



**FEBRUARY 2020**

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**Life Alert: Your beliefs do not make you a better person. Your behavior does.**

**Flooring Flashes:**

1. The **Floor Covering Industry Foundation (FCIF)** will be sponsoring their 40<sup>th</sup> anniversary with a gala on May 2, 2020 at the Rainbow Room at the top of Rockefeller Plaza. The honorees for the event will be Howard Brodsky, Chairman & CEO of CCA Global Partners, Jeanne Matson Retiring President and CEO of Starnet, and Dana Teague, VP of Informa Markets.
2. Lumber Liquidators stock was downgraded by security analysts in January to underweight, which caused the stock to drop 10% in value. Their stock price has dropped 26% in the last 12 months. They also named a new President.
3. **Carpet One** has started the launch of the Drive lead management and marketing automation system. The first wave “onboards” over 30 **Carpet One** locations. **Carpet One** held the first webinar and launch session with terrific participation. Members are very enthusiastic about this program. It answers a need for them in the marketplace and the addition of a CRM platform was one of the top requests coming out of the last member survey.
4. The business case for the installation and use of Drive presented at the convention was very compelling. Sales pros actively using the tool are seeing 10% more in topline sales than those that are not. This topline impact means a better bottom line for members and a bigger paycheck for sales pros.

5. It's pretty clear, if you want to do the one thing to positively impact your business it would be to increase your sales pro's conversion rates by installing the Drive CRM system. Because Drive is new and anything new will naturally have a ramp up period as teams learn how to use the tool, **Carpet One** has opened Unlimited Online University to all members. This was done to eliminate any barrier to OLU use and to get members engaged with Drive training. But it's not just Drive!
6. As of February 1, the **Carpet One University** is offering free unlimited education on all subjects. Everyone has access to the Online University, which includes hundreds of eLearning courses, videos and valuable resources. Playlists have been organized to provide timeline content for: DRIVE, HR Compliance, Sales Onboarding Essentials, Succession Planning, Financial Acumen, Main Street Commercial, Selling with Financing, Certification, And more.
7. On a final note, **Carpet One** has added a new recruiting tool to the member offerings. Hire4Success is open to all members. Carpet One has seen a significant increase in the number of members using the tool to recruit new employees; sales pros and back office. Hire4Success is included in the monthly bundled fee. It has been demonstrated many times in many industries, the worst time to recruit is when you're down a person or more. It is a change, but effective managers are constantly recruiting so they have a "go-to" list of potential candidates when they most need them.
8. Winter conneXtion 2020 wrapped up on January 7<sup>th</sup> with a lot to be excited about. This conneXtion focused heavily on the **Flooring America Flooring Canada** members by giving them ample time to network with each other and more time than ever to talk with staff members via the new one-on-one sessions. One member from each region was also presented with an award for their outstanding expertise, engagement, and accomplishments in their business and in their community. Below are the award winners from each region:
9. **Gary Mazza** of Mazza's Flooring America (*Region 1*) for outstanding engagement in Flooring America programs and notable involvement in the Hammonton, NJ community, including company sponsored events/organizations and being a local swim team coach.

10. **Nelson & Chris Green** of Great Southeast Flooring America (*Region 2*) for celebrating 40 years of business in 2019 and superior involvement in their community including awarding \$10k in college scholarships to local students, being awarded the Best of Brevard 7 years in a row, and being a member of their Chamber of Commerce for 40 Years.
11. **Terry & Sandi Allison** of Allison Flooring America (*Region 3*) for treating their employees incredibly by purchasing them hotel nights and cabanas and presenting awards for their employee appreciation night at Schlitterbahn Water Park in Corpus Christi, TX. They are rewarded with tremendous loyalty as they have four employees over 20 years and two employees over 30 years.
12. **Mike Toste** of Tri County Flooring America (*Region 4*) for spectacular participation in all programs offered, including “extra-curriculars” such as videos, membership mailers, convention panels, and discovery day. Mike also served on the advisory council and is always willing to help Flooring America grow.
13. **Mel Greer** of Greer’s Flooring America (*Region 5*) for staying active in the Online University and keeping his team on-top of the competition by enrolling them in key classes. Mel also takes advantage of many Flooring America programs and is always looking for ways to learn and improve.
14. **Casey Dillabaugh** of Dillabaugh’s Flooring America (*Region 6*) for embracing Vision 2020 in his diverse showrooms, giving back to the community through the “Dillabaugh’s Restores” program, and being recognized as one of the top 100 retailers in Idaho for the past 3 years.
15. **Jenny Mrozinski** of Ann Arbor Flooring America (*Region 7*) for being very involved in charities (Habitat for Humanity, Toys for Tots, etc.), local community events, and supporting the community through social media. Jenny also served on the Advisory Council while they celebrated 50 years in 2018 (20 years with Flooring America).
16. **Sean Racine** of A-1 Flooring Canada (*Canada*) for being a part of Flooring Canada since its inception and embracing the Vision 2020 showroom. Sean is also notably involved with his community including the Greater Niagara Chamber of Commerce, Lincoln County Humane Society, and Niagara Ice Dogs hockey team.
17. During winter conneXtion 2020, **Flooring America** announced their new partnership with the Stephen Siller Tunnel to Towers

