

## Hardlines & Leisure

### Q1 Furniture Retailer Survey by PSC/HFA - Q1 Accelerates; '21 Outlook Favorable

#### CONCLUSION

Upon the completion of our Piper Sandler / Home Furnishings Association (HFA) Q1 Furniture Retailer survey, Q1 sales trends (which were +30% y/y) showed strong acceleration from Q4, and exited the quarter with strong momentum. Retailers have a solid forecast for Q2 with 2-yr sales growth (Q2 '21 vs. Q2 '19) estimates of +25-26%. Q2 is likely off to a strong start as 70% of retailers are seeing a notable sales lift from stimulus checks. Delivery delays and out-of-stocks remain elevated, and will likely take until early 2022 to be more fully resolved. For stock call-outs, we believe the survey readings are favorable for W, OSTK, and BIG; we preview OSTK Q1 earnings in a separate note [here](#).

- **Q1 Furniture Retailer Survey Shows 30% Sales Growth; 25% 2-Yr Growth Expected for Q2**

- **Q1 sales growth** was up ~30% on a mean and median basis. Responses ranged from +13% to +52%, with 71% reporting growth of >25%.
- **Monthly Trends Show Strong Acceleration into Qtr-End.** On average, Jan sales were +20%, Feb sales were +15%, and March sales were +59%. March likely benefited from easy compares; further 71% said the 3rd stimulus check has had a notable impact on sales in Mar/Apr. **Conclusion: Sales exited Q1 with strong momentum.**
- **Q2 sales estimates** call for 2-yr sales growth (Q2 '21 vs. Q2 '19) of +25-26%. We note Q1 results came in ahead of initial expectations.
- **2021 Industry Outlook Raised.** Retailers now expect 2021 US home furnishings growth (stores + e-com) to grow +10-13% y/y, up from +8-9% at the start of the year.
- **Online Sales Remain Strong but Moderating.** Online sales grew +140% y/y, moderating from +185-200% growth in Q4. Online sales represented 7-8% of sales in Q1 (vs. 5-6% in Q4). Retailers expect Online mix for 2021 overall to hold at 7-8%.
- **Category Trends Accelerate vs. Q4.** Sales trends for Upholstered Products (+37-44%), Case Goods (+36%), and Home Decor/Other (+32%) all accelerated strongly from Q4.
- **Delays & Out-of-Stocks.** The current length of time for delivery to home following a consumer purchase is 40 days and 10 days on a mean/median basis, moderating from Q4 levels on a median basis. 86% of retailers don't expect supply chain issues to be resolved until Q4 '21 or later. Upholstered Products are most delayed. **Conclusion: Delivery/Out-of-Stock issues likely continue well into 2021/early 2022.**

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Related Companies:	Share Price:
BIG	67.99
OSTK	69.52
W	308.78

#### INDUSTRY RISKS

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

# Q1 '21 Furniture Retailer Survey

Completed in partnership by Piper Sandler & the Home Furnishings Association

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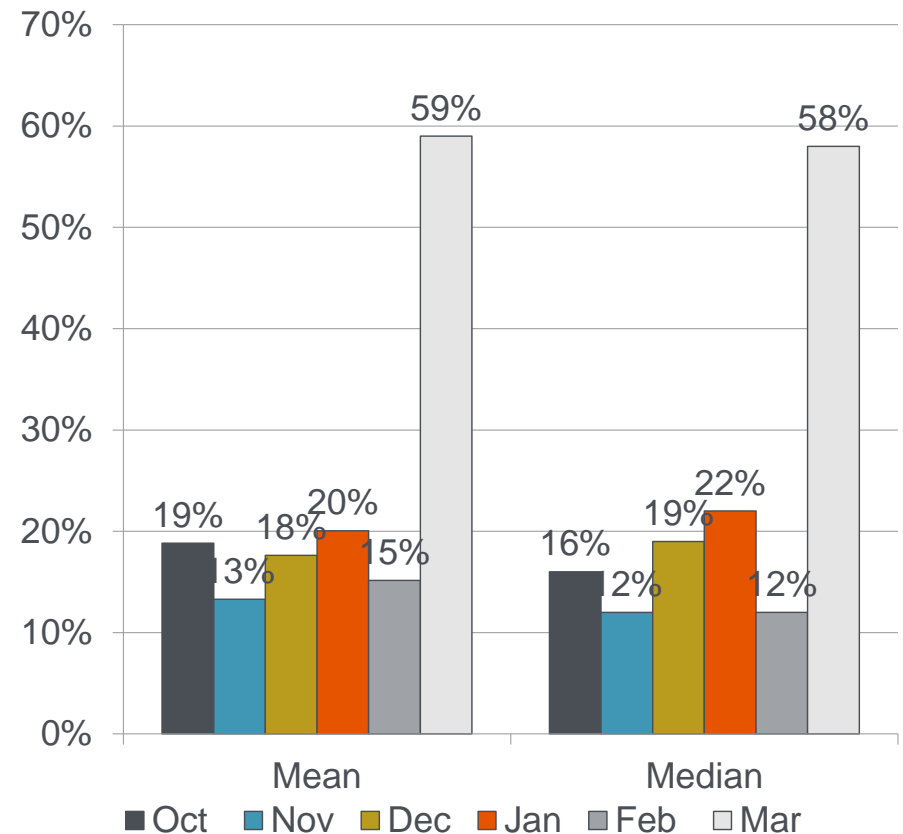
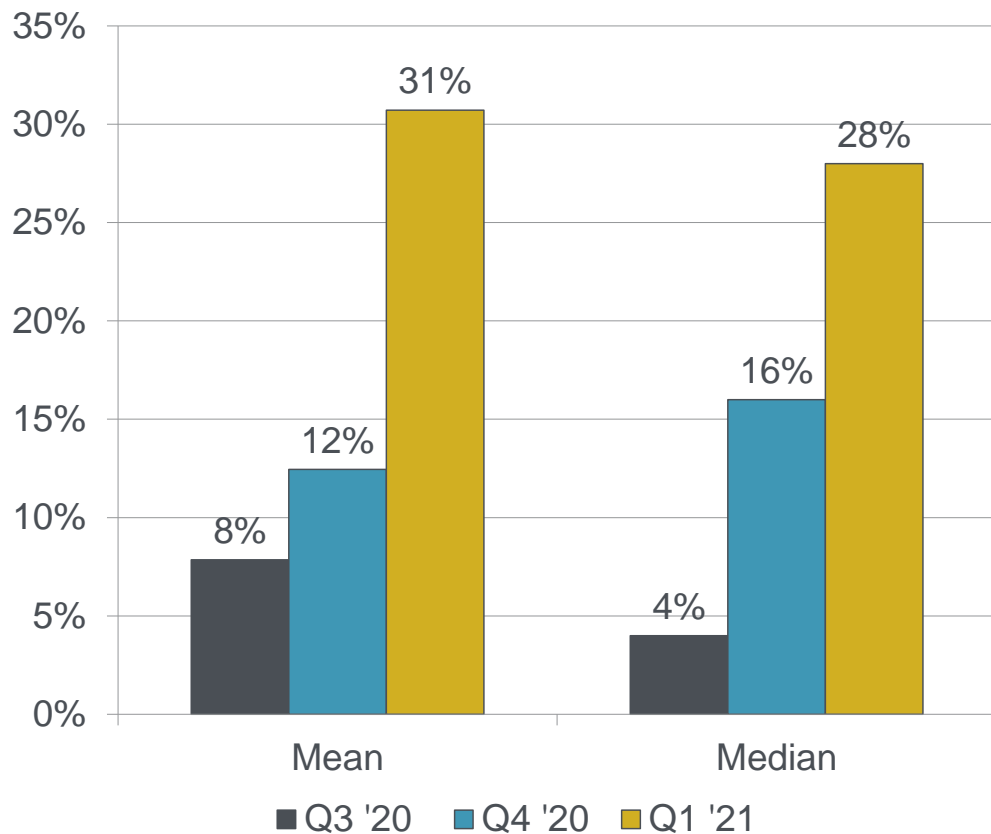
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## Q1 Sales Results: What was your Q1 (Jan-Mar) total home furnishings sales (delivered only, not written) growth y/y?

