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Phillip Blee, CPA +1 312 801 7874
pblee@williamblair.com

Sabrina Baxamusa +1 312 364 8322
sbaxamusa@williamblair.com

Furniture & Home Renovations

Post-Pandemic Normalization and the Next Era of Growth

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Introduction

Demand for furniture and home improvement projects has been volatile over the past four years to say the least. Since the pandemic, each year has presented its own unique opportunities and challenges for the industry, whether it was the massive surge in organic demand during the pandemic, the resulting supply chain crisis, or most recently, the drawn-out normalization period amid a more uncertain demand environment and the worst downturn in the U.S. housing market in nearly 30 years.

Heading into 2024, the furniture and home improvement space was largely expected to return to a more normalized baseline by the midpoint of the year and deliver long-awaited growth in the second half. Coming out of the first quarter, nearly every major public company in the industry reiterated its 2024 outlook. However, the tone was seemingly less optimistic than a few months prior when most companies provided the initial guide, when Floor & Decor cautioned that comps were more likely to land toward the lower end of the range, Tempur Sealy was incrementally bearish around the recovery in mattress unit demand, and RH's weaker-than-expected second-quarter guide placed additional pressure on a steeper inflection in the second half. Only Costco and Walmart cited strong growth in furniture and home goods categories during the first quarter, likely on the back of steep price cuts.

However, over the past few months, many of the industry's second-half growth drivers, including lower interest rates, an improvement in existing home sales, an abating promotional environment, and easing freight costs have not materialized as expected. In fact, many have gone the opposite direction. Given all the moving pieces and extremely choppy comparisons, we want to contextualize the current status of the furniture and home improvement industry ahead of what we believe will be a very important second quarter.

In this report, we provide: 1) our expectations for the second quarter; 2) our outlook for the second half of 2024 and 2025, including key themes such as the housing market, the potential for deflation and higher promotions, rising ocean freight costs, the presidential election, and tariffs; 3) a proprietary consumer survey around planned spend and purchasing behaviors; 4) our assessment of the longer-term growth potential of the industry, including structural tailwinds supporting elevated demand and potential winners and losers in the space; and 5) updated stock thoughts across our relevant coverage where we reduced our 2024 and 2025 sales and earnings estimates for Arhaus, Floor & Decor, RH, and Tempur Sealy, while maintaining our estimates for Wayfair, which in our view were already appropriately conservative.

Second-Quarter Expectations

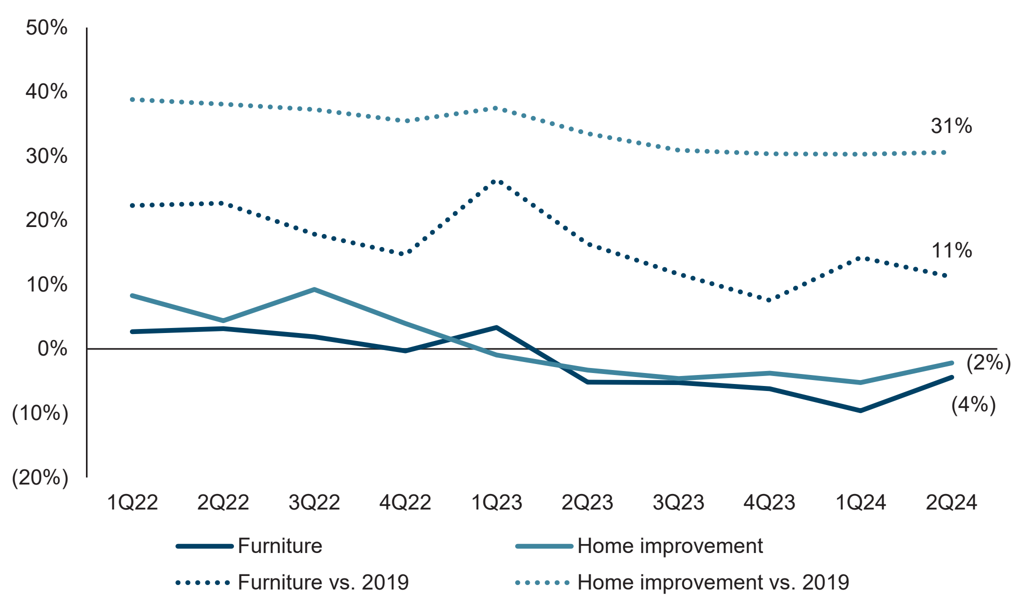
The furniture and home improvement industry's earnings cycle largely kicks off on August 1 with both Wayfair and Floor & Decor reporting second-quarter results. After a relatively uneventful first quarter across the broader space, we remain concerned around the upcoming second-quarter print where recent demand trends remain less than encouraging, which could result in a lower-than-expected revised second-half outlook and increased concerns around a return to normalized growth in 2025.

- **Existing home sales declined for the fourth consecutive month in June, where median sales prices reached record highs, although rising inventory could point toward a shift into a buyer's market.** Existing home sales fell by 7% to a seasonally adjusted annual rate of 3.89 million units by the end of the second quarter, missing the most recent forecast of 4.00 million by 3% and average estimates across the National Association of Realtors, Mortgage Bankers Association, and Fannie Mae set during the first quarter of 4.26 million by nearly 9%.

- **Lower second-quarter results from early reporters in the space.** Sherwin Williams reported second-quarter sales some 1% below consensus, and Whirlpool, Pool Corp, and Leslie's all reduced full-year guidance, citing the tough economic backdrop eating into discretionary demand.

- **Retail sales across the industry remain down year-over-year in the second quarter, where furniture stores declined by 4% while home improvement retailers decreased by 2%.** Compared to average pre-pandemic levels, home improvement retail sales seem to be leveling out at roughly a 30% improvement over the past 12 months. However, furniture sales continue to be more volatile, where sales were up some 11% compared to 2019, a sequential deceleration after a 14% gain in the first quarter.

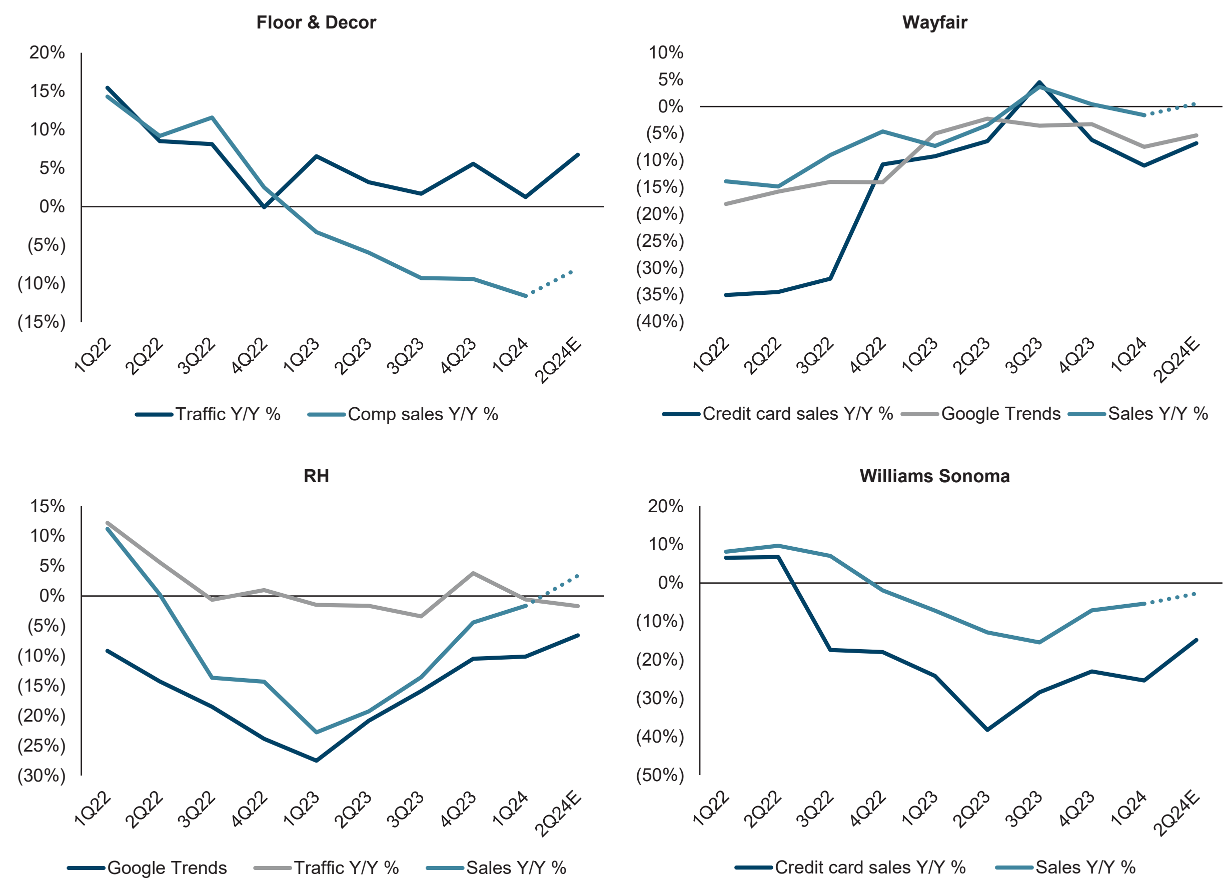
Exhibit 1
Post-Pandemic Normalization and The Next Era of Growth
Furniture and Home Improvement Quarterly Retail Sales



Sources: U.S. Census Bureau and William Blair Equity Research

- **We expect second-quarter sales and third-quarter to-date demand will be choppy.** Key demand indicators (e.g., credit card sales, store traffic, and online search trends) across industry-leading retailers appear relatively in line with the sequential sales improvement expected in the second quarter. The overall softer demand, pressures on discretionary spend, and elevated promotional environment are likely to cause some bumps, but overall expectations do not seem overtly disconnected from intraquarter trends. That being said, we believe there will be some underperformers. From our coverage, we expect demand comps for both Arhaus and RH could land below expectations. While second-quarter trends remain encouraging for Arhaus, with digital search demand up 15%, the highest quarterly growth since late 2022, we believe demand comps could dip into negative territory for the first time since the initial outbreak of the pandemic against steep prior-year comparisons and some potential noise around the recent shift in its pricing architecture. We also believe RH demand comps could fall below expectations during the second quarter given mixed intraquarter trends and a higher reliance on promotions. While Floor & Decor demand trends appear to be in line with consensus, we estimate there is a risk to top-line expectations on sequential declines in existing home sales and a competitive pricing environment, although we believe this has largely been reflected in the stock after the nearly 25% dip over the past two months.

Exhibit 2
Post-Pandemic Normalization and The Next Era of Growth
Second-Quarter Outlook and Demand Trends



Sources: Bloomberg, Placer.ai, Google Trends, Company reports, and William Blair Equity Research

Outlook for the Second Half of 2024

The hope going into 2024 was that demand for furniture and home improvement would finally find a new baseline to return to a more normalized growth rate by the second half of the year. The expectation for a midyear inflection was in part driven by easing multiyear comparisons, both on price and volume, and the anticipation that an interest rate cut in June would help spark some activity in the housing market. These expectations largely continued after a relatively in-line first quarter, although the optimism was slightly dialed back as hopes for a mid-year interest rate cut dwindled. We analyzed sales metrics across eight major retailers in the industry, including Arhaus, Floor & Decor, Home Depot, HomeGoods, Lowe's, RH, Wayfair, and Williams Sonoma, which combined contribute over $260 billion in annual, domestic sales. Current expectations imply an average sales decline of 0.6% in the first half, followed by growth of 5.4% in the second half, suggesting a 600-basis-point inflection, with all but HomeGoods expecting some sort of improvement in the second half of the year (adjusted for the 53rd week in the prior year).

The acceleration in sales trends appears aggressive at face value. However, we compared domestic productivity trends, primarily calculated on a sales per square foot basis when applicable, to pre-pandemic levels to remove some of the year-over-year volatility as we return to a more normalized seasonality. Average sales productivity is expected to increase by 34.1% compared to 2019 in the first half, before decelerating by an average of 160 basis points in the second half, with only three retailers, including Floor & Decor, Home Depot, and RH, still expecting an improvement. However, we expect Floor & Decor and RH will reduce their full-year guides during the upcoming second-quarter print (see our stock thoughts on page 35 for more details), which will likely assume second-half productivity in line or slightly below the first half. ***While the second-half growth in the space appears overly ambitious, after removing the multiyear impact of volatile demand and pricing fluctuations, the stacked productivity trends paint a more tempered outlook in line with the first-half results.***

Exhibit 3
Post-Pandemic Normalization and The Next Era of Growth
Sales Estimates for FY 2024, Productivity Comparisons to 2019, and Outlook for 2025

		Arhaus	Floor & Decor	The Home Depot	HomeGoods	Lowe's	RH	Wayfair	Williams Sonoma	AVG.
Net Sales 2024 vs. 2023	Q1A	(3.1%)	(2.2%)	(2.3%)	5.7%	(4.4%)	(1.6%)	(1.0%)	(5.4%)	(1.8%)
	Q2E	0.5%	1.8%	(0.8%)	4.7%	(3.8%)	3.5%	0.7%	(2.8%)	0.5%
	Q3E	10.7%	7.3%	0.8%	3.5%	(0.4%)	12.9%	3.1%	0.3%	4.8%
	Q4E	11.8%	9.8%	6.4%	2.1%	0.4%	10.2%	5.1%	1.6%	5.9%
	1H	(1.3%)	(0.2%)	(1.5%)	5.2%	(4.1%)	1.0%	(0.1%)	(4.1%)	(0.6%)
	2H	11.3%	8.5%	3.6%	2.7%	(0.0%)	11.6%	4.1%	1.0%	5.4%
	Acceleration / (deceleration)	**12.5%**	**8.7%**	**5.1%**	**(2.5%)**	**4.1%**	**10.6%**	**4.2%**	**5.1%**	**6.0%**
U.S. Sales Productivity 2024 vs. 2019	Q1A	105.2%	4.7%	35.6%	18.5%	29.2%	(4.1%)	45.4%	48.6%	35.4%
	Q2E	110.2%	1.3%	34.7%	19.6%	22.4%	(11.2%)	41.0%	46.5%	33.1%
	Q3E	102.5%	5.1%	35.1%	18.7%	25.4%	(6.0%)	35.3%	44.3%	32.6%
	Q4E	106.6%	2.0%	38.8%	19.2%	24.4%	(6.7%)	33.5%	41.7%	32.5%
	1H	107.8%	2.9%	35.1%	19.1%	25.5%	(8.0%)	43.0%	47.5%	34.1%
	2H	105.1%	3.6%	36.9%	19.0%	24.9%	(6.3%)	34.4%	42.9%	32.6%
	Acceleration / (deceleration)	**(2.6%)**	**0.6%**	**1.8%**	**(0.1%)**	**(0.6%)**	**1.7%**	**(8.7%)**	**(4.6%)**	**(1.6%)**
2025 U.S. Comps	1H	6.0%	5.5%	3.7%	4.3%	3.6%	7.2%	7.3%	5.6%	5.4%
	2H	4.0%	6.9%	4.2%	4.3%	3.7%	5.2%	5.9%	4.6%	4.8%
	FY 2025E	**5.2%**	**5.4%**	**3.2%**	**4.3%**	**3.6%**	**6.2%**	**7.1%**	**4.2%**	**4.9%**

Notes: Estimates reflect consensus, sales productivity is measured as sales per average square foot, since RH does not provide comparable sales growth, the 2025 comp estimate reflects sales per average square foot.
Sources: FactSet, Visible Alpha, Company reports, and William Blair Equity Research

When excluding Arhaus, given its growth profile is an outlier, sales productivity is up by an average of 23% compared to pre-pandemic levels. Adjusting for the 16% inflation over the past four years along with a slight efficiency haircut given our sample of retailers are industry leaders with likely more resiliency in the current environment, we estimate that unit volumes are roughly in line with 2019. While volume has given up the significant gains over the past few years that were largely pandemic- and stimulus-driven, we are encouraged that levels have seemingly stabilized and have not dipped significantly below pre-pandemic levels given the uncertain macro outlook and exceedingly tough housing market where average existing home sales over the past 12 months are nearly 25% below 2019 levels. We believe the underlying resilience in volume is largely driven by some of the structural housing tailwinds, such as the increased importance of the home under a more prevalent hybrid work environment. See page 16 for more details.

Impact of the Housing Market

Housing mobility has historically been a significant driver of demand in the furniture and home improvement market, where retail sales maintained an 80% correlation with existing home sales pre-pandemic. This is not necessarily a shock given the consumer's inclination to either renovate before selling a home to increase its value or renovate after purchasing a home to personalize the space, refresh for current trends, and adjust for a potentially different home size or style. ***Industry demand has been pressured since 2022 against steep, pandemic-related comparisons and has been exacerbated by 12 consecutive quarters of declines in existing home sales,*** which reached annualized levels of 3.89 million homes in June 2024, falling nearly 45% from its peak in late 2020 and dipping below the trough of 4.1 million during the subprime mortgage crisis in 2008 and 2009. We also highlight that short-term tactics like house flipping are essentially dead in the current environment given the high interest rates and the related shortage of homes, which is driving up prices even for fixer-uppers. While home flipping has less of an impact on the furniture space, the comparisons are exceedingly tough for home improvement retailers, which saw a lift related to short-term remodels even before the pandemic thanks to the rise of Airbnb and HGTV's increasing focus on the industry starting in the mid-2010s.

Exhibit 4
Post-Pandemic Normalization and The Next Era of Growth
Existing Home Sales and the Impact on the Furniture and Home Improvement Market

Sources: U.S. Census Bureau, Fannie Mae, and William Blair Equity Research

Existing home sales have been bouncing along expected trough levels of around 4 million homes over the past seven quarters, with recent mobility largely attributable to necessary moves related to job relocation and life changes like expanding family size, deaths, or relationship changes. However, the biggest uncertainty remains around the necessary trigger to increase discretionary moves, which we expect largely depends on interest rates. Our survey indicated some 55% of respondents would be more willing to move if interest rates decreased, underscoring the potential for a quick inflection upon more favorable market dynamics.

The current rate for a 30-year mortgage is 6.85%, compared to nearly 90% of homeowners with a mortgage below 6% and 60% with a rate below 4%. While a midyear rate reduction did not materialize as hoped, expectations for a cut in September have increased to 96.5%, up from 60% at the beginning of the month following an encouraging Fed meeting and the first monthly drop in the CPI index in four years. The market now expects an additional one to two cuts in the fourth quarter, which should bring mortgage rates closer to 6%, an easier pill to swallow for existing homeowners, although still a long way from the sub-4% mortgages held by the majority. We believe even the headlines of entering a falling rate environment should help unthaw the frozen housing market from current lows, which should help boost unit demand for furniture and home improvement. However, even if the September rate cut sparks a quick uptick in existing home sales, we expect the corresponding inflection in units will be largely delayed into 2025 given the longer purchase consideration period of the industry (typically one to three months), extended product lead times, and proximity to the holiday season. As such, ***we expect most retailers in the space will need to bring down volume expectations for the second half of the year, particularly those that embedded an inflection in sales productivity from first-half trends based on a midyear improvement in the housing market.***

Potential for Further Deflation

While we expect unit volumes to remain pressured through the second half, the impact of price could be a bit more of a wild card. Historically, the industry has been deflationary, with prices decreasing by an average of over 1% annually in the 20 years leading up to the pandemic. However, the surge in organic demand for home-related purchases, the supply chain crisis, and related spikes in ocean freight container costs drove average prices up over 20% by the end of 2022. The increase was particularly notable in larger, bulkier products with a higher exposure to transportation costs where prices were up by nearly 30%. However, as freight costs normalized back to 2019 levels in early 2023, the industry began to reduce prices by early summer, which we saw across our coverage, more specifically where Arhaus enacted a midsingle-digit price decrease and RH reduced prices and began to lean more heavily into promotions in mid-June 2023. Price has continued to decline by an average of 3% year-to-date in 2024 as the industry laps the mid-2023 adjustments.

