

Hardlines & Leisure

Furniture Retailer Survey for Black Friday Weekend by PSC/HFA - Q4 Acceleration

CONCLUSION

Upon the completion of our Piper Sandler / Home Furnishings Association (HFA) Black Friday weekend/Cyber Monday Furniture Retailer survey, Black Friday weekend sales trends (which were +20-30% y/y on avg) showed strong acceleration vs. Q3 trends. Importantly, retailers' views for overall Q4 sales growth has increased (from mid-Oct) with sales growth estimates now at 20%+ y/y vs. previous expectations of +15%. Growth over Black Friday weekend was broad based across channels, with Online up +75-100% and Stores up ~15-20%. Delivery delays and out-of-stocks remain elevated, but appear to have moderated somewhat vs. Q3. For stock call-outs, we believe the survey readings are favorable for W, OSTK, and BIG (based on the increased Q4 outlook, and continued strength in online trends).

- **Black Friday/Cyber Monday Furniture Retailer Survey Shows +20-30% Sales Increases; 20%+ Growth Expected for Q4**

- **Black Friday weekend/Cyber Monday sales growth** was +30% and +22% y/y on both a mean and median basis. Responses ranged from +4% to +100%.
- **Q4 Sales Expectations Increasing:** Retailers expect +26% and +20% y/y sales growth in Q4 on a mean/median basis, up from estimates of +15% at the end of Q3. **Conclusion: Increasingly bullish Q4 sales outlook based on strong demand trends**
- **Online Sales vs. In Store Sales:** Online sales grew 75% and 100% on a mean and median basis over Black Friday weekend (vs. Q3 growth of 200%+), while In-store sales grew 24% and 14% on a mean and median basis. **Conclusion: Strength is broad-based across channels. Online sales remain strong and are poised to remain quite elevated in Q4.**
- **Length of Delivery Time & Out-of-Stocks.** The current length of time for delivery to home following a consumer purchase is 30 days and 19 days on a mean/median basis, moderating from Q3 levels of 38 and 30 days, but still up meaningfully from Q2 levels of 11 and 5 days. **Conclusion: Delivery/Out-of-Stock issues are remain pronounced in Q4.**
- **% of Sales Financed.** 36% of sales utilized financing over Black Friday weekend/Cyber Monday. This is in-line with 2019 Black Friday weekend levels.

- **Hosting a Virtual Fireside with OSTK Management on Friday, Dec 11.**

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Related Companies:	Share Price:
BIG	45.84
OSTK	60.04
W	244.30

INDUSTRY RISKS

Risks include macroeconomic factors, commodity inflation/deflation, weather, store expansion strategy, and competition.

