



MAY 2020
Special Edition
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This is the second special edition to list all the harm that the Coronavirus has brought to the doorsteps of all Americans. It is an effort for all of us to be better prepared for the continued upheaval that our country faces in the next few months. This virus changed our world in a matter of weeks, and possibly forever.

Life Alert: A smart person knows what to say. A wise person knows whether to say it or not.

Flooring Flashes:

1. **Carpet One Floor & Home** has created several toolkits and campaigns to help members with their various stages of re-opening. Some members are totally closed, some by appointment or virtual, some have limited hours, and some never closed but wish to assure customers that they are serious about health concerns. Tool kits have been developed with assets for social media, email, public relations, print, TV, radio, and digital banners to help including: Doors Closed. Open Business, Not Cancelled Campaign, Main Street Commercial, Carpet One Cares, Welcome Back, and Shop & Home.
2. **Carpet One Floor & Home** will be launching the first promotion since the pandemic began on May 7 —SAVE BIG. Shop Small. — hones in on what we believe will be an important aspect of the “new normal”: visiting and buying from smaller, neighborhood businesses instead of high-traffic big-box stores. **Carpet One** is phasing the roll out of this promotion based on which stores are open.
3. **Carpet One** has developed home page graphics and language updating websites to ensure customers understand the current operating status of their stores. In addition, digital enhancements

were accelerated, including launching the ability to have customers text and/or chat with members to help them, even when the store is closed. Finally, they are working with Roomvo room visualizer, which will be launching soon.

4. **Flooring America** offering touch free eSignatures with a new program. It is time for members to ditch the paper and pen and go paperless! From sales contracts to pre-installation checklists, eSignatures are the best way to send documents and get signatures from anywhere, anytime. With **Flooring America/Canada's** partnership with DocuSign, members can now take advantage of this program with ease. The DocuSign eSignature program allows your team to close sales, send/receive signed paperwork, etc. All done remotely with ease and efficiency!
5. **Flooring America** is there for its members as flooring retailers begin to transition back to business. The “**What Friends Do Sale**” is here to help. It can be hard to adjust with so many of our plans being canceled. But some things will never be called off. This promotion was designed to hopefully help families keep their home improvement plans moving forward with multiple competitive sales and financing offers.
6. Looking for a way to engage with customers while they are at home? **Flooring America/ Flooring Canada's** Text/Chat program allows members to communicate with customers from anywhere. Using this program, consumers can chat with a member's knowledgeable staff directly from their website or request to receive responses as text messages. Want to run virtual appointments for website visitors? No problem! The **Flooring America/ Flooring Canada** Text/Chat program also offers appointment scheduling. A customer will be able to visit a member's website and schedule a time to meet with their sales team virtually. This program offers many ways for members to keep in touch with their customer pipeline while at home.
7. **Mohawk** is producing medical gowns and face shields and donating them to local first responders.
8. Financial analysts have lowered **Floor & Décor** earnings per share estimates in 2020 to \$0.25 from \$1.44 and in 2021 to \$0.95 from \$1.82!
9. **Lumber Liquidators** reported comp sales down 1% for their first quarter. (It will be substantially more for the 2nd quarter). Their stock price has fallen about 40% since the beginning of 2020.

Corporate Results-Flooring Manufacturers & Retailers

1. **Floor & Décor** reported a first quarter sales increase of 16.3%. Comp sales increased 2.4%. Net income increased 20.6% and was 6.7% of total sales. They opened 3 new stores and now have 123 warehouse locations.

Corporate Results/Builders, Home Centers:

2. **D. R. Horton** reported 2nd quarter and six month sales increases of 9% and 11.4% respectively. Net income for both periods increased 37.6% and 43% respectively.
3. **Beazer** reported 2nd quarter and six month sales increases of 16% and 10% respectively. Both periods were modestly profitable. Backlog was up in dollars and units 14.3% and 3.9%

Positives Observations:

1. **Remdesivir** shows promising results as a coronavirus treatment, according to drug manufacturer **Gilead**. It has been ok'd for emergency use.
2. The April stock market results were the best in decades. The DJIA was up 9%, the S&P was up 10.9% and the NASDAQ was up 14.4%. See Exhibit IV for year to date results.
3. The FRB expanded its business lending program.
4. The average price of a gallon of gas is now only \$1.78.
5. There are currently 70 vaccines being developed for COVID-19.
6. Auto manufacturers are expected to resume operating on May 18.
7. Walmart, the U.S. largest employer, announced that they will need to hire 150,000 employees because of COVID-19.

Neutral Observations:

1. The average weekly unemployment benefit is \$372, before a supplemental payment from CARE's.
2. Men's fatality rate that have the corona virus is 2.8%. Women's is 1.7%.
3. Atherton, Ca. is the richest town in the U.S. The average house-hold income is \$450,696 and the median home value is about \$6M.
4. Netflix has 182 million subscribers. In their first quarter this year they added 16 million more. The U.S. has 70 million subscribers.

Unfortunately, the negatives below far exceed the positives. Due, of course, to the Coronavirus epidemic.