Exhibit 5
Post-Pandemic Normalization and The Next Era of Growth
Furniture and Home Improvement Pricing Changes

	Pre-2020 20-YR Avg	2020	2021	2022	2023	2024 YTD	TTM vs. 2019
Bedroom furniture	(0%)	(1%)	6%	9%	(0%)	(2%)	13%
Living room, kitchen, and dining room furniture	(1%)	0%	10%	15%	(2%)	(4%)	21%
Clocks, lamps, and decorator items	(5%)	(1%)	3%	8%	(1%)	(3%)	8%
Furniture and decor	**(2%)**	**(1%)**	**6%**	**11%**	**(1%)**	**(3%)**	**14%**
Tools, hardware and supplies	(0%)	2%	3%	11%	8%	(3%)	24%
Appliances	(1%)	3%	6%	5%	(1%)	(5%)	11%
Floor coverings	1%	(1%)	3%	11%	5%	(2%)	17%
Home improvement	**(0%)**	**1%**	**4%**	**9%**	**4%**	**(3%)**	**17%**
Furniture, decor, and home improvement	**(1%)**	**0%**	**5%**	**10%**	**1%**	**(3%)**	**16%**
Consumer price index	*2%*	*1%*	*5%*	*8%*	*4%*	*3%*	*21%*
Ocean freight container costs	*(4%)*	*76%*	*185%*	*(13%)*	*(71%)*	*135%*	*107%*

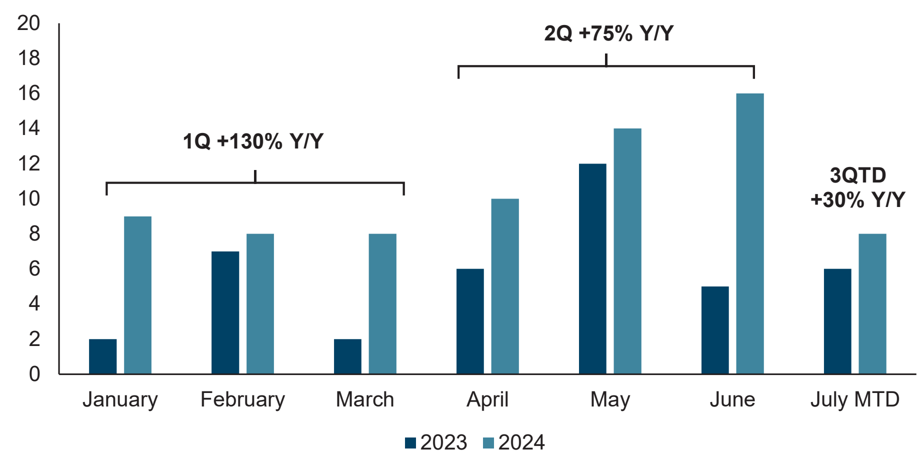
Sources: U.S. Bureau of Labor Statistics, Bloomberg, and William Blair Equity Research

While the Street largely expected price to stabilize by midyear as comparisons normalized, we believe there is a risk of further deflationary pressure throughout the remainder of the year. Our survey suggests that consumers remain hyperaware of inflation, with some 60% of respondents shopping more discounts and promotions compared to the prior year (see page 29 for more details). ***As such, inflation-weary consumers are particularly selective in this environment, and given the external macro pressures, players in the furniture and home renovations space are increasingly relying on price cuts and promotions to fuel demand.*** For example, IKEA announced two broad-based price cuts year-to-date, most recently in late April, Lowe's expects pricing to be pressured on the reintroduction of pre-pandemic promotions, and RH is planning on elevated clearance levels through the rest of the year, beyond its initial expectations for a more normalized second half. Other retailers, like Arhaus, Williams Sonoma, Hooker Furniture, and Home Depot have spoken to holding the line at current price levels; Wayfair is expecting average order value to return to a more normalized, seasonal cadence; and Floor & Decor's guide assumes a sequential improvement in average ticket throughout the year.

However, we maintain concerns that average ticket could be a steeper headwind than initially expected on more persistent deflationary pressures as unit demand has shown little signs of a sustainable inflection and as category preference continues to lean toward smaller, lower-priced items like decor. Our concerns around the potential for ongoing deflation were emboldened by our recent promotional analysis for both Arhaus and RH.

We examined Arhaus's email blasts over the past two years and determined that the number of emails with a promotionally driven subject line has increased by over 80% year-to-date, including 130% in the first quarter, 75% in the second quarter, and 30% in July month-to-date. Based on our basket analysis of roughly 100 products, we believe overall pricing has remained relatively in line with recent levels. However, we expect the company is leaning more heavily into temporary sales and discounts to drive demand across a more promotional competitive backdrop and value-conscious consumer. Arhaus also restructured its pricing architecture during the second quarter, which removed the constant dual offering of a "regular" and "sale" price. Now, the company offers a single price that is in line with the prior sale price. We expect management could be leaning more heavily on promotional emails to minimize volatility around the transition away from a constant sale pricing structure, but regardless, we expect some pressure on second-half sales from a higher mix of clearance product.

Exhibit 6
Post-Pandemic Normalization and The Next Era of Growth
Arhaus Promotional Analysis – Number of Promotionally Targeted Emails



Sources: Arhaus and William Blair Equity Research

We also analyzed the clearance activity at RH, which indicated that the amount of discounted products increased by 41% in the first half of 2024 compared to the prior year. The increase was most significant in higher-ticket products like sectionals, beds, and coffee tables, as well as side tables, nightstands, outdoor chairs, and bedding. Discount levels sequentially increased during the second quarter where items on sale made up roughly 34% of the total product assortment. The mix of clearance items was highest in decor, bedding, bathroom vanities, nightstands, desks, cabinets, and outdoor sofas, which ranged from 40% to 60%.

Exhibit 7
Post-Pandemic Normalization and The Next Era of Growth
RH Promotional Analysis – Number and Penetration of Discounted Products by Category

	Average Number of Sale Items by Category			Sale Items as a % of Total SKUs
	1H 2023	1H 2024	Y/Y %	Q2 2024
Sectionals, sofas, and chairs	192	239	25%	26%
Other living room furniture	264	620	135%	38%
Dining room furniture	429	509	19%	30%
Outdoor	90	137	52%	34%
Bed and bath	186	470	153%	38%
Lighting	347	405	17%	29%
Décor	524	490	(7%)	42%
Total	**2,031**	**2,870**	**41%**	**34%**

Sources: RH and William Blair Equity Research

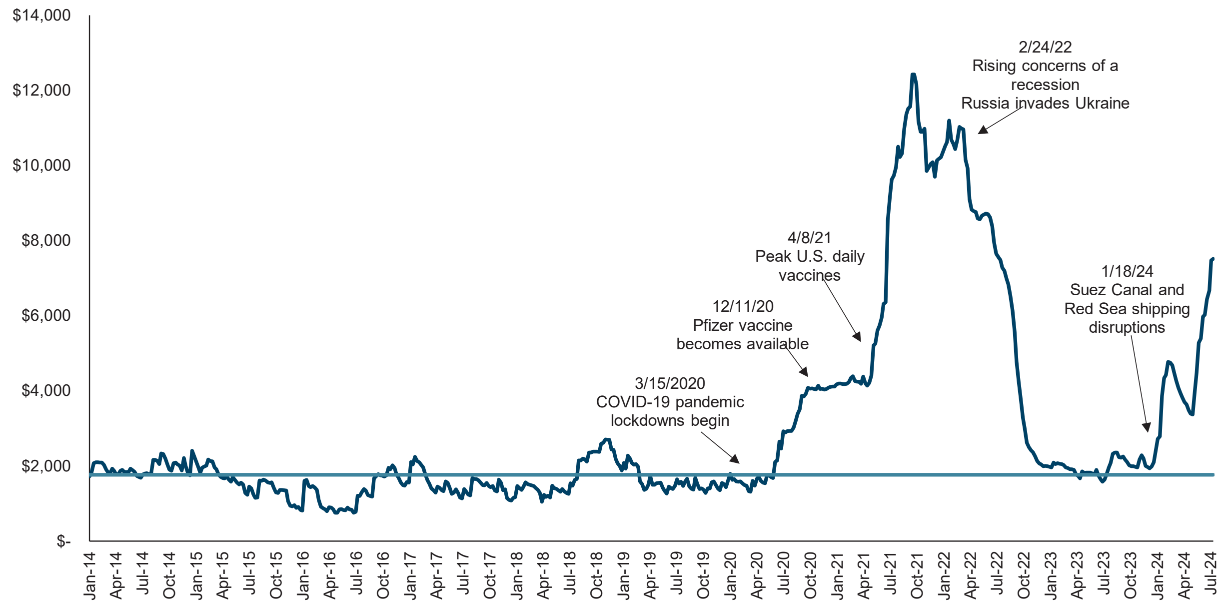
Risk of Rising Freight Costs

On the flip side, Ashley Furniture, the largest furniture company in the U.S., announced plans to increase the price of case goods and bedding by 1% and all other products by 3%, effective July 15. Similarly, Flexsteel Industries, a residential furniture supplier, implemented a surcharge on imported products on June 19. Both companies cited significant challenges in the global shipping market and the corresponding rise in ocean freight costs. Freight costs have increased by an average of 135% in 2024, including nearly a 4-times jump during June, where the year-to-date trend is eerily similar to the spike in 2021.

The average container cost is now over $6,400, still some 40% below the peak reached in 2022, but well above 2023 levels that averaged just below $2,000, which was more in line with pre-pandemic trends. The rising costs are primarily driven by disruptions in the Red Sea, weather-related headwinds in Asia and Central America, and a related shortage in capacity amid rising demand as retailers build inventory ahead of holiday and, perhaps more impactful, before an expected jump in tariffs under a potential new U.S. administration. The outlook for a potential normalization in the second half remains uncertain, where the president of the International Longshoremen's Association recently indicated that the threat of a strike across all Atlantic and Gulf Coast ports is becoming more likely ahead of union contract expirations on September 30. The looming threat of a Canadian rail strike could throw another wrench in the industry's supply chain.

We believe freight could be one of the biggest risks to gross margin expectations in 2025, where the industry's inherently longer inventory turns should largely insulate the second half of 2024, with potentially some impact materializing in the fourth quarter. When speaking with an industry insider at one of the largest furniture retailers, the increasing uncertainty around freight and transportation costs is the company's biggest concern, with top executives now having monthly meetings with major carriers. While companies usually maintain locked-in, contractual rates with ocean freight providers, most of them plan inventory buys with a reliance on spot rates, which could weigh on margins by the fourth quarter and into 2025 if demand exceeds the planned inventory capacity.

Exhibit 8
Post-Pandemic Normalization and The Next Era of Growth
Average Ocean Freight Container Costs



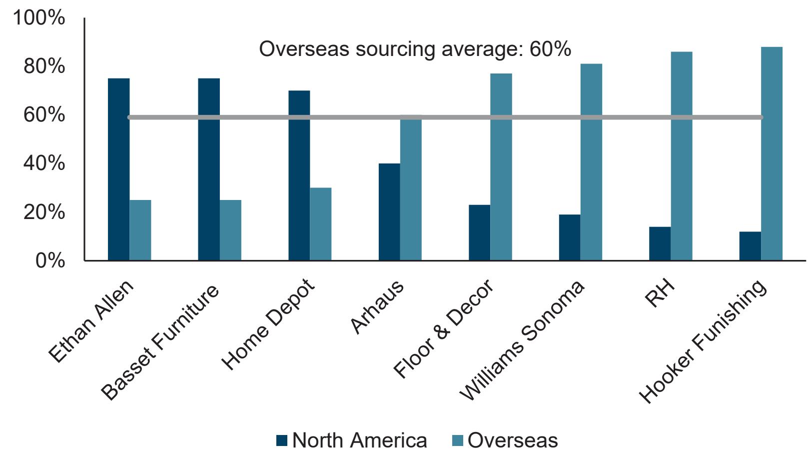
Note: Represents spot container freight rates for major trade routes from Shanghai: Rotterdam, Genoa, Los Angeles, New York
Sources: Bloomberg and William Blair Equity Research

The furniture and home improvement industry maintains a much larger exposure to freight costs compared to the average retailer given the heavy, bulky, and sometimes fragile nature of the product. ***We estimate that the average retailer maintains freight costs in the low- to midsingle-digit range as a percentage of sales, while those in the furniture and home improvement space typically run some 2 to 4 times higher.*** While many retailers in the space entered into new contracts with shipping providers in 2023 as rates normalized, availability constraints and planned gaps in contracted capacity can often leave retailers exposed to unfavorable spot rates.

Obviously, those with a higher percentage of sourcing from North America will be more immune here from rising costs. We highlight the mattress industry, namely Tempur Sealy, and select furniture retailers, like Arhaus and TJX's HomeGoods, as being better positioned relative to the broader furniture and home improvement space given their domestic sourcing and manufacturing capabilities. Wayfair could also be more insulated here as prior investments to build out its in-house logistics system, enabled through its CastleGate offering and the Wayfair Delivery Network, should allow the company to reduce its reliance on third-party providers and increase its appeal across a broader base of suppliers.

However, most of the industry still relies on overseas sourcing, namely from Asia. Based on our analysis, we estimate that roughly 60% of products are sourced from overseas, with Hooker Furnishings, RH, Williams Sonoma, and Floor & Decor all trending above the industry average, which could support a higher risk to increasing freight costs. From our coverage, we believe the RH's exposure could be particularly elevated given its increasing reliance on elevated demand for new product and plans for a thin inventory position given the uncertainty around the success of each new product collection.

Exhibit 9
Post-Pandemic Normalization and The Next Era of Growth
North America vs. Overseas Sourcing



Sources: Company reports and William Blair Equity Research

Impact of the Presidential Election Cycle on the Fourth Quarter

The near-term impact of an election cycle can be a significant headwind on demand, particularly for higher-ticket, discretionary purchases like furniture and home renovations where we expect the heightened political discourse amid an already uncertain demand environment and structurally shorter holiday season could have an outsized impact during the upcoming fourth quarter. Our analysis considers the weighted average year-over-year change in monthly retail sales during election season spanning from October to January compared to the trailing-12-month average, and excludes 2008 and 2020 given the one-off impacts related to the Great Recession and the COVID-19 pandemic.

We determined that home improvement spend declined by an average of 2.3% and furniture spend decline by an average of 2.7% over the course of past "normal" election cycles, with only electronics and appliances, which could also be lumped in with home renovation demand, underperforming with an average decline of 3.8%. ***We believe the furniture and home improvement industry's historical sensitivity to the election cycle is largely based on the consumer's tendency to shy away from larger-ticket, discretionary purchases during periods of uncertainty.*** However, we suspect that the industry's reliance on marketing to stimulate demand is also a factor, where consumer marketing campaigns tend to get crowded out by politically charged ads. We particularly want to call out the mattress industry, which has a significant exposure to marketing-led demand, as one of the categories with a more significant risk to fourth-quarter sales. While Tempur Sealy's Tempur-Pedic brand should be more immune given its differentiation and lack of co-op marketing spend allocated toward retailers, we believe sales from the company's Stearns & Foster and Sealy brands could be negatively affected by the marketing squeeze during the upcoming election cycle.

Exhibit 10
Post-Pandemic Normalization and The Next Era of Growth
Election Season (October to January) Performance vs. TTM Average

	1996	2000	2004	2012	2016	Average
Gasoline stations	4.7%	(6.9%)	8.0%	(3.2%)	17.4%	**4.0%**
E-commerce and catalog	(0.4%)	1.6%	0.5%	0.2%	2.7%	**0.9%**
Grocery	1.7%	0.1%	1.2%	(1.2%)	1.5%	**0.7%**
Restaurants	3.3%	(2.2%)	(1.4%)	(0.9%)	(1.0%)	**(0.4%)**
Miscellaneous store retailers	3.7%	(9.8%)	0.2%	1.0%	2.5%	**(0.5%)**
General merchandise stores	1.3%	(0.6%)	(0.3%)	(2.0%)	(1.3%)	**(0.6%)**
Clothing	(0.7%)	(1.5%)	(1.1%)	(2.5%)	0.7%	**(1.0%)**
Sporting goods, hobby, book, and music	1.7%	(3.6%)	(2.0%)	3.6%	(5.2%)	**(1.1%)**
Motor vehicles and parts	(0.1%)	(8.3%)	1.6%	(0.8%)	0.4%	**(1.4%)**
Health and personal care stores	2.8%	(2.1%)	(3.1%)	(0.5%)	(5.1%)	**(1.6%)**
Building equipment and garden supplies	0.9%	(7.3%)	(1.6%)	0.1%	(3.6%)	**(2.3%)**
Furniture	1.3%	(7.9%)	(1.4%)	(0.8%)	(4.7%)	**(2.7%)**
Electronics and appliances	(6.4%)	(6.8%)	(3.1%)	(1.5%)	(1.2%)	**(3.8%)**
Retail sales excl. motor vehicles and parts, gas	**1.2%**	**(2.4%)**	**(0.8%)**	**(0.8%)**	**(0.5%)**	**(0.7%)**

Sources: U.S. Census Bureau and William Blair Equity Research

Outlook for 2025

The Street expects average comparable sales growth of nearly 5% in 2025 across several industry leaders, including Arhaus, Floor & Decor, Home Depot, HomeGoods, Lowe's, RH, Wayfair, and Williams Sonoma. Current estimates assume a 5.4% comp in the first half of 2025, in line with the expected productivity increase in the second half of 2024, which we believe is at risk during the upcoming second-quarter print, before a slight deceleration to 4.8% growth in the second half of the year.

