CONCLUSION
Upon the completion of our Piper Sandler / Home Furnishings Association (HFA) Q2 Furniture Retailer survey, Q2 sales trends (which were -8% y/y overall) showed strong improvement in May/June, and solid growth for July 4th weekend. Importantly, retailers have a very positive forecast for Q3 with sales growth estimates averaging 15%. Online growth in Q2 was very strong at +200% y/y, and Online trends have remained relatively steady since a majority of stores have re-opened. For stock call-outs, we believe the survey readings are favorable for both W and BIG (based on the Q3 outlook, and continued strength in online trends).

• Q2 Furniture Retailer Survey Shows -HSD% Sales Declines; 15%+ Growth Expected for Q3
  
  o Q2 sales growth was -8% y/y on both a mean and median basis. Responses ranged from -55% to +40%.
  
  o Monthly Trends Show Improvement Through Q2. Following April declines of approx -50% y/y, May sales rebounded to +15% y/y, and June sales accelerated further to +30-40% y/y. Conclusion: Strong rebound in sales as stores re-opened, and consumers shifted discretionary spend towards home (aided by stimulus checks).
  
  o Q3 Sales Estimates Positive: Looking ahead, retailers expect +15% and +17% y/y sales growth in Q3 on a mean and median basis. Conclusion: Bullish Q3 sales outlook; Strong acceleration vs. Q2
  
  o Online Sales Strong: Online sales grew 210% and 180% on a mean and median basis. Online sales represented 10-11% of total sales in Q2. Since re-opening a majority of stores, Online trends appear to have remained relatively steady (on a net basis). Conclusion: Online sales likely remain quite elevated in Q3 even as stores have re-opened.
  
  o Category Trends. Sales trends for Upholstered Products, Case Goods, and Home Decor/Other were relatively similar in Q2 with single-digit declines; Home Decor appeared to be slightly more resilient (on median basis).
  
  o July 4th Weekend sales growth was up 16% and 13% on a mean and median basis; results were above Q2 overall (-8%) but below June growth (+30-40%).
  
  o Length of Delivery Time. The current length of time for delivery to home following a consumer purchase is 11 days and 5 days on a mean/median basis.
  
• Going Forward....In partnership with the HFA, we plan to repeat our survey effort every quarter with a static group of retailers. We will look to expand the retailer survey set. If there is sufficient interest from both investors and retailers, we may look to shift to a monthly survey cadence (similar to the Piper Sandler Mattress Retailer survey).
Q2 ’20 Furniture Retailer Survey
Completed in partnership by Piper Sandler & the Home Furnishings Association
Q2 Sales Results: What was your Q2 (Apr-June) total home furnishings sales (delivered only, not written) growth y/y?

- Q2 sales growth was down -8% on both a mean/median basis
- Sales growth trends showed strong improvement as the quarter progressed, though
  - Following April declines of approx. -50%, May sales were up +15%, and June sales were up +30-40%

Source: Piper Sandler Furniture Retailer Survey
Q3 Sales Outlook: What do you estimate your total home furnishings sales growth will be in Q3 (July-Sept)?

• For Q3, retailers estimate sales growth of +17% and +15% y/y on a mean/median basis, suggesting solid acceleration from Q2 at -8% -- and potential for an exceptionally strong quarter y/y.
Q2 Transactions: What was your Q2 (Apr-June) total home furnishings transactions (delivered only, not written) growth y/y?

- Q2 transactions growth was down -4.3% and -5.0% y/y on a mean/median basis

Source: Piper Sandler Furniture Retailer Survey
Q2 Average Selling Price (ASP): What was your Q2 (Apr-June) total home furnishings ASP growth y/y?; What was the size of your ASP?

- Q2 ASP growth was up 7% and 5% y/y on a mean/median basis
- Q2 ASP size was $1,414 and $1,500 on a mean/median basis

Source: Piper Sandler Furniture Retailer Survey
Q2 Category Growth: What was your Q2 total dollar growth y/y (delivered only, not written) of your Upholstered Products, Case Goods, and Home Décor/Other categories?

- Upholstered Products were down -2% and -5% on a mean/median basis
- Case Goods were down -2% and -10% on a mean/median basis
- Home Décor/Other was down -4% and -1% on a mean/median basis

Source: Piper Sandler Furniture Retailer Survey
Q2 Online Sales: What was your Q2 Online sales growth y/y?; What did Online sales represent as a % of total sales in Q2?

- For Q2, Online sales grew 210% and 180% on a mean/median basis
- For Q2, Online sales represented 11% and 10% of total sales on a mean/median basis

Source: Piper Sandler Furniture Retailer Survey
Online Trends Since Re-opening Stores: How are online trends by category since re-opening a majority of your stores? How are overall online trends since a majority of your stores re-opened?

- For each category, retailers said trends have strengthened slightly on a net basis since re-opening a majority of stores.
- For overall online trends, while 43% of retailer noted online sales were weakening, 57% of retailer noted online sales growth was strengthening or holding steady since re-opening a majority of stores.

Source: Piper Sandler Furniture Retailer Survey
July 4th Sales: What was your July 4th Weekend sales growth y/y? (delivered only, not written)

- July 4th Weekend sales were up 16% and 13% on a mean/median basis
  - Results were above Q2 overall (-8% y/y) but below June growth levels (>30% y/y)
Length of Delivery Time: What is your current average length of time for delivery to home following a consumer purchase (average lead time) in total days?

- Current average lead time is 11 days and 5 days on a mean/median basis

Source: Piper Sandler Furniture Retailer Survey
% of Sales Financed: What percentage of your dollar sales utilized financing in Q2?

- Financing was utilized for 37-38% of sales in Q2

Source: Piper Sandler Furniture Retailer Survey
IMPORTANT RESEARCH DISCLOSURES

Notes: The boxes on the Rating and Price Target History chart above indicate the date of the fundamental Equity Research Note, the rating and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:
I: Initiating Coverage
R: Resuming Coverage
T: Transferring Coverage
D: Discontinuing Coverage
S: Suspending Coverage
OW: Overweight
N: Neutral
UW: Underweight
NA: Not Available
UR: Under Review

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Piper Sandler

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Note: Distribution of Ratings/IB Services shows the number of companies currently covered by fundamental equity research in each rating category from which Piper Sandler and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Sandler ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

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Time of dissemination: 24 July 2020 03:29EDT.
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