Black Friday Weekend Furniture Retailer Survey

Completed in Partnership by Piper
Sandler & the Home Furnishings
Association

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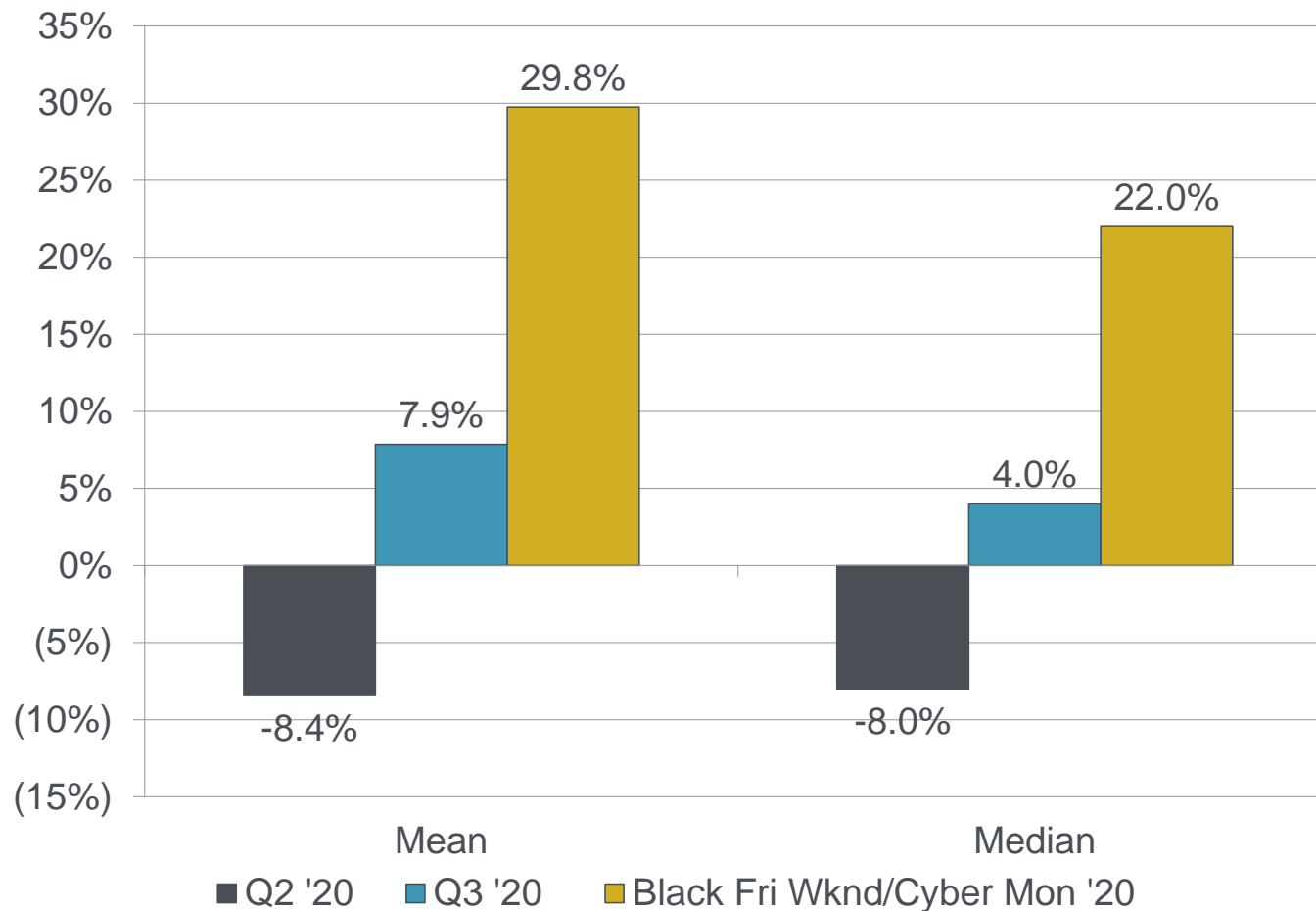
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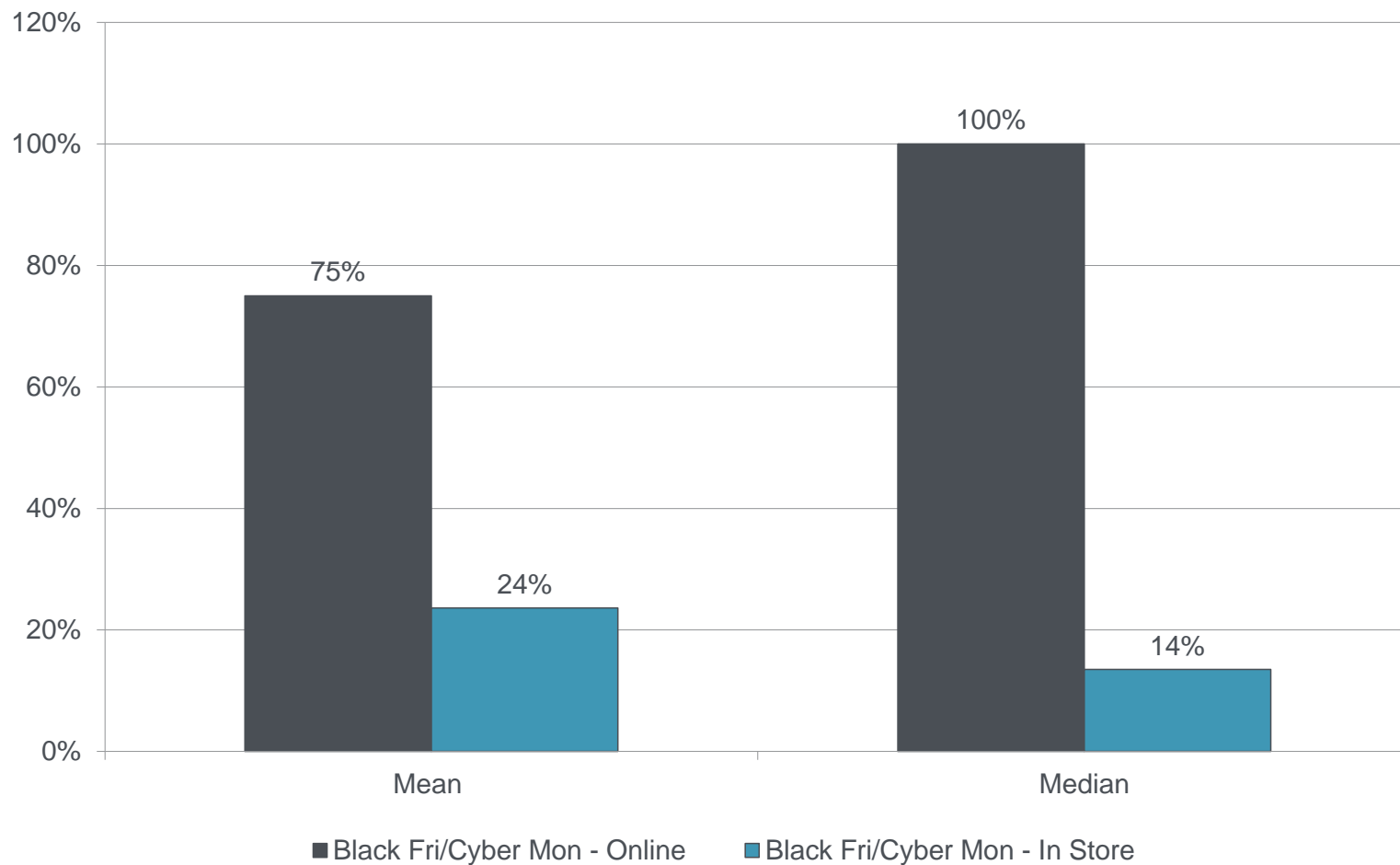
Sales Growth Results: What was your Black Friday weekend and Cyber Monday (Fri to Mon) sales growth y/y – for written business (not delivered)?