Exhibit 11
Post-Pandemic Normalization and The Next Era of Growth
Sales Estimates for FY 2024, Productivity Comparisons to 2019, and Outlook for 2025

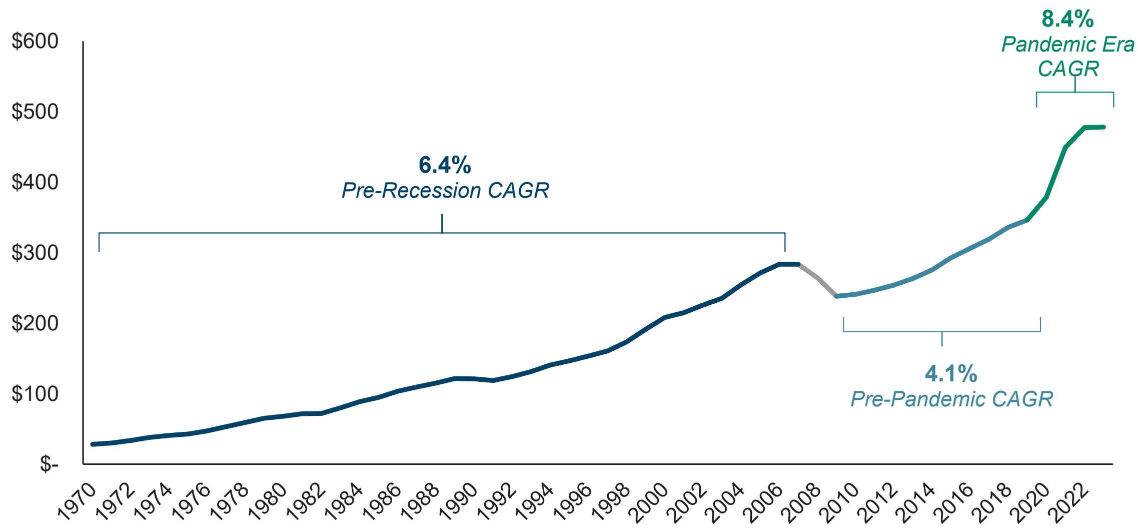
		Arhaus	Floor & Decor	The Home Depot	HomeGoods	Lowe's	RH	Wayfair	Williams Sonoma	AVG.
Net Sales 2024 vs. 2023	Q1A	(3.1%)	(2.2%)	(2.3%)	5.7%	(4.4%)	(1.6%)	(1.0%)	(5.4%)	(1.8%)
	Q2E	0.5%	1.8%	(0.8%)	4.7%	(3.8%)	3.5%	0.7%	(2.8%)	0.5%
	Q3E	10.7%	7.3%	0.8%	3.5%	(0.4%)	12.9%	3.1%	0.3%	4.8%
	Q4E	11.8%	9.8%	6.4%	2.1%	0.4%	10.2%	5.1%	1.6%	5.9%
	1H	(1.3%)	(0.2%)	(1.5%)	5.2%	(4.1%)	1.0%	(0.1%)	(4.1%)	(0.6%)
	2H	11.3%	8.5%	3.6%	2.7%	(0.0%)	11.6%	4.1%	1.0%	5.4%
	Acceleration / (deceleration)	**12.5%**	**8.7%**	**5.1%**	**(2.5%)**	**4.1%**	**10.6%**	**4.2%**	**5.1%**	**6.0%**
U.S. Sales Productivity 2024 vs. 2019	Q1A	105.2%	4.7%	35.6%	18.5%	29.2%	(4.1%)	45.4%	48.6%	35.4%
	Q2E	110.2%	1.3%	34.7%	19.6%	22.4%	(11.2%)	41.0%	46.5%	33.1%
	Q3E	102.5%	5.1%	35.1%	18.7%	25.4%	(6.0%)	35.3%	44.3%	32.6%
	Q4E	106.6%	2.0%	38.8%	19.2%	24.4%	(6.7%)	33.5%	41.7%	32.5%
	1H	107.8%	2.9%	35.1%	19.1%	25.5%	(8.0%)	43.0%	47.5%	34.1%
	2H	105.1%	3.6%	36.9%	19.0%	24.9%	(6.3%)	34.4%	42.9%	32.6%
	Acceleration / (deceleration)	**(2.6%)**	**0.6%**	**1.8%**	**(0.1%)**	**(0.6%)**	**1.7%**	**(8.7%)**	**(4.6%)**	**(1.6%)**
2025 U.S. Comps	1H	6.0%	5.5%	3.7%	4.3%	3.6%	7.2%	7.3%	5.6%	5.4%
	2H	4.0%	6.9%	4.2%	4.3%	3.7%	5.2%	5.9%	4.6%	4.8%
	FY 2025E	**5.2%**	**5.4%**	**3.2%**	**4.3%**	**3.6%**	**6.2%**	**7.1%**	**4.2%**	**4.9%**

Notes: Estimates reflect consensus, sales productivity is measured as sales per average square foot, since RH does not provide comparable sales growth, the 2025 comp estimate reflects sales per average square foot

Sources: FactSet, Visible Alpha, Company reports, and William Blair Equity Research

The Street's 5% growth outlook for 2025 is in line with our expectations for a stable growth rate for the industry longer term. We believe the industry can return to annual growth in the 4% to 6% range, in line with its historical average of 6.4% prior to the Great Recession and 4.1% post-recession but prior to the pandemic. However, we maintain concerns around the industry's ability to return to a normalized growth rate for the full year in 2025. ***While interest rate cuts are expected before the end of 2024, we expect the impact on the housing market will likely be delayed given the seasonally light nature of the fourth and first quarters for existing home sales. As such, we believe there is a risk of more muted industry comps in the first half of 2025, likely more in the flat to low-single-digit range, before returning to a more normalized growth in the midsingle digits in the second half.***

Exhibit 12
Post-Pandemic Normalization and The Next Era of Growth
Furniture and Durable Household Equipment Sales (1970-2023; in $ billions)



Sources: U.S. Bureau of Economic Analysis and William Blair Equity Research

Our industry expectations for 2025 are admittedly high level given significant uncertainties facing the furniture and home improvement space, including inflation, interest rates, and tariffs, all of which are dependent on the upcoming presidential election.

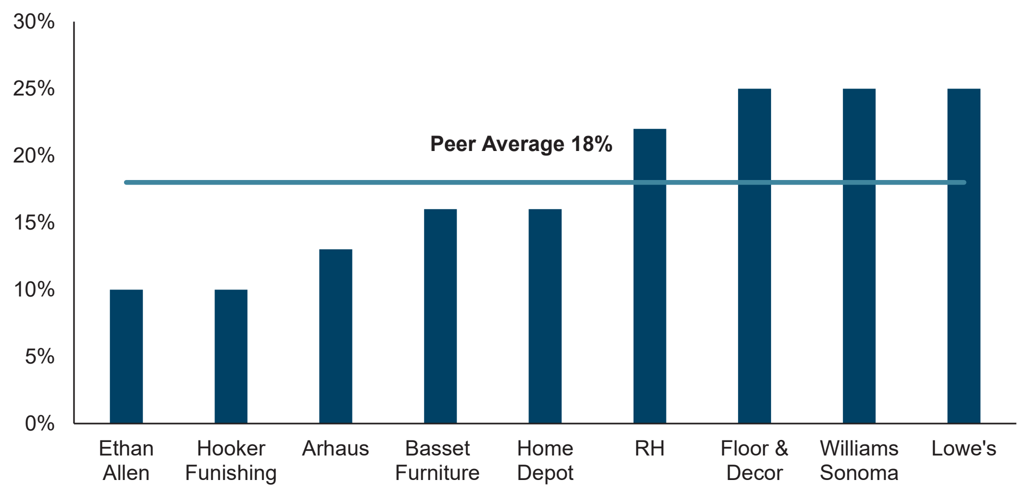
Interest Rate Outlook and Inflation

The industry's ability to return to growth in 2025 is reliant on further interest rate cuts to help thaw out the frozen housing market. Current consensus assumes two to three rate cuts by the end of 2024, with additional cuts each quarter in 2025 bringing the federal funds rate to 3.75% to 4.00% by the end of the year. As outlined in our recent election report, former President Donald J. Trump's platform likely presents as greater inflationary risk via more tariffs, deregulation, lower immigration, and reduced taxes, which would likely reduce the probability of further rate cuts beyond 2024; however, we expect a potentially less-independent Fed would face pressures from the Trump administration to deliver the expected rate cuts regardless. In any measure, a reacceleration of inflation is an obvious negative as it relates to demand for more considered, higher-ticket, discretionary purchases like furniture and home renovation projects, particularly for value-based brands with exposure to financing and lower-income cohorts. ***Under a potentially more inflationary cost environment, we believe it would be difficult for the industry to take price to maintain margins,*** similar to its 2021 and 2022 playbook, given the overall softer demand backdrop where the ongoing increase in promotions across the space clearly points to a lack of appetite for further price increases on the consumer's end.

Tariffs

The other big unknown heading into 2025 is what the global trade environment will look like. An administration led by Vice President Kamala Harris would likely lead to a continuation of President Joe Biden's tariff policy, while Trump has already floated around the proposal of a 10% tariff on all imported goods and a 60% tariff on all imports from China. Most of the industry has moved sourcing to countries like Vietnam, Indonesia, and India over the past six years since Trump initially imposed tariffs across a broad set of Chinese imports, including furniture, appliances, and home improvement products. However, China remains a sourcing stronghold for the industry with just over one-quarter of products coming from the country. Those with a higher proportion of domestic sourcing capabilities are obviously better positioned here, and from our coverage we highlight Arhaus and Tempur Sealy, which manufacture all domestically sold mattresses in the U.S. We believe those with a relatively higher mix of products imported from China would face the greatest risk of deteriorating margins, particularly against a price-adverse consumer backdrop, and here we call out RH and Floor & Decor from our coverage as those with a higher risk. However, Floor & Decor's Chinese exposure is primarily related to rigid-core luxury vinyl plank flooring where Chinese companies maintain patents and a significant capacity advantage that would likely impact the entire industry.

Exhibit 13
Post-Pandemic Normalization and The Next Era of Growth
Chinese Sourcing by Company



Sources: Company reports and William Blair Equity Research

Proprietary Consumer Survey

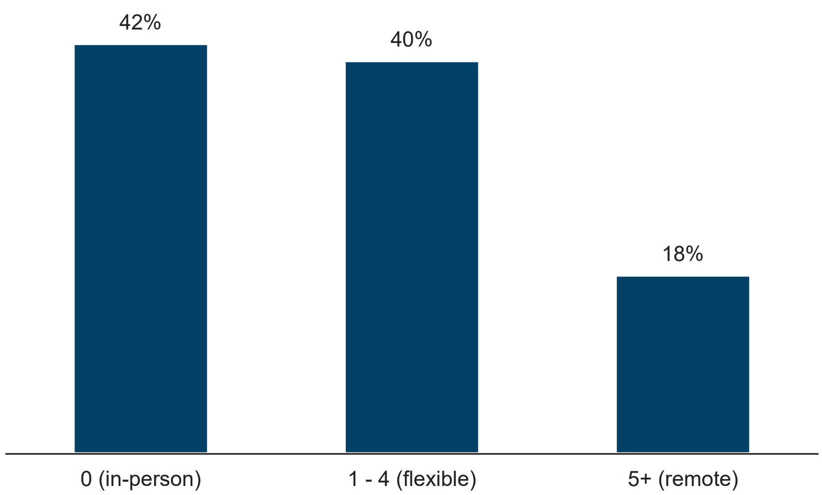
We conducted three separate surveys, each with roughly 700 respondents, over the course of the prior 18 months (June 2024, March 2024, and March 2023) to understand the evolving consumer sentiment around the housing market and the impact on demand and purchasing behaviors for furniture and home improvement projects. Given the crux of sentiment and an inflection in demand over the next year or so largely revolves around an unlock in the housing market, we highlight that our surveys over the past year are largely based on the split between respondents who intend to move versus those who plan to stay put in the current home.

Our analysis suggests consumer demand for home-related spend remains relatively steady with recent lows, despite a decrease in home mobility compared to last year. However, the consumer's outlook seems to have marginally improved over the past few months, with an incrementally lower perception of inflation in the space and plans to spend slightly more on furniture and home improvement over the next 12 months. Consumer plans to maintain or grow home-related spend appears to be more resilient among respondents who intend to move over the next five years, which skews toward younger and middle- to upper-income consumers. However, there seems to be a meaningful increase in debt taken out to complete home renovation projects, which has increased considerably in 2023 and throughout 2024 as consumers have been continuing to spend on credit, which contrasts with pandemic trends (when 80% of projects were funded by cash on hand).

Housing Market

- ***The home remains more important than ever, supported by flexible work schedules, particularly across higher-income homeowners, which should support elevated spend in the category longer term.*** More specifically, 60% of respondents work from home at least one day per week with one-third working in a fully remote capacity. Results were consistent between homeowners and renters, however, nearly 80% of those making over $100,000 annually work under a flexible schedule (i.e., over one day work from home per week) compared to 50% of those making less than $100,000.

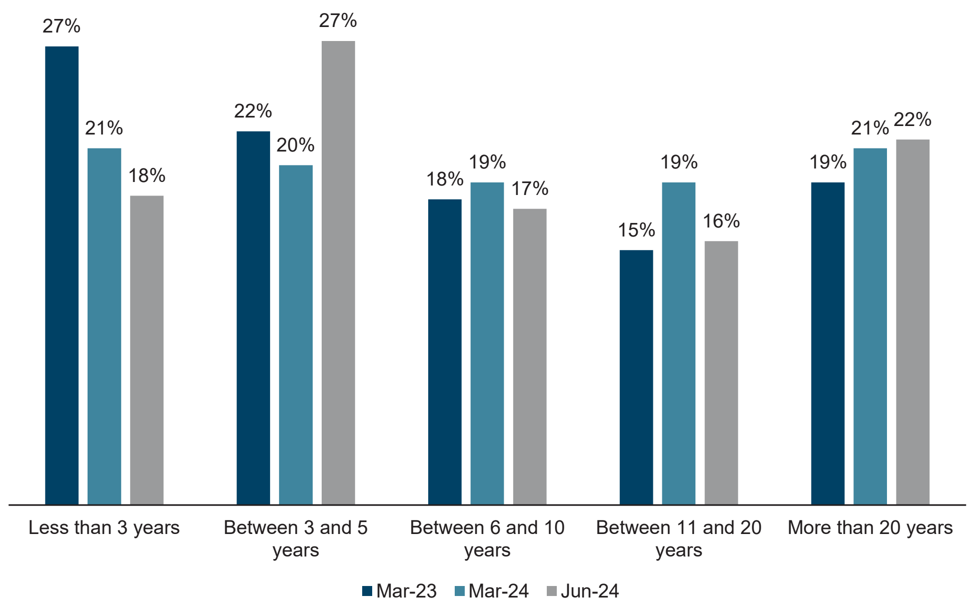
Exhibit 14
Post-Pandemic Normalization and The Next Era of Growth
"How Many Days a Week Do You Work From Home?"



Sources: SurveyMonkey and William Blair Equity Research

- ***Slight uptick in average time living in current home, suggesting the market is moving farther away from peak mobility during the pandemic era.*** The data suggests a consistent distribution between homeowners and renters, favoring homeowners with a 73/27 split, slightly above earlier this year and last year's trends of 70/30. This balance underscores the significance of home mobility as a critical factor in unlocking housing movement, which subsequently drives increased spending in related categories. A noteworthy shift has been observed in the duration of residence among respondents: those residing in their homes between three and five years increased from some 20% to over 27%, largely at the expense of the cohort living in their homes for less than three years, underscoring the lack of mobility from pandemic-era homeowners with favorable interest rates.

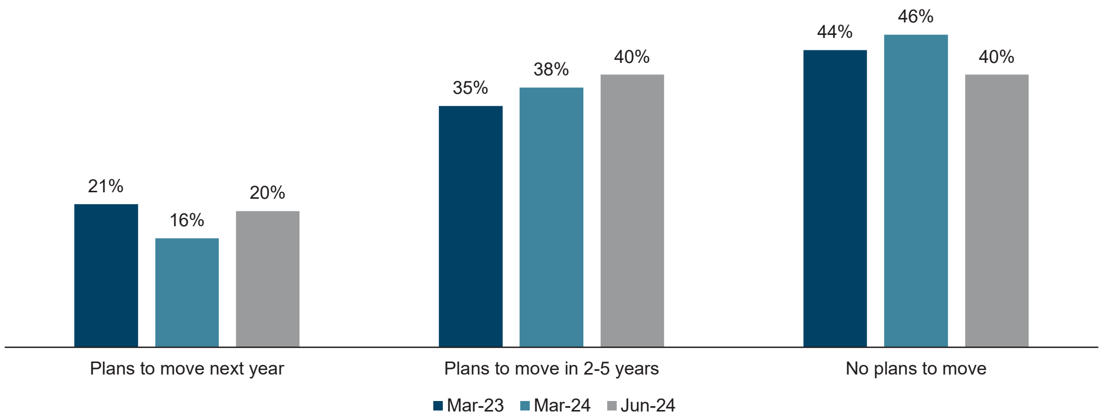
Exhibit 15
Post-Pandemic Normalization and The Next Era of Growth
"How Long Have You Lived in Your Current Home?"



Sources: Survey Monkey and William Blair Equity Research

- ***Respondents are increasingly open to moving despite the tough market conditions, led by younger generations and higher-income cohorts, possibly pointing to an improvement in existing home sales.*** Roughly 20% of respondents plan to move over the next year, up from 16% in March 2024, but just slightly below the prior year. However, 40% of respondents plan to move over the next two to five years, up from 38% in March 2024 and up from 35% in the prior year, with much of the shift coming from those that did not have plans to move, which most recently stood at 40%. The demographics of respondents with plans to move are shifting, driven by increasing mobility among millennials and wealthier consumers who have more financial flexibility to endure higher interest rates and rising home prices. Roughly 75% of millennials intend to move within the next five years, with 60% of those planning to do so in the next three years. The Southeast and South Central regions of the U.S. were cited as some of the top relocation markets despite substantial migration to these areas over the past four years.

Exhibit 16
Post-Pandemic Normalization and The Next Era of Growth
"Do You Plan on Moving in the Near to Medium Term? If so, When Do You Expect to Move?"



By Age

	<1 year	2-5 years	Not moving
18-29	29%	50%	21%
30-44	22%	51%	27%
45-60	25%	50%	25%
> 60	10%	20%	71%

By Region

	<1 year	2-5 years	Not moving
Upper Midwest	16%	32%	51%
East South Central	5%	48%	48%
New York Tristate	40%	44%	16%
Mountain	13%	31%	56%
New England	11%	37%	53%
Pacific	17%	45%	38%
Southeast	20%	40%	40%
Upper Central	19%	19%	63%
South Central	13%	44%	44%

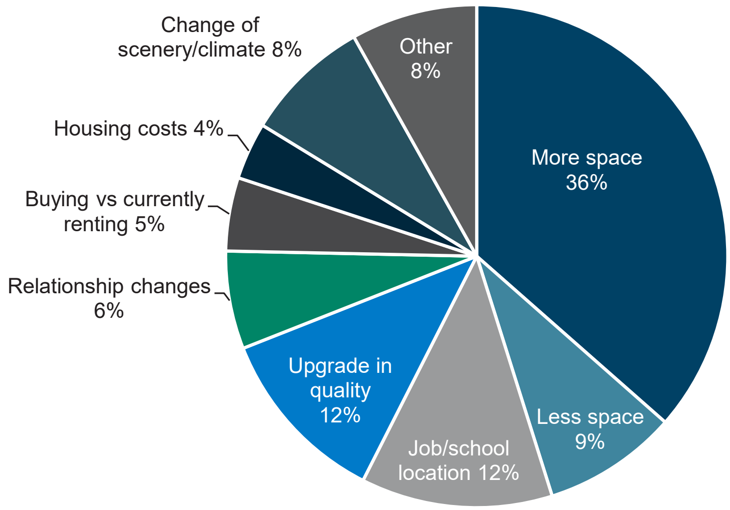
By Household Income

	<1 year	2-5 years	Not moving
<$50,000	20%	40%	39%
$50,000-75,000	11%	31%	58%
$75,000-100,000	22%	44%	33%
$100,000-150,000	24%	45%	31%
$150,000-200,000	36%	38%	26%
>$200,000	16%	56%	28%

Sources: SurveyMonkey and William Blair Equity Research

- ***The pent-up demand for more space and quality improvement in the consumer's next home should support elevated growth in the furniture and home improvement industry over the long-term horizon.*** The primary reasons for those looking to move over the next five years include more space (36% of respondents), upgrade in quality (12%), and less space (9%), which we believe are largely ddiscretionary motivators. We suspect job and school location (12%) and relationship changes (6%) are more needs-based and have been the primary drivers behind recent mobility over the past few years, suggesting plenty of potential for upside as the market thaws and discretionary moves become more palatable.

Exhibit 17
Post-Pandemic Normalization and The Next Era of Growth
"What Is the Primary Reason You Are Planning to Move?"



Sources: SurveyMonkey and William Blair Equity Research

- ***The demand for more space is becoming increasingly urgent, potentially alluding to pent-up demand in the housing marketing among younger home buyers.*** Roughly 83% of respondents who indicated more space as the primary reason to move are planning to move within the next three years, of which 52% plan to move in the next year, while only 17% ranked more space as the highest priority over a three- to five-year moving timeline. The need for more space is becoming increasingly important and urgent, with only 36% of respondents in previous surveys ranking space as the No. 1 driver of a near-term move. Less space was a more prevalent driver within the three- to five-year time frame, underscoring the consumer's flexibility in downsizing while quality ranked first in the medium term.