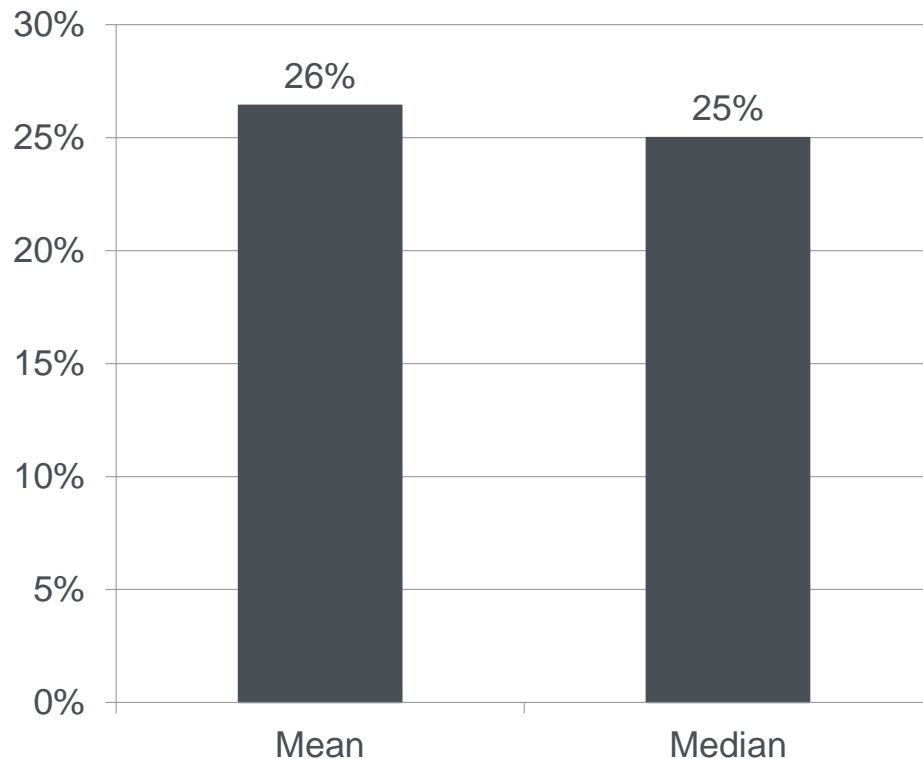
- Q1 sales growth was up +31% and +28% on a mean/median basis
- By month, sales growth was 20-22% in January, dipped to 12-15% in February, and re-accelerated strongly to 58-59% in March (presumably against easy compares)



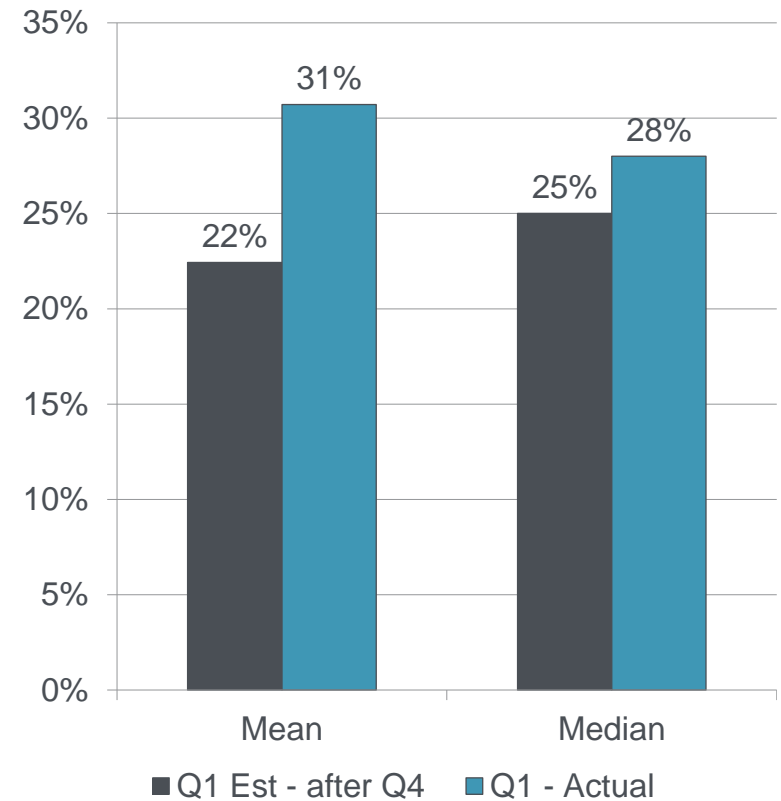
## Q2 Sales Outlook (2-yr Growth): What do you estimate your total home furnishings sales growth will be in Q2 (Apr-June) compared to Q2 2019 (2-yr growth)?

- For Q2, retailers estimate 2-yr sales growth of +25-26% y/y on a mean/median basis
- We note that Q1 sales results came in ahead of expectations at the start of the qtr

