



**MARCH 2020**

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**Life Alert: Life is measured in DEEDS and giving, not in years.**

**Flooring Flashes:**

1. Because of the Coronavirus the **Floor Covering Industry Foundation (FCIF)** has postponed their 40<sup>th</sup> anniversary gala until May 2021 at the Rainbow room in NYC. The honorees for the event will be Howard Brodsky, Chairman and CEO of CCA Global Partners, Jeanne Matson Retiring President and CEO of Starnet, and Dana Teague, VP of Informa Markets.
2. **Carpet One Floor & Home Update-Unprecedented challenge calls for an unprecedented response:** Being a member of the **Carpet One** co-op might be the single greatest source of strength outside our member's local operation and immediate family. The **Carpet One** staff is determined to be a source of information and resource over the next few weeks and months. While our members inspire us with their resilience and leadership, the co-op team has been aggressively developing a series of proactive programs to address everything from how to effectively sanitize showrooms, how to manage employees through times of uncertainty, how to interact with customers, and how to continue to bring customers into stores throughout the business cycles ahead. The **Carpet One** staff posted a series of informative updates on Members.net beginning last week. These updates will continue. The staff has also replaced planned activities, like the SPILLABRATION promotion, with more relevant and harder hitting content featuring new financing offers. There will be a broad menu of ideas and suggestions to choose from, including

what to say if your doors are closed but your business is open. Because this situation is evolving daily the staff will update this information source on an as-occurring basis.

3. **Carpet One** staff are working hard and open for business. All staff members will be able to work from where they need to; the office, the road (though travel will be curtailed to essential travel only), and from home. They are only an email or phone call away. Additionally, members.net will be the primary source of all new information.
4. **Fraudulent Email Alert-Flooring America Flooring Canada** has recently received reports of fraudulent email attempts to members. The sender of these emails will attempt to impersonate a supplier or distributor, and their goal is to obtain financial information. Anyone who receives an email similar to this or an email that looks suspicious should seek clarity and validity from the necessary people before responding, clicking any links, opening any attachments, or giving out information.
5. **DRIVE Offers Personalized Customer Experiences-** Personalization is a vital part of the customer experience today. So much so that 59% of consumers who have experienced personalization say it has a noticeable impact on their purchasing decisions (Infosys). DRIVE was created to help **Flooring America** and **Flooring Canada** Members know their customers, keep in touch with them, and remember the details about their project that matter. DRIVE has the ability to record important details like preferences, timelines, and project information. This data can also be shared with other DRIVE users in your store, meaning no matter which sales person the customer talks to when they call or visit, everyone has the ability to provide them with a personal experience. This is especially true because 64% of consumers don't think retailers truly know them (Salesforce), which will give **Flooring America Flooring Canada** members a massive advantage over the competition when using DRIVE. A personalized customer experience has proven to make retailers stand out and positively impact sales. Using DRIVE is a great way for **Flooring America Flooring Canada** members to increase performance and close more sales, keeping them steps ahead of the competition.
6. **Floors for Life Sale**-The Floors for Life Sale began February 27<sup>th</sup> for participating **Flooring America Flooring Canada** stores, and will run through April 5<sup>th</sup>. It's mud season, and in many parts of the country that means customers are in need of floors that can withstand

anything Mother Nature throws their way. Featuring performance products built to last through mud season and beyond, the Floors for Life sale offers discounts on the most durable soft surface products including Resista 3.0, Tigressa Cherish, Tigressa H2O, and Stainmaster. Some hard surface products will also be featured, including Galvanite, Downs H2O, and Floorcraft Ceramic. To top it all off, **Flooring America Flooring Canada** is offering competitive financing rates throughout the sale. These include special 18 month (3.99%) and 36 month (8.99%) consumer financing terms, making it easier for customers to get the performance floors they want this season.