Foundation. The Stephen Siller Tunnel to Towers Foundation's mission is to honor our military and first responders who continue to make the supreme sacrifice of life and limb for our country. Retired FDNY Battalion Commander Jack Oehm took the stage to announce that Flooring America would be working to support the foundation's Gold Star Family Home program. The term "Gold Star" describes a family member who has lost a loved one who was serving in the military. This program works to provide mortgage-free homes to those Gold Star families. Joining Jack on stage was Gold Star family member Mecca Nelson, whose husband died while fighting for our country during the war in Iraq in 2006. Mecca's message was a simple, yet emotional one... after such a tragic life-altering loss, a mortgage-free home goes a long way to help these families get back to living again by providing them with a place to call their own. As part of the Gold Star Family Home program, **Flooring America** members will have the opportunity to support the families of those who have given the ultimate sacrifice. Members interested in getting more involved and promoting this foundation should watch for more information coming later this year.

18. **Flooring America Flooring Canada** has announced some great new product offerings! Downs Life H2O is Flooring America Flooring Canada's newest hard surface introduction. This program offers stunning visuals at a competitive price point. This completely exclusive collection cannot be shopped elsewhere, giving members a strong edge in their market. Also new this year is the Passages collection by Tigressa. This new collection features high quality design, high performance carpets that have unique patterns, lively colors, and timeless looks that are inspired by world travels. These programs are set to release later this year.

### **Corporate Results-Flooring Manufacturers & Retailers**

1. **Mohawk** reported a 4th quarter sales drop of 1%. For the year 2019 sales also dropped 1%. Net income for the 4<sup>th</sup> quarter was up 15% and for the year was down 13.6%. Ceramic sales for the year were up for the year 2%, Flooring NA was down 4.6% and Flooring the ROW was up 4%.

## Corporate Results/Builders, Home Centers:

1. **D.R Horton** reported a sales increase for their first quarter of 2020 of 14.3%. Net income was up 50%. Backlog in dollars at the end of the quarter was up 4.7% and in units were up 15.8%.
2. **Pulte** reported flat sales for their 4<sup>th</sup> quarter of 2019 and for the year sales were up 2%. Net income for the quarter was up 41% and for the year net income was flat. Backlog in dollars and units were up 9.7% and 18% respectively.
3. **NVR** reported flat 4<sup>th</sup> quarter sales and for the year sales were up 3%. Backlog in units were down 17%. Net income for both periods were up 10.3% and 10% respectively.
4. **Beazer** reported a 1<sup>st</sup> quarter sales increase of 4%. They experienced a sharp drop in net income of well over 50%. Backlog in units and dollars were up 21% and 23% respectively.

## Positives Observations:

1. New home sales were up in December compared to a year ago by 23%. **See Exhibit II.**
2. Existing home sales in December were near a 2-year high beating November by 3.6%. They were better than a year ago by 10.8%. **See Exhibit I.**
3. The stock market did ok for January. The DJIA was up 0.99%, the S&P was up 0.16%, and the NASDAQ was up 1.99%. **See Exhibit IV.**
4. The economy added 225,000 jobs in January, as the jobless rate ticked up to 3.6%. **See Exhibit III.**
5. The mortgage market in 2019 had its best year since the height of the pre-crisis boom, the latest sign that housing sales are firming up.
6. Home price growth accelerated in November, the latest sign the U.S. housing market is picking up.
7. U.S. mortgage rates are at a three month low. 30-year fixed rates are at 3.60% and 15-year rates are at 3.04%.
8. The overall trade deficit shrank last year for the first time in six years in 2019 as the American economy cooled.
9. For the first time in four years life expectancy is up in the U.S. For males born in 2018 males will live for 76 years and two months, and for females 81 years and 1 month.

