	2020	2019	2018	2017
CONSUMER ELECTRONICS																						
GRMN	[]	GARMIN LTD.		DEC	3.3	2.9	3.2	3.0	2.9	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SONO	§	SONOS, INC.		OCT	1.6	2.0	1.7	1.7	1.7	1.4	0.0	0.0	5.8	8.1	13.7	30.5	0.0	0.0	6.8	9.0	16.4	50.6
UEIC		UNIVERSAL ELECTRONICS INC.		DEC	1.6	1.6	1.8	1.4	1.4	1.2	32.8	20.3	6.4	24.8	38.6	54.4	72.4	46.5	13.6	60.6	100.9	185.6
HOME FURNISHINGS																						
ETD	§	ETHAN ALLEN INTERIORS INC.		JUN	1.6	1.3	1.7	1.8	1.8	1.9	0.0	0.0	13.2	0.0	0.0	2.8	0.0	0.0	55.0	0.0	0.0	10.0
LZB	§	LA-Z-BOY INCORPORATED	#	APR	0.0	1.4	1.5	1.8	2.3	2.9	NA	0.0	0.0	10.5	0.0	0.0	NA	0.0	0.0	27.2	0.0	0.0
LEG	†	LEGGETT & PLATT, INCORPORATED		DEC	2.0	1.5	1.6	1.7	1.9	1.8	55.8	52.0	56.4	61.1	50.1	48.0	209.2	244.9	283.2	338.3	164.2	138.9
MHK	[]	MOHAWK INDUSTRIES, INC.		DEC	1.9	1.8	2.3	1.6	1.4	1.5	27.8	22.6	21.4	22.7	31.8	31.2	98.0	99.3	77.5	127.4	229.3	190.5
TPX	†	TEMPUR SEALY INTERNATIONAL, INC.		DEC	1.2	1.2	1.0	1.2	1.2	1.1	100.5	88.3	71.1	80.1	87.6	93.3	1249.7	997.7	NM	1140.0	1123.5	5275.1
HOMEBUILDING																						
CVCO	§	CAVCO INDUSTRIES, INC.	#	APR	2.7	2.5	2.7	3.0	2.7	2.4	0.2	0.6	1.5	2.0	2.7	6.9	0.4	1.1	2.4	3.6	5.1	13.9
CCS	§	CENTURY COMMUNITIES, INC.		DEC	7.9	5.9	5.1	7.2	6.9	11.1	38.4	48.2	55.9	56.4	62.8	56.4	39.3	48.0	55.4	55.6	62.6	57.1
DHI	[]	D.R. HORTON, INC.		SEP	5.1	5.4	5.3	4.6	5.7	4.5	19.0	19.0	18.5	12.7	18.4	20.9	18.8	18.9	19.1	13.0	18.8	24.2
IBP	§	INSTALLED BUILDING PRODUCTS, INC.		DEC	2.7	2.8	2.6	2.7	2.3	2.2	62.7	66.6	62.9	68.6	70.3	61.1	149.2	150.8	139.9	148.2	188.0	169.6
KBH	†	KB HOME		NOV	5.4	4.2	6.0	5.6	3.1	4.2	34.4	30.7	39.6	42.3	40.7	51.2	36.1	32.3	42.8	48.0	47.5	62.7
LEN	[]	LENNAR CORPORATION		NOV	7.0	14.8	16.4	15.7	12.4	15.9	13.7	18.1	24.8	32.8	36.8	46.8	14.9	19.9	28.1	37.6	43.7	48.4
LGIH	§	LGI HOMES, INC.		DEC	26.4	30.9	20.4	22.0	11.3	13.0	40.5	36.6	32.1	45.0	47.2	49.2	39.2	37.7	32.8	45.2	48.3	49.6