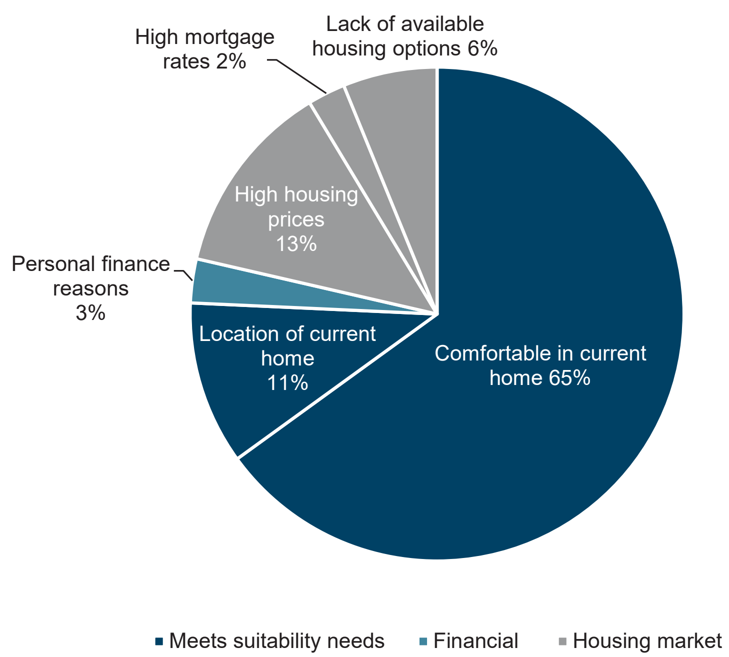
Exhibit 18
Post-Pandemic Normalization and The Next Era of Growth
"What Is the Primary Reason You Are Planning to Move?"

	Plans to move over the next…		
	<1 year	2-3 years	3-5 years
More space	52%	31%	17%
Less space	38%	33%	29%
Job / school location	33%	45%	21%
Upgrade in quality	33%	52%	15%
Relationship changes	50%	38%	13%
Buying vs. currently renting	53%	41%	6%
Housing costs	40%	40%	20%
Change of scenery / climate	47%	40%	13%
Other	59%	41%	0%

Sources: SurveyMonkey and William Blair Equity Research

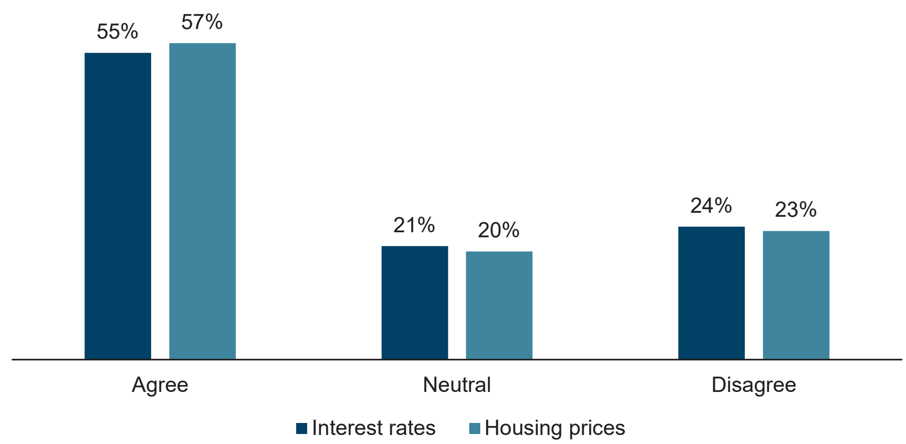
- ***The increasing weight of tough housing market conditions on the consumer's decision to stay in their current home gives us further confidence that rate cuts expected in the second half of 2024 should help unthaw the housing market.*** Roughly 76% of respondents cited the comfort and location of their current home as the primary reason for staying put, relatively consistent with our March 2024 survey, but a decline from 83% in the prior year. Housing market conditions are increasingly weighing on mobility, where rising home prices, high mortgage rates, and a lack of available housing options combined represented 21% of respondents' decisions not to move, up from 20% in March 2024, and 5% in the prior year. Roughly 55% of respondents were more willing to buy a home and move if interest rates decreased, and 57% had a higher propensity to move if housing prices decreased, underscoring the potential for a quick inflection upon more favorable market dynamics.

Exhibit 19
Post-Pandemic Normalization and The Next Era of Growth
"What Is the Primary Reason For Not Planning to Move?"



Sources: SurveyMonkey and William Blair Equity Research

Exhibit 20
Post-Pandemic Normalization and The Next Era of Growth
"If ____ Decreased, I Would Be More Willing to Buy a Home and Move."

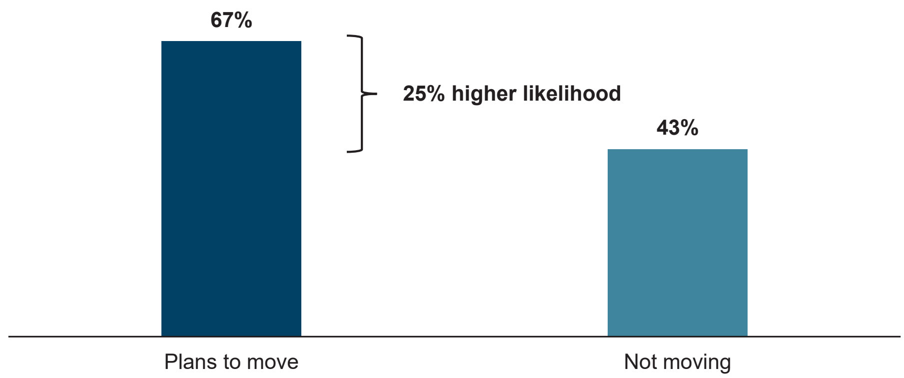


Sources: SurveyMonkey and William Blair Equity Research

Home Renovation and Home Improvement

- ***Over the past year, home renovations were largely completed by those who planned to move, underscoring the importance of existing home sales to an inflection in demand.*** Over the past year, fewer homeowners (44%) reported completing a home project compared to the previous year, whereas 60% had undertaken home renovation projects over the preceding two years, highlighting the significant impact of COVID-19 on home activities and the acceleration of projects carried out at home. An unlock in the housing market is key to demand for home renovation projects where those who are planning to move were 25% more likely to have completed a home renovation project. Unsurprisingly, higher-income demographics have been more resilient to the macroeconomic pressures, where an average of 82% of respondents with household incomes over $150,000 who plan to move completed a home renovation project in the past year versus 63% of those who plan to move and have household incomes of less than $75,000.

Exhibit 21
Post-Pandemic Normalization and The Next Era of Growth
'Yes" to Completed a Home Renovation Project Over the Past Year

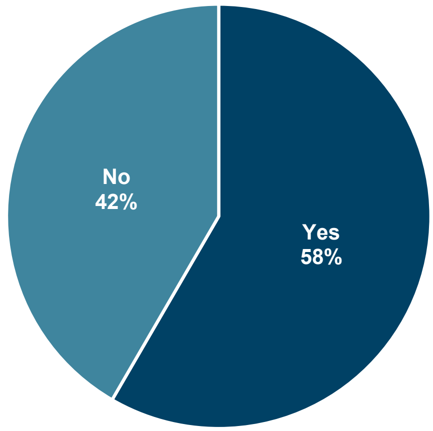


	Plans to move over the next…			Total	Not
	< 1 year	2 to 3 years	3 to 5 years	Moving	Moving
<$50,000	22%	38%	7%	67%	33%
$50,000-75,000	15%	29%	15%	59%	41%
$75,000-100,000	23%	35%	14%	72%	28%
$100,000-150,000	25%	37%	12%	74%	26%
$150,000-200,000	39%	25%	16%	81%	19%
>$200,000	22%	33%	28%	83%	17%

Sources: SurveyMonkey and William Blair Equity Research

- ***Debt to fund home renovations is increasing, particularly among higher-income households.*** JCHS estimates that consumers used excess cash savings to fund four out of five home renovation projects in 2021 and now the trend has begun to reverse itself as the benefits of stimulus payments wane and consumers continue to burn through accumulated savings. Our most recent survey suggests 58% of respondents incurred debt related to home improvement projects, a considerable uptick compared to 46% in March and just 38% last year. The increase was driven primarily by higher-income households, where 67% of respondents making above $150,000 took on debt to fund home renovations versus 43% last year. The increase in debt across higher-income cohorts is correlated with the higher appetite for moving and the corresponding likelihood to take on larger renovation projects versus lower-income consumers who are likely turning off spend entirely as the rising cost of necessities requires additional wallet share. The same higher-income demographics who renovated without plans to move did not incur additional debt, highlighting the importance of mobility in driving demand for higher-ticket, larger-scale home improvement projects and likely the increased financial strain for those moving in the current housing market.

Exhibit 22
Post-Pandemic Normalization and The Next Era of Growth
"Did You Take on Debt to Complete the Home Renovation/Improvement Project?"



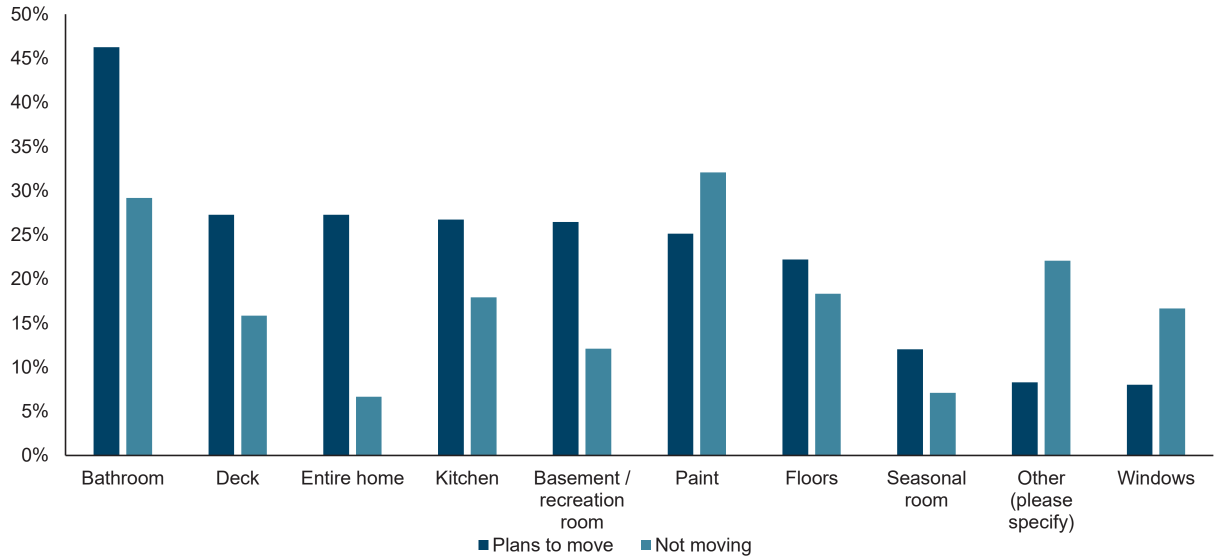
'Yes' by household income

	Jun-24	Mar-24	Mar-23
<$50,000	56%	44%	44%
$50,000-75,000	47%	27%	47%
$75,000-100,000	56%	51%	17%
$100,000-150,000	57%	46%	35%
$150,000-200,000	79%	73%	60%
>$200,000	56%	41%	25%
Overall	**58%**	**46%**	**38%**

Sources: SurveyMonkey and William Blair Equity Research

- ***Respondents were taking on smaller projects in 2023, which we expect will remain a key theme throughout 2024 and beyond until an unlock in the housing market shifts trends toward more comprehensive endeavors.*** The most common areas for home renovation projects over the past year included bathrooms, paint jobs, and kitchens. For those considering a move, bathrooms, outdoor decking, entire home renovations, and kitchens are the top priorities for planned projects, indicating a trend toward larger-scale, higher-ticket projects. For respondents who are not planning to move, the top projects planned in the near term include paint jobs, bathrooms, and windows, suggesting slightly smaller, more maintenance-related projects among the non-moving population.

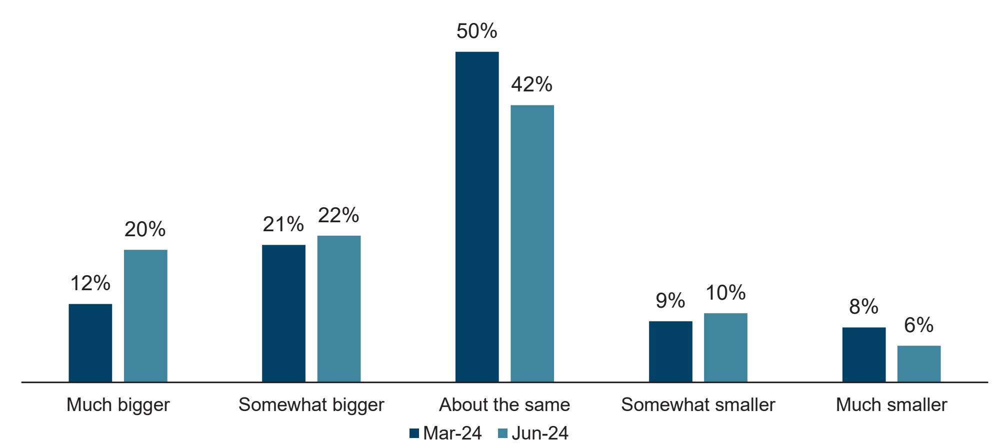
Exhibit 23
Post-Pandemic Normalization and The Next Era of Growth
"What Home Renovation/Improvement Projects Do You Plan to Complete in the Next Year?"



Sources: SurveyMonkey and William Blair Equity Research

- ***While we expect consumers to continue to take on smaller, singular home improvement projects in the near term, we are encouraged by early signs of an increasing appetite for larger-scale renovations, corresponding with an increased need for more space and utility.*** Roughly 42% of respondents expect their home improvement projects to be bigger in size compared to the prior year, up from 33%, with similar plans as of March 2024. Our most recent survey suggests 84% of respondents are planning upcoming home improvement projects to be about the same or bigger in size compared to the prior year, which is consistent with our March 2024 survey, but respondents are seemingly emboldened as an additional 8% are planning for "much bigger" projects this year as compared to last year, largely at the expense of those with a similar size.

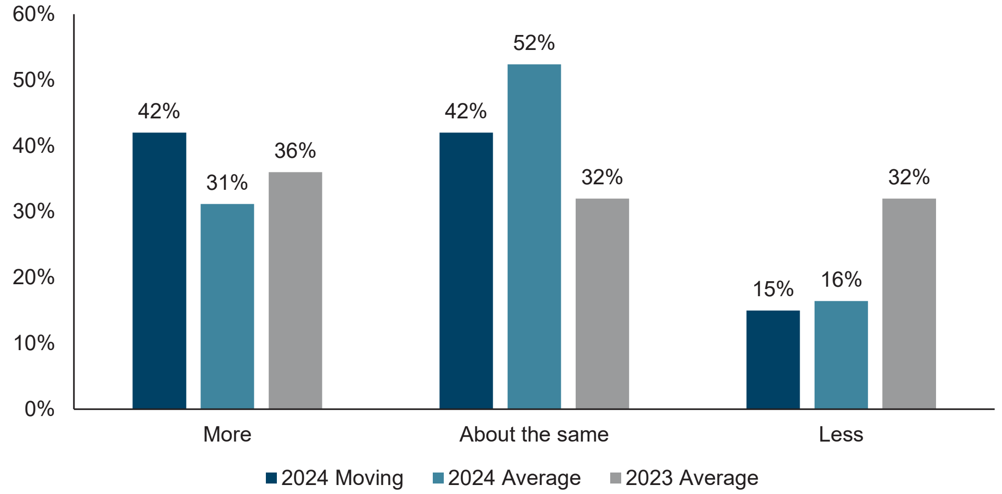
Exhibit 24
Post-Pandemic Normalization and The Next Era of Growth
"I Expect My Home Renovation/Improvement Projects to Be _____ in Size Compared to Last Year."



Sources: SurveyMonkey and William Blair Equity Research

- Demand for home renovation projects seems to be stabilizing, with the potential for a sharper inflection under a more favorable housing market. Only 16% of respondents expect to spend less on home improvement projects compared to the prior year, well below the 32% that planned to reduce their budget in the category during the previous year. Housing mobility played a key role in driving demand, where 42% of respondents planning to move expect to spend more, while only 16% of those who are staying in their current homes expect to spend more. In addition, only 31% of respondents indicated plans to spend less if the economy were to worsen, versus 47% of respondents who indicated plans to spend more if the economy were to improve, suggesting we are closer to the bottom of the cycle with more potential for upside if sentiment were to improve.

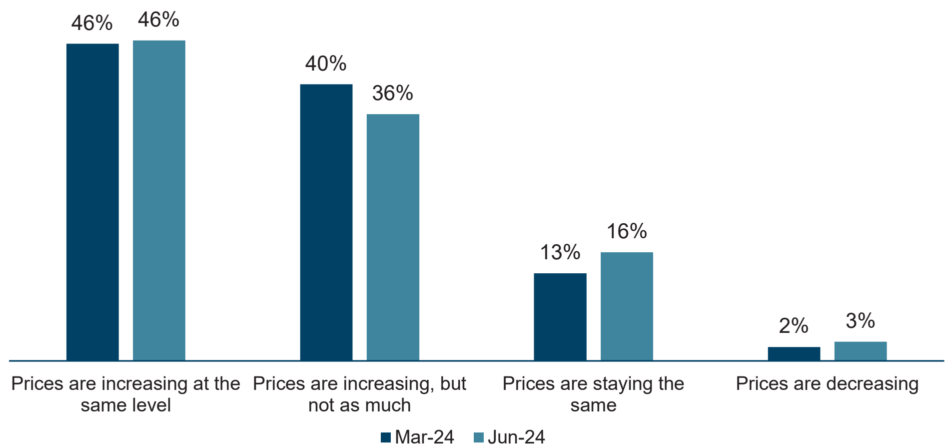
Exhibit 25
Post-Pandemic Normalization and The Next Era of Growth
"In the Next Year, I Plan to Spend ______ on Home Renovation/Improvement Projects Compared to the Prior Year"



Sources: SurveyMonkey and William Blair Equity Research

- ***After years of high inflation in the space, consumers are increasingly value-conscious.*** Some 46% of respondents believe the prices of home renovations are increasing at the same elevated levels as prior years, consistent with March 2024 results. Only 19% believe prices are staying the same or decreasing, despite broader deflation in the category year-to-date. The perception of continued inflationary pressures is driving an increasingly promotionally driven consumer, with roughly 55% of respondents having shopped more discounts than the year prior and those planning to move were 25% more likely to lean toward more promotional deals.

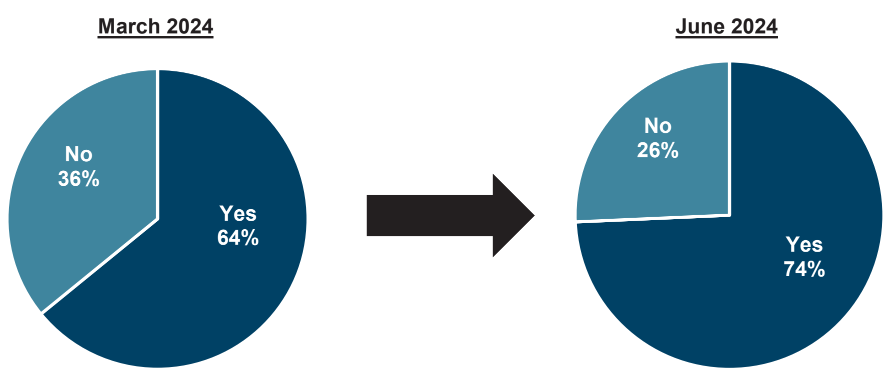
Exhibit 26
Post-Pandemic Normalization and The Next Era of Growth
"Which of the Following Best Describes Your View on Price Changes of Home Renovation/Improvement Projects, Including Materials, in Recent Months?"