### **Neutral Observations:**

1. The U.S. economy grew 2.1% in the 4<sup>th</sup> quarter. This was the slowest pace since 2016. Full year growth was 2.3%.
2. The share of American workers in labor unions fell to a record low in 2019.
3. The Federal Reserve left its benchmark interest rate unchanged on January 30<sup>th</sup>.
4. Fisher Island, located off the tip of Miami Beach, has the richest zip code number (33109) in the country. They enjoy an average adjusted gross income .

### **Negative Observations:**

1. Credit card debt rose to a record in the 4<sup>th</sup> quarter of 2019. People seriously behind in their payments increased to the highest level in 8 years.
2. Macy's announced that they would close 125 stores and cut about 2,000 jobs.
3. U.S. national debt will rise to 98% of GDP by 2030 according to a Congressional Budget Office report. It is expected that the government will spend more than a trillion a year more than it collects for the foreseeable future.
4. Nearly 1 in 5 children is officially poor. That is 15 million kids.
5. Europe's trade surplus with the U.S. hit a record in 2019.

### **PREDICTION**

Sales for the floor covering industry should in 2020 be somewhat similar to what occurred in 2019. LVT will continue to grow in sales, although the segment will not be as robust as it was in 2019. Hard surface products in total will continue to gain share over soft flooring and could represent 60% or more of market share. A resounding change in market share when in the 1990's soft floor covering in dollars represented 65% of dollar sales.

### **SUMMARY**

Major U.S. stock indexes continue to reach record highs. Housing sales ended last year with decent increases. Employment is strong, and interest rates are low. All good indicators that the economy should remain reasonably strong. However, in my opinion, it will be a challenge, even with all these good indicators, for the flooring industry to achieve a sales increase in 2020 above 3%

**EXHIBIT II-\*WILL NOW INCLUDE ALL HOUSING, INCLUDING CONDOS, ETC.**  
**New Single Family Home Sales**  
**Averages Based on Monthly Sales**

**Exhibit I-\*will now include all existing home sales condos, etc.-numbers are approx..**  
**Existing Single Family Home Sales**  
**Annual Averages Based on Monthly Sales**  
The economy in the near future.

	<b>Adjusted Number</b>	<b>Year/Year % Change</b>	<b>Month/Month % Change</b>		<b>Adjusted Number</b>	<b>Year/Year % Change</b>	<b>Month/Month % Change</b>
						<b>Flat</b>	<b>-4.8</b>
<b>Jan 19</b>	<b>4940</b>	<b>-8.5</b>	<b>-1.2</b>	<b>Jan 19</b>	<b>644</b>	<b>-3.3</b>	<b>1.5</b>
<b>Feb19</b>	<b>5510</b>	<b>-1.8</b>	<b>11.8</b>	<b>Feb19</b>	<b>669</b>	<b>0.6</b>	<b>4.9</b>
<b>Mar 19</b>	<b>5210</b>	<b>-5.4</b>	<b>-4.9</b>	<b>Mar 19</b>	<b>693</b>	<b>3.2</b>	<b>4.5</b>
<b>Apr 19</b>	<b>5190</b>	<b>-4.9</b>	<b>-0.4</b>	<b>Apr 19</b>	<b>658</b>	<b>1.6</b>	<b>-6.7</b>
<b>May 19</b>	<b>5340</b>	<b>-1.1</b>	<b>2.7</b>	<b>May 19</b>	<b>604</b>	<b>3.5</b>	<b>6.7</b>
<b>Jun 19</b>	<b>5270</b>	<b>-2.2</b>	<b>-1.7</b>	<b>Jun 19</b>	<b>728</b>	<b>7.0</b>	<b>20.5</b>
<b>Jul 19</b>	<b>5420</b>	<b>0.6</b>	<b>2.5</b>	<b>Jul 19</b>	<b>635</b>	<b>4.3</b>	<b>-12.8</b>
<b>Aug 19</b>	<b>5490</b>	<b>2.6</b>	<b>1.3</b>	<b>Aug 19</b>	<b>713</b>	<b>18</b>	<b>12.3</b>
<b>Sep 19</b>	<b>5380</b>	<b>3.9</b>	<b>-2.2</b>	<b>Sep 19</b>	<b>738</b>	<b>7.2</b>	<b>-0.7</b>
<b>Oct 19</b>	<b>5460</b>	<b>4.6</b>	<b>-1.5</b>	<b>Oct 19</b>	<b>710</b>	<b>31.6</b>	<b>-3.8</b>
<b>Nov 19</b>	<b>5350</b>	<b>2.7</b>	<b>-1.7</b>	<b>Nov 19</b>	<b>697</b>	<b>16.9</b>	<b>1.3</b>
<b>Dec 19</b>	<b>5690</b>	<b>10.8</b>	<b>3.6</b>	<b>Dec 19</b>	<b>694</b>	<b>23.0</b>	<b>-0.4</b>
					<b>For 2017</b>	<b>613</b>	<b>8.3</b>
					<b>For 2018</b>	<b>622</b>	<b>1.5</b>
					<b>For 2019</b>	<b>681</b>	<b>10.3</b>
<b>For 2017</b>	<b>5510</b>		<b>1.2</b>				
<b>For 2018</b>	<b>5340</b>		<b>-3.1</b>				
<b>For 2019</b>	<b>5540</b>		<b>3.7</b>				