MDC	§	M.D.C. HOLDINGS, INC.		DEC	6.8	5.7	5.5	4.1	6.8	7.1	32.6	36.5	33.1	29.7	38.9	41.6	33.8	37.6	34.6	31.1	40.9	43.9
MHO	§	M/I HOMES, INC.		DEC	5.8	5.1	4.9	5.9	5.2	3.9	25.1	30.0	33.9	38.1	43.8	42.5	24.2	28.8	33.1	37.9	43.8	42.1
MTH	§	MERITAGE HOMES CORPORATION		DEC	9.1	8.8	8.4	9.4	10.6	9.7	22.6	27.6	30.3	34.0	43.2	44.9	23.0	28.1	31.1	35.0	44.8	45.7
NVR	[]	NVR, INC.		DEC	5.9	6.2	6.1	4.8	4.1	3.7	20.7	33.6	32.8	20.4	24.8	27.1	23.3	36.6	36.2	24.9	31.7	34.9
PHM	[]	PULTEGROUP, INC.		DEC	6.3	5.6	6.1	5.7	5.5	4.5	19.5	22.2	30.4	34.3	39.3	43.0	17.9	20.3	29.2	33.7	39.3	45.2
TMHC	†	TAYLOR MORRISON HOME CORPORATION		DEC	5.7	6.3	8.7	7.8	6.4	8.7	34.5	48.4	45.8	44.5	51.4	40.2	39.5	53.2	51.2	47.7	55.6	43.2
TOL	†	TOLL BROTHERS, INC.		OCT	4.2	3.8	4.9	6.7	6.2	6.2	33.3	34.6	42.5	44.1	44.5	42.2	36.1	37.0	46.5	47.3	47.2	44.9
BLD	†	TOPBUILD CORP.		DEC	2.0	1.6	1.9	1.6	1.6	1.5	42.3	47.1	33.6	37.7	40.1	18.7	186.6	320.2	155.3	230.3	275.2	143.2
TPH	§	TRI POINTE HOMES, INC.		DEC	13.8	13.2	14.4	16.9	14.6	13.5	33.0	35.3	37.7	37.0	40.7	43.3	34.9	37.4	39.7	38.8	42.2	44.9
HOUSEHOLD APPLIANCES																						
HELE	†	HELEN OF TROY LIMITED	#	FEB	2.2	1.8	1.6	2.0	1.9	1.9	38.4	38.0	21.9	22.9	24.3	22.2	193.5	169.5	97.3	100.2	109.1	111.8
IRBT	§	IROBOT CORPORATION		DEC	1.8	2.0	2.9	2.9	2.4	2.2	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	[]	WHIRLPOOL CORPORATION		DEC	1.1	1.1	1.1	0.9	0.8	0.9	74.6	49.7	51.5	53.7	70.1	50.9	1591.1	416.8	634.7	NM	NM	NM
HOUSEWARES AND SPECIALTIES																						
NWL	[]	NEWELL BRANDS INC.		DEC	1.3	1.3	1.3	1.4	1.8	2.2	65.3	54.2	57.3	52.1	58.7	43.8	561.1	475.6	520.2	477.6	264.2	181.4
TUP		TUPPERWARE BRANDS CORPORATION		DEC	1.3	1.2	0.6	0.8	0.8	1.0	137.5	142.0	493.7	185.8	164.5	124.9	668.0	758.5	(70.6)	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.