**Q2 '21 2-yr Sales Growth Outlook**

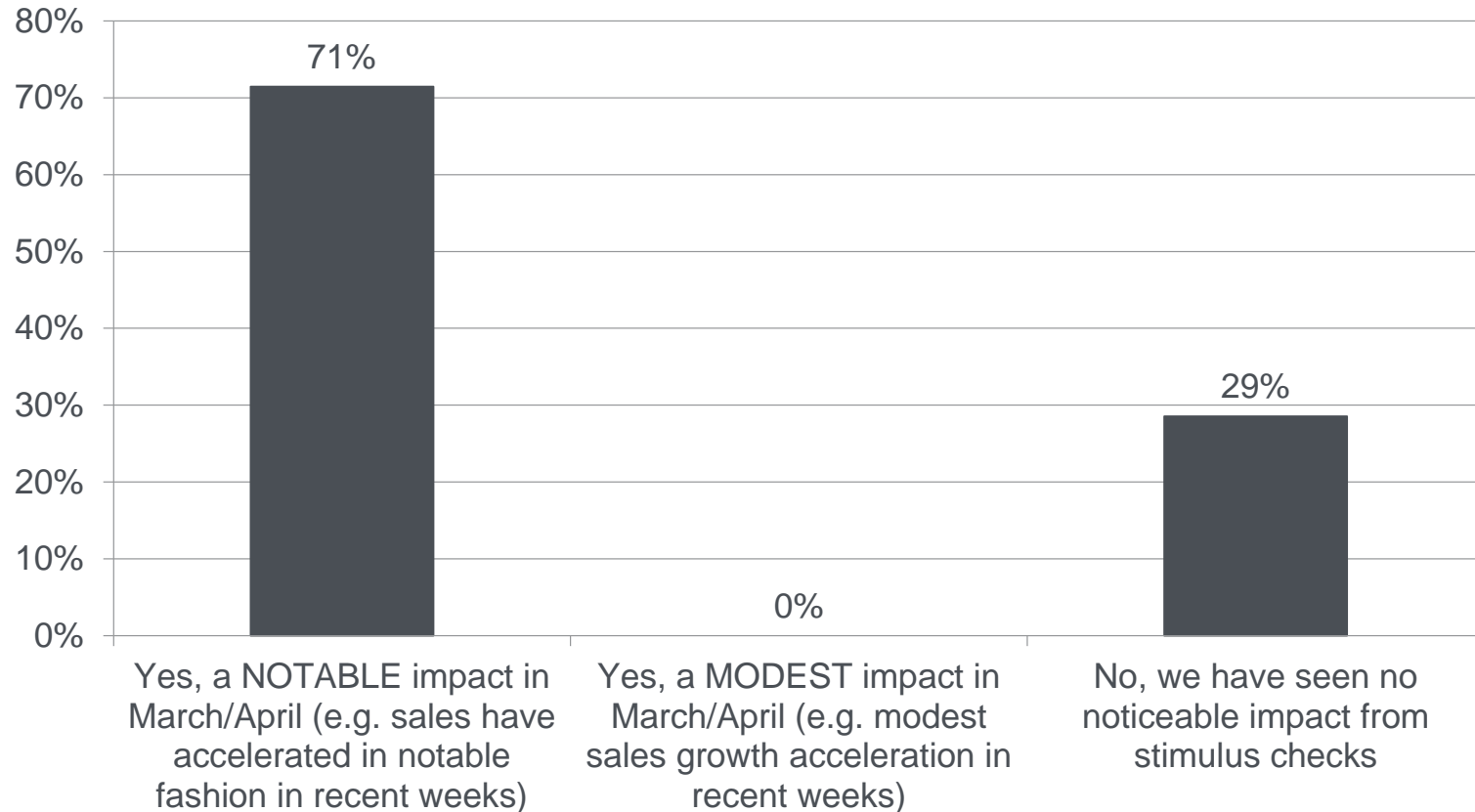


**Q1 '21 Results vs. Initial Expectations**



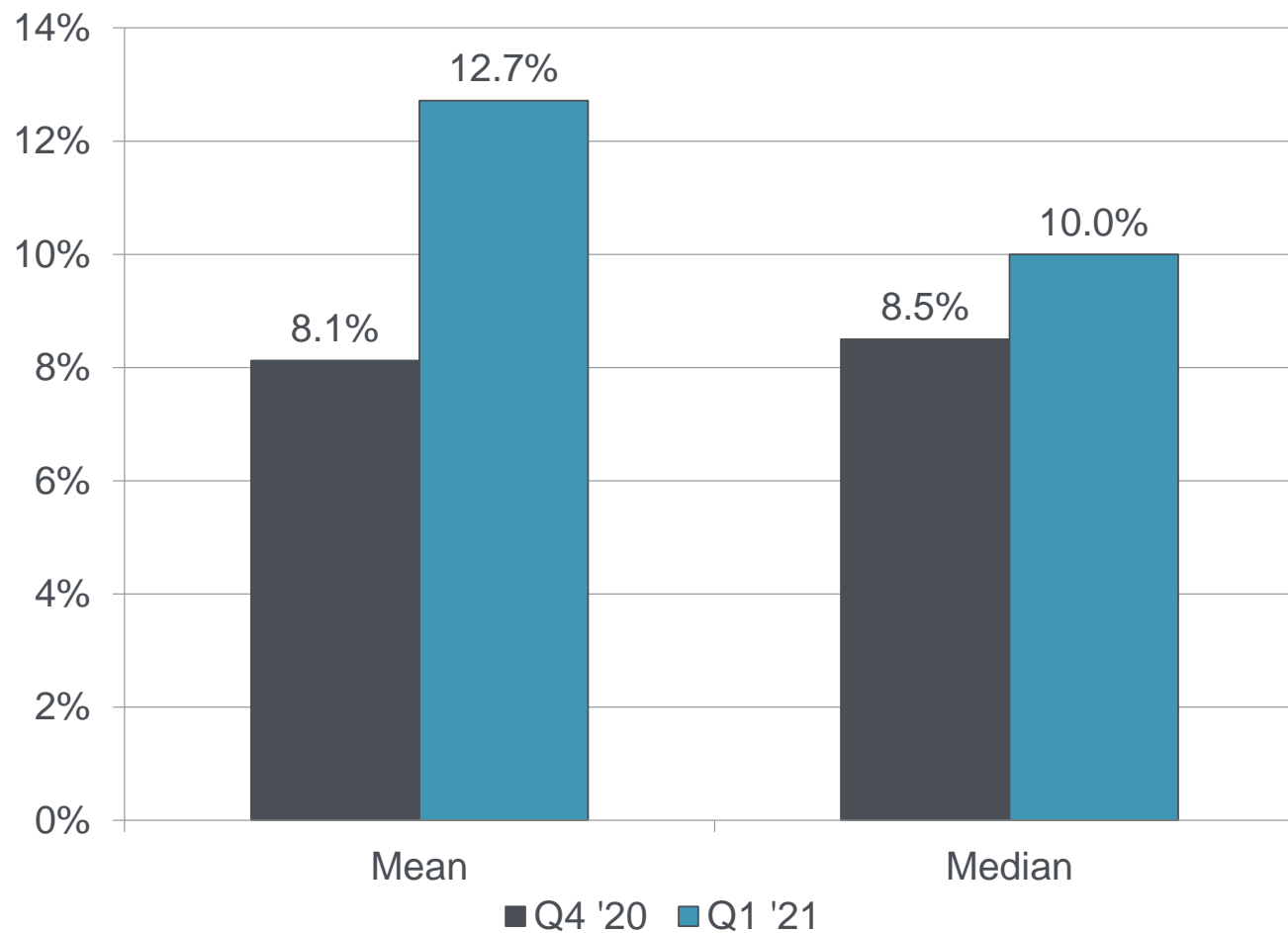
## Stimulus Checks Impact: Have you seen an impact from the 3<sup>rd</sup> stimulus check (distributed in Mar/Apr) on your sales trends?

- 71% of retailers said that sales have accelerated in “notable fashion” in March/April in conjunction with the distribution of the 3<sup>rd</sup> stimulus check; 29% have not seen a notable sales impact
- We suspect sales momentum has continued into early Q2, with stimulus checks serving as a tailwind



