

The Furnishings Digest

Second Quarter 2022
Volume 29, Issue #2

The latest news, views, and announcements

IN THIS ISSUE

Reading Time: 18 min

LET'S TALK HIGH POINT

Is there nothing to buy?
FALSE

New showrooms,
new product extensions

Price increase FACTS

Delivery times?
Better and improving

Expect a recession?
NO!

Outlook for housing
demand- OK



For more information on our firm www.maeltd.com

HEADLINES:

-COVID hits China ...again

-Consumers don't like
uncertainty

-Is MAD magazine back?
In DC?

-Longshoreman
negotiations

-SEARS-iously

-WAR? What is it good for?
Not us.

-Wall Street's surf is up!

-4Q21 Import Stats

-Latest monthly numbers

Sunday, April 3rd, at 9:00am I will be making my usual "State of the Industry" speech at the Home Furnishings Association's Retail Resource Center on the first floor of the Plaza Suites building. I am very disappointed that I cannot be there in person so we will do this by Zoom, like so many other events these days.

LET'S TALK ABOUT HIGH POINT!

I don't care how big or small your home furnishings retail business is, you **MUST** attend the High Point market or you will miss opportunities and give your direct competitors an advantage. The great thing about High Point is the ability to meet with non-competing retailers and share ideas about both the front and back ends of your business. Did I mention meeting others and sharing ideas was **FREE**?

Myth 1: There is no merchandise to buy.

Do you believe the vendors/exhibitors showing in High Point have been sitting on their hands over the last 18 months? Of course not! You will be pleasantly surprised how 90% of showrooms will have merchandise that is often quite new and different than you have seen in the past. Why? They are sourcing differently from how they have in the past, as well as adding new product categories. They have also worked on getting products here faster, too.

I loved reading how La-Z-Boy has assembled teams from its headquarters and factories to go to its facilities to look for ways to improve productivity. What a great idea and it will yield good results, in my opinion. Other manufacturers and retailers might try doing this, too.

Please don't ignore all the new factories and factory expansions you have been reading about, too. Some of the importers are investing heavily in North America. The port problems may not be a short-term event. We may never be able to import by ships as we have in the past if you believe the environmental impact these ships appear to have. And we have to add all the higher energy and labor costs as well to the cost of importing on a ship.

Myth 2: You will just find the same old showrooms with the same old lines.

You must be blind if you have missed the dozens of new businesses that have popped up to fill the voids the past 18 months have created. Some offer faster deliveries, some fill in price points, and some come from places you have not shopped before, like Mexico. Not everything comes in through a congested port. And these extreme logistical price increases like \$30,000 for a container (?????) makes our North American manufacturers much more price and time competitive!!!

Opportunities in High Point will surprise you and you will be glad you did not miss it on your way back home.

Myth 3: Everything will take forever to get here. Bull. We are talking to factories who are bragging about how they have found ways to shrink their backlogs. If your vendors remain overextended, shop around.

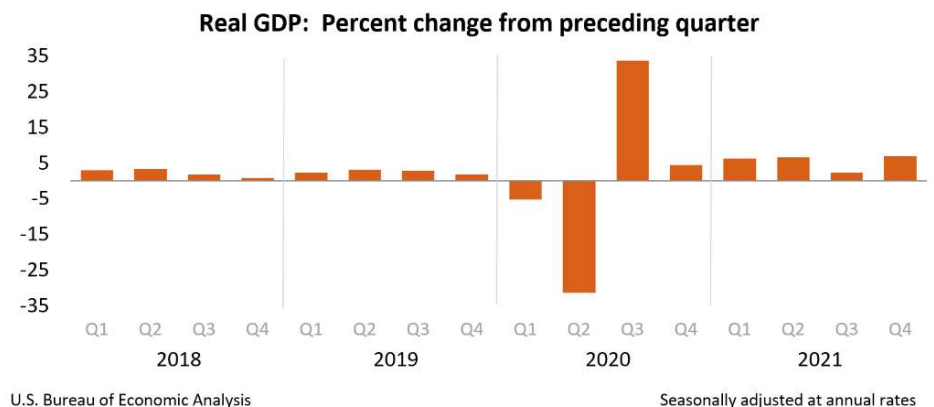
Myth 4: Prices will all be obscenely higher. Let's be realistic here. Name something that has come down in price other than leather. You need to carefully compare price changes since last purchasing cycle. Why?