Sources: SurveyMonkey and William Blair Equity Research

- ***Utilization of professional services to complete home renovations continues to increase across a broader set of consumers.*** Our survey results suggest those who responded "yes" to using a contractor grew 10% in just three months from 64% in March to 74% in June. We are encouraged that the usage is relatively consistent across household income demographics, underscoring the growing availability to provide the service across all demographics (rather than just for higher-income earners as it has historically trended).

Exhibit 27
Post-Pandemic Normalization and The Next Era of Growth
"Did You Use a Professional Contractor to Complete Your Home Renovation/Improvement Project?"



By Age

	Yes	No
18-29	63%	37%
30-44	63%	37%
45-60	69%	31%
> 60	24%	76%

By HHI

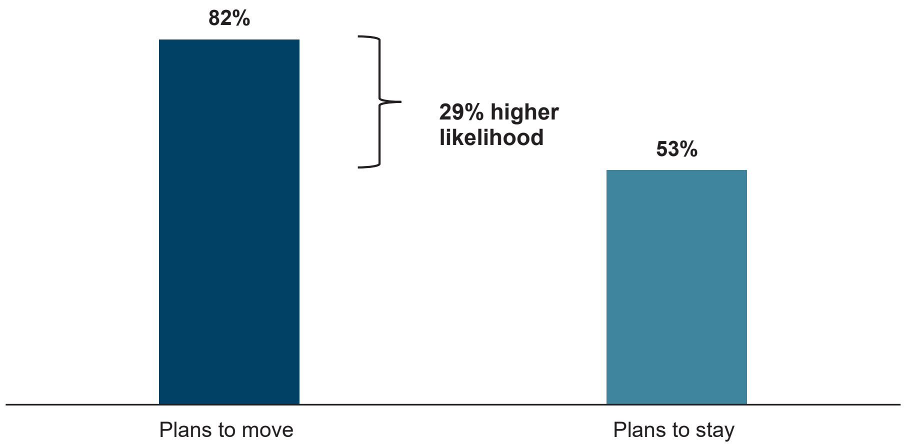
	Yes	No
<$50,000	56%	44%
$50,000-75,000	47%	53%
$75,000-100,000	56%	44%
$100,000-150,000	57%	43%
$150,000-200,000	79%	21%
>$200,000	56%	44%

Sources: SurveyMonkey and William Blair Equity Research

Furniture and Home Decor Spend

- ***Housing mobility plays a key role in driving demand for furniture and home decor.*** Some 80% of respondents planning to move have purchased furniture and home decor in the past year, which is significantly higher compared to the 53% of respondents who bought furniture in the same period but have no plans to move**.**

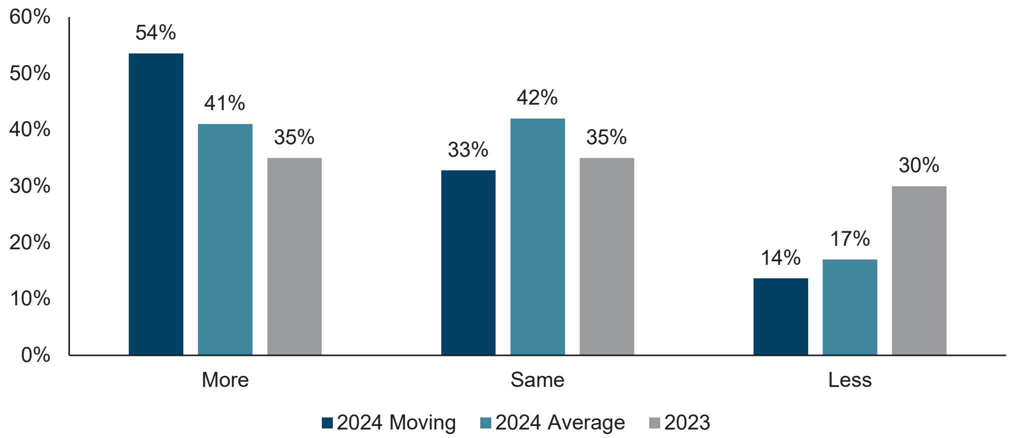
Exhibit 28
Post-Pandemic Normalization and The Next Era of Growth
"Yes" to Purchased Furniture and Home Decor Over the Past Year



Sources: SurveyMonkey and William Blair Equity Research

- ***Planned spend on furniture and home decor is seemingly rising compared to the prior year, particularly among those planning to move.*** Some 41% of respondents plan to spend more in the category over the next year, compared to just 35% who indicated similar plans in our 2023 survey. The gap widens for respondents planning to move, where 54% expect to spend more, a nearly 20-point gap from the prior year. Similarly, our recent survey suggests only 17% of respondents plan to cut their budget for furniture and home goods next year, a steep improvement from the 30% that indicated plans to reduce spend in the category during the prior year.

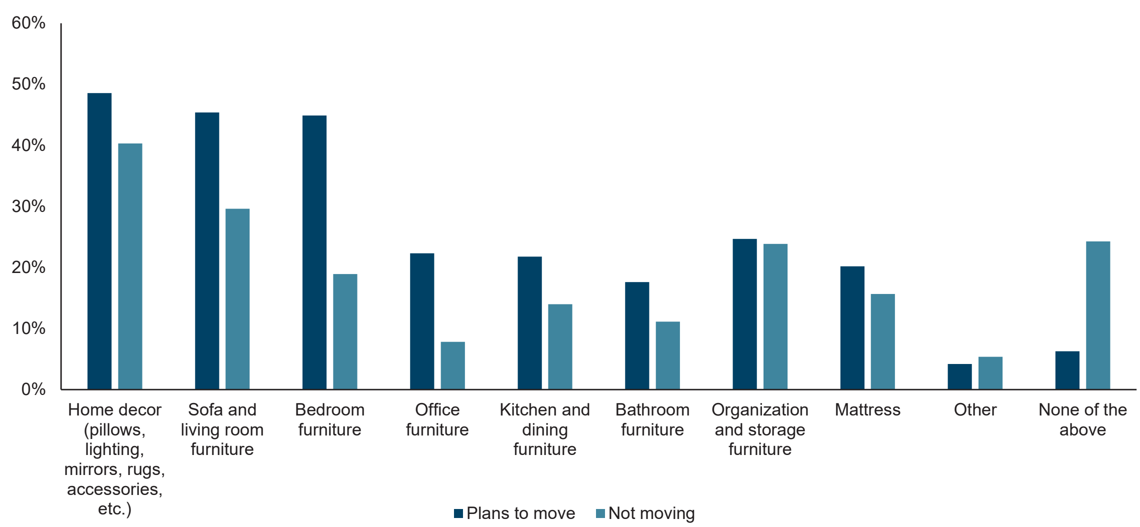
Exhibit 29
Post-Pandemic Normalization and The Next Era of Growth
"In the Next Year, I Plan to Spend _____ on Furniture and Home Decor Compared to the Prior Year?"



Sources: SurveyMonkey and William Blair Equity Research

- ***Smaller-ticket home decor remains top of mind for all respondents, but demand for larger-ticket items is starting to show signs of a recovery, which will go a long way to lift retail order values and margins.*** Our survey suggests respondents are starting to see a bit more of an appetite for bigger items such as sofa and living room furniture across both respondents who plan to move and plan to stay. While bedroom furniture rounds out the top three products for those planning to move, organization and storage pieces rank third for respondents planning to stay put. Interestingly, interest in mattresses shows less variation between those planning to move and those staying, with only a 4% difference, unlike larger disparities seen in bedrooms and sofas, which can differ by up to 26%, consistent with Tempur Sealy's statements around a more minimal correlation of its products with the housing market.

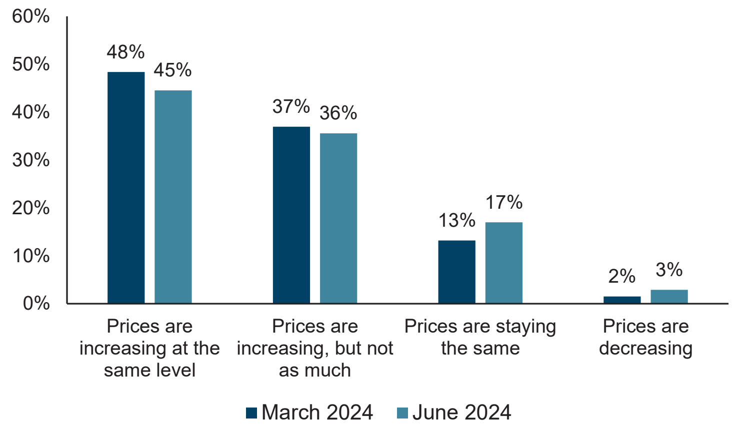
Exhibit 30
Post-Pandemic Normalization and The Next Era of Growth
"What Furniture and Home Decor Products Do You Plan to Complete in the Next Year?"



Sources: SurveyMonkey and William Blair Equity Research

- ***Consumers' perception of inflation in furniture and home decor remains high, which has driven elevated demand for promotions, although realization of broader deflation in the category is improving.*** Consumers still believe inflation is pressuring the furniture category, with some 45% indicating that prices were increasing at rates similar to the prior year. Only 20% of respondents believe prices are stabilizing or decreasing year-over-year, albeit an improvement from the 15% that held a similar position in March despite broader deflation in the category since mid-2023. Given the perception of continued inflation, consumers are particularly responsive to promotions, with nearly 60% of respondents shopping more discounts compared to the prior year.

Exhibit 31
Post-Pandemic Normalization and The Next Era of Growth
"Which of the Following Best Describes Your View on Price Changes of Furniture and Home Decor in Recent Months?"



Sources: SurveyMonkey and William Blair Equity Research

Growth Potential Over the Next Decade

Despite what we see as a likely choppy second half of 2024, and a potentially weaker first half of 2025, we believe the furniture and home improvement market should maintain stable growth in the 4% to 6% over the long-term horizon, barring any major disruptions in the macroenvironment. We are encouraged by some signs around stabilization in volume, where we believe there is little risk of sustained, deeper declines in the space. Furthermore, beyond 2024 and the first half of 2025, we expect there is the potential for slightly more pricing power, compared to the pre-pandemic average of 1% annual deflation, driven by several tangible tailwinds and industry trends that should support elevated spend in the category over the next decade and more.

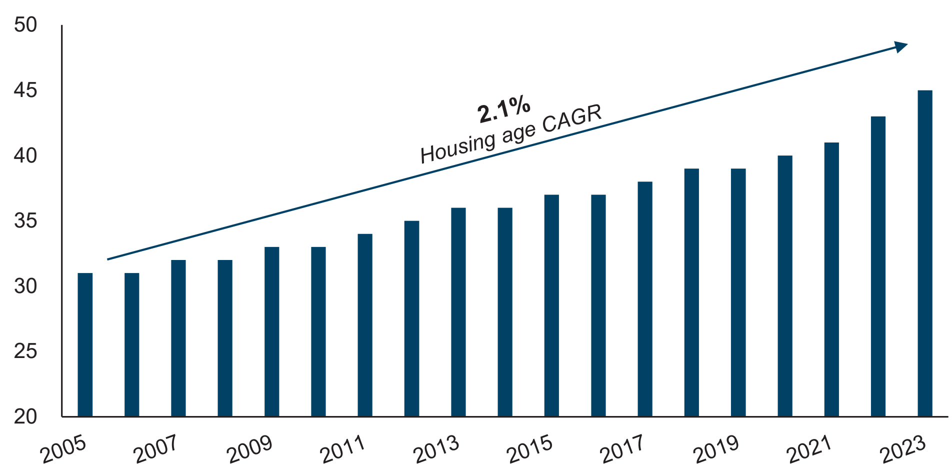
The Importance of the Home Is Higher Than Ever Under the Increasing Prevalence of a Hybrid Work Environment

The trend of working from home has continued in 2024 and is not going away anytime soon. The ability to have a hybrid work schedule has changed individuals' perspective on their living space at home and driven the desire for more living space and a higher quality of home, resulting in home improvements and investments in furniture. According to the Pew Research Center, about 22 million employed adults (aged 18 and over) in the U.S. work remotely, equal to roughly 14% of all employed adults, and the organization expects that one in five Americans will work remotely by 2025. Our survey is relatively in line, suggesting that some 18% of respondents work in a fully remote capacity, with another 40% working from home at least one day a week. See page 16 for more details. Those working under a remote or hybrid work schedule leaned higher-income, with over 80% making over $100,000, where the cohorts typically maintain higher levels of home ownership, larger median homes, and financial flexibility that should support elevated spend in the space longer term.

The U.S. Housing Stock Continues to Get Older and Older, Which Will Require More Maintenance and Renovations

After the financial crisis in 2008, there has been a gradual reduction in the number of houses built, causing older homes to make the majority of inventory. The median age of a U.S. home is 45 years, the oldest in history, where 62% of current houses were built before 1989 and 46% of houses were built before 1979. We believe this will result in excess spending from consumers back into their homes over the next decade and more. Older homes require more maintenance given the extended wear-and-tear and aging applications, and consumers typically like to simultaneously renovate and replace outdated designs with newer styles and trends.

Exhibit 32
Post-Pandemic Normalization and The Next Era of Growth
U.S. Median Home Age (in Years)

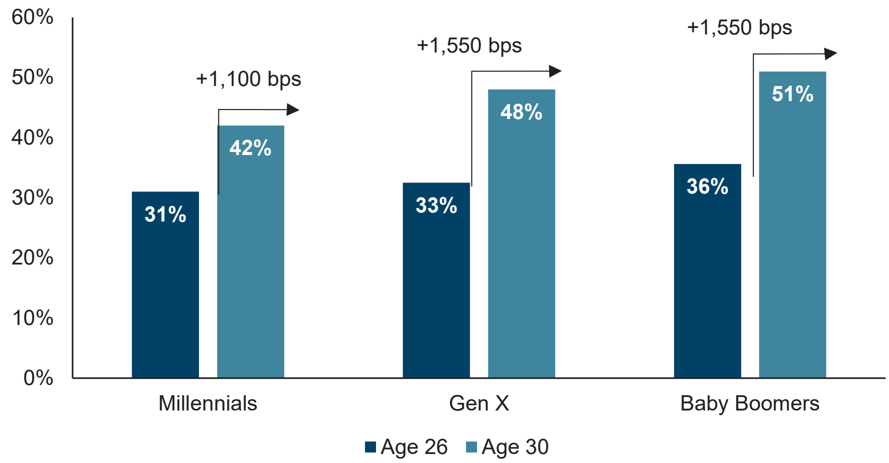


Sources: U.S. Census Bureau, U.S. Department of Housing and Urban Development, and William Blair Equity Research

Pent-up Demand in The Housing Market for First-Time Millennial Buyers

Millennials maintain the weakest homeownership rate in history, where at the age of 30, only 42% of the generation owned a home, compared to 48% of Generation X and 51% of baby boomers at the same age, and the corresponding rise in ownership from their late 20s has been well below prior generations. Millennials have been dealing with housing-related headwinds and generational issues, like the fallout from the 2008 and 2009 housing crisis, the pandemic-driven surge in housing prices, and a higher mix of debt and lower income compared to prior generations. Interest rates are expected to gradually come down this year and in 2025, which should provide some much-needed relief to younger generations and other first-time home buyers who have been on the sidelines waiting for rates to come down. We believe there is potential for a significant influx of new home buyers as the Fed reduces rates, which should provide a meaningful lift in demand for furniture and home improvement.

Exhibit 33
Post-Pandemic Normalization and The Next Era of Growth
Percent of Homeowners at the Ages of 26 and 30 Years Old by Generation



Sources: Redfin, Apartment List, and William Blair Equity Research

The Housing Shortage Has Continued to Support Rising Home Prices, Reassuring Owners That Renovations Provide a Strong Return

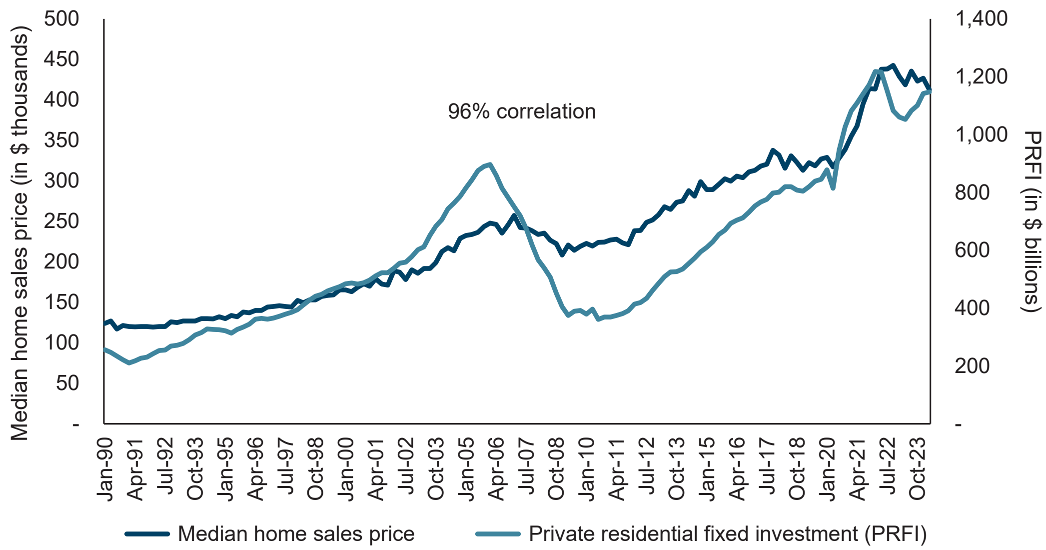
Despite an uptick in construction during the pandemic, real estate experts, including Zillow and Realtor.com, estimate the U.S. housing stock is short some 4 million to 7 million homes against sustained increases in household formations. According to the National Association of Realtors, the lack of available housing has driven up the median home sales price to record levels in recent months, where the average U.S. home cost over $426,900 as of June 2024.

Exhibit 34
Post-Pandemic Normalization and The Next Era of Growth
Median Home Sales Price and New Housing Starts

Sources: U.S. Bureau of Economic Analysis and William Blair Equity Research

The ongoing rise in home prices makes investments in home renovations more palatable given the expected return. We compared private resident fixed investment (PRFI), a proxy for home investment, to the rise in median home prices and determined that the two share a 96% correlation, supporting our thesis that the ongoing housing shortage should continue to support home appreciation, which in turn should lead to sustained growth in home renovations.

Exhibit 35
Post-Pandemic Normalization and The Next Era of Growth
Median Home Sales Price and Private Residential Fixed Investment



Sources: U.S. Bureau of Economic Analysis and William Blair Equity Research

Favorable Migration Trends in States With Larger Living Spaces and Stronger Returns on Home Prices Should Support Sustainable, Elevated Spend on Furniture and Home Improvements

We analyzed the top 15 states with the highest expected population growth between 2020 and 2030 to determine the potential benefit of state-specific housing characteristcs on furniture and home improvement spend. We determined that states with the highest expected population gains maintain a home size some 12% higher than the national average and an average gain in median home value over the past eight years roughly 510 basis points above the national average, both of which should support elevated home spend through 2030. The home ownership rate is similar to the broader average, although we expect an influx of younger, first-time home buyers and an increase in new home builds should lift the ownership rates by the end of the decade. While the median home age across the top 15 is about six years below the national average, we do not expect that there will be a meaingfully lower need for maintenance and renovations.