**EXHIBIT III**  
***Unemployment Percentages-Month End***

	<u>2018</u>	<u>2019</u>	<u>2020</u>
January	4.1	4.0	3.6
February	4.1	3.8	
March	4.1	3.8	
April	3.9	3.6	
May	3.8	3.6	
June	4.0	3.7	
July	3.9	3.7	
August	3.7	3.7	
September	3.7	3.5	
October	3.7	3.6	
November	3.7	3.5	
December	3.9	3.5	

**EXHIBIT IV-Stock Market Analysis YTD**  
**(Percentages) At the End of the Month**

	<u>DJIA</u>	<u>S&amp;P</u>	<u>NASDAQ</u>
Jan 19	7.2	7.8	9.7
Feb 19	11.1	11.0	13.5
Mar 19	11.2	13.1	16.5
Apr 19	18.0	18.0	22.0
May 19	7.5	10.7	13.1
Jun 19	14.0	17.4	20.1
Jul 19	15.2	18.9	23.2
Aug 19	13.1	16.7	20.0
Sep 19	15.3	18.7	20.5
Oct 19	15.9	21.2	25.0
Nov 19	20.2	25.3	30.6
Dec 19	22.3	28.9	35.2
Jan 20	0.99	0.16	1.99



**EXHIBIT VI As of 2/14/20****Flooring-Furniture Public Companies**

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$103.85	68.97-106.48
Armstrong	AFI	\$3.62	3.30-15.14
Dixie	DXYN	\$1.26	.034-2.09
Ethan Allen	ETH	\$14.56	14.15-23.11
QEP	QEPC	\$18.40	11.00-25.10
Interface	Tile	\$16.40	10.37-19.40
Lumber Liquidators	LL	\$7.91	6.59-14.44
Mohawk	MHK	\$137.98	108.93-156.60
Stanley Furn.	STLY	NA	NA
Tile Stores	TTS	NA	NA
Floor & Decor	FND	\$53.13	34.82-53.85

\*Approx.-changes daily

**EXHIBIT VII As of 2/14/20****Builders-Retailers-Public Companies**

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$14.35	8.89-17.21
DR Horton	DHI	\$61.81	37.81-62.12
Home Depot	HD	\$245.03	179.52-245.20
Hovnanian	HOV	\$27599	5.15-32.90
KB	KBH	\$39.77	21.69-39.84
Lennar	LEN	\$70.35	44.84-71.23
Lowes	LOW	\$125.42	91.60-125.56
NVR	NVR	\$3994	2452-4058
Pulte	PHM	\$46.69	25.24-47.30
Toll Bros	TOL	\$47.58	34.34-49.31

\*Approx.-changes daily

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