1. Some vendors pace their price adjustments weekly on different merchandise rather than making more obvious larger across the board increases. Smart vendors also consider their inventories when price increases are announced. The bigger the inventory, the smaller the price increase. Get it?
2. The traditional way our vendors increase prices (especially in upholstery) is by introducing lots of new frames and covers, not by putting a lot of price increases on existing lines.
3. I do not see a lot of vendors trying to take advantage of these inflationary times to be greedy with price increases. You might even see some showrooms have charts and graphs illustrating what they are having to pay for their raw materials, transportation and labor today to justify their prices.

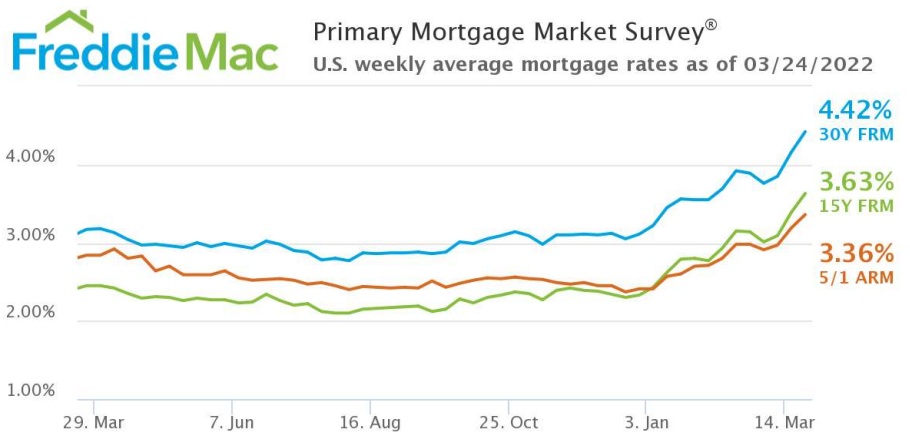
Myth 5: My vendors' prices are up 50% or more! Really? It may seem that way, I agree, especially if you have not raised your prices on your existing stock. Hopefully, you have been passing on price increases as you receive them but that is almost impossible, we know. Truthfully, what have prices increased?

My only way to read that is the *ISPA* (International Sleep Products Association) statistics on mattresses. In 2021, domestic mattress sales grew 15.9% in dollars but dropped 4.9% in units which implies pricing inflation of just under 21%. If we include imports to the sales in 2021, then the price inflation was 23%, bad but not 50% as some have claimed.

Myth 6: A recession is inevitable! A recession is defined as two sequential quarters of negative GDP growth and that is unlikely, in my opinion. GDP growth will not keep up with its recent pace but it should be positive for the remainder of 2022. We review a lot of very boring economic forecasts and most are more subdued than they were earlier this year before the Ukrainian invasion but the only ones mentioning a recession have a political reason to make that claim. Always look at who is making the forecast and what their motives might be.



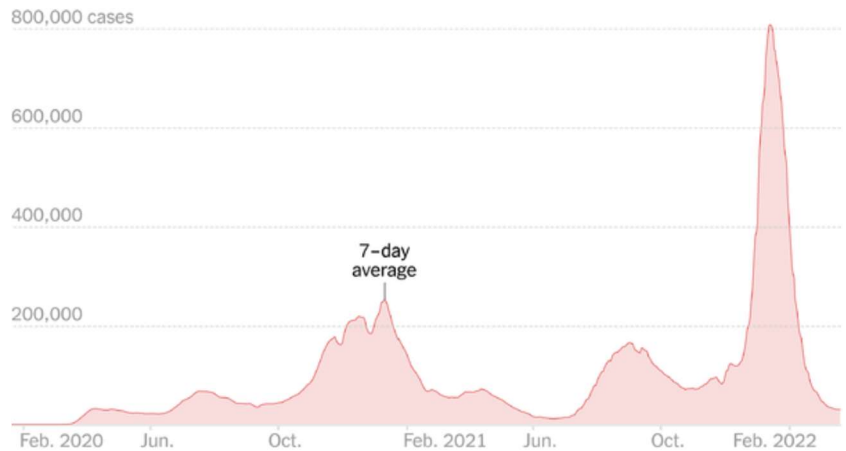
Myth 7: Higher mortgage rates may stop our housing recovery. Yes, rates are already back to 4% but who among us above age 40 thinks a four percent mortgage is high or prohibitive? Yes, I believe mortgage rates will be going higher but one first result will the incredible price increases for houses will slow for existing home sales. New homes may see further price increases due to rising raw material costs.