- Black Friday weekend/Cyber Monday sales were robust at +30% and +22% y/y on a mean and median basis. This is a strong acceleration from Q3 growth of +8% and +4% on a mean/median basis



Sales Growth Results by Channel: What was your Black Friday weekend and Cyber Monday (Fri to Mon) sales growth y/y Online vs. In Stores?

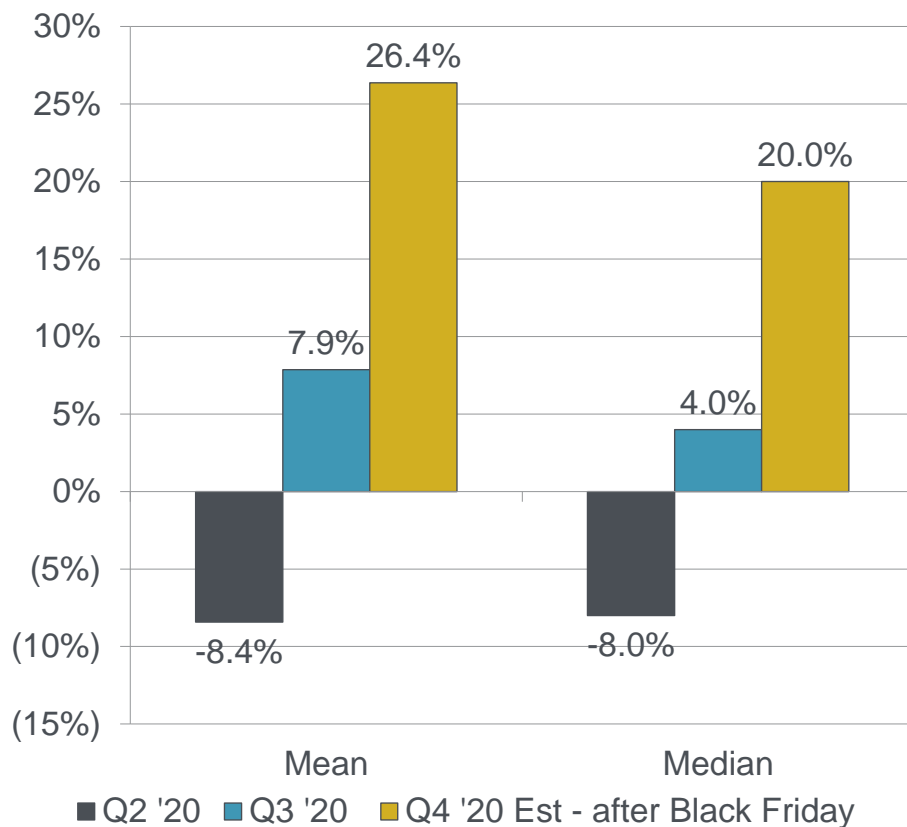
- Online sales grew 75% and 100% on a mean and median basis
- In Store sales grew 24% and 14% on a mean and median basis