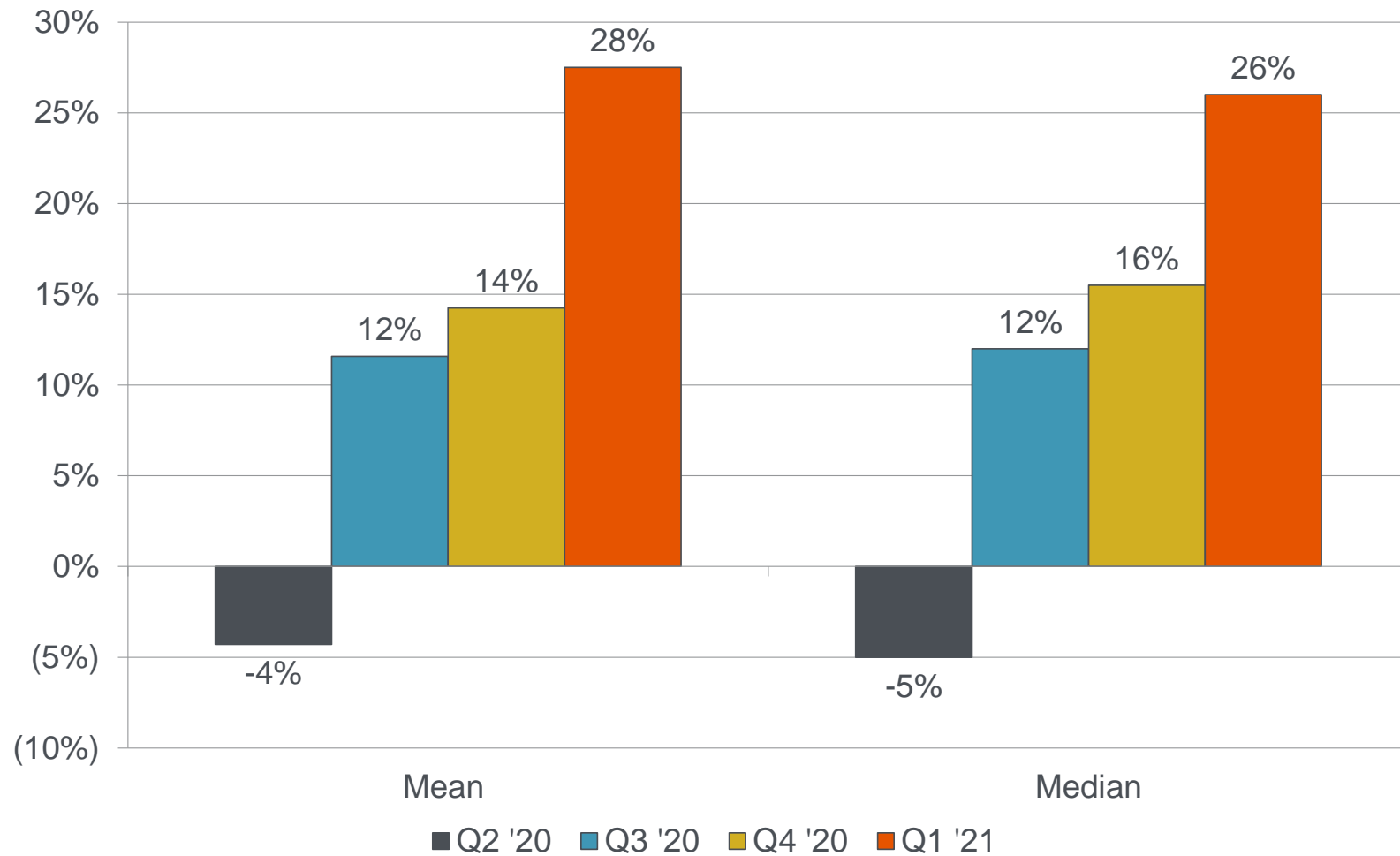
## 2021 Industry Growth: What do you expect sales growth to be for the US home furnishings industry overall (stores + online) in 2021?

- Retailers expect 2021 US home furnishings industry growth of +13 and +10% y/y on a mean/median basis, stepping up from expectations of +8-9% at the start of the year



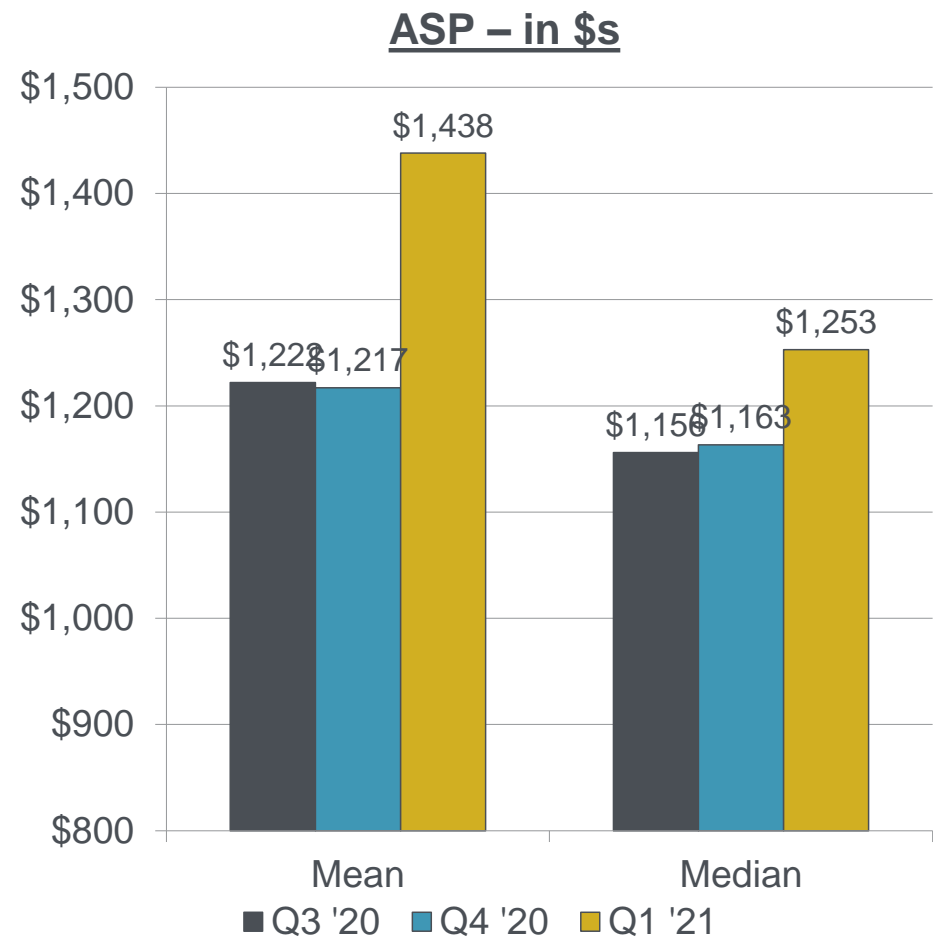
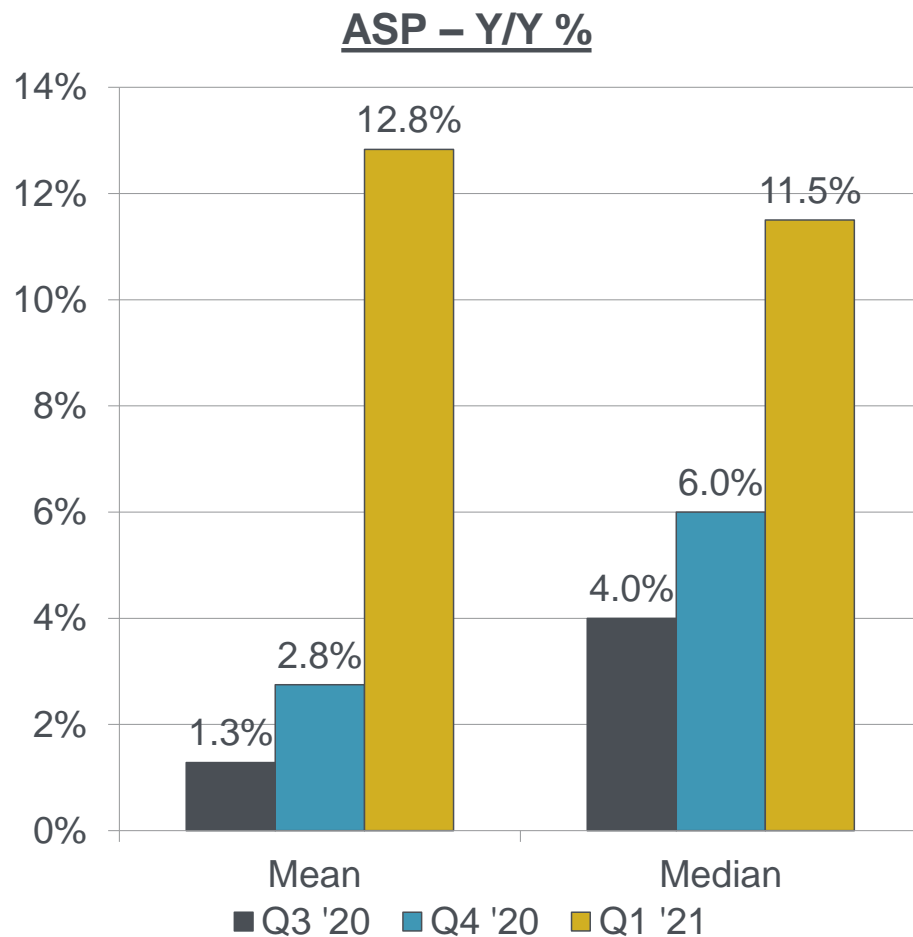
## Q1 Transactions: What was your Q1 (Jan-Mar) total home furnishings transactions (delivered only, not written) growth y/y?

