

# The Furnishings Digest

Second Quarter 2023  
Volume 30, Issue #2

The latest news, views, and announcements

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## WELCOME TO THE HIGH POINT MARKET!

"My experience is that the more challenging the home furnishings sales environment, the more IMPORTANT the High Point Market becomes to the array of retailers and exhibitors. Look at the post-COVID markets- all have been well attended and strong!"

SUNDAY, April 23rd at 9:00 am, I will be speaking via ZOOM at the Home Furnishings Association's showroom (the Retail Resource Center) on the first floor of the Plaza Suites Building (which is adjacent to the La-Z-Boy showroom).

We have been doing this program ever since the early 1990's. It is free and worth every penny. Coffee and pastries will be available nearby. No booze-sorry.

It is my sincere hope to attend this October's High Point Market, if my health allows. I broke a vertebrae in my spine over a year ago and it has some complications that limit my travel. I have my hopes up because it will be my 100th HIGH POINT MARKET! Over the decades I have missed a few thanks to a broken hip, a broken left polio paralyzed leg (broken twice), and sickness once.

#### OBSERVATIONS:

Please notice while at market a source of great pride for the furniture and mattress industries: our DIVERSITY!

You will see people and companies from hundreds of countries, many religions and races working together especially when we are all facing serious issues like pricing, labor availability, a logistics mess like never before, inflation, new government restrictions and intervention, and so much more. In my experience, I have seen where these different people from distant places become very dear friends who work together for decades, sharing very close relationships. *JEW*S and *CHRISTIAN*S work together and share family experiences; Every family desires a warm, comfortable home so people of all races can work together in home furnishings.

We should be especially proud of the great value the *GAY* community brings to our industry on many levels. The easy observation would be to mention the furniture designers and the interior designer segment that has grown dramatically over the last two decades, but it would be difficult to think of a role within the broad furnishings industry in which the gay community has not been important.

It is also obvious the huge gains *LADIES* have made in the leadership roles throughout our industry. **Furniture Today** shows examples most weeks in its new hires and promotions section. Of course, many ladies had this

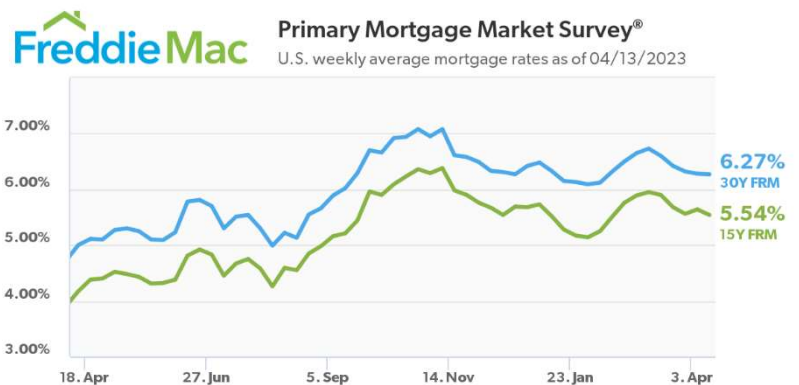


idea a few decades ago and founded **WITHIT** which has grown to represent and educate hundreds of women. I was on an advisory board for this group years ago and I am proud of its success. Take a look at its membership directory and you will be impressed.

### SO HOW IS THE BUSINESS?

Like the proverbial elephant, it depends on what part you touch. Generally speaking, retailing is soft this spring if you judge by the order flow to vendors. We need to factor in the glut of inventory at retail that has confused and slowed orders almost across the board since a year ago. We had hoped this would be largely sold off by now but that has not been the case. Most retailers are moving the excess goods as fast as they can but our consumer is concerned on many levels:

- We cannot overstate the anxiety and fear the small **BANK FAILURES** have caused our customer base! The Fed reports that almost 60% of Americans live paycheck to paycheck and can be put into financial distress by an unexpected charge of only \$400. Already we have seen consolidation among a few banks and the Fed step to eliminate any consumer losses. Lending has slowed on many levels as all banks get more careful monitoring. Meanwhile consumers were uncertain reviewing their options on a "what-if" basis.
- On the plus side, **EMPLOYMENT** has remained positive exceeding expectations in many sectors except retail; **INFLATION** has been creeping down but remains far from the Fed's target of two percent; **MORTGAGE RATES** are also coming down and we just had a solid increase in existing home sales, the first in eleven months. That is great news for home furnishings sales!
- The ongoing discussions about war, our currency, the arrest of former president Trump and other news all create worry and uncertainty that cause consumers to delay or not make even a necessary purchase.