Myth 8: Rising gas prices will keep people from going to High Point. Give me a break! They aren't keeping you from going to your beach house in Florida, are they?

Have You Thought About?

-The National Retail Federation (NRF) has weakened its 2022 forecast but still calls it "Rosey". Going from 6% to 8% to a more moderate 5% to 6% is caused by GDP growth slowing to 3.5% this year, near record inflation, the ongoing COVID concerns, international tensions, and more. The consumer is shifting from mostly durable goods toward non-durables and services as the COVID related restrictions are being removed in the U.S.



-Meanwhile, a new spike in COVID related cases has hit China hard, limiting some ports, nearly closing parts of Shanghai, causing a lockdown in Shenzhen and other troubles. Some report this started in Wuhan while others say this is a new strain of the virus. Don't throw away your masks yet!

Latest: Coronavirus death toll, infections and vaccinations

475,759,803

Confirmed Covid-19 cases

6,102,808 total deaths worldwide	11,124,699,118 vaccine doses administered
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	Cases	Deaths
United States	79,844,430	974,244
India	43,014,687	516,605
Brazil	29,738,362	658,005
France	24,683,075	142,362
United Kingdom	20,669,099	164,712

Sources: Johns Hopkins University, WHO, Our World in Data, health authorities

Last Updated: 24 Mar, 02:38PM



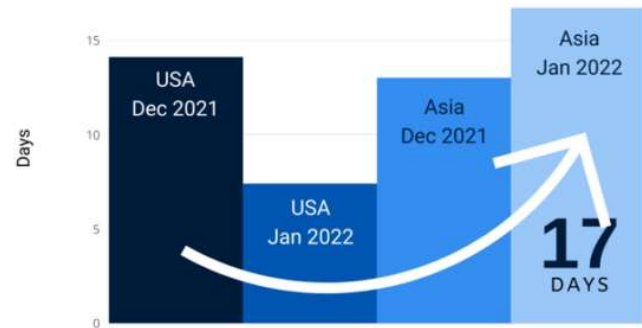
Consumer sentiment as measured by the University of Michigan plummeted to its lowest level since October, 2011 in early February caused by concerns about the war in the Ukraine, no government cash giveaways, lost spending power because of dramatically higher fuel, food and other costs and general apathy.

-I read a lot but surely, I have misunderstood the proposed new \$1.2 trillion government spending proposal. Yes, there are multiple environmental proposals but the things I thought I read said all the money had to be spent in America in unionized businesses and workers employed on these government projects were to be paid \$46 an hour. I must have read this in a MAD magazine whose catch phrase was "What? Me Worry?" I think Alfred E. Neuman is walking the halls of Congress today.

You have to look hard to find improvement in our congestion in our ports and many in Asia and Europe too.

Keep in mind the union negotiations with the longshoreman and other port workers begin July first. With today's labor shortages and extreme inflation, they shouldn't lack for things to discuss.

Port Congestion Comparison - Dec 2021 vs Jan 2022



The Global Port Tracker has released its forecast for container traffic in American ports: January was +5.2% year to year; February is expected to be +10.5%; March (4.5%); April +4.2%; May (3.2%); June +4.0%; and July +3.0%.

COSTCO is adding another 7 container ships to its leased fleet, trying to get around the mess at the largest U. S. ports.

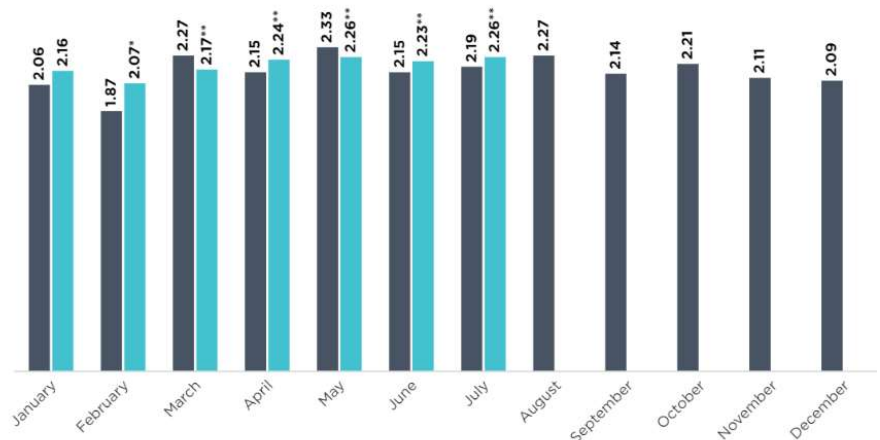
-I just read that 24% of all online consumer purchases we're disputed over the last 12 months. That might explain why most of the e-commerce public retailers have returned to losses in 2022 after the COVID caused an explosion in online sales last year.