Exhibit 36
Post-Pandemic Normalization and The Next Era of Growth
Top 15 States of Estimated Population Growth by 2030 and Related Housing Market Statistics

	2030E vs. 2020 Population					Median Home Value			
	Total Growth	% Growth	Median Home Age	Median Home Size	Home Ownership %	Current	vs. 2023	vs. 2019	vs. 2016
Texas	3,318,097	11%	33	2,170	62.5%	308,121	1%	44%	71%
Florida	2,251,859	10%	34	1,960	67.2%	398,077	3%	65%	102%
California	1,783,231	5%	45	1,860	55.8%	786,730	7%	44%	73%
Georgia	822,337	8%	31	2,262	65.9%	334,819	4%	64%	103%
Washington	807,074	10%	37	2,185	64.2%	601,851	4%	49%	92%
North Carolina	720,771	7%	32	2,152	66.7%	335,521	4%	63%	97%
New York	634,843	3%	63	1,490	54.1%	478,973	7%	38%	63%
Arizona	614,734	9%	30	2,049	67.4%	434,773	4%	62%	99%
Colorado	613,497	11%	36	2,464	66.4%	551,281	2%	39%	71%
Virginia	497,609	6%	38	2,105	67.4%	396,331	6%	43%	60%
Tennessee	448,679	6%	36	2,157	67.2%	325,653	4%	62%	101%
Utah	427,434	13%	31	2,800	71.2%	522,732	2%	54%	98%
South Carolina	396,076	8%	32	2,123	72.0%	301,130	4%	57%	86%
New Jersey	386,878	4%	53	1,753	64.6%	534,939	9%	52%	71%
Massachusetts	379,478	5%	59	1,800	62.2%	634,690	8%	47%	72%
Top 15 Average	**940,173**	**8%**	**39**	**2,089**	**65.0%**	**463,041**	**5%**	**52%**	**84%**
U.S. Average	**18,246,584**	**6%**	**45**	**1,860**	**65.6%**	**363,438**	**4%**	**49%**	**79%**

Sources: University of Virginia Weldon Cooper Center for Public Services, U.S. Census Bureau, U.S. Department of Housing and Urban Development, Zillow, Realtor.com, and William Blair Equity Research

The Increasing Utilization of Do-It-For-Me (DIFM) Services in Both Home Improvement and Interior Design Should Support Stronger Industry Growth

We recently published a report (Consumer Services: The "DIFM" Preference and Growing Reliance on the Pro) around the structural tailwinds supporting increased adoption of DIFM in the space. We believe this has a meaningful capacity to accelerate industry demand, particularly as younger generations become homeowners, where retailers experience an average order value between 2 to 4 times that of a DIY customer when a professional is involved. DIFM has been increasing in the home improvement space for decades, reaching roughly 50% penetration of the industry in a post-pandemic environment. While we expect DIFM adoption in home improvement to continue increasing, we believe there is a more meaningful growth opportunity available in the furniture market as interior design services move from an offering only available to the ultra-wealthy to now being accessible to the masses through the rising popularity of online platforms like Havenly; AI-enabled services, such as Wayfair's July 2023 launch of Decorify; and retailers competing on a more direct basis, including IKEA's April 2023 launch offering of one-on-one appointments priced at $99 per room, well below the $100 to $200 average hourly rate charged by interior designers.

While we expect the furniture and home improvement space to sustain midsingle-digit growth over the next decade, we believe the following segments have the highest probability of driving market share gains and top-line growth above industry levels:

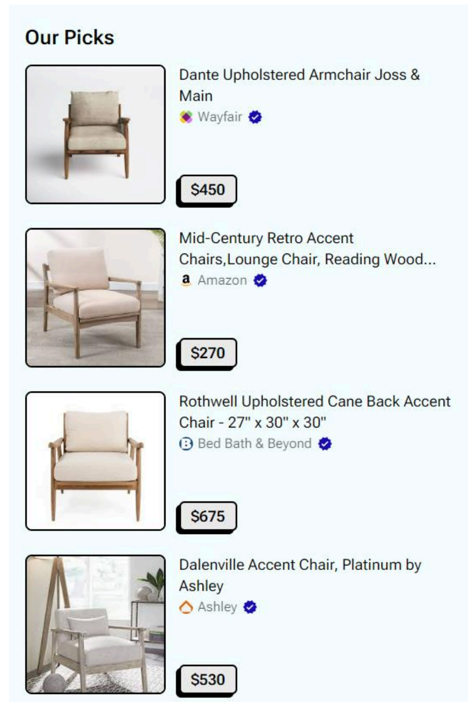
- ***Specialty brands offering a differentiated product, experiential stores, and high service levels, including Arhaus, Floor & Decor, RH, and Williams Sonoma.*** We believe this segment will be the primary beneficiary from continued declines in department stores and ongoing closures across regional retailers and local independent mom-and-pops that have faced steep headwinds in a post-pandemic environment. There have already been several bankruptcies and related stores closures from regional players over the past two years, including Conn's (100-plus stores), Kelly-Moore Paints (157 stores), Mitchell Gold + Bob Williams (30 stores), Z Gallerie (21 stores), and Klaussner Home Furnishings. There has also been an uptick in the closure of local independent stores, which still make up roughly one-quarter of the furniture market and maintain a more dominant share in specific home renovation categories like flooring. In our view, scaled specialty brands are best positioned to take share here given the similarities with local independents offering a more curated product assortment, inspiring showroom experience, and high-touch service levels like white-glove delivery but with all of the ease and convenience of a scaled omnichannel model. We also believe there is a significant opportunity for specialty brands to increasingly appeal to professional services providers in the space, many of which have a loyalty to local and regional brands given long-standing, personal relationships and some sort of profit-sharing agreement. Retailers like Arhaus, Williams Sonoma, Floor & Decor, Home Depot, and Lowe's have all cited the DIFM space as one of their primary strategic growth verticals going forward, which has been underscored by an increase in investments targeting pros in the space and building out in-house service offerings.

- ***Discount stores offering trend-right product at extreme value including HomeGoods, Homesense, Bob's Discount Furniture, IKEA, and Ashley Furniture.*** The consumer loves value, especially in this environment, but most are not willing to give up some of the benefits offered by higher-end speciality brands, like inspiring showrooms, quality service levels, and trend-right product. Leaders in the discount segment have continued to enhance these offerings, which has led to meaningful share gains and store growth for TJX's HomeGoods and Homesense, IKEA, and Bob's Discount Furniture over the past decade. We expect those share gains to continue, where discount retailers should also benefit from the thinning competitive environment, with several store closures over the past two years across value-based peers that fell victim to an out-of-date, genre-less, bare-bones offering, including Bed, Bath, and Beyond (roughly 600 stores), Tuesday Morning (487 stores), Big Lots (150 stores), and The Room Place (8 stores).

- ***Big box retailers offering a wide breadth of product, value, convenience, and speed, including Wayfair, Home Depot, Lowe's, Amazon, and Walmart.*** We believe the scaled omnichannel offering of this segment will be well positioned to benefit from an influx of millennial and younger home buyers that prioritize the convenience of a one-stop shop, the ease of online shopping, and fast, free shipping. And while still early days, we believe the March 2024 launch of dupe.com, an online platform providing an array of look-alike products at a steep discount from the URL of any product, could be a big beneficiary to this segment, particularly among the rise in "dupe" culture among younger cohorts, where Wayfair, Amazon, Home Depot, and other big box retailers are among the most common providers of dupes that mimic products from premium brands. At the same time, this could also be a risk to specialty brands like RH, Arhaus, and Williams Sonoma, and while knockoffs are not necessarily a new threat, the increasing ease of platforms like dupe.com that do not require the same time-consuming "treasure hunt" could be increasingly problematic.

Exhibit 37
Post-Pandemic Normalization and The Next Era of Growth
Dupe.com and Potential Impact on the Furniture Industry

Pottery Barn Cody Chair	**Dupe.com Top Picks**
$849-$1,399	$270-$675 *50%-70% discount vs. Pottery Barn*

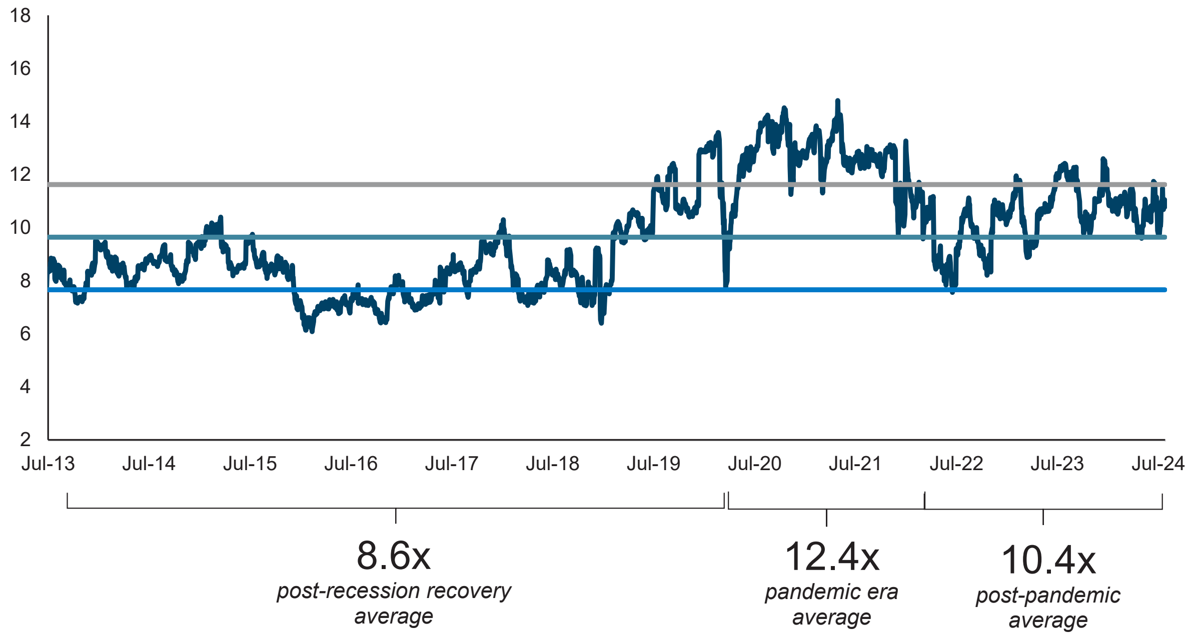


Sources: PotteryBarn.com, Dupe.com, and William Blair Equity Research

Valuation and Stock Thoughts

We analyzed the average valuation on an EV/EBITDA basis across 15 public companies in the furniture and home improvement space and determined that the industry is currently trading at roughly 10.5 times 2025 EBITDA expectations, in line with its post-pandemic average, but roughly two turns above its pre-pandemic average. We believe there is a risk that the industry's valuation could dip following the second-quarter print on a lower second-half outlook, which will likely cause some concerns around an inflection in early 2025. While we expect that the next few quarters could be volatile, we believe a potential pullback following the second-quarter earnings cycle could present an interesting buying opportunity for longer-term investors where we expect any improvements in the housing market will likely spark renewed investor interest given the structural tailwinds to growth in the industry despite the potential delayed impact on the industry's top line. See below for our more detailed stock thoughts across our coverage.

Exhibit 38
Post-Pandemic Normalization and The Next Era of Growth
Furniture and Home Improvement Historical Valuation
Forward EV / EBITDA



Sources: Factset and William Blair Equity Research

Arhaus (ARHS)

We are slighting reducing our 2024 sales and earnings estimates to account for the elevated promotional environment and the potential for negative demand comps in the second and third quarter, the first decline since the onset of the pandemic, against very tough comparisons, including high-teens growth in May and June of the prior year. We are also slightly decreasing our earnings outlook in 2025 given plans for additional investments in systems and operational enhancements. However, we believe Arhaus can still deliver margin expansion next year as the company ramps up recent investments in a new warehouse management system, manufacturing ERP, inventory planning software, and in-home delivery, which should help remove a lot of inefficiencies (e.g., shuttling products between DCs) and increase the utilization of its newer Dallas DC. Margin expansion in 2025 should go a long way with investors that are concerned about the extended investment era, which, along with a normalization post-pandemic, has created a lack of visibility into the long-term earnings power of the model. Arhaus trades at 17.2 times our revised 2025 EPS estimate, or two turns below the average across Williams Sonoma and RH. In our view, the company's significant and consistent market share gains over the past four years warrant a premium valuation. We also believe the company maintains stronger growth potential with plenty of showroom white-space opportunity and relatively low brand awareness, which our recent survey suggests is just under 20%, roughly 10 points below RH at nearly 30%, and well below Pottery Barn, Crate and Barrel, and Ethan Allen, all of which are around 60%. While there could be some near-term volatility around tough demand comparisons and investments in operations, we believe any pullback could present a strong buying opportunity for Arhaus.

Exhibit 39
Post-Pandemic Normalization and The Next Era of Growth
Arhaus Estimates Update

	FY 2024			FY 2025		
	Pre-release		Revised	Pre-release		Revised
	Consensus	William Blair	William Blair	Consensus	William Blair	William Blair
Comparable sales growth	(2.6%)	(3.0%)	(3.5%)	5.2%	4.0%	4.0%
Net sales	1,355	1,354	1,348	1,488	1,475	1,470
Y/Y %	5.2%	5.1%	4.7%	9.8%	9.0%	9.0%
Gross margin	41.3%	41.2%	41.2%	42.0%	43.2%	42.7%
Adjusted operating income	137	141	139	164	185	176
Operating margin	10.1%	10.4%	10.3%	11.0%	12.6%	12.0%
Adjusted EPS	$0.74	$0.76	$0.75	$0.88	$1.00	$0.95

Note: In $ millions, except for per share figures

Sources: Arhaus, Factset, and William Blair Equity Research

The primary risks are mostly macro in nature, including the wealth effect related to volatility in the stock market, real estate, and other major assets given the company's higher-income client base and the more considered, higher-priced nature of the product. Other potential risks include the elevated competition in the furniture space around higher promotions and demand for real estate.

Floor & Decor (FND)

We are trimming our 2024 and 2025 sales and earnings estimates to account for the weaker-than-expected existing home sales. Our 2024 comps sales estimate is below the low end of management's guide of a 5.5% decline, which assumed existing home sales gradually improve to 4.0 million annual sales by the end of the year. Rather, the housing market has seen sustained declines since February, with June results of 3.89 million homes about 3% below the low end of the company's outlook. While planned interest rate cuts beginning in September could help lift demand, we expect the impact will be minimal given the seasonally slower nature of the real estate market during the fall and early winter. The company could see some upside to comps following Hurricane Beryl and flooding in Houston, Texas, a key market for Floor & Décor; however, we expect the potential lift will not be enough to materially offset the impact of the weaker housing market. We are also lowering our 2025 sales and earnings estimates to reflect the inherently longer purchase consideration period and what we believe will be a slower ramp-up in housing demand before a more meaningful inflection during the peak spring and summer months. Our 2025 estimates do not take into consideration the potential impact of rising freight costs where the company maintains a significant exposure. However, we believe Floor & Decor could be in a better position to take price compared to peers in the space given the significant value gap compared to its primary competitors, the local independents, which will likely face similar headwinds but at a greater scale. Floor & Decor trades at 40.1 times our revised 2025 EPS estimate, relatively in line with its long-term trading average, although above its peers. We believe the premium is warranted, despite the near-term uncertainty, as Floor & Decor's competitive positioning and store growth potential supported by durable industry tailwinds should support healthy top-line growth and market share gains over the long term. Furthermore, we believe there is potential for accelerated earnings growth and margins above historical levels on a top-line inflection given the company's historically high fixed-cost structure (about 55% in a normalized period) and leaner operating model as a result of cost management initiatives over the prior two years.

Exhibit 40
Post-Pandemic Normalization and The Next Era of Growth
Floor & Decor Estimates Update

	FY 2024			FY 2025		
	Pre-release		Revised	Pre-release		Revised
	Consensus	William Blair	William Blair	Consensus	William Blair	William Blair
Comparable sales growth	(5.9%)	(5.6%)	(6.5%)	5.6%	5.0%	3.5%
Net sales	4,585	4,606	4,565	5,300	5,341	5,223
Y/Y %	3.9%	4.4%	3.4%	15.6%	15.9%	14.4%
Gross margin	42.8%	42.8%	42.8%	43.1%	42.9%	42.9%
EBITDA (adjusted)	506	541	517	641	733	661
EBITDA margin	11.0%	11.7%	11.3%	12.1%	13.7%	12.7%
EPS (adjusted)	$1.81	$1.92	$1.75	$2.49	$2.92	$2.40

Note: In $ millions, except for per share figures

Sources: Floor & Decor, Factset, and William Blair Equity Research

We believe the most significant risks are macro in nature, including uncertainty around demand for major discretionary purchases, higher interest rates, and an inactive housing market. Other risks include exposure to freight costs and products sourced from China.

RH (RH)

We are trimming our 2024 and 2025 sales and earnings estimates given the softer-than-expected housing market performance; the company has maintained a more significant correlation with demand compared to some of its premium peers. We expect 2024 sales to increase by 5.6%, or 7.4% excluding the 53rd week in the prior year, below the low end of management's guide of 8% to 10% (on a same-week basis). We also reduced our gross margin estimate in 2024 and 2025 to reflect the lower sales outlook and heightened promotional environment. However, we expect there could be additional risk to our earnings estimate in 2025 given the potential impact of rising freight costs, the company's exposure to overseas sourcing, and the reliance on new product to drive growth where RH is maintaining a thin inventory position before it can get a read on the success of each new collection. We also believe incremental source book costs and international expansion could be an additional drag on margins. RH trades at 24.5 times our revised 2025 EPS estimate. While we maintain concerns around elevated valuation (versus historical levels in the high-teens P/E) and the lack of visibility into an inflection, we are encouraged by some green shoots in demand around the brand and product refresh, which we expect should provide a more sustainable lift over the next year, with potential for accelerated sales and earnings growth on an improvement in housing mobility.

Exhibit 41
Post-Pandemic Normalization and The Next Era of Growth
RH Estimates Update

	FY 2024			FY 2025		
	Pre-release		Revised	Pre-release		Revised
	Consensus	William Blair	William Blair	Consensus	William Blair	William Blair
Net sales	3,216	3,223	3,200	3,560	3,516	3,491
Y/Y %	6.2%	6.4%	5.6%	10.7%	9.1%	9.1%
Gross margin	45.6%	45.9%	45.4%	46.7%	47.0%	46.5%
Adjusted operating income	423	427	399	543	528	506
Operating margin	13.1%	13.2%	12.5%	15.2%	15.0%	14.5%
Adjusted EPS	$7.61	$7.90	$7.00	$13.37	$11.84	$11.45

Source: RH, Factset, and William Blair Equity Research

The primary risks to our thesis include sustained housing market pressures, an increasingly promotional competitive environment, and uncertainties around the ramp-up of international locations.

Tempur Sealy (TPX)

We are reducing our 2024 and 2025 sales and earnings estimates to reflect our expectations for a very challenging fourth quarter given the mattress industry's reliance on marketing to drive demand against a very politically charged election cycle where political ad spending is already trending well above 2020 levels. We are increasingly encouraged by Tempur Sealy's positioning in the mattress space and believe there is significant opportunity for the company to continue to gain share. Furthermore, we believe the company's expanded domestic manufacturing capacity should provide an added layer of flexibility in 2025 against an uncertain freight and tariff environment compared to many of its peers in the furniture and home space. Tempur Sealy trades at 16.9 times our 2025 EPS estimate, above its average of 13.3 times and the upper bound of its historical range of 15.7 times. While we are increasingly optimistic around Tempur Sealy's growth potential, at these valuation levels, we prefer to wait for more visibility around the fourth quarter and the lawsuit against the FTC's block of the Mattress Firm acquisition before getting more constructive on shares.