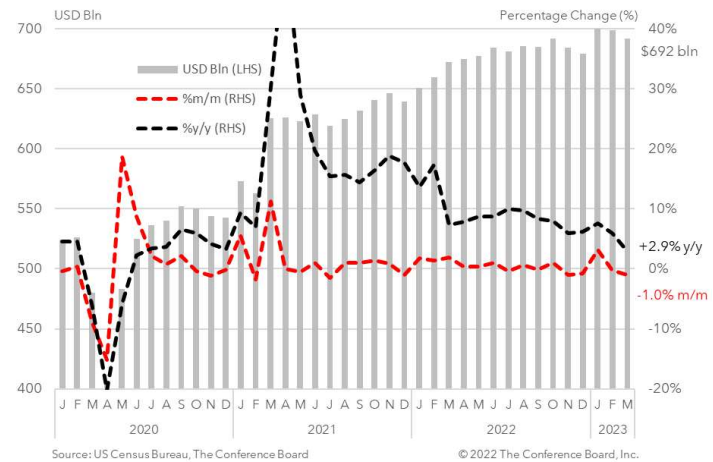
This quarter (April/May/June) may be the weakest in 2023 and could be negative but I still doubt it. Even so, economic growth has slowed in an obvious manner and, like the items just mentioned, it created uncertainty.

**ON THE VENDORS SIDE:**

As just discussed, our retailers are experiencing a slowdown in consumer spending while overloaded with inventory that precludes them making additional product purchases.

The vendors (domestic manufacturers, importers from their own factories or from unaffiliated manufacturers) are seeing incoming orders drop to extremely weak levels. Since many larger retailers also import directly from foreign factories, these also suffer if the retailer is over-inventoried.

March Retail & Food Services Sales

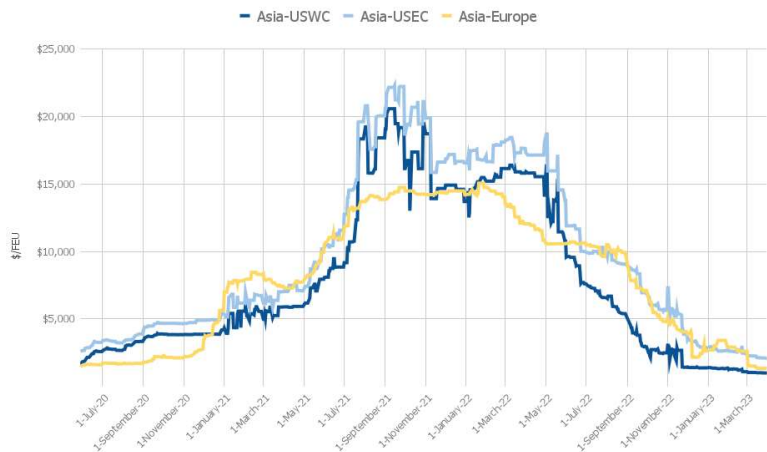


SO, WHILE RETAILERS HAVE SEEN CONSUMER SALES WEAKEN, THE VENDORS HAVE SEEN THEIR SALES FALL EVEN MORE SEVERELY BECAUSE OF THE RETAILERS ALSO NEEDING TO SELL OFF A GREAT AMOUNT OF INVENTORY. THIS IS A RARE AND UNUSUAL SITUATION AND WILL PASS WITH TIME.