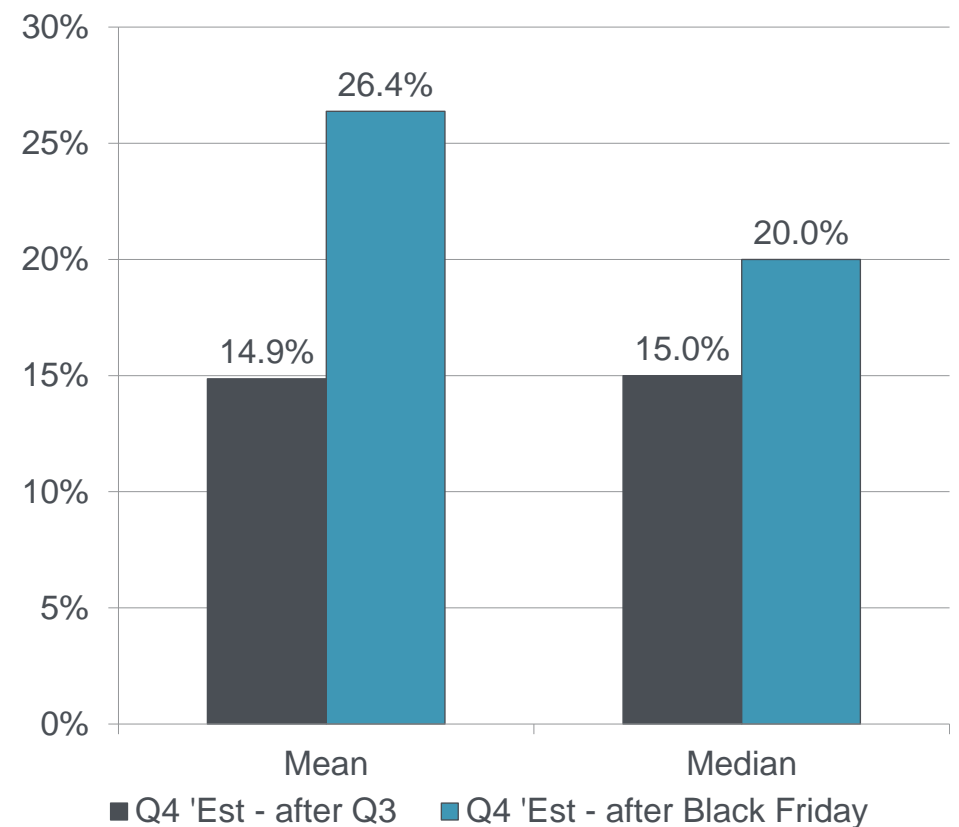
Q4 Sales Outlook: What do you estimate your total home furnishings sales growth will be in Q4 (Oct-Dec)?

- For Q4, retailers now estimate sales growth of +26% and +20% y/y on a mean/median basis
 - This represents significant acceleration from Q3, and is also a meaningful step up from Q4 expectations in early October