Exhibit 42
Post-Pandemic Normalization and The Next Era of Growth
Tempur Sealy Estimates Update

	FY 2024			FY 2025		
	Pre-release		Revised	Pre-release		Revised
	Consensus	William Blair	William Blair	Consensus	William Blair	William Blair
Net sales	5,025	5,048	4,999	5,308	5,248	5,197
Y/Y %	2.0%	2.5%	1.5%	5.6%	4.0%	4.0%
Gross margin	45.3%	45.1%	45.2%	45.9%	45.5%	45.6%
Adjusted EBITDA	978	983	965	1,085	1,066	1,054
Adjusted EBITDA margin	19.5%	19.5%	19.3%	20.4%	20.3%	20.3%
Adjusted EPS	$2.68	$2.68	$2.60	$3.13	$3.15	$3.10

Note: In $ millions, except for per share figures
Sources: Tempur Sealy, Factset, and William Blair Equity Research

In our view, the most significant risks include the additional time and cost necessary during litigation with the FTC for the approval of the Mattress Firm acquisition, post-pandemic normalization of demand and historical volatility in the U.S. bedding market, international uncertainty, increasing competition, and general execution risk as the company is investing in several growth initiatives across its product assortment and operations.

Wayfair (W)
We are maintaining our current 2024 and 2025 estimates, which we believe appropriately reflect our caution around the second-half demand environment. We believe Wayfair could be more resilient here where the company is about a year ahead of furniture and home peers in its post-pandemic correction. However, we expect there is some risk to current consensus. We continue to believe Wayfair is well positioned for market share gains going forward, where the breadth of its product assortment and the convenience and speed of its online platform is a real differentiator and should benefit from an influx of younger, first-time home buyers. We are also encouraged by the company's efforts to adopt an omnichannel model after opening its first Wayfair flagship store in the suburbs of Chicago earlier this summer. We visited the store during its grand opening (see more details here: Our Visit to the New Wayfair Store Provides Incremental Confidence in the Long-Term Runway for Retail Expansion) and have made several trips since, and we continue to be impressed by the strong, consistent traffic where the diverse product offering across all major furniture, appliances, and home improvement categories should help expand Wayfair's mindshare for most home-related needs. We believe there is a significant expansion opportunity going forward and expect management to announce plans for a second flagship location by the end of the year. Shares of Wayfair trade at 11.9 times our 2025 adjusted EBITDA estimate, where we see room for expansion to the mid- to high-teens range, particularly as the company continues to expand market share, improve profitability, and generate free cash flow.

Exhibit 43
Post-Pandemic Normalization and The Next Era of Growth
Wayfair Estimates Summary

	FY 2024		FY 2025	
	Consensus	William Blair	Consensus	William Blair
Net sales	12,143	12,020	12,880	12,623
Y/Y %	1.2%	0.1%	6.1%	5.0%
Gross margin	30.7%	30.7%	31.1%	31.0%
Adjusted EBITDA	586	598	737	700
Adjusted EBITDA margin	4.8%	5.0%	5.7%	5.5%

Note: In $ millions
Sources: Wayfair, Factset, and William Blair Equity Research

In our view, the most significant risks include the execution of sustaining profitable adjusted EBITDA margins and positive free cash flow, international volatility, rising freight costs, potential impact of tariffs, and more broadly, the potential impact of a recession and an inactive housing market on demand for the company's core product assortment.

Exhibit 44
Post-Pandemic Normalization and The Next Era of Growth
Arhaus Quarterly and Annual Statement of Income

Fiscal year ending December *in $ millions*	**2019** Dec-19	**2020** Dec-20	**2021** Dec-21	**2022** Dec-22	**Q1** Mar-23	**Q2** Jun-23	**Q3** Sep-23	**Q4** Dec-23	**2023** Dec-23	**Q1A** Mar-24	**Q2E** Jun-24	**Q3E** Sep-24	**Q4E** Dec-24	**2024E** Dec-24	**2025E** Dec-25
Net revenue	**494.5**	**507.4**	**796.9**	**1,228.9**	**304.6**	**312.9**	**326.2**	**344.0**	**1,287.7**	**295.2**	**311.4**	**360.2**	**381.5**	**1,348.2**	**1,469.5**
Y/Y %		2.6%	57.1%	54.2%	23.7%	2.2%	1.9%	(3.5%)	4.8%	(3.1%)	(0.5%)	10.4%	10.9%	4.7%	9.0%
Comparable growth	7.2%	0.9%	51.0%	51.6%	21.0%	(0.8%)	(2.1%)	(6.8%)	1.4%	(9.5%)	(8.3%)	1.0%	2.0%	(3.5%)	4.0%
Cost of goods sold	318.6	307.9	467.0	703.9	176.3	172.8	195.4	202.8	747.3	180.1	185.6	209.6	216.9	792.2	842.1
Gross profit	176.0	199.5	329.9	525.1	128.2	140.1	130.9	141.2	540.4	115.1	125.7	150.6	164.6	556.0	627.4
Gross margin	**35.6%**	**39.3%**	**41.4%**	**42.7%**	**42.1%**	**44.8%**	**40.1%**	**41.0%**	**42.0%**	**39.0%**	**40.4%**	**41.8%**	**43.1%**	**41.2%**	**42.7%**
Y/Y bps		373	208	132	243	135	(247)	(330)	(76)	(312)	(440)	170	210	(73)	146
Selling, general and administrative expenses	146.1	150.4	240.4	333.0	82.3	86.1	106.4	100.4	375.3	96.7	101.8	109.4	109.5	417.3	451.7
Y/Y %		3.0%	59.8%	38.5%	12.1%	8.3%	22.0%	8.2%	12.7%	17.4%	18.1%	2.8%	9.0%	11.2%	8.2%
% of sales	29.5%	29.6%	30.2%	27.1%	27.0%	27.5%	32.6%	29.2%	29.1%	32.8%	32.7%	30.4%	28.7%	31.0%	30.7%
Y/Y bps		11	53	(307)	(278)	156	536	315	205	572	515	(225)	(50)	180	(21)
Operating income	**29.9**	**49.1**	**89.5**	**192.1**	**45.9**	**54.0**	**24.4**	**40.8**	**165.1**	**18.4**	**24.0**	**41.2**	**55.2**	**138.7**	**175.7**
Operating margin	**6.1%**	**9.7%**	**11.2%**	**15.6%**	**15.1%**	**17.3%**	**7.5%**	**11.9%**	**12.8%**	**6.2%**	**7.7%**	**11.4%**	**14.5%**	**10.3%**	**12.0%**
Y/Y bps		362	156	440	521	(22)	(784)	(645)	(281)	(885)	(955)	395	260	(253)	167
Interest expense, net	12.9	12.6	5.4	3.4	(0.2)	(0.5)	(1.1)	(1.6)	(3.4)	(1.4)	(1.0)	(1.0)	(1.0)	(4.4)	(6.0)
Other expense / (income)	0.0	0.0	(0.3)	(1.3)	(0.6)	(0.1)	(0.1)	(0.3)	(1.0)	(0.1)	0.0	0.0	0.0	(0.1)	0.0
Income / (loss) before taxes	17.0	36.5	84.4	190.0	46.6	54.6	25.6	42.7	169.5	19.9	25.0	42.2	56.2	143.3	181.7
Income tax expense / (benefit)	0.4	0.8	1.1	47.9	12.2	14.4	5.4	11.6	43.7	4.8	6.6	11.1	14.8	37.4	47.2
Effective tax rate	2.1%	2.1%	1.3%	25.2%	26.2%	26.3%	21.3%	27.2%	25.8%	24.2%	26.4%	26.4%	26.4%	26.1%	26.0%
Adjusted net income / (loss)	**16.7**	**35.8**	**83.3**	**142.1**	**34.4**	**40.2**	**20.2**	**31.1**	**125.8**	**15.1**	**18.4**	**31.1**	**41.3**	**105.9**	**134.5**
Adjusted earnings per share	**$0.15**	**$0.32**	**$0.70**	**$1.02**	**$0.25**	**$0.29**	**$0.14**	**$0.22**	**$0.90**	**$0.11**	**$0.13**	**$0.22**	**$0.29**	**$0.75**	**$0.95**
Y/Y %		114.8%	118.3%	46.1%	99.7%	2.5%	(47.7%)	(35.0%)	(11.8%)	(56.3%)	(54.5%)	53.4%	32.4%	(16.3%)	26.5%
Adjustments to net income			46.3	5.5	0.3	0.0	0.4	(0.1)	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Reported net income / (loss)			36.9	136.6	34.1	40.2	19.7	31.2	125.2	15.1	18.4	31.1	41.3	105.9	134.5
Reported earnings per share			$0.31	$0.98	$0.24	$0.29	$0.14	$0.22	$0.89	$0.11	$0.13	$0.22	$0.29	$0.75	$0.95
Diluted shares	112.1	112.1	119.5	139.6	139.9	140.0	140.1	140.3	140.1	140.6	140.7	140.8	141.0	140.8	141.4
Operating income	29.9	49.1	89.5	192.1	45.9	54.0	24.4	40.8	165.1	18.4	24.0	41.2	55.2	138.7	175.7
Depreciation & amortization	16.0	17.0	23.9	24.9	6.7	7.4	7.3	8.0	29.4	8.6	10.7	11.3	12.4	43.1	49.4
EBITDA	45.9	66.0	113.4	217.0	52.6	61.4	31.7	48.8	194.5	27.0	34.7	52.5	67.6	181.8	225.2
Stock-based compensation	0.3	0.4	9.1	4.3	1.6	2.3	1.8	2.2	7.9	2.0	2.9	2.4	2.8	10.1	11.0
Other adjustments	4.0	3.3	0.0	0.7	0.6	0.1	0.1	0.3	1.0	0.1	0.0	0.0	0.0	0.1	0.0
Adjusted EBITDA	**50.2**	**69.7**	**122.6**	**222.5**	**54.8**	**63.8**	**33.7**	**51.2**	**203.5**	**29.1**	**37.6**	**54.9**	**70.3**	**192.0**	**236.2**
Y/Y %		38.9%	75.8%	81.6%	75.8%	5.5%	(40.6%)	(30.9%)	(8.6%)	(46.9%)	(41.0%)	63.2%	37.3%	(5.7%)	23.0%
Adjusted EBITDA margin	10.1%	13.7%	15.4%	18.1%	18.0%	20.4%	10.3%	14.9%	15.8%	9.9%	12.1%	15.2%	18.4%	14.2%	16.1%
Y/Y bps		359	164	273	534	64	(740)	(593)	(231)	(814)	(830)	493	354	(156)	183

Sources: Arhaus, and William Blair Equity Research

Exhibit 45
Post-Pandemic Normalization and The Next Era of Growth
Floor & Decor Quarterly and Annual Statement of Income

Fiscal year ending January	2019	2020	2021	2022	Q1	Q2	Q3	Q4	2023	Q1A	Q2A	Q3E	Q4E	2024E	2025E
in $ millions	Dec-19	Dec-20	Dec-21	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-24	Dec-25
Net revenue	**2,045.5**	**2,425.8**	**3,433.5**	**4,264.5**	**1,122.1**	**1,135.9**	**1,107.8**	**1,048.1**	**4,413.9**	**1,097.3**	**1,145.3**	**1,187.0**	**1,135.4**	**4,564.9**	**5,222.8**
Y/Y %	19.6%	18.6%	41.5%	24.2%	9.1%	4.2%	0.9%	0.0%	3.5%	(2.2%)	0.8%	7.1%	8.3%	3.4%	14.4%
Comparable sales Y/Y %	**4.0%**	**5.5%**	**27.4%**	**9.2%**	**(3.3%)**	**(6.0%)**	**(9.3%)**	**(9.4%)**	**(7.0%)**	**(11.6%)**	**(9.0%)**	**(3.0%)**	**(2.0%)**	**(6.5%)**	**3.5%**
Cost of goods sold	1,196.4	1,390.9	2,011.3	2,536.8	652.9	656.3	640.4	606.0	2,555.5	627.3	654.8	679.0	650.2	2,611.3	2,979.8
Gross profit	849.0	1,034.9	1,422.3	1,727.7	469.1	479.6	467.5	442.1	1,858.3	470.0	490.5	508.0	485.2	1,953.7	2,243.0
Gross margin	**41.5%**	**42.7%**	**41.4%**	**40.5%**	**41.8%**	**42.2%**	**42.2%**	**42.2%**	**42.1%**	**42.8%**	**42.8%**	**42.8%**	**42.7%**	**42.8%**	**42.9%**
Y/Y bps	44	115	(124)	(91)	214	219	144	59	159	103	60	60	55	70	15
Selling & store operating expenses	541.3	650.5	847.5	1,078.3	303.7	311.4	308.6	315.6	1,239.2	334.3	336.9	352.0	361.7	1,384.9	1,569.1
Y/Y %	23.2%	20.2%	30.3%	27.2%	21.7%	16.1%	9.9%	12.7%	14.9%	10.1%	8.2%	14.1%	14.6%	11.8%	13.3%
% of sales	26.5%	26.8%	24.7%	25.3%	27.1%	27.4%	27.9%	30.1%	28.1%	30.5%	29.4%	29.7%	31.9%	30.3%	30.0%
Y/Y bps	76	35	(213)	60	281	281	228	340	279	341	200	180	175	226	(30)
General & administrative expenses	119.7	147.2	191.2	209.4	61.9	63.3	59.9	67.7	252.7	66.8	69.0	67.1	73.3	276.1	285.8
Y/Y %	22.2%	23.0%	29.9%	9.5%	16.8%	22.9%	9.9%	34.2%	20.7%	7.9%	9.0%	12.1%	8.3%	9.3%	3.5%
% of sales	5.9%	6.1%	5.6%	4.9%	5.5%	5.6%	5.4%	6.5%	5.7%	6.1%	6.0%	5.7%	6.5%	6.0%	5.5%
Y/Y bps	12	22	(50)	(66)	37	84	44	165	82	57	45	25	0	32	(58)
Store startup expenses	24.6	21.5	34.4	38.6	8.0	10.0	14.2	12.8	45.0	9.6	11.0	12.0	12.0	44.6	48.0
Y/Y %	(5.9%)	(12.6%)	60.2%	12.2%	(19.3%)	16.5%	37.0%	30.8%	16.4%	19.6%	10.3%	(15.7%)	(5.9%)	(0.9%)	7.6%
% of sales	1.2%	0.9%	1.0%	0.9%	0.7%	0.9%	1.3%	1.2%	1.0%	0.9%	1.0%	1.0%	1.1%	1.0%	0.9%
Y/Y bps	(33)	(32)	12	(10)	(25)	9	34	29	11	16	8	(27)	(16)	(4)	(6)
Operating income	**163.4**	**215.7**	**349.1**	**401.4**	**95.5**	**95.0**	**84.8**	**46.2**	**321.4**	**59.3**	**73.6**	**76.9**	**38.2**	**248.0**	**340.2**
Operating margin	8.0%	8.9%	10.2%	9.4%	8.5%	8.4%	7.7%	4.4%	7.3%	5.4%	6.4%	6.5%	3.4%	5.4%	6.5%
Y/Y bps	(12)	90	128	(76)	(78)	(155)	(163)	(474)	(213)	(311)	(193)	(118)	(104)	(185)	108
Interest expense, net	8.8	8.4	4.9	11.1	4.9	2.9	1.2	0.9	9.9	2.0	2.5	2.5	2.5	9.5	10.0
Other expense / (income)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before taxes	154.6	207.3	344.2	390.2	90.7	92.1	83.5	45.3	311.5	57.4	71.1	74.4	35.7	238.6	330.2
Income tax expense / (benefit)	34.2	48.0	81.8	93.4	19.1	20.6	17.6	8.2	65.6	7.3	16.1	16.8	8.1	48.3	67.7
Effective tax rate	22.1%	23.1%	23.8%	23.9%	21.1%	22.4%	21.1%	18.1%	21.0%	12.8%	22.6%	22.6%	22.6%	20.2%	20.5%
Adjusted net income	**120.4**	**159.3**	**262.4**	**296.8**	**71.5**	**71.5**	**65.9**	**37.1**	**246.0**	**50.0**	**55.1**	**57.6**	**27.6**	**190.3**	**262.5**
Adjusted earnings per share	**$1.15**	**$1.50**	**$2.44**	**$2.76**	**$0.66**	**$0.66**	**$0.61**	**$0.34**	**$2.28**	**$0.46**	**$0.51**	**$0.53**	**$0.25**	**$1.75**	**$2.40**
Y/Y %	18.2%	30.8%	62.8%	13.1%	(0.3%)	(12.3%)	(12.7%)	(46.4%)	(17.4%)	(30.4%)	(23.4%)	(13.4%)	(26.1%)	(23.2%)	36.8%
Reported net income	150.6	195.0	283.2	298.2	71.5	71.5	65.9	37.1	246.0	50.0	55.1	57.6	27.6	190.3	262.5
Reported earnings per share	$1.44	$1.84	$2.64	$2.78	$0.66	$0.66	$0.61	$0.34	$2.28	$0.46	$0.51	$0.53	$0.25	$1.75	$2.40
Adjustments to earnings	($0.29)	($0.34)	($0.19)	($0.01)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Diluted shares	105.0	106.1	107.4	107.4	107.7	107.8	107.9	108.0	107.8	108.3	108.5	108.7	108.9	108.6	109.5
Q/Q %					0.3%	0.1%	0.0%	0.1%		0.4%	0.2%	0.2%	0.2%		
Net income	150.6	195.0	283.2	298.2	71.5	71.5	65.9	37.1	246.0	50.0	55.1	57.6	27.6	190.3	262.5
Depreciation & amortization	73.0	90.5	115.2	153.4	45.9	49.2	50.3	54.4	199.9	55.9	57.4	59.0	63.5	235.7	284.1
Interest expense	8.8	8.4	4.9	11.1	4.9	2.9	1.2	0.9	9.9	2.0	2.5	2.5	2.5	9.5	10.0
Loss on early extinguishment of debt	0.0	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income tax expense	(0.3)	12.2	50.8	87.4	19.1	20.6	17.6	8.2	65.6	7.3	16.1	16.8	8.1	48.3	67.7
EBITDA	232.2	305.1	454.2	550.2	141.4	144.2	135.1	100.6	521.3	115.2	131.0	135.8	101.7	483.7	624.3
Stock based compensation	8.7	16.1	20.5	22.2	6.7	8.3	5.3	6.9	27.2	7.3	9.5	6.9	8.6	32.3	36.9
Other	1.7	1.8	10.4	4.6	1.4	0.4	0.5	0.3	2.6	0.6	0.0	0.0	0.0	0.6	0.0
Adjusted EBITDA	**242.6**	**323.0**	**485.1**	**577.1**	**149.6**	**152.8**	**140.9**	**107.8**	**551.1**	**123.1**	**140.5**	**142.7**	**110.3**	**516.6**	**661.3**
Adjusted EBITDA margin	11.9%	13.3%	14.1%	13.5%	13.3%	13.5%	12.7%	10.3%	12.5%	11.2%	12.3%	12.0%	9.7%	11.3%	12.7%
Y/Y %	26.4%	33.1%	50.2%	19.0%	10.2%	1.7%	(4.7%)	(24.7%)	(4.5%)	(17.7%)	(8.0%)	1.2%	2.4%	(6.3%)	28.0%
Y/Y bps	64	145	81	(60)	14	(34)	(75)	(337)	(105)	(212)	(118)	(70)	(57)	(117)	134

Sources: Floor & Decor Holdings, and William Blair Equity Research

Exhibit 46
Post-Pandemic Normalization and The Next Era of Growth
RH Quarterly and Annual Statement of Income