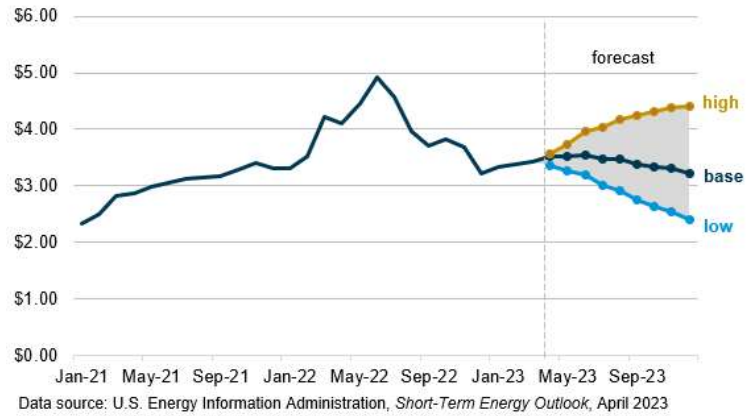
**WHAT TO EXPECT IN HIGH POINT**

- You may find vendors that import though Long Beach or Los Angeles have not gotten floor samples or that deliveries will be slow temporarily. In March, these two Southern California ports experienced partial strikes and were short of labor by as much as 60%.
- Pricing will be inconsistent because of lower freight and container costs in some cases, currency changes have raised prices since April, some raw material costs have not stopped rising,
- There will be plenty to talk about in High Point.
- The most obvious is the pending tippability requirements. We are blessed that we stand together on the issue. I keep hearing about a manufacturer that claims to have a price realistic solution. He is in Malaysia. But there will be more solutions, no doubt.
- As mentioned earlier, vendor pricing changes will be up and down, sometimes both because circumstances are so different among sources. This market will be a good one to pick your partners for the next three years.
- By the way, Cambodia, Malaysia, Indonesia, and Vietnam have all gained market share over the COVID-19 years but China remains our largest single import source. Since 2017, many if not most of the larger Chinese furniture factories added feeder or independent manufacturing facilities in neighboring Asian countries. The shocking and complex U. S. port problems of 2021 have encouraged other Asian factories to look for production capacity in North America. As examples both Kuka and Man Wah have invested millions \$ in Mexico, but so have many U.S.-based furniture manufacturers like La-Z-Boy, Flexsteel, Jonathan Louis, Martin and others.

FBX - Ocean Container Spot Rates During the Pandemic



- I believe that COVID and international relations among nations will continue to be an important topic, don't you?
- A major cause of inflation and higher consumer concern will be higher petroleum prices after the recent announcements from OPEC. Expect higher gasoline prices of \$0.50 per gallon over the coming year.
- Retailers may want to discuss how they finance customer deposits. We understand AMEX is being more restrictive with the stores it works with. One friend stopped using AMEX and is pleased because his cash sales have grown substantially.
- Last October, we had a record number of new product introductions and most are only now reaching our retail floors. Listen in High Point to what is selling.
- Before COVID, for most of the 2015 to 2019 period, the furniture and mattress sectors usually performed well on the major holidays but sales would drop off afterward. Remember? Our last big weekend, Presidents' Birthday, did not do well. Nuts.



### **SPEAKING OF MATTRESSES**

Historically, mattress sales were more stable than furniture sales and this was a key reason many private equity funds invested in mattress companies.

This year and the end of last year, mattress sales have declined precipitously, as much as 18% in dollars and about 22% in units some months. Why? One obvious reason is continuing growth in inexpensive imports from who knows where. Successful anti-dumping petitions filed with the ITC have limited 8 nations so far but they continue to come in from Kosovo, Mexico, Taiwan and Indonesia. While Indonesia received an anti-dumping penalty, it was small compared to the other countries petitioned. See the latest furniture and mattress import statistics in Table 5.

Some of our vendors have had financial challenges and there are other issues, too complex to discuss here. But I expect the mattress industry to recover quickly. Its demand factors are too good not to.