Negative Observations:

1. New home sales dropped 15.4% in March compared to February. Compared to last year they were down 9.5%. There is a six month supply of new homes on the market. **See Exhibit II.**
2. Existing home sales dropped 8.5% in March compared to April. They were basically flat compared to a year ago. **See Exhibit I.**
3. The Center for Infectious Diseases predicts that this pandemic could last for another 18 to 24 months.
4. The U.S. GDP shrank at a 4.8% pace in the first quarter.
5. Consumer spending fell 7.5% in March, the steepest monthly decline in 61 years.
6. American shoppers sharply reduced spending in March as the pandemic prompted widespread business closures. Retail sales declined 8.7% compared to February.
7. Hotel occupancy in April 2019 was 68%. This April it is 22%.
8. Half of NY hotels are now closed.
9. Total office leasing in NY is the lowest in 25 years.
10. Since the Coronavirus began, a record of over 30 million people have sought jobless aid. The current number unemployed is more than the

net number of jobs created in the nine and a half years between the last recession and the beginning of this pandemic.

11. **Neiman-Marcus** is the latest major retailer to skip a payment owed to bondholders.
12. **Penney's** also skipped an interest payment to bondholders. This has led to advanced talks for bankruptcy financing.
13. Wall Street analysts are predicting that what is happening at **Neiman-Marcus and Penney's** is just a start and that by 2025 100,000 retailers will close.
14. **J. Crew**, a \$2.5B retailer, is preparing to file for bankruptcy.
15. China's GDP dropped 6.8% in the first quarter. It was the first year-on-year economic contraction on record.
16. Japan has declared a state of emergency and plans to give \$900 to every person in the country.
17. France's economy experienced its deepest contraction on record in the first quarter.
18. Globally the coronavirus cases have topped 3 million. The U.S. cases have topped one million! The number of deaths in the U.S. has surpassed 60,000 or about 6% of the total infected. Globally about 7% of those affected have died.
19. The price of a barrel of oil fell in April in some cases below zero, for the first time in history. Current prices are at a 21 year low.
20. The federal budget deficit will most likely reach \$4 trillion in 2020. That will be double the deficit reached in 2008

PREDICTION

Closed malls, restaurants, factories and mines are having a strong negative affect on daily retail sales. Industrial output, which includes manufacturing output, unfortunately plunged at the steepest rate in more than 70 years in March. All of these facts point to poor, if not negative, GDP results and negative earnings for at least the first half of 2020.

SUMMARY

The data that has been released to the U.S. public has shown how the pandemic has frozen large swaths of the U.S. economy. Huge drops in both retail sales and industrial production have been recognized. Also, fear and anxiety have a grip on American society and only a specific remedy or a vaccine to cure this virus will help. Tough times never last, but tough people do.

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.

	Adjusted Number	Year/Year % Change	Month/Month % Change
Jan 19	4940	-8.5	-1.2
Feb19	5510	-1.8	11.8
Mar 19	5210	-5.4	-4.9
Apr 19	5190	-4.9	-0.4
May 19	5340	-1.1	2.7
Jun 19	5270	-2.2	-1.7
Jul 19	5420	0.6	2.5
Aug 19	5490	2.6	1.3
Sep 19	5380	3.9	-2.2
Oct 19	5460	4.6	-1.5
Nov 19	5350	2.7	-1.7
Dec 19	5460	10.8	3.6
Jan 20	5389	9.6	-1.3
Feb 20	5777	7.2	6.5
Mar 20	5270	0.8	-8.5

	Adjusted Number	Year/Year % Change	Month/Month % Change
		Flat	-4.8
Jan 19	644	-3.3	1.5
Feb19	669	0.6	4.9
Mar 19	693	3.2	4.5
Apr 19	658	1.6	-6.7
May 19	604	3.5	6.7
Jun 19	728	7.0	20.5
Jul 19	635	4.3	-12.8
Aug 19	713	18	12.3
Sep 19	738	7.2	-0.7
Oct 19	710	31.6	-3.8
Nov 19	697	16.9	1.3
Dec 19	694	23.0	-0.4
Jan 20	764	18.6	7.9
Feb 20	765	14.0	Flat
Mar 20	627	-9.5	-15.4
	For 2017	613	8.3
	For 2018	622	1.5
	For 2019	681	10.3

For 2017	5510	1.2
For 2018	5340	-3.1
For 2019	5540	3.7

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	4.4
April	3.9	3.6	NA
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&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 20	-11.0	-8.6	-4.5
Mar 20	-23.2	-20.0	-14.2
Apr 20	-14.7	-9.9	-0.9

EXHIBIT VI As of 5/1/20
Flooring-Furniture Public Companies

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$75.46	62.03-111.46
Armstrong	AFI	\$2.18	1.12-15.10
Dixie	DXYN	\$0.71	.034-2.09
Ethan Allen	ETH	\$11.60	8.61-23.11
QEP	QEPC	\$12.50	10.04-25.00
Interface	Tile	\$9.02	5.06-17.68
Lumber Liquidators	LL	\$6.96	3.77-14.44
Mohawk	MHK	\$83.38	56.62-156.60
Stanley Furn.	STLY	NA	NA
Tile Stores	TTS	NA	NA
Floor & Decor	FND	\$41.93	24.36-62.62

*Approx.-changes daily

EXHIBIT VII As of 5/1/20
Builders-Retailers-Public Companies

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$7.00	4.39-17.23
DR Horton	DHI	\$45.54	25.51-62.54
Home Depot	HD	\$218.57	140.63-247.36
Hovnanian	HOV	\$11.70	5.12-32.90
KB	KBH	\$25.17	9.82-40.51
Lennar	LEN	\$49.46	25.42-71.38
Lowes	LOW	\$104.45	60.00-126.73
NVR	NVR	\$3037	2043-4071
Pulte	PHM	\$27.24	17.12-47.37
Toll Bros	TOL	\$23.85	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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