- Q1 transactions growth was +28% and +26% y/y on a mean/median basis, accelerating vs. Q4



## Q1 Average Selling Price (ASP): What was your Q1 (Jan-Mar) total home furnishings ASP growth y/y?; What was the size of your ASP?

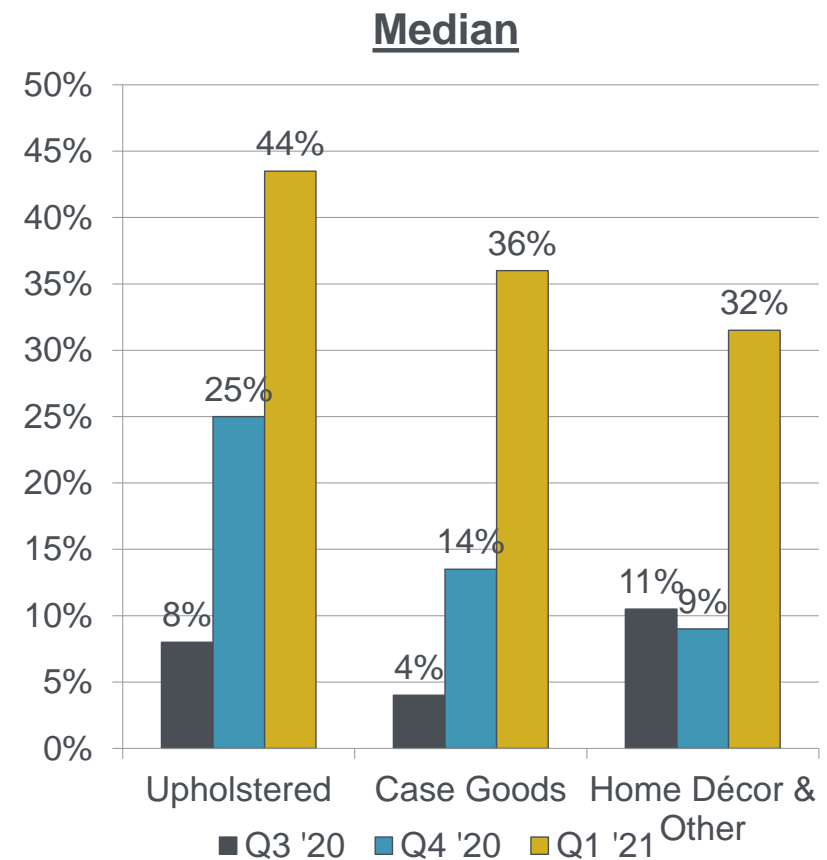
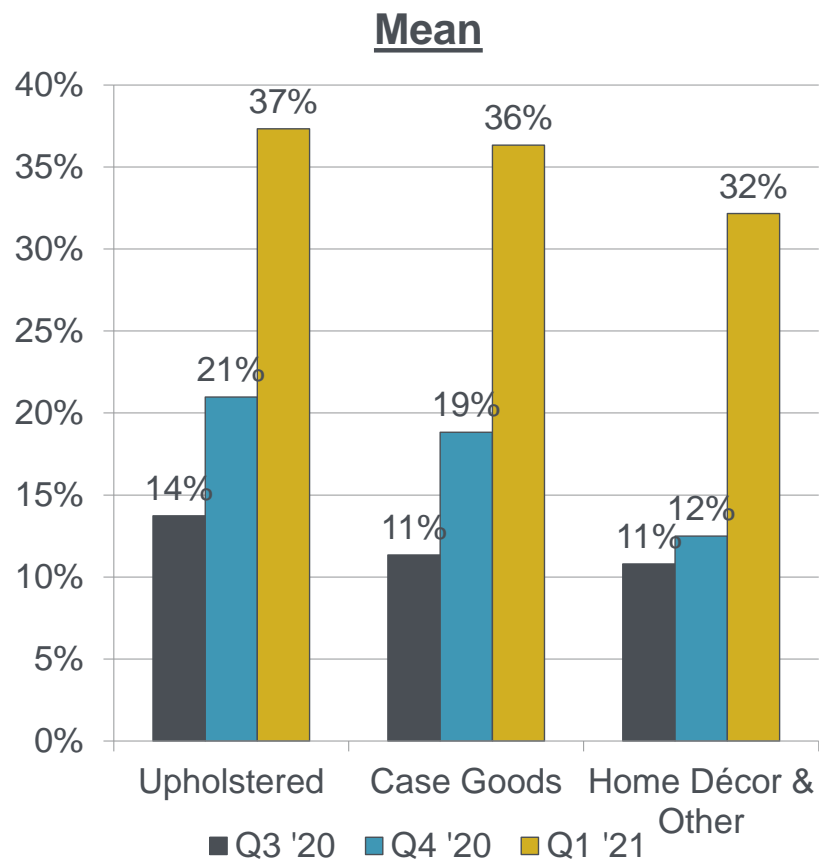
- Q1 ASP growth was up 13% and 12% y/y on a mean/median basis, accelerating from Q4
- Q1 ASP size was \$1,438 and \$1,253 on a mean/median basis, stepping up from Q3/Q4





## Q1 Category Growth: What was your Q4 total dollar growth y/y (delivered only, not written) of your Upholstered Products, Case Goods, and Home Décor/Other categories?