### **SPEAKING ABOUT MATTRESSES**

Our firm, MANN, ARMISTEAD & EPPERSON, has completed more mattress industry transactions than any other banker over the last 30 years and we are proud of our relationships throughout the industry.

We have a strong record in the furniture industry as well working with furnishings retailers, manufacturers and importers, too.

As we are just now seeing that interest rates are beginning to decline, inflation is slowly coming down and housing sales are finally beginning to recover, these are the elements that bring investors to the public companies and private equity firms, as well as strategic and foreign buyers to the furniture and mattress sectors. **WE ARE ALREADY SEEING INCREASED INTEREST!**

## GREAT MEN AND GOOD FRIENDS

I cannot ever list all the people I care about in our industry, but in just the last few weeks we have lost three successful leaders that I already miss:

Hassell Franklin in Mississippi, "Buddy" Sherrill and Bill Kincheloe, both of North Carolina. I could write long articles about each of these men and their accomplishments.



### All Household Furniture Imports by Significant Countries

Table 1.

USD \$ (millions)

Country	3Q21	4Q21	3Q22	4Q22	3Q%Δ	4Q%Δ
China	3,336.3	3,697.4	2,868.6	2,497.1	-14.0%	-32.5%
Vietnam	2,947.3	1,448.6	2,599.2	2,314.7	-11.8%	59.8%
Mexico	731.2	787.4	872.4	854.6	19.3%	8.5%
Canada	448.3	485.9	520.2	546.1	16.0%	12.4%
Indonesia	355.8	423.5	397.7	379.9	11.8%	-10.3%
Malaysia	294.7	305.3	393.9	357.4	33.7%	17.1%
Italy	341.6	288.0	410.8	354.2	20.2%	23.0%
Thailand	166.1	175.1	205.7	183.8	23.8%	5.0%
India	186.3	233.2	192.0	181.9	3.1%	-22.0%
Taiwan	236.5	270.9	201.2	180.4	-14.9%	-33.4%

### Wood Furniture Imports by Significant Countries

Table 2.

USD \$ (millions)

Country	3Q21	4Q21	3Q22	4Q22	3Q%Δ	4Q%Δ
Vietnam	1,725.2	778.5	1,744.8	1,534.2	1.1%	97.1%
China	635.9	691.3	530.1	468.4	-16.6%	-32.2%
Malaysia	250.6	261.1	331.3	300.0	32.2%	14.9%
Canada	224.0	245.0	258.9	268.2	15.6%	9.5%
Mexico	268.5	277.4	276.3	252.9	2.9%	-8.8%
Indonesia	216.9	251.0	250.3	242.2	15.4%	-3.5%
Italy	186.0	153.5	237.7	190.6	27.8%	24.2%
India	119.4	160.3	127.1	118.4	6.4%	-26.1%
Thailand	80.1	78.7	97.2	101.6	21.3%	29.1%
Brazil	72.8	90.9	81.9	72.6	12.6%	-20.1%

**Upholstered Furniture Imports by Significant Countries**

Table 3.

USD \$ (millions)

Country	3Q21	4Q21	3Q21	4Q21	3Q%Δ	4Q%Δ
China	1,073.2	1,209.5	909.2	711.8	-15.3%	-41.2%
Vietnam	925.6	469.8	550.3	536.0	-40.5%	14.1%
Mexico	219.4	248.1	242.9	240.5	10.7%	-3.1%
Italy	93.1	88.0	107.6	94.7	15.6%	7.6%
Canada	60.9	65.5	67.2	71.5	10.3%	9.2%
Malaysia	29.4	31.8	42.9	42.8	46.1%	34.6%
Cambodia	40.5	55.9	31.8	39.2	-21.5%	-30.0%
Indonesia	22.8	26.4	26.8	24.4	17.7%	-7.4%
Thailand	33.9	39.7	34.1	22.1	0.6%	-44.3%

**Metal & Other Furniture Imports by Significant Countries**

Table 4.