Q4 Set to Accelerate from Q3



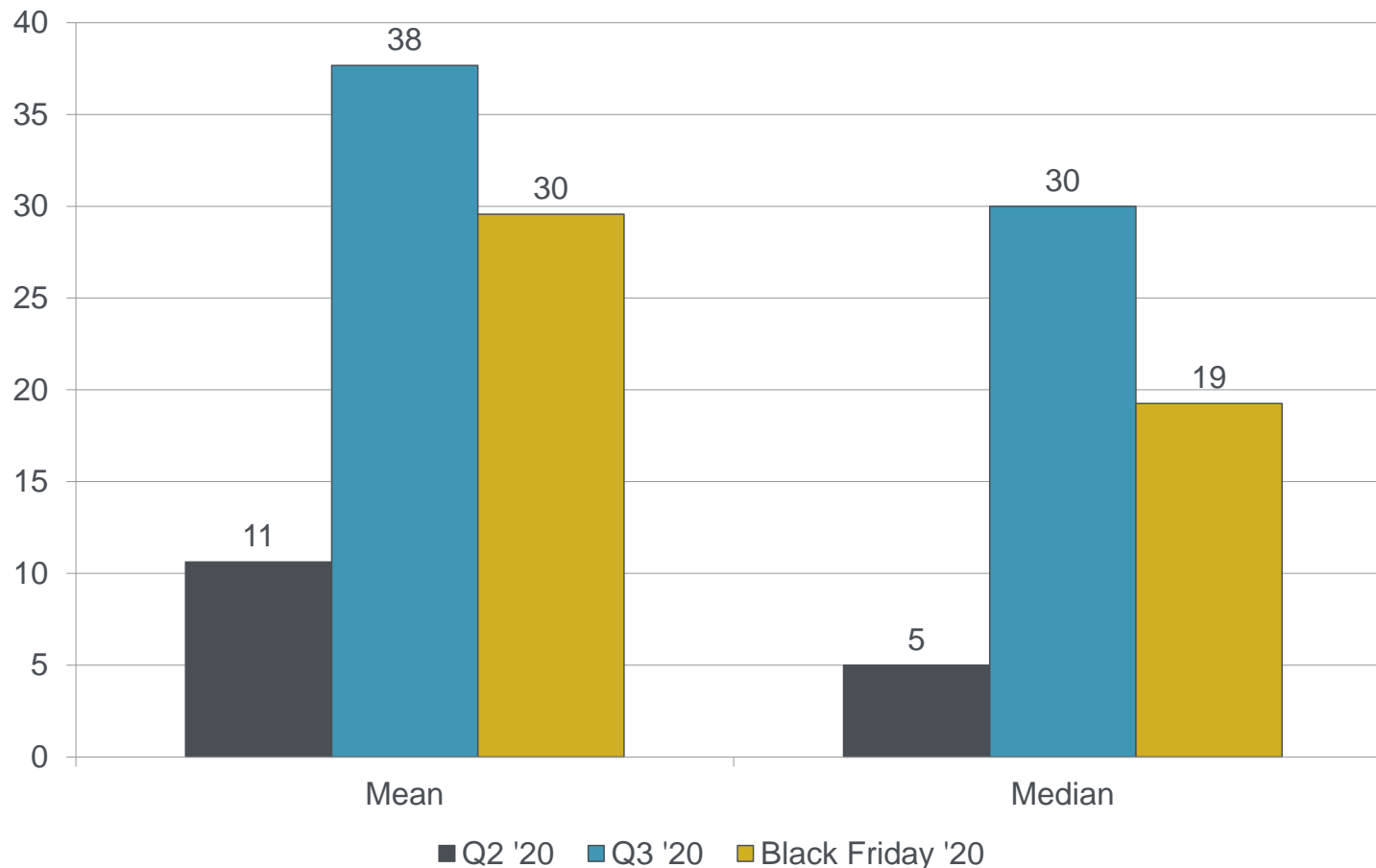
Q4 Expectations Have Increased Since Early Oct