-We are down to about 40 Sears stores and 3 K-Marts. Sears at one time offered the famed endless aisle that Amazon claims today. Its strength was in credit with more American households having access to Sears various credit programs than any other, by far. In most of its merchandise it had quality standards like in its Craftsman tools.

I had family members take delight on misusing and breaking Sears tools just so they could take them back and get a shiny new replacement. Kenmore appliances were also highly respected along with Sears' insurance (Allstate) and other programs. When the huge Sears buying team would show up in various furniture showrooms in High Point, the crowd would part to let them through. Back then, Sears always paid on time, too.

Monthly Retail Imports 2021-2022

(TEU - Millions)
 ● 2021 ● 2022



Source: NRF/Hackett Associates Global Port Tracker *Estimated **Forecast

-Want to lose sleep? I was discussing the strong and complete coverage of the Ukrainian invasion with one of my smartest friends on global issues. He agreed that the media felt it always had to add that China might invade Taiwan to its war coverage. He said to my utter fright that there are other just as likely wars like:

1. If Iran gets the new treaty that it is negotiating that removes most of its current restrictions, it may feel like renewing its threats to Iraq or even Israel, although the latter is less likely today.
2. Algeria is, with Chinese support, threatening Morocco. Why? Control of phosphorus.
3. If Saudi Arabia negotiates new oil supply contracts with China, it could deeply upset a balance in the Middle East.
4. His final and most depressing point was that there are more powerful nations that would like to see the U. S. harmed than has been true since WW2: Russia; Venezuela; Iran; North Korea; and sadly, many believe China.

You will not read more global tension analysis in my writings. It is too depressing and I lack the insight and knowledge to do this well, just like most of our talking heads in the media.

Why even mention it? These global events are very distracting to our consumers, without question. You may not feel a direct connection, but many of your customers have family members that are distressed because of families, friends or members of our military. Be empathetic and supportive, please, and be seen as patriotic.

- Surprised that the stock market has held up as well as it has while still making wild swings almost daily? The easy answer is that massive quantities of investment capital is seeking reasonably safe investments and we are still the safest harbor for everyone's savings, including some of our detractors. Where else can you go?

Our consumers are NOT as confident as the stock market appears. They see the Ukrainian invasion, huge inflation in energy, food, and everything including our furniture and mattresses, great uncertainty about the future impact of COVID, and the complete lack of civility among our politicians nationwide. My memory may be faulty but I think in past decades, our lawmakers could argue and negotiate with great vigor during sessions but afterwards relax and share a meal or a round of golf.

STOP: DO NOT IGNORE THE IMPORT TABLES!

It would take a lot of space to discuss all the factors that are illustrated by the information in the following tables. This has never been more complex in circumstances beyond our wildest thoughts from COVID, port congestion, labor shortages, factory shutdowns, raw materials and container shortages, record inflation, and so much more! And you won't see this detail elsewhere.

All Household Furniture Imports by Significant Countries Table 1.

USD \$ (millions)						
Country	3Q20	4Q20	3Q21	4Q21	3Q%Δ	4Q%Δ
China	2,967.2	3,324.3	3,341.4	3,700.8	12.6%	11.3%
Vietnam	2,375.3	2,739.2	2,949.2	1,449.2	24.2%	-47.1%
Mexico	462.1	481.9	731.9	787.4	58.4%	63.4%
Canada	397.3	373.2	448.4	486.0	12.9%	30.2%
Indonesia	304.4	332.0	356.8	423.3	17.2%	27.5%
Malaysia	520.1	529.6	294.5	305.5	-43.4%	-42.3%
Italy	263.5	264.7	342.0	287.6	29.8%	8.7%
Taiwan	198.2	227.5	236.9	270.6	19.5%	18.9%
India	115.3	163.5	187.4	233.2	62.6%	42.6%
Thailand	174.3	160.8	166.2	175.1	-4.7%	8.8%

Wood Furniture Imports by Significant Countries

Table 2.