### Corporate Results-Flooring Manufacturers & Retailers

1. **Floor & Décor** announced that store hours will now be 7am to 6 pm on weekdays and 10 am to 4 pm on Saturday and Sunday. They state that they operate 120 warehouse format stores in 30 states. Their annual sales in 2019 increased 19.6%. Net income increased 30%. Comp stores increased 4%. They estimate that comp sales in 2020 will increase over 5.5%. Considering the state of the country now I doubt that they can achieve this number.
2. **Tile Shop Holdings** reported a drop in their 2019 annual sales of 4.8%. Net loss for the year was \$4.5M compared to net income in 2018 of \$10M. They were delisted on the stock exchange in 2019.
3. **Dixie** reported a 2019 sales drop of 7.5%. Net loss for the year was \$657K compared to the loss in 2018 of \$831K.
4. **Armstrong Flooring** reported a sales drop in the year 2019 of 14%. They suffered an operating loss of \$69M compared to a loss in 2018 of \$19M.
5. **Interface** reported a sales gain for the year 2019 of 13.9%. Net income was up 57%.
6. **Lumber Liquidators** reported a 4<sup>th</sup> quarter sales gain for 2019 of 1.8%, and for the year of 2019 the sales gain was 1%. Net income for both periods was positive compared to losses compared to a year ago. Net income for the year represented 1% of sales. Comp sales for the 4<sup>th</sup> quarter was 0.4% and for the year 1%.

## Corporate Results/Builders, Home Centers:

1. **Home Depot** reported 4<sup>th</sup> quarter decline of 2.7% and a annual sales increases of 1.9%. Comp sales for the quarter were up 5.2% and for the year 3.5%. They estimate that comp sales for 2020 will be up 3.5% to 4%!!!!. Net income for both periods was up 5.8% and 1.1%.
2. **Lennar** reported a first quarter sales increase of 16.5%. Net income increased 66%. Their backlog in dollars and units compared to a year ago were up 1% and 2% respectively.
3. **Toll Brothers** reported first quarter sales drop of 2%. They suffered a net income drop of 49%. Their backlog in units and dollars were up 2% and 9% respectively.
4. **Hovnanian** reported a first quarter sales increase of 30%. Net loss for the quarter was \$9M compared to \$17M a year ago. Dollar backlog was up 20%.

## Positives Observations:

1. New home sales were up in January 18.3% compared to last year, and 7.9% compared to December 2019. **See Exhibit II.**
2. Existing home sales in January were up 9.6% compared to a year ago, but down compared to December by 1.3%. **See Exhibit I.**
3. Mortgage rates hit a record low in March. 30-year fixed rate mortgage fell to 3.29%.
4. Spending on construction hit a record level in January. The strength came from home construction.
5. The economy added 273,000 jobs in February, as the jobless rate ticked down to 3.5%. **See Exhibit III.**
6. **Greta Thunberg, a 15 year old young lady from Sweden was named person of the year by Time magazine, for staging a school strike, and to protest government inaction on climate change.**

### Neutral Observations:

1. The U.S. economy grew 2.1% in the 4<sup>th</sup> quarter of 2019. Forecasters are predicting that in the first quarter of 2020 the GDP will be 1%.
2. For the first time ever treasury bonds will yield less than 0.8%.
3. The FRB made an emergency half-percentage point rate cut in early March. And in mid -March reduced it again to near zero.
4. Refinancing of mortgages in early March reached its highest level in 11 years.

### Negative Observations:

1. Coronavirus has been declared a pandemic by the World Health Organization. A pandemic is defined as a disease that has become widespread around the world with an impact on society.
2. A record 2.25 million unemployment claims have been filed this week.
3. Overall February retail sales dropped 5% compared to January. This was the biggest drop in well over a year.
4. NYC schools have been closed due to Coronavirus. 25 million students nationwide, as of March 16, have been sidelined due to the virus.
5. The stock market experienced a horrendous February (and it continued in March). The DJIA was down 11.5%, the S&P was down 9.8% and the NASDAQ was down 7.6%. **See Exhibit IV.**
6. The DJIA dropped to bear market levels on March 11. And on March 12 had its worse day in 23 years. This has been the quickest move to a bear market in history.
7. The plunge in oil prices, (down 25%) is contributing to the turmoil in the stock markets.
8. \*Pier One Imports has filed for bankruptcy with plans to sell the company, less than two months after they stated two months ago that they planned to close 450 stores.
9. The 10-year Treasury note yield is at a historic low.
10. A warm start vaults 2020 toward one of the 10 hottest years, and it could also be the warmest ever in 141 years.
11. The richest cities in the U.S. continue to grow in wealth, but they continue to lose in population growth.

