



November 2020

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Life Alert: Feeling gratitude and appreciation without expressing it, is like not delivering a birthday gift after wrapping it.

Flooring Flashes:

1. With an ongoing pandemic, **CCA Global Partners** has reevaluated their 2021 in-person Convention plans. The Winter Convention originally scheduled for January will now be held in Denver during the first week of May 2021. With this change, CCA will also be canceling their typical Summer Convention slated for August 2021.
2. The May 2021 Convention will include CCA's retail flooring groups **Carpet One Floor & Home (US & Canada), Flooring America, Flooring Canada, and The Floor Trader**. CCA will continue to work closely with the Gaylord Rockies and their event team to ensure that their event aligns with all regulations and safety protocols at the time.
3. The **CCA Relief Fund** provides immediate cash grants to assist members' employees who are affected by natural disasters. The Fund needs additional cash to support members' employees before the next round of fires, floods, etc. CCA is asking members and employees for financial support through cash donations to the Fund. Through 2019, the Fund made 120 grants to members' employees, totaling \$212,543. The Fund provides aid to victims of Presidentially declared disasters and emergencies. The aid is provided through cash grants to victims, so they can obtain immediate food, clothing, shelter, and medical

assistance. The Fund supports the owners and employees of any group managed by **CCA Global Partners, Inc.** Most of the awards made by the Fund have been for \$1,000-\$2,500 each, to members' employees affected by floods, hurricanes, tornadoes, and fires

4. **Carpet One Floor & Home and Flooring America/Canada** recently launched a sample box program to enable customers to shop how they want and where they want. Customers want to be inspired and they want their shopping experience to be convenient. The ability for the customer to order samples anytime gives members the opportunity to be open 24 hours. No one else is doing this and this can differentiate your store from your competitors.
5. The sample box program allows customers to shop on the website from the comfort of their home and easily order samples to be delivered directly to their home, while notifying members with the contact information each time a customer places an order.
6. I estimate that dollar sales for the first nine months of 2020 in the flooring industry overall to be down 5% or more. If we did not have the LVT product the results would be much worse. It is the only product segment in the industry that sales are currently positive and I expect that will be the same story at the end of 2020.
7. Estimates for total flooring sales for the first nine-months of the year are that dollar sales are down between 5% and 6%. (Catalina Research). I believe this is approximately the number the industry will end up for the total year.
8. Soft floor covering's market share of total flooring shipments continues to shrink and could soon be at 35% of the total flooring shipments. In the 70's market share was, if I remember correctly, in the 70%. That is a 50% market share drop.

Flooring Manufacturers & Retailers:

1. **Armstrong Flooring** and its subsidiaries reported a 3rd quarter sales drop of 18%. Net loss for the quarter was \$6.3M compared to last year's profit of \$14.7M. For their nine-month period sales were down 11% and net income was a loss of \$19.5M compared to last year's loss of \$2M.
2. **Mohawk** reported a 3rd quarter sales gain of 2%. For their nine-month period sales were down 8.4%. Net income for the 3rd quarter was up 32% but down for the nine-month period 44%.

3. **Floor & Décor** reported 3rd quarter and nine-month sales increases of 31% and 12% respectively. Net income for both periods was up 68% and 20%. They now operate 128 warehouse format stores and two small-format standalone design centers in 30 states.
4. **Lumber Liquidators** reported a sales increase of 12% for their 3rd quarter. For their nine-month period sales were down 3%. Net income for their 3rd quarter was \$15.5M compared to \$1M last year. For their nine-month period net income was \$30M compared to a \$6.7M loss last year.
5. **Dixie** reported sales drops for their 3rd quarter and nine-month period of 10% and 20% respectively. Net income for the 3rd quarter was \$860K compared last year's loss of \$2.6M. For the nine-month period the loss is \$8.9M compared to last year's loss of \$10.4M.
6. **Interface** reported 3rd quarter sales down 20%. For their nine-month period sales were down 18%. Net income for the quarter was \$5.9M compared to \$26M last year and for the nine-month period they had a loss of \$92M compared to a profit last year of \$63M.

Corporate Results/Builders, Home Centers:

1. **NVR** reported a sales increase of 2.6% for their 3rd quarter and for their nine-month period sales were down 4%. They experienced net income losses for both periods. Backlog in units and dollars were up 16% and 18% respectively.
2. **Pulte** reported a 9% increase for their 3rd quarter and nine-month periods. Net income was up for both periods 52% and 42% respectively. Backlog in units and dollars were up 29% and 32% respectively.

Positives Observations:

1. The economy grew at a record pace in the 3rd quarter. The GDP came in annualized rate of 33.1% recovering about two-thirds of the ground it lost earlier in the coronavirus pandemic. The actual GDP for the quarter was 7.4%. However, the economy is still down 3.5% compared to last year.
2. The economy has replaced 11.4 million jobs of the 22 million lost in March and April.
3. New home sales in September were 32% better than last year. However, they were down compared to August 3.5%. **See Exhibit II.**
4. Existing home sales were up 9.4% in September compared to August and 20.9% compared to last year. This was the 4th consecutive month of increases. **See Exhibit I.**
5. The U.S. added 638,000 jobs in October and the jobless rate fell to 6.9%. Since the pandemic began the U.S. economy is still down about 10 million jobs. **See Exhibit III.**
6. U.S. households increased spending in September for the fifth straight month and helped boost income by 0.9%.
7. Retail sales increased 1.9% in September compared to August.