USD \$ (millions)

Country	3Q20	4Q20	3Q21	4Q21	3Q%Δ	4Q%Δ
Vietnam	1,429.1	1,608.6	1,726.0	779.2	20.8%	-51.6%
China	638.6	718.5	637.0	690.9	-0.2%	-3.8%
Mexico	181.5	200.0	269.1	277.4	48.2%	38.7%
Malaysia	399.7	426.4	251.3	261.2	-37.1%	-38.7%
Indonesia	168.9	200.7	217.8	251.1	29.0%	25.1%
Canada	201.1	197.7	224.1	245.0	11.4%	24.0%
India	77.2	112.3	120.6	160.3	56.2%	42.8%
Italy	157.7	151.5	186.3	153.4	18.1%	1.2%
Brazil	63.4	78.7	72.7	91.0	14.7%	15.6%
Thailand	63.0	68.4	80.2	78.7	27.3%	15.2%

Upholstered Furniture Imports by Significant Countries

Table 3.

USD \$ (millions)

Country	3Q20	4Q20	3Q21	4Q21	3Q%Δ	4Q%Δ
China	924.2	1,081.0	1,077.8	1,210.0	16.6%	11.9%
Vietnam	634.3	817.2	925.8	470.5	45.9%	-42.4%
Mexico	127.1	135.2	219.4	248.1	72.6%	83.5%
Italy	56.9	67.3	93.1	87.9	63.5%	30.7%
Canada	50.5	52.5	61.0	65.5	20.8%	24.8%
Cambodia	27.6	39.8	40.6	56.3	47.3%	41.4%
Thailand	21.8	28.3	33.9	39.7	55.7%	40.2%
Malaysia	42.0	53.9	29.4	31.8	-29.9%	-40.9%
Indonesia	17.8	21.5	22.8	26.4	27.8%	22.9%

Metal & Other Furniture Imports by Significant Countries

Table 4.

USD \$ (millions)

Country	3Q20	4Q20	3Q21	4Q21	3Q%Δ	4Q%Δ
China	1,402.7	1,522.2	1,624.7	1,799.1	15.8%	18.2%
Vietnam	196.8	250.5	288.4	185.9	46.6%	-25.8%
Mexico	119.7	113.4	160.0	175.9	33.6%	55.1%
Canada	139.1	117.0	151.2	159.7	8.7%	36.5%
Taiwan	141.5	157.8	134.5	153.4	-5.0%	-2.8%
Thailand	49.2	51.0	50.6	55.8	2.8%	9.5%
India	32.6	42.4	47.5	51.9	45.6%	22.4%
Italy	41.3	38.4	55.1	42.9	33.5%	11.7%
Indonesia	19.9	23.9	28.9	41.1	44.7%	72.2%
South Korea	15.3	17.0	17.8	23.7	16.1%	39.4%
Cambodia	9.2	13.2	16.2	22.5	76.9%	71.2%

Table 5. Mattress Imports by Significant Countries

USD \$ (millions)

Country	3Q20	4Q20	3Q21	4Q21	3Q%Δ	4Q%Δ
Indonesia	97.8	86.0	87.4	104.8	-10.6%	21.9%
Mexico	33.7	33.4	83.4	86.1	147.3%	158.0%
Taiwan	7.4	11.3	44.3	60.9	500.1%	439.9%
Kosovo	0.0	2.7	21.6	30.4	N/M	1022.5%
Spain	0.1	1.7	14.9	23.4	21228.6%	1274.1%
Canada	6.6	6.0	12.2	15.8	84.5%	162.9%
Turkey	30.4	16.2	8.7	14.5	-71.4%	-10.6%
Bulgaria	0.5	1.3	11.9	14.4	2270.0%	1025.8%
Vietnam	115.0	63.0	8.9	13.6	-92.2%	-78.5%
Philippines	2.3	2.3	6.3	11.9	172.2%	417.5%
India	0.1	0.1	10.4	10.8	14700.0%	8916.7%
Slovenia	0.2	7.4	8.2	8.4	4010.0%	14.0%

Table 6. Furniture Imports by Category

USD \$ (millions)

Furniture Category	2019	2020	2021	20-19%Δ	21-20%Δ
Total Furniture	29,936.5	30,702.4	38,685.6	2.6%	26.0%
Wood Furniture	12,878.0	13,202.1	16,088.5	2.5%	21.9%
Upholstered Furniture	7,077.3	7,198.7	9,942.7	1.7%	38.1%
Metal & Other	8,805.9	8,823.7	11,323.3	0.2%	28.3%
Mattresses	1,175.3	1,477.9	1,331.1	25.8%	-9.9%

INVESTING IN HOME FURNISHINGS COMPANIES TODAY: MERGERS AND ACQUISITIONS

In the universe of acquirers of home furnishings businesses today, there are strategic buyers already in home furnishings, foreign buyers looking to establish a stronger presence in North America, wealthy families who make long term investments for stability and growth, and investment funds that buy companies to improve and grow them usually with the expectation to sell these investments in five to seven years, often called “private equity investors”. There are thousands of these funds of all sizes, various interests and expertise, and with different preferences. It is an important part of our business to be aware of and have contacts with these possible acquirers.