12. Boy Scouts seek Chapter 11 bankruptcy protection from sex abuse lawsuits.
13. Pedestrian deaths rose 5% to over 6,500 in 2019 to their highest level in 30 years.
14. The Global travel industry and the airlines are facing a financial crisis.
15. Ticket sales for movies plunged to their lowest level in 20 years in 2019. Not much faith that this low level of attendance will change.

### **PREDICTION**

Because of the Coronavirus fear, restrictions on our lives and the stock market roller-coaster ride, I am changing my 2020 sales forecast for the total flooring industry. Although sales for the floor covering industry are very difficult to predict during this period of uncertainty I feel that at best the industry will be down 2% to 4% compared to 2019. At the end of last month I thought the industry would enjoy a 3% increase for 2020.

### **SUMMARY**

“Major U.S. stock indexes continue to reach record highs”. This was my opening statement last month. And now the stock indexes are having one-day record drops. It looks like the 11-year bull market has ended. The uncertainty and fear that is gripping America is contributing to the lack of spending by consumers that is the major contributors to the economies restlessness. The Coronavirus (now exceeding 10,000 cases) issue will affect just about every major industry in the U.S. and world.

**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/Mont h % 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>5460</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>Jan 20</b>	<b>5389</b>	<b>9.6</b>	<b>-1.3</b>	<b>Jan 20</b>	<b>764</b>	<b>18.6</b>	<b>7.9</b>
					<b>For 2017</b>	<b>613</b>	<b>8.3</b>
	<b>For 2017</b>	<b>5510</b>	<b>1.2</b>		<b>For 2018</b>	<b>622</b>	<b>1.5</b>
	<b>For 2018</b>	<b>5340</b>	<b>-3.1</b>		<b>For 2019</b>	<b>681</b>	<b>10.3</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	3.5
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
Feb	-11.0	-8.6	-4.5



**EXHIBIT VI As of 3/20/20**  
**Flooring-Furniture Public Companies**

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$66.98	63.95-111.46
Armstrong	AFI	\$2.13	1.12-15.10
Dixie	DXYN	\$.97	.034-2.09
Ethan Allen	ETH	\$11.20	9.30-23.11
QEP	QEPC	\$12.00	10.68-25.00
Interface	Tile	\$6.08	5.06-17.68
Lumber Liquidators	LL	\$4.16	3.37-14.44
Mohawk	MHK	\$58.66	58.23-156.60
Stanley Furn.	STLY	NA	NA
Tile Stores	TTS	NA	NA
Floor & Decor	FND	\$28.57	24.36-62.62

\*Approx.-changes daily

**EXHIBIT VII As of 3/20/20**  
**Builders-Retailers-Public Companies**

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$14.35	8.89-17.21
DR Horton	DHI	\$31.38	25.51-62.54
Home Depot	HD	\$152.15	140.63-247.36
Hovnanian	HOV	\$7.82	5.12-32.90
KB	KBH	\$12.10	9.82-40.51
Lennar	LEN	\$34.08	25.42-71.38
Lowes	LOW	\$66.36	60.00-126.73
NVR	NVR	\$2327	2043-4071
Pulte	PHM	\$19.77	17.51-47.30
Toll Bros	TOL	\$15.82	13,28-49.31

\*Approx.-changes daily

**BIBLIOGRAPHY/SOURCES: CATALINA RESEARCH, WSJ, NYT, FORBES, FORTUNE, NEWSWEEK, TIME, BUSINESS WEEK, SUN-SENTINEL, GOLF POETRY, VARIOUS INVESTMENT STRATEGY REPORTS, CNN, USA TODAY, U.S. NEWS, INVESTORS BUSINESS DAILY, U.S. COMMERCE DEPT., FLOOR COVERING NEWS, FLOOR COVERING WEEKLY, TALKFLOOR, BLOOMBERG BUSINESSWEEK, OXFORD DICTIONARY OF QUOTATIONS**

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