				Price/Earnings Ratio (High-Low)						Dividend Payout Ratio(%)						Dividend Yield(High-Low, %)					
Ticker	Company		Yr. End	2022	2021	2020	2019	2018	2017	2022	2021	2020	2019	2018	2017	2022	2021	2020	2019	2018	2017
CONSUMER ELECTRONICS																					
GRMN	[] GARMIN LTD.		DEC	27 - 16	32 - 20	24 - 12	20 - 12	19 - 16	17 - 13	70	45	45	44	43	54	3.2 - 2.7	3.7 - 1.9	2.2 - 1.5	3.8 - 2.0	3.5 - 2.3	3.6 - 3.0
SONO	§ SONOS, INC.		OCT	66 - 26	34 - 11	NM - NM	NM - NM	NM - NM	NA - NA	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	UNIVERSAL ELECTRONICS INC.		DEC	1289 - 534	163 - 91	20 - 11	228 - 92	65 - 28	NM - NM	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	§ ETHAN ALLEN INTERIORS INC.		JUN	7 - 5	13 - 5	63 - 25	26 - 18	24 - 17	30 - 21	28	40	241	79	81	55	10.0 - 5.8	9.4 - 3.2	7.8 - 3.1	10.9 - 4.4	10.1 - 3.0	3.4 - 2.3
LZB	§ LA-Z-BOY INCORPORATED	#	APR	13 - 8	20 - 9	22 - 10	26 - 17	20 - 14	19 - 13	0	18	16	32	34	27	3.2 - 2.2	2.5 - 1.3	1.6 - 0.0	3.4 - 0.0	1.9 - 1.3	1.9 - 1.3
LEG	† LEGGETT & PLATT, INCORPORATED		DEC	19 - 14	20 - 13	28 - 12	24 - 15	21 - 15	25 - 20	74	54	84	65	63	63	6.1 - 4.6	5.7 - 3.9	4.2 - 2.9	7.1 - 3.0	4.5 - 2.9	4.4 - 3.0
MHK	[] MOHAWK INDUSTRIES, INC.		DEC	476 - 222	15 - 9	20 - 8	15 - 11	24 - 10	22 - 15	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	† TEMPUR SEALY INTERNATIONAL, INC.		DEC	19 - 8	16 - 8	17 - 4	26 - 12	35 - 21	25 - 14	15	10	0	0	0	0	1.3 - 0.9	2.0 - 0.7	0.9 - 0.7	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
HOMEBUILDING																					
CVCO	§ CAVCO INDUSTRIES, INC.	#	APR	15 - 9	29 - 17	28 - 13	34 - 15	27 - 16	28 - 20	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	§ CENTURY COMMUNITIES, INC.		DEC	5 - 3	6 - 3	8 - 2	9 - 5	11 - 5	15 - 10	5	3	0	0	0	0	1.6 - 1.2	2.0 - 0.7	1.0 - 0.7	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
DHI	[] D.R. HORTON, INC.		SEP	7 - 4	9 - 6	12 - 4	12 - 8	14 - 10	14 - 10	5	7	11	14	13	14	1.3 - 0.9	1.5 - 0.8	1.2 - 0.8	2.4 - 0.9	1.8 - 1.1	1.3 - 0.9
IBP	§ INSTALLED BUILDING PRODUCTS, INC.		DEC	18 - 9	35 - 25	36 - 9	33 - 15	44 - 17	60 - 31	28	30	0	0	0	0	2.1 - 1.1	1.8 - 0.9	1.1 - 0.9	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
KBH	† KB HOME		NOV	5 - 3	8 - 5	13 - 3	12 - 6	20 - 9	14 - 7	6	10	13	8	5	5	2.2 - 1.2	2.4 - 1.2	2.0 - 1.2	3.3 - 0.9	1.4 - 0.4	0.5 - 0.3
LEN	[] LENNAR CORPORATION		NOV	7 - 4	8 - 5	11 - 4	11 - 7	13 - 7	18 - 12	9	7	8	3	3	5	1.9 - 1.3	2.3 - 0.9	1.4 - 0.9	1.7 - 0.3	0.4 - 0.3	0.4 - 0.2