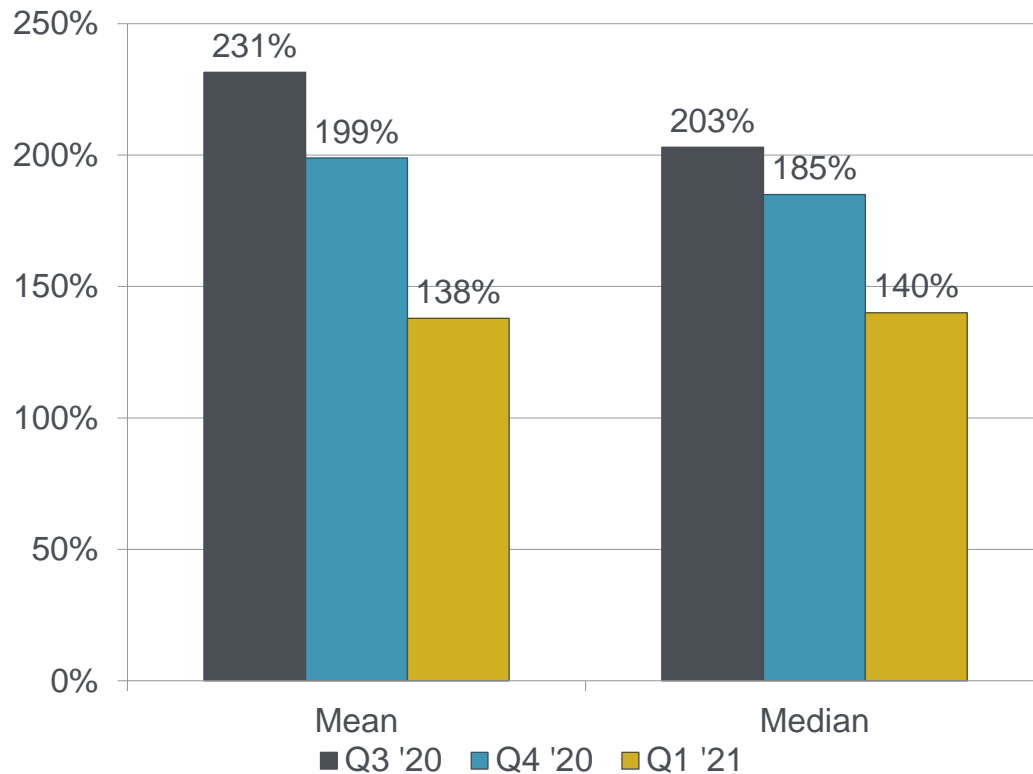
- Upholstered Products were up +37% and +44% on a mean/median basis, accelerating vs. Q4
- Case Goods were up +36% on a mean/median basis, accelerating vs. Q4
- Home Décor/Other was up +32% on a mean/median basis, accelerating vs. Q4



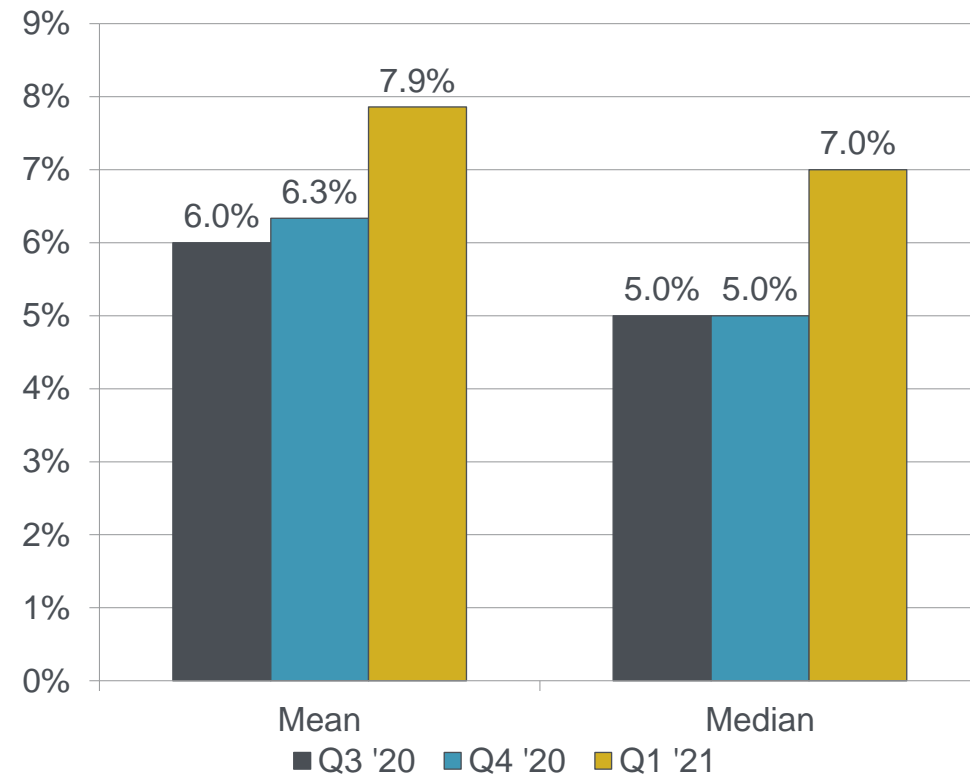
## Q1 Online Sales: What was your Q1 Online sales growth y/y?; What did Online sales represent as a % of total sales in Q1?

- For Q1, Online sales grew 140% y/y, moderating vs. Q4 but still strong
- For Q1, Online sales mix was 8% and 7% of total sales on a mean/median basis, up from Q3/Q4

