



NOVEMBER 2019

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Life Alert: Those that speak the most, usually know the least-those who speak little usually know the most.

Flooring Flashes:

- 1.
2. LVT imports were excluded from the 25% tariff assessment on goods imported from China.
3. In my opinion LVT and ceramic are the only flooring products that will have a dollar increase in 2019.
4. The **Floor Covering Industry Foundation (FCIF)** will be sponsoring their 40th 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.
5. **The International Surface Event (TISE) 2020** will be held at the Mandalay Bay Convention Center in Las Vegas from 1/27/2020 to 1/30/2020. This event is the largest North American event serving the floorcovering industry as well as the stone and tile industries. A must see event.

Corporate Results-Flooring Manufacturers & Retailers

1. **Tile Shop Holdings** announced that net sales in their 3rd quarter decreased 3.7%. Comp stores were down 3.5%. They reported a loss for the quarter of \$1.4M. At the end of the nine-month period they reported a net income loss and they will be delisted on the NASDAQ stock exchange on November 8th.
2. **Mohawk Industries** reported a third quarter sales drop of 1%. For their nine month period sales increased 3%. Net income decreased for both periods 31% and 24% respectively. Flooring sales in North America at the end of nine months was down 5%.
3. **Interface** reported 3rd quarter and nine month sales gains of 9% and 19% respectively. Net income for both periods increased 221% and 43% respectively.
4. **Armstrong Flooring** reported sales drops for their 3rd quarter and nine month period of 20.6% and 15.5% respectively. Their net loss for the 3rd quarter was \$31M compared to a \$8M profit last year, and for nine months the loss was \$33M compared to a profit last year of \$8M.
5. **Lumber Liquidators** 3rd quarter sales were down 2.4% and comp sales were down 3.6%. EPS were \$0.4 compared to \$0.21 last year. They are estimating that comp sales for the year 2019 will be down 2%.
6. **Floor & Décor** reported 3rd quarter and nine month sales gains of 19.5% and 19.3% respectively. Comp sales for the quarter increased 4.6% and for the nine month period 3.6%. Net income for the quarter increased 54% and for nine months 17.3%. They are forecasting that comp sales for the year will be up 4% to 5%. They now have 113 warehouse stores and expect to open 7 more stores before year's end.

Corporate Results/Builders, Home Centers:

1. **D. R. Horton** reported 4th quarter and 12 month sales increases of 11.7% and 9.4% respectively. Net income for both periods increased 8.4% and 10.9%.
2. **Beazer Homes** reported 4th quarter and 12 month sales increases of 11.7% and 0.6%. Net income for the quarter was down 58% and for the year the loss was \$80M compared to a \$45M loss last year.
3. **Pulte Group** reported sales increases for their 3rd quarter and nine months of 2.3% and 1% respectively. Net income was down in both periods 5.9% and 13.2% respectively. Average selling price was basically flat for both periods. Backlog in dollars was up 2% and in units 4.1%.

Positives Observations:

1. The U.S. economy grew at 1.9% in the 3rd quarter. The 2nd quarter GDP was 2.0%.
2. The DJIA was up 0.5% in October, the S&P was up 2% and the NASDAQ was up 3.6%. All three major stock indexes have recently had several weeks of record results. See **Exhibit IV** for year-to-date results.
3. Employer's added 128,000 jobs in October. The unemployment rate rose slightly to 3.6%. See **Exhibit III**.
4. Overall retail sales increased 0.3% in October.
5. More billionaires walk the earth than ever before. The world now has 2,754 billionaires, up 38% during the years 2013 to 2018.

Neutral Observations:

1. As I predicted last month the Federal Reserve cut its benchmark interest rates by a quarter-percentage point, for the 3rd time this year. For the flooring industry this is a positive-for those older than 65 living on fixed incomes it is a negative. They did signal that they would refrain from further reductions unless the economy slowed sharply.
2. 26% of married American women are the primary breadwinners in their family.
3. Four homes in the U.S. have sold for \$100M or more this year. The global population of billionaires has hit a record of 2,754 in 2018.
4. The top ten airports in the U.S. are: Phoenix, Denver, Fort Lauderdale, Detroit, Orlando, Las Vegas, Atlanta, Dallas/Fort Worth, Los Angeles and Houston.
5. On November 8, 1993 Boston Chicken went public at an initial price of \$20. The stock leapt to \$48.50, 269 times earnings giving it a market cap of \$800M. Less than five years later they filed for bankruptcy protection and McDonald's bought them for \$174M.

Negative Observations:

1. New home sales fell 0.7% in September compared to August, a month earlier. However, they were better by 7.2% when compared to September 2018. **See Exhibit II.**
2. Existing home sales decreased 2.2% in September compared to August, but increased 3.9% compared to September 2018. **See Exhibit I.**
3. The Federal budget deficit has reached \$984 billion, the highest level in seven years. It is expected that it will top the \$1 trillion mark in coming years.
4. Sears will close 96 more Sears or Kmart locations by February 2020. Unfortunately, the end is in sight for Sears and Kmart.
5. Americans are staying in their homes much longer than ever before, creating a logjam of housing inventory.
6. Five Countries that are richer than the U.S. are: United Kingdom, France, Canada, Belgium, & Hong Kong. They all have a GDP per capita higher than the U.S.