LGIH	§ LGI HOMES, INC.		DEC	11 - 5	11 - 6	10 - 3	11 - 6	11 - 5	14 - 5	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	§ M.D.C. HOLDINGS, INC.		DEC	7 - 3	8 - 5	9 - 3	12 - 7	9 - 7	14 - 9	25	21	24	31	32	37	6.5 - 4.5	7.3 - 3.6	4.2 - 2.4	7.9 - 2.5	4.6 - 2.6	4.7 - 2.7
MHO	§ M/I HOMES, INC.		DEC	4 - 2	5 - 3	6 - 1	10 - 5	10 - 5	14 - 9	0	0	0	0	0	5	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	§ MERITAGE HOMES CORPORATION		DEC	5 - 2	6 - 4	10 - 2	12 - 6	10 - 6	15 - 9	0	0	0	0	0	0	1.0 - 0.8	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
NVR	[] NVR, INC.		DEC	11 - 7	17 - 11	18 - 9	16 - 10	17 - 10	24 - 11	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	[] PULTEGROUP, INC.		DEC	5 - 3	8 - 5	10 - 3	11 - 7	10 - 6	24 - 13	6	8	9	12	10	25	1.5 - 0.9	1.7 - 1.0	1.4 - 0.9	2.7 - 1.0	1.8 - 1.1	1.7 - 1.0
TMHC	† TAYLOR MORRISON HOME CORPORATION		DEC	4 - 2	7 - 4	15 - 4	12 - 7	15 - 8	17 - 13	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	† TOLL BROTHERS, INC.		OCT	7 - 4	10 - 6	15 - 4	10 - 7	11 - 6	14 - 8	7	9	13	11	8	7	2.0 - 1.1	2.0 - 0.9	1.3 - 0.8	3.2 - 0.9	1.5 - 1.1	1.3 - 0.6
BLD	† TOPBUILD CORP.		DEC	16 - 8	28 - 18	26 - 8	20 - 8	23 - 11	17 - 8	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	§ TRI POINTE HOMES, INC.		DEC	5 - 3	7 - 4	9 - 3	11 - 7	11 - 6	15 - 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 - 0.0	0.0 - 0.0
HOUSEHOLD APPLIANCES																					
HELE	† HELEN OF TROY LIMITED	#	FEB	27 - 21	26 - 11	33 - 18	22 - 13	62 - 53	21 - 15	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	§ IROBOT CORPORATION		DEC	NM - NM	147 - 58	18 - 6	43 - 14	37 - 18	58 - 29	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	[] WHIRLPOOL CORPORATION		DEC	NM - NM	9 - 6	12 - 4	9 - 6	NM - NM	42 - 34	NM	19	29	26	NM	89	5.6 - 4.4	5.4 - 2.3	2.8 - 2.1	7.5 - 2.4	4.5 - 3.0	4.4 - 2.4
HOUSEWARES AND SPECIALTIES																					
NWL	[] NEWELL BRANDS INC.		DEC	55 - 27	20 - 14	NM - NM	86 - 53	NM - NM	10 - 5	195	63	NM	365	NM	16	11.2 - 5.6	7.3 - 3.5	4.6 - 3.1	8.7 - 4.3	6.9 - 3.8	6.0 - 2.9
TUP	TUPPERWARE BRANDS CORPORATION		DEC	NM - NM	100 - 37	16 - 1	150 - 29	21 - 10	NM - NM	0	0	0	599	88	NM	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	11.2 - 0.0	9.0 - 4.2

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($)						Tangible Book Value per Share($)					
					2022	2021	2020	2019	2018	2017	2022	2021	2020	2019	2018	2017
CONSUMER ELECTRONICS																
GRMN	[]															
UEIC		UNIVERSAL ELECTRONICS INC.		DEC	0.03	0.39	2.72	0.26	0.85	(0.72)	15.34	16.17	17.79	14.78	13.76	12.51
HOME FURNISHINGS																
ETH																