**Online – Y/Y % Growth**

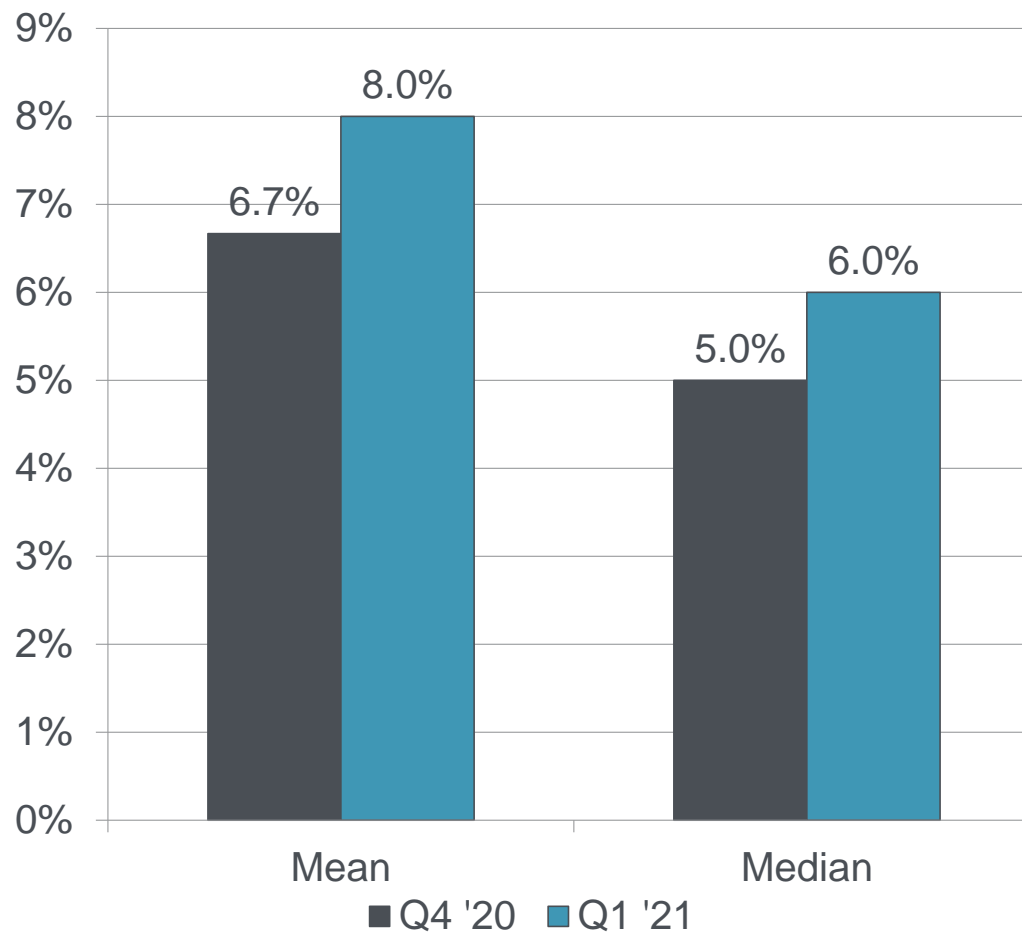


**Online – as % of total sales**



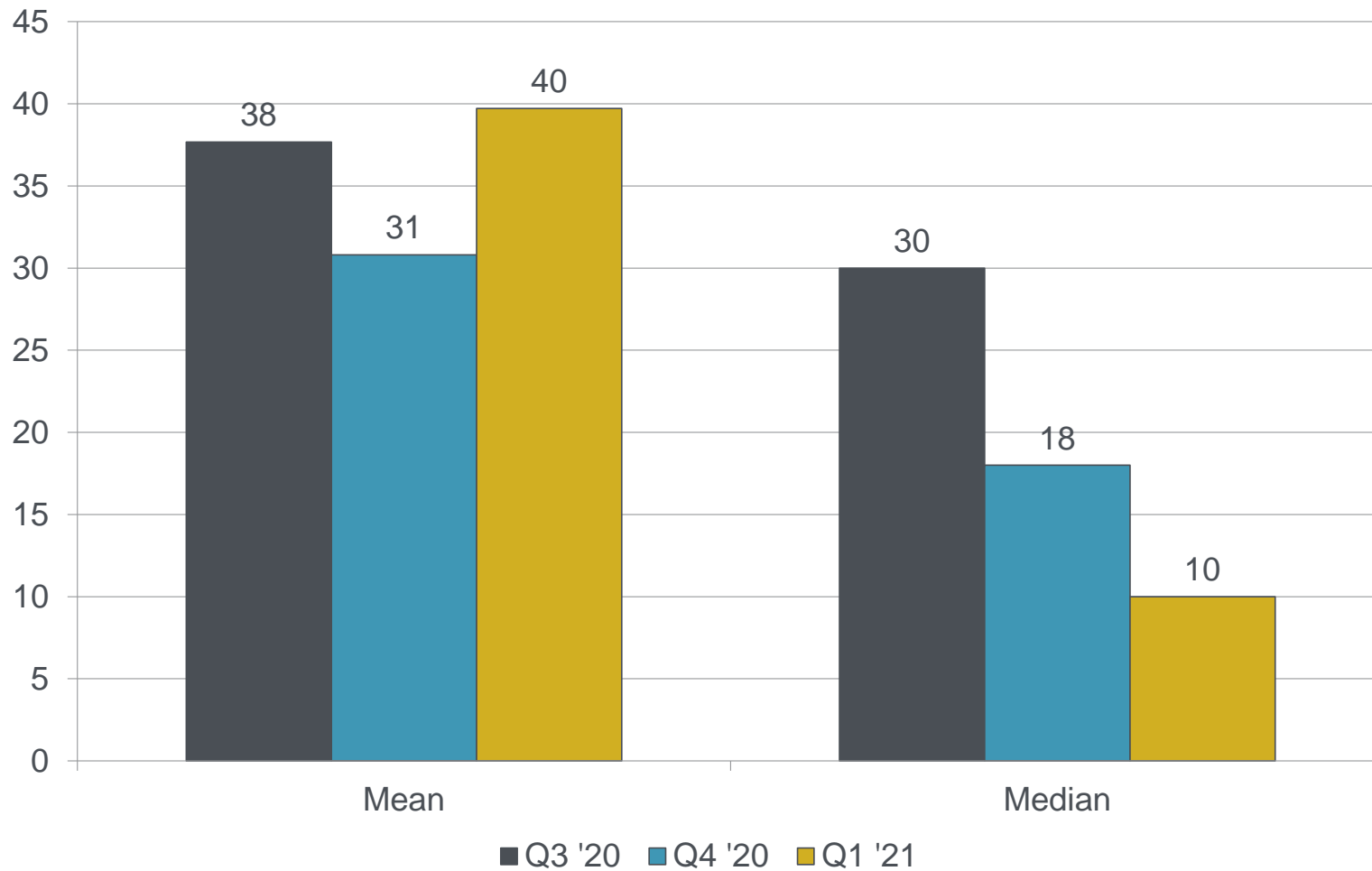
## 2021 Online Mix: For 2021, what do you expect your Online sales to represent as a % of your total sales?

- For 2021, retailers expect Online sales to represent 6-8% of total sales, stepping up from expectations of 5-7% at the start of the year.



## 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?

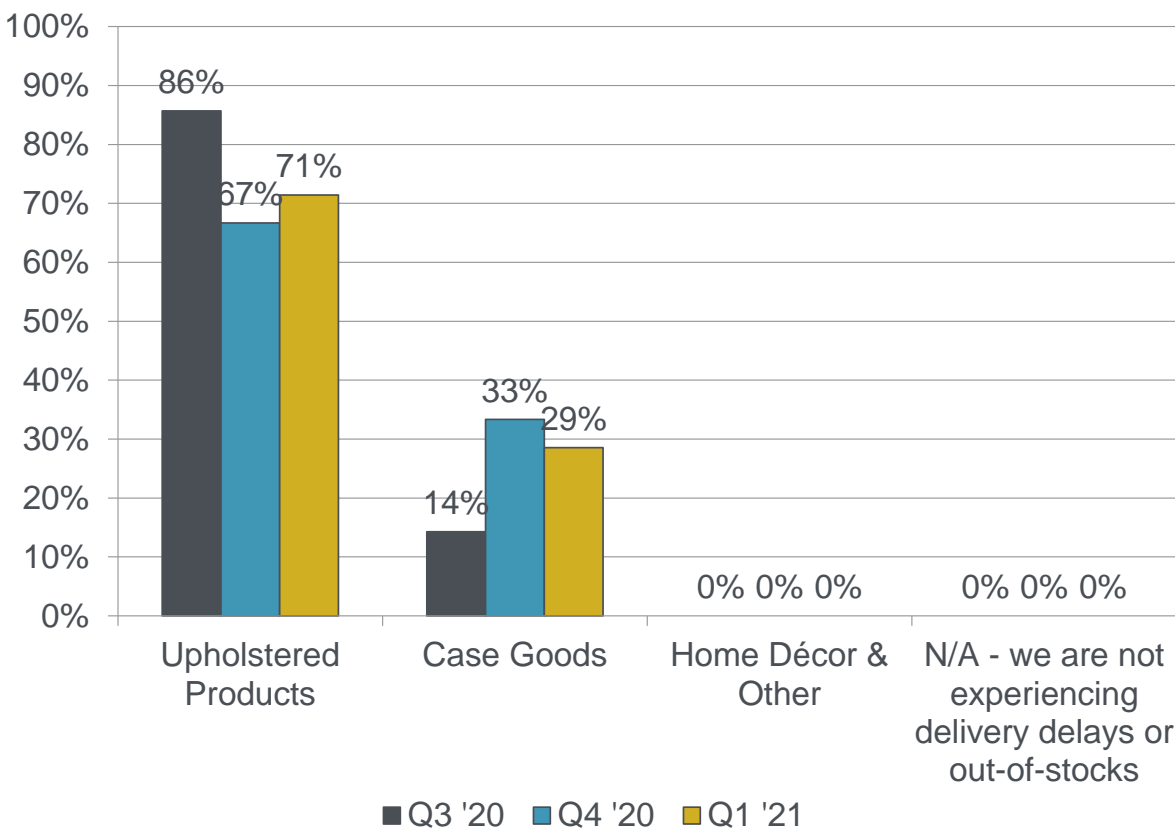
- Current average lead time is 40 days and 10 days on a mean/median basis