Source: Piper Sandler Furniture Retailer Survey

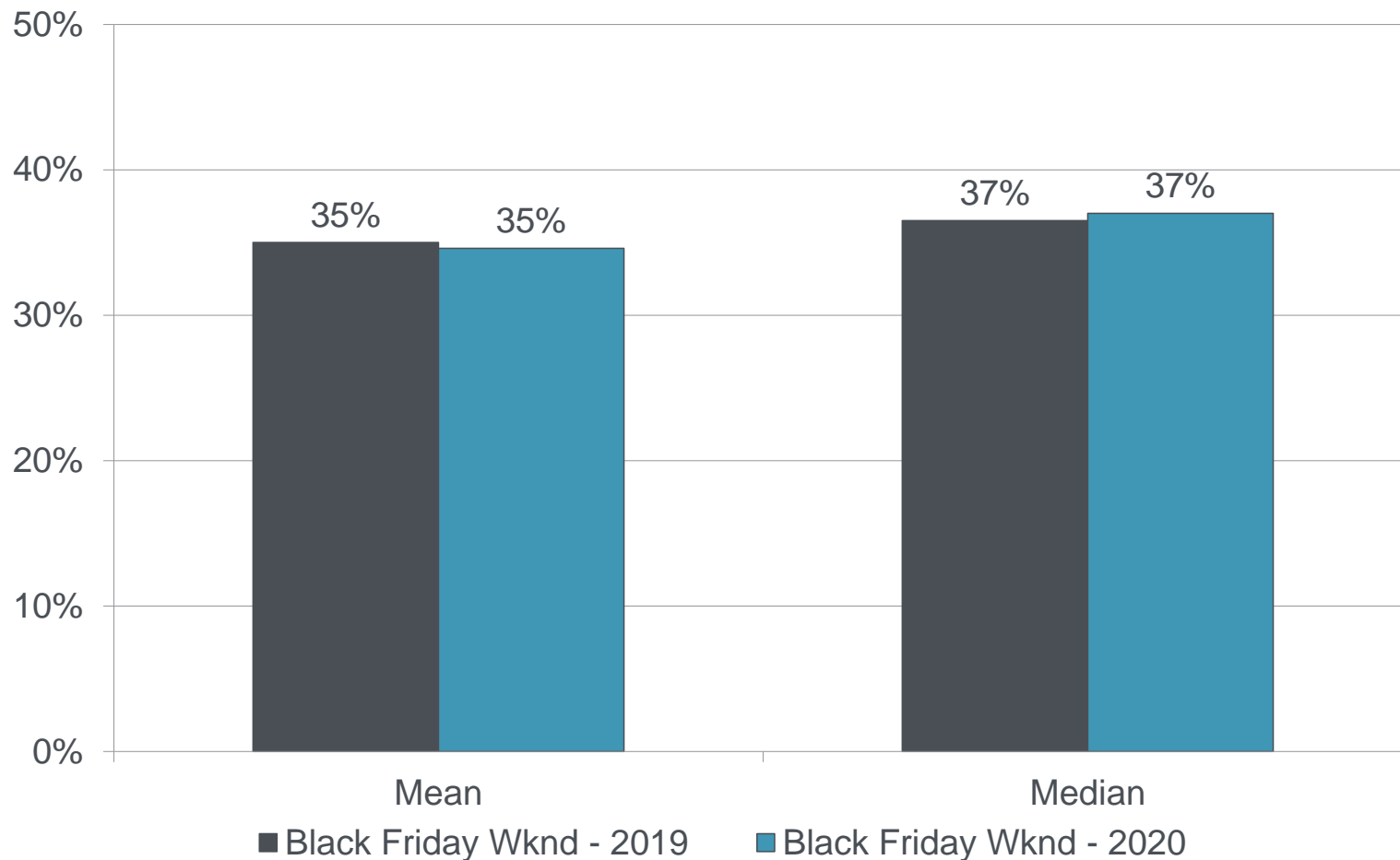
Length of Delivery Time: What is your current average length of time for delivery to home following a consumer purchase (average lead time) in total days?

- Current average lead time is 30 days and 19 days on a mean/median basis, down from our Q3 survey but still above Q2 levels. Our industry conversations suggest supply chains have gotten more constrained in 2H '20.



% of Sales Financed: What percentage of your Black Friday weekend and Cyber Monday sales utilized financing in 2020 and 2019?

- Financing over Black Friday weekend and Cyber Monday was in-line y/y at 35% and 37% on a mean and median basis



Ratings, Price Targets, Risks

- W – OW, PT \$370. Our PT is based on 2.5x 2021E EV/Sales. Risks include macroeconomic factors, COVID dynamics, competition, site disruption, and reliance on key top mgmt.
- OSTK – OW, PT \$140. Our PT is based on 2.0x 2021E EV/Sales. Risks include macroeconomic factors, COVID dynamics, competition, site disruption, and reliance on key top mgmt.
- BIG – OW, PT \$70. Our PT is based on 9x 2022E EPS. Risks include competition, weather, macroeconomic factors, and COVID dynamics.

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

Distribution of Ratings/IB Services Piper Sandler				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	572	62.58	204	35.66
HOLD [N]	332	36.32	65	19.58
SELL [UW]	10	1.09	0	0.00

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Underweight (UW): Anticipated to underperform relative to the median of the group of stocks covered by the analyst.

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