USD \$ (millions)

Country	3Q21	4Q21	3Q22	4Q22	3Q%Δ	4Q%Δ
China	1,625.6	1,795.9	1,428.6	1,316.2	-12.1%	-26.7%
Mexico	160.0	175.9	255.3	263.0	59.6%	49.6%
Vietnam	287.7	186.8	299.2	237.4	4.0%	27.1%
Canada	151.2	159.6	184.3	196.8	21.9%	23.3%
Taiwan	134.3	153.6	117.1	107.8	-12.8%	-29.8%
Italy	55.0	43.2	60.5	65.0	10.1%	50.5%
Thailand	50.6	55.8	74.4	60.1	47.1%	7.6%
India	47.4	52.0	51.5	51.3	8.6%	-1.3%
Cambodia	16.2	22.5	41.0	37.7	152.3%	67.6%
Indonesia	28.9	41.0	45.6	37.0	57.6%	-9.8%
United Kingdom	18.7	22.0	34.9	27.1	86.8%	23.5%

**Mattress Imports by Significant Countries**

Table 5.

USD \$ (millions)

Country	3Q21	4Q21	3Q22	4Q22	3Q%Δ	4Q%Δ
Mexico	83.4	86.1	98.0	98.2	17.5%	14.1%
Indonesia	87.2	105.1	75.0	76.3	-14.0%	-27.4%
Taiwan	44.4	60.8	36.3	24.0	-18.3%	-60.5%
Kosovo	21.6	30.3	26.1	22.5	20.8%	-25.8%
Canada	12.2	15.8	9.7	9.4	-20.1%	-40.1%
Philippines	6.3	11.9	7.0	7.8	12.5%	-34.2%
Spain	14.9	23.4	12.1	7.3	-18.8%	-68.9%
Vietnam	8.9	13.6	4.8	7.0	-45.9%	-48.3%
India	10.4	10.8	4.3	4.7	-58.7%	-56.5%
Italy	7.6	3.4	5.0	4.1	-34.3%	19.8%
Bosnia-Herzegov	0.0	0.4	7.0	3.8	N/M	879.5%
Poland	3.3	4.7	7.0	3.7	114.7%	-20.6%

**Furniture Imports by Category**

Table 6.

USD \$ (millions)

Furniture Category	2020	2021	2022	21-20%Δ	22-21%Δ
Total Furniture	30,702.4	38,640.1	41,431.4	25.9%	7.2%
Wood Furniture	13,202.1	16,063.5	17,981.4	21.7%	11.9%
Upholstered Furniture	7,198.7	9,919.4	9,449.6	37.8%	-4.7%
Metal & Other	8,823.7	11,325.3	12,544.8	28.4%	10.8%
Mattresses	1,477.9	1,331.9	1,455.5	-9.9%	9.3%

\* All import data is from the United States International Trade Commission

**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, mattresses 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.

**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	2023											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total consumption of furniture & bedding (a)	7.5%	4.8%	N/A									
Furniture stores sales (a)	6.9%	0.3%	(1.9%)									
Mattress factory shipments (b,d)	N/A	N/A	N/A									
Furniture factory shipments (c)	(3.5%)	N/A	N/A									
% Change y/y	2022											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total consumption of furniture & bedding (a)	3.8%	9.9%	(0.5%)	3.6%	6.3%	8.5%	9.8%	8.4%	7.2%	6.4%	6.2%	9.2%
Furniture stores sales (a)	(0.1%)	7.8%	1.1%	2.1%	2.2%	4.8%	(1.3%)	4.2%	1.5%	(0.1%)	(1.4%)	(1.7%)
Mattress factory shipments (b,d)	N/A	N/A	1.0%	N/A	N/A	(17.8%)	N/A	N/A	(15.5%)	N/A	N/A	(20.3%)
Furniture factory shipments (c)	(3.0%)	(0.5%)	16.2%	12.5%	10.4%	6.8%	(6.0%)	9.0%	4.5%	2.0%	(1.5%)	2.5%

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.

For more information on our firm [www.maeltld.com](http://www.maeltld.com)



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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](mailto:research@maeltld.com) or call (804) 644-1200.