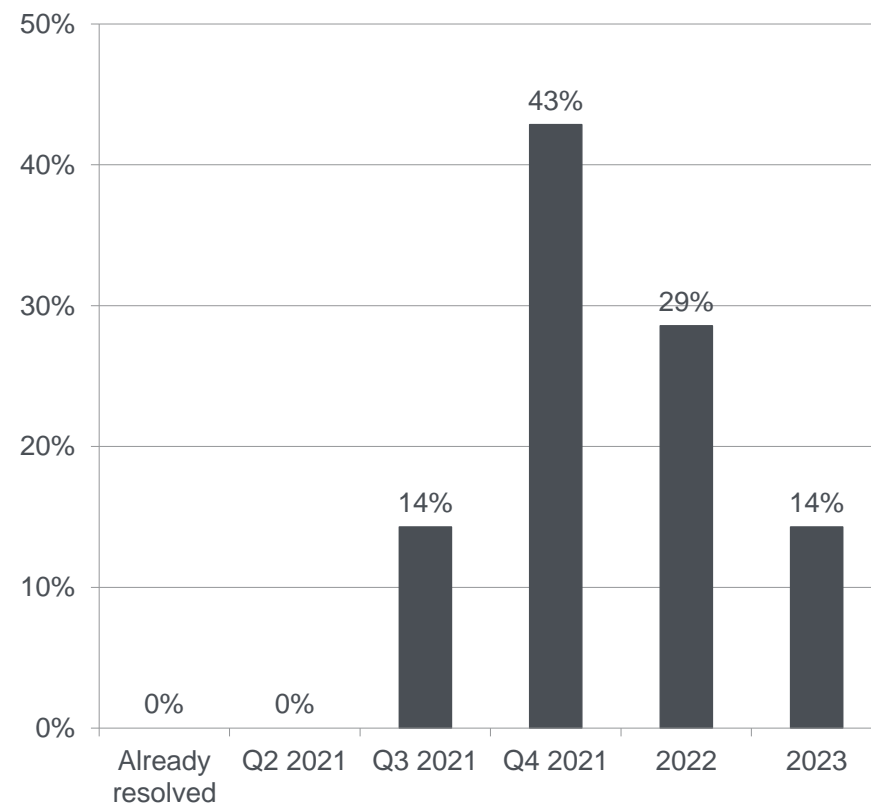
## Delays/Out-of-Stocks: Category Issues and Expectations of Timing Resolution

- Upholstered Products continues to see the most delays / out-of-stock issues
- 86% don't expect supply chain issues to be resolved until Q4 '21 or later

*What category are you currently experiencing the most delivery delays and/or out-of-stock issues?*

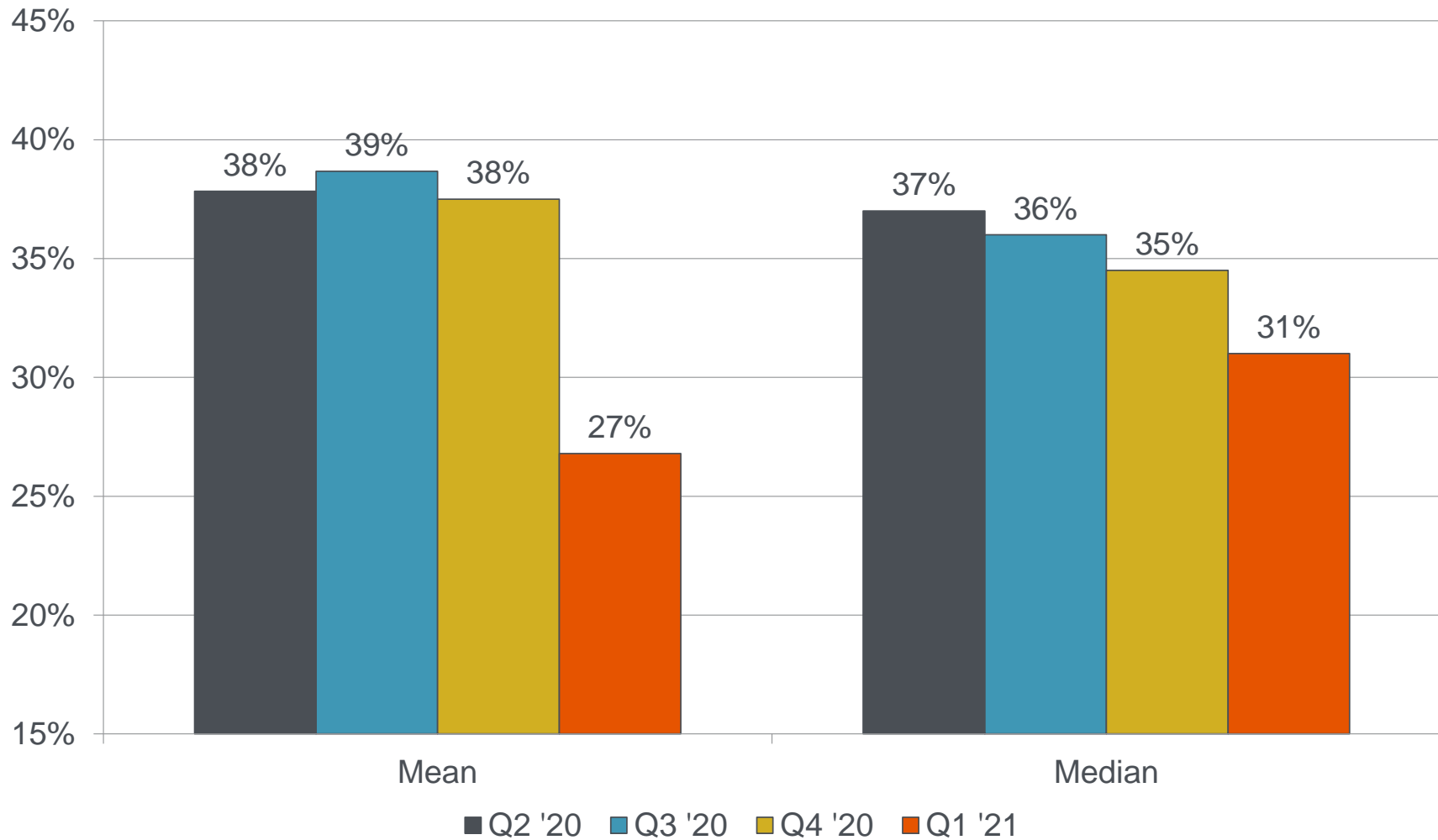


*For out-of-stock issues, what is your best guess as to when supply chain issues will be resolved?*



## % of Sales Financed: What percentage of your dollar sales utilized financing in Q1?

- Financing was utilized for 27% and 31% of sales on a mean and median basis in Q1, stepping down from recent quarters



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## Ratings, PTs and Risks

- We rate BIG Overweight with a \$70 price target based on 9x 2022E EPS of \$7.77. Risks: Competition, weather, and general economic conditions.
- We rate OSTK Overweight with a \$140 price target based on 2.0x 2021E EV/Sales; EV is based on \$475M of net cash and a diluted share count of 43.3M shares. Risks: Economy, competition, site disruption, reliance on key management.
- We rate W Overweight with a \$420 price target based on 2.25x 2022E EV/Sales; EV based on \$68M of net debt and a fully diluted share count of 106.4M. Risks: Economy, competition, site disruption, reliance on key top management.

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- N: Neutral
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- UR: Under Review



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