Our home furnishings universe is furniture, mattress and accessory manufacturers, importers, retailers and suppliers. A key to acquirers’ interest in home furnishings is the encouraging outlook for our population mix, the increasing demand for residential housing, and the growing importance of the home in everyone’s lives with new technology that allows more people to work, study, shop, be entertained and to communicate from their homes. Today, there is an abundance of both money to make acquisitions, and debt to finance them.

Mann, Armistead and Epperson would like to meet with companies that wish to learn more about the current market and demand for home furnishings companies.

Monthly Numbers

Table 7.

% Change y/y	2021						2022					
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Total consumption of furniture & bedding (a)	45.5%	77.3%	30.5%	13.3%	9.2%	12.9%	11.8%	13.8%	15.3%	11.5%	5.1%	N/A
Furniture stores sales (a)	53.8%	204.9%	65.3%	20.2%	16.6%	13.8%	11.9%	12.1%	19.0%	11.3%	1.6%	7.4%
Mattress factory shipments (b,d)	18.9%	N/A	N/A	57.3%	N/A	N/A	13.5%	N/A	N/A	14.1%	N/A	N/A
Furniture factory shipments (c)	33.8%	154.9%	64.4%	37.5%	16.0%	10.4%	4.4%	(2.2%)	2.6%	(2.5%)	N/A	N/A

Sources:


(a) U.S. Department of Commerce (b) International Sleep Products Assoc. (c) "Furniture Insights" a monthly publication by Smith Leonard (d) quarterly shipments

About Mann, Armistead & Epperson, Ltd.


Mann, Armistead & Epperson, Ltd. is a privately owned investment banking and corporate advisory firm. Our clients deal directly with the founding partners, who bring to the table over 120 years of aggregate investment banking experience. While possessing specialized professional experience in the furnishings industry, the firm has extensive experience in a wide range of industries. Please see our website at **MAELTD.com**.

The professionals at Mann, Armistead & Epperson, Ltd. specialize in the following services:

- Merger, acquisition, sell-side and buy-side advisory services including fairness opinions where appropriate.
- Corporate finance and strategic advisory services, such as advising on capital formation, balance sheet and bank debt restructurings, valuations and other specialized professional services.
- Furnishings industry research and extensive expertise accumulated in over five decades.




W. S. Badcock Corporation
has been acquired by
Franchise Group, Inc.




The undersigned acted as financial advisor to W. S. Badcock Corporation in this transaction.

MANN, ARMISTEAD & EPPERSON, LTD.
INVESTMENT BANKERS and ADVISORS



Symbol Mattress
formerly known as
Eastern Sleep Products Company, Inc., and
Theford Leasing, LLC,
has sold all of its stock and membership interests
to
Corsicana Bedding, LLC



The undersigned acted as financial advisor to Eastern Sleep Products Company, Inc., and Theford Leasing, LLC in this transaction.


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has sold a majority ownership interest to
Healthcare Co., Ltd.
A public company registered on the Shanghai Stock Exchange
d/b/a
MLILY

The undersigned acted as financial advisor to Mor Furniture For Less, Inc. in this transaction.

MANN, ARMISTEAD & EPPERSON, LTD.
INVESTMENT BANKERS and ADVISORS



Rent-A-Center, Inc.
has acquired substantially all of the assets of
C/C Financial Corp.
d/b/a
Merchants Preferred



The undersigned acted as financial advisor to Rent-A-Center, Inc. in this transaction.

MANN, ARMISTEAD & EPPERSON, LTD.
INVESTMENT BANKERS and ADVISORS

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About the Furnishings Digest Newsletter

Driven by founding partner Jerry Epperson's respected insight and long-term commitment to the furniture and mattress industries, Mann, Armistead & Epperson, Ltd. publishes the Furnishings Digest Newsletter. For more information, please email research@maeltld.com or call (804) 644-1200.