Neutral Observations:

1. The large U.S. banks are reporting recession defying profit results. Bank of America, Citigroup, Goldman Sachs, J p Morgan, Chase and Morgan Stanley report trading revenues are up 34% compared to last year.
2. The five richest golfers in the world are: Tiger Woods, Arnold Palmer, Phil Mickelson, Jack Nicklaus, and Greg Norman,
3. The average credit score for Americans is now in the range of 708. A perfect score is 850.
4. Southern states are doing better in the overall economy. However, they are suffering more deaths due to their reopening of their respective economies.

Unfortunately, the negatives continue to far exceed the positives. Partly due, of course, to the Corona Virus epidemic.

Negative Observations:

1. The stock market did not do well in October. It was the worse month since March. The DJIA was down 4.6%, the S&P 500 was down 2.8% and the NASDAQ was down 2.3%. **See Exhibit IV** for YTD numbers. Of course, November, so far, has been very strong.
2. Around 1,370 covid-19 patients are dying a day in Europe. In the U.S. the number is 808.
3. In the U.S. federal data show men represent two-thirds of Covid-19 deaths among middle aged people. The same trend is emerging world-wide.
4. The U.S. recorded its highest ever daily coronavirus cases on November 4, as the total surpassed nine million on that day. New cases rose to over 100,000 a day. The current average is a record 86,000 new cases a day. The latest record number of daily increases reached 122,000 on November 6.
5. Hospitalized people for covid-19 has increased 46% over the last year.
6. The U.S. witnessed one of its most staggering weeks of the pandemic as record highs occurred last Wednesday and Thursday.
7. The U.S. budget gap in the fiscal year that ended on September 30, was a record of \$3.1 trillion. This deficit is equivalent to 16.1% of economic output (GDP). This is the biggest deficit in 75 years.
8. Of the 206 S&P 500 companies that have reported 3rd quarter results, earnings have fallen about 15% from a year ago.
9. Movie theater attendance has fallen 85% this year.
10. Germany & France have imposed new lockdowns. Many European countries are doing the same, in an effort to control the coronavirus.
11. Six airlines have banned 1500 people from flying due to mask violations.
12. Exxon plans to trim 14,000 jobs next year.
13. ESPN is reducing its workforce by 10%.
14. New car sales are significantly below last year.
15. From August to September 865,000 women left the work force. During the same period 216,000 men left.

SUMMARY

The flooring industry is now experiencing solidly good business. The overall economy is beginning to show some life and pick-up some lost sales activity. New and existing housing sales are flourishing and maybe the chaos of the election will hopefully settle down soon. Challenges remain. Jobs lost since the pandemic began is still around 10 million and the trade deficit and budget deficit continue to be a threat to the overall economy. The stock market was not good in October but is thriving so far in November.

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PREDICTION

Even though business in the flooring industry has been somewhat vibrant recently, challenges exist. Installers are in short supply and some product deliveries are slow. Catalina Research estimates that that through nine months the industry is down in dollars about 5.5% and in units 2.8%. And because of the recent growth of the Covid-19 cases I believe that those negative numbers will not change much by the end of the year.

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

	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
Apr 20	4333	-17.2	-17.8
May 20	3910	-9.7	-26.6
Jun 20	4700	-11.3	20.7
Jul 20	5860	8.7	24.7
Aug 20	6000	10.5	2.4
Sep 20	6540	20.9	9.4

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

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
		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	615	-9.5	-15.4
Apr 20	619	-6.0	0.6
May 20	682	12.7	19.4
Jun 20	791	6.6	13.8
Jul 20	901	36.3	13.9
Aug 20	1011	43.2	4.8
Sep 20	959	32.0	-3.5

For 2017	613	8.3
For 2018	622	1.5
For 2019	681	10.3

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	14.7
May	3.8	3.6	13.3
June	4.0	3.7	11.1
July	3.9	3.7	10.2
August	3.7	3.7	8.4
September	3.7	3.5	7.9
October	3.7	3.6	6.9
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
May 20	-11.1	-5.8	5.7
Jun20	-9.6	-4.1	12.1
Jul 20	-7.6	1.3	19.8
Aug 20	0.4%	8.3	31.0
Sep 20	-3.8	3.2	23.5
Oct 20	-7.1	1.2	18.0

EXHIBIT VI As of 11/7/20
Flooring-Furniture Public Companies

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$60.98	57.96-111.46
Armstrong Flooring	AFI	\$2.69	1.12-5.60
Dixie	DXYN	\$0.86	.053-1.97
Ethan Allen	ETH	\$16.66	8.38-20.19
QEP	QEPC	\$21.49	5.03-29.18
Interface	Tile	\$6.73	5.06-17.68
Lumber Liquidators	LL	\$26.96	3.77-30.00
Mohawk	MHK	\$120.58	56.62-153.05
Stanley Furn.	STLY	NA	NA
Tile Stores	TTS	NA	NA
Floor & Decor	FND	\$81.00	24.36-86.37

*Approx.-changes daily

Exhibit VII As of 11/7/20
Builders-Retailers-Public Companies

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$13.41	4.39-17.23
DR Horton	DHI	\$70.61	25.51-81.21
Home Depot	HD	\$284.24	140.63-292.95
Hovnanian	HOV	\$36.04	5.12-40.38
KB	KBH	\$33.97	9.82-42.20
Lennar	LEN	\$75.59	25.42-86.80
Lowes	LOW	\$173.23	60.00-180.67
NVR	NVR	\$4146	2043-4530
Pulte	PHM	\$44.11	17.12-49.70
Toll Bros	TOL	\$45.38	13.28-50.42

*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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