PREDICTION

Growth in the flooring industry will be up modestly or flat for this year. Luxury vinyl tile and ceramic remain the only categories that continue to grow. LVT product has changed the flooring industry like no other product other than perhaps the introduction of Stainmaster in the mid 80's.

SUMMARY

Even though the stock market is doing great, and unemployment is at a record low, the U.S. has spent \$1 trillion more in fiscal 2019 than it took in. This is the highest deficit in seven years. Government deficits have now increased for four years in a row, which is the longest stretch since the early 1980's, when the jobless rate was 11%. Annual deficits have increased 68% since 2016 and is forecasted to exceed \$1 trillion a year in the foreseeable future. Not a good forecast!

Exhibit I-*will now include all existing home sales
condos, etc.-as of October 2017
Existing Single Family Home Sales
Annual Averages Based on Monthly Sales

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

	Adjusted Number	Year/Year % Change	Month/Month % Change
Jan 18	5380	-6.7	-3.2
Feb 18	5540	13.7	3.0
Mar 18	5600	-1.1	1.0
Apr 18	5460	-1.4	-2.5
May 18	5430	-3.0	-0.4
Jun 18	5380	-2.2	-0.6
Jul 18	5340	-1.5	-0.7
Aug 18	5340	-1.5	Flat
Sep 18	5150	-4.1	-3.4
Oct 18	5222	-4.7	1.4
Nov 18	5333	-7.0	1.9
Dec 18	4999	-10.3	-6.4
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
For 2014	4334	-3.3	
For 2015	4627	6.7	
For 2016	4828	4.3	
For 2017	5510	1.2	
For 2018	5340	-3.1	

	Adjusted Number	Year/Year % Change	Month/Month % Change
Jan 18	657	Flat	-7.8
Feb 18	663	1.0	-0.6
Mar 18	694	8.8	12.3
Apr 18	636	11.6	-1.5
May 18	666	8.9	3.6
Jun 18	631	2.4	-5.3
Jul 18	608	2.8	-1.7
Aug 18	585	4.5	-3.8
Sep 18	597	-14.3	-5.8
Oct 18	544	-12.0	-8.9
Nov 18	657	-7.1	16.9
Dec 18	621	-9.1	-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	701	7.2	-0.7
For 2014	440	2.3	
For 2015	502	14.2	
For 2016	561	11.3	
For 2017	613	8.3	
For 2018	622	1.5	

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

EXHIBIT III

Unemployment Percentages-Month End

	<u>2017</u>	<u>2018</u>	<u>2019</u>
January	4.7	4.1	4.0
February	4.7	4.1	3.8
March	4.5	4.1	3.8
April	4.4	3.9	3.6
May	4.3	3.8	3.6
June	4.4	4.0	3.7
July	4.4	3.9	3.7
August	4.2	3.7	3.7
September	4.2	3.7	3.5
October	4.1	3.7	3.6
November	4.1	3.7	
December	4.1	3.9	

	<u>DJIA</u>	<u>S&P</u>	<u>NASDAQ</u>
Jan 18	+5.7	+5.6	+7.4
Feb 18	+1.2	+1.5	+5.4
Mar 18	-2.2	-1.2	+2.4
Apr 18	-1.3	-0.2	+2.9
May 18	-1.2	1.3	7.9
Jun 18	-1.8	1.7	8.0
Jul 18	3.0	5.5	11.0
Aug 18	5.0	8.5	17.5
Sep 18	7.0	9.0	16.5
Oct 18	1.6	1.4	5.8
Nov 18	3.3	3.2	6.2
Dec 18	-5.6	-6.2	-3.9
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

EXHIBIT VI As of 11/15/19
Flooring-Furniture Public Companies

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$99.21	54.34-104.50
Armstrong	AFI	\$3.73	3.56-16.92
Dixie	DXYN	\$1.41	.034-2.09
Ethan Allen	ETH	\$19.11	16.63-23.11
QEP	QEPC	\$17.98	11.00-28.00
Interface	Tile	\$16.36	10.37-19.40
Lumber Liquidators	LL	\$8.93	6.59-14.44
Mohawk	MHK	\$140.31	108.93-156.60
Stanley Furn.	STLY	NA	NA
Tile Stores	TTS	\$1.46	1.00-7.99
Floor & Decor	FND	\$44.54	23.30-53.00

*Approx.-changes daily

EXHIBIT VII As of 11/15/19
Builders-Retailers-Public Companies

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$16.39	8.16-16.30
DR Horton	DHI	\$53.17	32.39-54.41
Home Depot	HD	\$237.29	158.09-238.99
Hovnanian	HOV	\$23.81	5.15-33.75
KB	KBH	\$34.28	17.25-37.40
Lennar	LEN	\$59.35	37.29-62.63
Lowes	LOW	\$115.52	84.75-118.23
NVR	NVR	\$3995	2285-3947
Pulte	PHM	\$38.91	23.75-41.22
Toll Bros	TOL	\$40.08	29.69-41.70

*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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