LZB	§	LA-Z-BOY INCORPORATED	#	APR	0.00	3.39	2.30	1.66	1.44	1.67	0.00	13.51	12.51	11.15	9.94	11.09
LEG	†	LEGGETT & PLATT, INCORPORATED		DEC	2.27	2.94	1.86	2.32	2.26	2.13	(3.84)	(3.82)	(5.02)	(6.51)	1.11	1.52
MHK	[]	MOHAWK INDUSTRIES, INC.		DEC	0.39	14.94	7.22	10.30	11.47	12.98	82.25	74.89	70.18	64.51	54.64	49.66
TPX	†	TEMPUR SEALY INTERNATIONAL, INC.		DEC	2.53	3.06	1.64	0.85	0.46	0.69	(10.56)	(8.39)	(4.36)	(4.71)	(5.31)	(5.94)
HOMEBUILDING																
CVCO	§	CAVCO INDUSTRIES, INC.	#	APR	26.95	21.34	8.25	8.10	7.40	6.68	96.01	77.45	64.34	56.40	49.12	41.36
DHI	[]	D.R. HORTON, INC.		SEP	16.51	11.41	6.41	4.29	3.81	2.74	55.89	41.34	32.03	26.76	23.59	20.45
IBP	§	INSTALLED BUILDING PRODUCTS, INC.		DEC	7.74	4.01	3.27	2.28	1.75	1.30	(5.81)	(5.76)	(2.35)	(3.32)	(4.72)	(2.62)
KBH	†	KB HOME		NOV	9.09	6.01	3.13	2.85	1.71	1.85	43.59	34.23	29.09	26.60	24.01	22.13
LEN	[]	LENNAR CORPORATION		NOV	15.72	14.27	7.85	5.74	5.44	3.38	70.63	57.39	45.93	38.91	33.62	31.99
LGIH	§	LGI HOMES, INC.		DEC	13.76	17.25	12.76	7.02	6.24	4.73	69.96	57.86	45.11	32.85	28.36	21.87
MDC	§	M.D.C. HOLDINGS, INC.		DEC	7.67	7.83	5.17	3.44	3.14	2.13	42.49	36.63	30.16	26.26	23.74	21.37
MHO	§	M/I HOMES, INC.		DEC	17.24	13.28	8.23	4.48	3.70	2.26	74.29	56.12	42.79	34.43	30.25	26.55
MTH	§	MERITAGE HOMES CORPORATION		DEC	26.74	19.29	11.00	6.42	5.58	3.41	107.10	80.65	61.71	50.81	44.33	38.28
NVR	[]	NVR, INC.		DEC	491.82	320.48	230.11	221.13	194.80	126.77	1074.24	856.71	826.43	631.01	491.52	421.39
PHM	[]	PULTEGROUP, INC.		DEC	11.01	7.43	5.18	3.66	3.55	1.44	38.87	29.45	24.04	19.74	16.93	13.99
TOL	†	TOLL BROTHERS, INC.		OCT	10.90	6.63	3.40	4.03	4.85	3.17	54.79	44.08	38.54	36.00	32.57	28.82
BLD	†	TOPBUILD CORP.		DEC	17.14	9.78	7.42	5.56	3.78	4.32	(20.73)	(30.52)	(7.72)	(11.98)	(14.42)	(3.25)
TPH	§	TRI POINTE HOMES, INC.		DEC	5.54	4.12	2.17	1.47	1.81	1.21	26.49	20.89	17.02	14.89	13.39	11.70
WLH																
HOUSEHOLD APPLIANCES																
HELE	†	HELEN OF TROY LIMITED	#	FEB	5.95	9.17	10.08	6.02	6.40	1.63	(5.48)	(6.70)	5.83	4.80	4.12	4.11
IRBT	§	IROBOT CORPORATION		DEC	(10.52)	1.08	5.14	2.97	3.07	1.77	10.82	19.07	23.73	18.38	14.11	10.88
WHR	[]	WHIRLPOOL CORPORATION		DEC	(27.18)	28.36	16.98	18.19	(2.72)	4.70	(76.70)	6.44	(12.78)	(23.33)	(38.66)	(21.39)
HOUSEWARES AND SPECIALTIES																
NWL	[]	NEWELL BRANDS INC.		DEC	0.47	1.45	(1.81)	0.25	(14.65)	5.63	(5.87)	(6.38)	(7.64)	(8.65)	(11.37)	(6.03)
TUP		TUPPERWARE BRANDS CORPORATION		DEC	(0.31)	0.35	2.14	0.25	3.11	(5.22)	(4.21)	(5.33)	(5.48)	(7.38)	(7.48)	(5.11)

Ticker	Share Price (High-Low, $)					
	2022	2021	2020	2019	2018	2017
CONSUMER ELECTRONICS						
GRMN						
UEIC	41.55 - 16.56	65.02 - 35.23	56.99 - 29.50	60.00 - 23.57	55.90 - 23.29	74.85 - 46.05
HOME FURNISHINGS						
ETH						
LZB	38.16 - 21.92	46.74 - 31.92	42.69 - 15.61	37.48 - 26.87	39.15 - 25.30	34.25 - 23.15
LEG	43.63 - 30.28	59.16 - 37.05	51.76 - 22.03	55.42 - 34.95	49.88 - 33.48	54.97 - 43.17
MHK	192.00 - 87.02	231.80 - 134.09	144.37 - 56.62	156.60 - 108.93	282.21 - 109.35	286.85 - 199.90
TPX	48.97 - 20.03	50.51 - 25.88	28.65 - 5.50	23.08 - 9.95	16.43 - 9.73	17.61 - 9.89
HOMEBUILDING						
CVCO	324.99 - 179.47	327.24 - 170.86	236.10 - 99.58	210.00 - 112.00	261.80 - 121.40	157.80 - 93.65
DHI	108.64 - 59.25	110.45 - 64.32	81.21 - 25.51	56.12 - 34.08	53.32 - 32.39	51.83 - 27.21
IBP	140.72 - 69.45	141.43 - 99.36	121.67 - 29.02	76.60 - 32.79	78.15 - 29.24	79.40 - 40.00
KBH	50.20 - 24.78	52.48 - 31.76	42.20 - 9.82	37.40 - 18.68	38.80 - 16.82	32.48 - 15.51
LEN	116.36 - 62.54	117.54 - 71.52	86.80 - 25.42	62.63 - 38.43	72.17 - 37.29	64.42 - 41.40
LGIH	155.43 - 71.73	188.00 - 95.54	132.98 - 33.00	89.00 - 44.20	81.88 - 37.16	77.95 - 26.82
MDC	56.53 - 27.04	63.86 - 41.31	48.61 - 14.58	43.37 - 23.68	30.16 - 21.55	29.73 - 20.28
MHO	62.82 - 34.33	74.85 - 42.22	49.93 - 9.62	46.57 - 20.51	37.41 - 20.35	36.92 - 22.55
MTH	123.30 - 62.51	125.01 - 78.00	117.06 - 25.24	76.83 - 36.03	54.90 - 32.02	55.50 - 33.40
NVR	5885.00 - 3576.01	5982.45 - 3885.00	4530.00 - 2043.01	3946.50 - 2285.00	3700.00 - 2040.71	3536.97 - 1631.78
PHM	58.09 - 35.03	63.91 - 39.92	49.70 - 17.12	41.22 - 25.10	35.21 - 20.64	34.60 - 18.18
TOL	72.75 - 39.53	75.61 - 41.22	50.42 - 13.28	41.70 - 32.30	52.73 - 28.68	51.08 - 30.45
BLD	280.84 - 140.66	284.07 - 178.03	200.32 - 54.83	113.74 - 43.71	87.21 - 41.27	76.40 - 35.76
TPH	28.09 - 14.59	28.29 - 16.59	19.59 - 5.89	16.33 - 10.67	19.55 - 10.37	18.46 - 11.31
WLH						
HOUSEHOLD APPLIANCES						
HELE	249.08 - 82.94	265.97 - 201.02	230.56 - 104.02	181.32 - 108.31	145.47 - 81.10	102.88 - 84.38
IRBT	73.77 - 35.41	197.40 - 63.37	98.55 - 32.79	132.88 - 42.41	118.75 - 55.77	109.78 - 52.12
WHR	245.44 - 124.43	257.68 - 171.33	207.30 - 64.00	163.64 - 103.81	187.47 - 99.40	202.99 - 158.80
HOUSEWARES AND SPECIALTIES						
NWL	26.45 - 12.25	30.10 - 20.36	22.09 - 10.44	22.06 - 13.04	32.58 - 15.12	55.08 - 27.46
TUP	21.10 - 3.75	38.59 - 13.28	38.18 - 1.15	38.63 - 7.16	66.26 - 29.82	74.36 - 53.17

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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