Fiscal year ending January *in $ millions*	FY 2019	FY 2020	FY 2021	FY 2022	Q1 Apr-23	Q2 Jul-23	Q3 Oct-23	Q4 Jan-24	FY 2023	Q1A Apr-24	Q2E Jul-24	Q3E Oct-24	Q4E Jan-25	FY 2024E	FY 2025E
Adjusted net revenues	**2,647.0**	**2,850.0**	**3,757.6**	**3,590.5**	**739.2**	**800.5**	**751.2**	**738.3**	**3,029.1**	**727.0**	**830.6**	**836.3**	**806.0**	**3,199.9**	**3,490.7**
Y/Y %	5.4%	7.7%	31.8%	(4.4%)	(22.8%)	(19.3%)	(13.6%)	(4.4%)	(15.6%)	(1.7%)	3.8%	11.3%	9.2%	5.6%	9.1%
Cost of goods sold	1,550.9	1,516.2	1,903.4	1,767.6	391.6	420.4	410.8	417.3	1,640.1	410.9	469.5	434.3	433.4	1,748.1	1,868.6
Gross profit	1,096.2	1,333.8	1,854.2	1,822.9	347.5	380.1	340.5	321.0	1,389.0	316.0	361.2	402.0	372.6	1,451.8	1,622.0
Gross margin	**41.4%**	**46.8%**	**49.3%**	**50.8%**	**47.0%**	**47.5%**	**45.3%**	**43.5%**	**45.9%**	**43.5%**	**43.5%**	**48.1%**	**46.2%**	**45.4%**	**46.5%**
Y/Y bps	190	539	255	143	(506)	(528)	(436)	(639)	(492)	(354)	(400)	275	275	(49)	110
Selling, general and administrative expenses	717.1	713.3	891.6	1,033.1	237.2	218.7	285.3	254.1	995.2	268.8	269.0	273.9	241.4	1,053.1	1,116.3
Y/Y %	1.8%	(0.5%)	25.0%	15.9%	(9.5%)	(21.5%)	13.5%	5.3%	(3.7%)	13.3%	23.0%	(4.0%)	(5.0%)	5.8%	6.0%
Q/Q %	-	-	-	-	(1.7%)	(7.8%)	30.4%	(10.9%)	-	5.8%	0.1%	1.8%	(11.9%)	-	-
% of sales	27.1%	25.0%	23.7%	28.8%	32.1%	27.3%	38.0%	34.4%	32.9%	37.0%	32.4%	32.7%	29.9%	32.9%	32.0%
Y/Y bps	(98)	(206)	(130)	505	471	(76)	905	319	408	489	507	(523)	(447)	5	(93)
Operating income	379.1	620.5	962.6	789.8	110.4	161.4	55.2	66.9	393.8	47.2	92.1	128.1	131.2	398.7	505.8
Operating margin	**14.3%**	**21.8%**	**25.6%**	**22.0%**	**14.9%**	**20.2%**	**7.3%**	**9.1%**	**13.0%**	**6.5%**	**11.1%**	**15.3%**	**16.3%**	**12.5%**	**14.5%**
Y/Y bps	288	745	384	(362)	(977)	(452)	(1,341)	(754)	(900)	(844)	(907)	798	722	(54)	203
Interest expense, net	44.6	32.2	49.2	117.8	39.8	44.4	54.6	59.4	198.3	56.8	57.0	56.0	54.5	224.3	210.0
Other expense / (income)				(2.8)	(0.7)	(0.2)	5.3	(3.4)	1.1	1.2	-	-	-	1.2	-
Income / (loss) before taxes	334.5	588.3	913.4	674.9	71.2	117.1	(4.8)	10.8	194.4	(10.7)	35.1	72.1	76.7	173.3	295.8
Income tax expense (benefit)	58.2	125.4	146.9	146.3	19.0	28.4	3.0	(3.4)	47.0	(3.4)	8.6	17.7	18.8	41.7	72.5
Tax rate	17.4%	21.3%	16.1%	21.7%	26.7%	24.3%	(63.1%)	(31.7%)	24.2%	31.5%	24.5%	24.5%	24.5%	24.1%	24.5%
Adjusted net income / (loss)	276.3	462.9	766.5	528.5	52.2	88.7	(7.8)	14.3	147.4	(7.3)	26.5	54.5	57.9	131.6	223.3
Y/Y %	35.2%	67.5%	65.6%	(31.0%)	(71.2%)	(45.9%)	(107.1%)	(80.4%)	(72.1%)	(114.0%)	(70.1%)	(798.4%)	305.6%	(10.7%)	69.7%
Adjusted earnings per diluted share	**$11.66**	**$17.83**	**$26.12**	**$20.06**	**$2.21**	**$3.93**	**($0.42)**	**$0.72**	**$6.82**	**($0.40)**	**$1.43**	**$2.91**	**$3.06**	**$7.00**	**$11.45**
Y/Y %	49.4%	52.9%	46.5%	(23.2%)	(66.6%)	(35.7%)	(110.0%)	(75.1%)	(66.0%)	(118.1%)	(63.6%)	(785.2%)	326.6%	2.6%	63.6%
Adjusted diluted shares outstanding	23.7	26.0	29.3	26.3	23.6	22.7	18.4	19.9	21.6	18.3	18.5	18.7	18.9	18.8	19.5
Total adjustments to revenue	0.4	(1.4)	1.2	-	-	-	-	-	-	-	-	-	-	-	-
Reported net revenues	2,647.4	2,848.6	3,758.8	3,590.5	739.2	800.5	751.2	738.3	3,029.1	727.0	830.6	836.3	806.0	3,199.9	3,490.7
Y/Y %	5.7%	7.6%	32.0%	(4.5%)	(22.8%)	(19.3%)	(13.6%)	(4.4%)	(15.6%)	(1.7%)	3.8%	11.3%	9.2%	5.6%	9.1%
Total adjustments to net income	(55.9)	(191.1)	(78.0)	0.1	(10.3)	(12.2)	5.6	(2.9)	(19.8)	3.7	(6.2)	(6.2)	(4.0)	(12.7)	(24.9)
Reported net income / (loss)	220.4	271.8	688.5	528.6	41.9	76.5	(2.2)	11.4	127.6	(3.6)	20.3	48.2	53.9	118.9	198.4
% of reported revenue	8.3%	9.5%	18.3%	14.7%	5.7%	0.1	(0.3%)	1.5%	4.2%	(0.5%)	0.0	5.8%	6.7%	3.7%	5.7%
Y/Y bps	291	122	878	(359)	(1,530)	(278)	(1,166)	(1,230)	(1,051)	(617)	(711)	606	515	(50)	197
Diluted shares outstanding	24.3	27.3	31.1	26.6	23.8	22.7	18.4	19.9	21.6	18.3	18.5	18.7	18.9	18.8	19.5
Reported earnings per diluted share	**$9.07**	**$9.96**	**$22.13**	**$19.90**	**$1.76**	**$3.36**	**($0.12)**	**$0.57**	**$5.91**	**($0.20)**	**$1.10**	**$2.58**	**$2.85**	**$6.33**	**$10.17**
Adjusted EBITDA	**495.4**	**745.6**	**1,087.3**	**930.5**	**146.7**	**197.9**	**93.5**	**112.8**	**550.9**	**89.1**	**137.1**	**171.2**	**179.1**	**576.6**	**705.0**
Y/Y %	23.8%	50.5%	45.8%	(14.4%)	(45.6%)	(29.3%)	(56.7%)	(31.6%)	(40.8%)	(39.2%)	(30.7%)	83.1%	58.8%	4.7%	22.3%
% of sales	18.7%	26.2%	28.9%	25.9%	19.8%	24.7%	12.4%	15.3%	18.2%	12.3%	16.5%	20.5%	22.2%	18.0%	20.2%
Y/Y bps	278	745	277	(302)	(832)	(349)	(1,242)	(606)	(773)	(758)	(822)	802	695	(17)	218

Sources: RH, and William Blair Equity Research

Exhibit 47
Post-Pandemic Normalization and The Next Era of Growth
Tempur Sealy Quarterly and Annual Statement of Income

Fiscal year ending December	**2020**	**2021**	**2022**	**Q1**	**Q2**	**Q3**	**Q4**	**2023E**	**Q1A**	**Q2E**	**Q3E**	**Q4E**	**2024E**	**2025E**
in $ millions	Dec-20	Dec-21	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-24	Dec-25
Net sales	**3,676.9**	**4,930.8**	**4,921.2**	**1,208.1**	**1,269.7**	**1,277.1**	**1,170.5**	**4,925.4**	**1,189.4**	**1,275.7**	**1,326.5**	**1,207.6**	**4,999.3**	**5,197.3**
Y/Y %	18.4%	34.1%	(0.2%)	(2.5%)	4.8%	(0.5%)	(1.4%)	0.1%	(1.5%)	0.5%	3.9%	3.2%	1.5%	4.0%
Cost of sales	2,033.4	2,772.1	2,854.7	703.3	725.0	691.5	653.4	2,773.2	673.7	706.5	702.1	659.4	2,741.6	2,829.6
Gross profit	1,643.5	2,158.7	2,066.5	504.8	544.7	585.6	517.1	2,152.2	515.7	569.3	624.5	548.2	2,257.7	2,367.7
Gross margin	44.7%	43.8%	42.0%	41.8%	42.9%	45.9%	44.2%	43.7%	43.4%	44.6%	47.1%	45.4%	45.2%	45.6%
Y/Y bps	148	(92)	(179)	(39)	125	338	256	170	157	172	122	122	146	40
Selling and marketing expenses	740.2	923.1	992.5	256.7	270.2	272.9	263.6	1,063.4	265.0	279.2	281.2	270.0	1,095.3	1,122.1
Y/Y %	11.1%	24.7%	7.5%	5.4%	6.8%	9.9%	6.4%	7.1%	3.2%	3.3%	3.0%	2.4%	3.0%	2.4%
% of sales	20.1%	18.7%	20.2%	21.2%	21.3%	21.4%	22.5%	21.6%	22.3%	21.9%	21.2%	22.4%	21.9%	21.6%
Y/Y bps	(132)	(141)	145	160	40	202	165	142	103	60	(17)	(16)	32	(32)
General, administrative, and other expenses	302.0	347.7	383.1	99.3	106.9	102.6	107.9	416.7	106.2	109.0	104.7	110.6	430.5	439.1
Y/Y %	0.8%	15.1%	10.2%	1.7%	13.5%	8.0%	12.0%	8.8%	6.9%	2.0%	2.0%	2.5%	3.3%	2.0%
Q/Q %	-	-	-	3.1%	7.7%	(4.0%)	5.2%	-	(1.6%)	2.7%	(4.0%)	5.7%	-	-
% of sales	8.2%	7.1%	7.8%	8.2%	8.4%	8.0%	9.2%	8.5%	8.9%	8.5%	7.9%	9.2%	8.6%	8.4%
Y/Y bps	(143)	(116)	73	35	64	63	111	68	71	13	(14)	(6)	15	(16)
Equity income of unconsolidated affiliates	(16.4)	(30.6)	(21.1)	(4.6)	(4.2)	(4.6)	(9.6)	(23.0)	(4.9)	(4.2)	(4.8)	(9.9)	(23.8)	(24.7)
% of sales	(0.4%)	(0.6%)	(0.4%)	(0.4%)	(0.3%)	(0.4%)	(0.8%)	(0.5%)	(0.4%)	(0.3%)	(0.4%)	(0.8%)	(0.5%)	(0.5%)
Operating income	**617.7**	**918.5**	**712.0**	**153.4**	**171.8**	**214.7**	**155.2**	**695.1**	**149.4**	**185.3**	**243.4**	**177.5**	**755.7**	**831.2**
Operating margin	16.8%	18.6%	14.5%	12.7%	13.5%	16.8%	13.3%	14.1%	12.6%	14.5%	18.3%	14.7%	15.1%	16.0%
Y/Y bps	417	183	(416)	(252)	33	70	5	(36)	(14)	99	154	144	100	88
Interest expense	77.0	61.1	103.0	32.8	33.6	32.6	30.9	129.9	34.3	34.6	34.4	33.2	136.5	93.1
Other expense / (income)	0.1	(0.8)	0.4	0.1	(0.2)	(0.1)	0.2	0.0	(0.3)	0.0	0.0	0.0	(0.3)	0.0
Income before taxes	540.6	858.2	608.6	120.5	138.4	182.2	124.1	565.2	115.4	150.7	209.0	144.3	619.5	738.2
Income tax provision / (benefit)	134.1	206.3	139.2	27.0	35.6	44.6	29.6	136.8	25.2	39.2	53.3	36.8	154.5	181.5
Effective tax rate	24.8%	24.0%	22.9%	22.4%	25.7%	24.5%	23.9%	24.2%	21.8%	26.0%	25.5%	25.5%	24.9%	24.6%
Net income attributable to non-controlling interests	0.9	0.3	1.5	0.6	0.8	0.6	0.6	2.6	0.5	-	-	-	0.5	-
Adjusted net income	405.6	651.6	467.9	92.9	102.0	137.0	93.9	425.8	89.7	111.5	155.7	107.5	464.5	556.7
Adjusted earnings per share	**$1.91**	**$3.19**	**$2.60**	**$0.53**	**$0.58**	**$0.77**	**$0.53**	**$2.40**	**$0.50**	**$0.63**	**$0.87**	**$0.60**	**$2.60**	**$3.10**
Y/Y %	90.7%	66.9%	(18.6%)	(24.2%)	(0.0%)	(0.9%)	(3.0%)	(7.5%)	(4.1%)	8.5%	12.9%	13.7%	8.3%	19.1%
Seasonality %	-	-	-	21.9%	24.0%	32.1%	21.9%	-	19.4%	24.1%	33.5%	23.1%	-	-
Adjustments	56.8	27.1	12.2	7.6	9.6	23.5	16.8	57.5	13.4	-	-	-	(1.4)	-
Reported net income	348.8	624.5	455.7	85.3	92.4	113.5	77.1	368.3	76.3	111.5	155.7	107.5	465.9	556.7
Reported earnings per share	$1.64	$3.06	$2.53	$0.48	$0.52	$0.64	$0.43	$2.08	$0.43	$0.63	$0.87	$0.60	$2.61	$3.10
Diluted shares	212.3	204.3	180.3	176.8	176.8	177.6	178.2	177.3	178.0	178.2	178.8	179.4	178.6	179.8
Adjusted net income	405.6	651.6	467.9	92.9	102.0	137.0	93.9	425.8	89.7	111.5	155.7	107.5	464.5	556.7
Interest expense, net	77.0	61.1	103.0	32.8	33.6	32.6	30.9	129.9	34.3	34.6	34.4	33.2	136.5	93.1
Income tax provision / (benefit)	134.1	206.3	139.2	27.0	35.6	44.6	29.6	136.8	25.2	39.2	53.3	36.8	154.5	181.5
Depreciation & amortization	154.9	176.6	182.0	45.0	46.3	45.5	48.0	184.8	49.0	52.7	53.1	54.2	209.1	222.5
Adjusted EBITDA	**779.8**	**1,135.9**	**892.1**	**197.7**	**217.5**	**259.7**	**202.4**	**877.3**	**198.2**	**238.0**	**296.5**	**231.8**	**964.5**	**1,053.8**
Y/Y %	53.5%	45.7%	(21.5)%	(15.7)%	6.9%	3.1%	0.0%	(1.7)%	0.3%	9.4%	14.2%	14.5%	9.9%	9.3%
% of sales	21.2%	23.0%	18.1%	16.4%	17.1%	20.3%	17.3%	17.8%	16.7%	18.7%	22.4%	19.2%	19.3%	20.3%
Y/Y bps	485	183	(491)	(255)	33	71	25	(32)	30	153	202	190	148	98

Sources: Tempur Sealy International, and William Blair Equity Research

Exhibit 48
Post-Pandemic Normalization and The Next Era of Growth
Wayfair Quarterly and Annual Statement of Income

Fiscal year ending December *in $ millions*	FYE 2019	FYE 2020	FYE 2021	FYE 2022	1Q Mar-23	2Q Jun-23	3Q Sep-23	4Q Dec-23	FYE 2023E	1QA Mar-24	2QA Jun-24	3QE Sep-24	4QE Dec-24	FYE 2024E	FYE 2025E
Net revenue	**9,127**	**14,145**	**13,708**	**12,218**	**2,774**	**3,171**	**2,944**	**3,114**	**12,003**	**2,729**	**3,187**	**2,890**	**3,214**	**12,020**	**12,623**
Y/Y %	34.6%	55.0%	(3.1%)	(10.9%)	(7.3%)	(3.4%)	3.7%	0.4%	(1.8%)	(1.6%)	0.5%	(1.8%)	3.2%	0.1%	5.0%
Q/Q %	-	-	-	-	(10.5%)	14.3%	(7.2%)	5.8%	-	(12.4%)	16.8%	(9.3%)	11.2%	-	-
Cost of goods sold	6,974	10,023	9,801	8,791	1,950	2,184	2,025	2,167	8,326	1,907	2,205	1,994	2,219	8,324	8,707
Gross profit	2,153	4,122	3,907	3,427	824	987	919	947	3,677	822	983	896	995	3,696	3,916
Gross margin	**23.6%**	**29.1%**	**28.5%**	**28.0%**	**29.7%**	**31.1%**	**31.2%**	**30.4%**	**30.6%**	**30.1%**	**30.8%**	**31.0%**	**31.0%**	**30.7%**	**31.0%**
Y/Y bps	14	556	(64)	(45)	277	375	213	152	259	42	(30)	(20)	55	11	27
Customer service and merchant fees	347	493	557	598	131	136	129	132	528	111	131	116	129	486	505
Y/Y %	37%	42%	13%	7%	(8%)	(11%)	(13%)	(14%)	(12%)	(15%)	(4%)	(10%)	(3%)	(8%)	4%
% of sales	3.8%	3.5%	4.1%	4.9%	4.7%	4.3%	4.4%	4.2%	4.4%	4.1%	4.1%	4.0%	4.0%	4.0%	4.0%
Y/Y bps	6	(32)	57	83	(6)	(37)	(83)	(73)	(50)	(65)	(19)	(38)	(24)	(36)	(4)
Advertising	1,096	1,412	1,378	1,473	327	352	337	381	1,397	324	382	332	360	1,399	1,483
Y/Y %	42%	29%	(2%)	7%	(3%)	(7%)	(5%)	(6%)	(5%)	(1%)	9%	(1%)	(6%)	0%	6%
% of sales	12.0%	10.0%	10.0%	12.1%	11.8%	11.1%	11.4%	12.2%	11.6%	11.9%	12.0%	11.5%	11.2%	11.6%	11.8%
Y/Y bps	59	(202)	7	201	56	(41)	(98)	(86)	(42)	8	90	5	(104)	(0)	11
										429.96	423.81	427.75	458	-211.01	
Selling, operations, technology, general & administrative	1,399	1,556	1,681	2,143	484	473	459	447	1,863	416	416	409	411	1,652	1,693
Y/Y %	56%	11%	8%	28%	(8%)	(17%)	(15%)	(12%)	(13%)	(14%)	(12%)	(11%)	(8%)	(11%)	2%
Q/Q %	-	-	-	-	(5%)	(2%)	(3%)	(3%)	-	(7%)	0%	(2%)	1%	-	-
% of sales	15.3%	11.0%	12.3%	17.5%	17.4%	14.9%	15.6%	14.4%	15.5%	15.2%	13.1%	14.1%	12.8%	13.7%	13.4%
Y/Y bps	208	(433)	126	528	(9)	(235)	(353)	(203)	(202)	(220)	(186)	(145)	(156)	(178)	(33)
Total operating expenses	2,842	3,461	3,615	4,214	942	961	925	960	3,788	851	929	856	900	3,537	3,682
Y/Y %	*48%*	*22%*	*4%*	*17%*	*(6%)*	*(12%)*	*(11%)*	*(10%)*	*(10%)*	*(10%)*	*(3%)*	*(7%)*	*(6%)*	*(7%)*	*4%*
% of sales	*31.1%*	*24.5%*	*26.4%*	*34.5%*	*34.0%*	*30.3%*	*31.4%*	*30.8%*	*31.6%*	*31.2%*	*29.2%*	*29.6%*	*28.0%*	*29.4%*	*29.2%*
Y/Y bps	272	(667)	190	812	41	(313)	(534)	(361)	(293)	(277)	(115)	(178)	(283)	(214)	(26)
Adjusted operating income / (loss)	**(689)**	**661**	**292**	**(787)**	**(118)**	**26**	**(6)**	**(13)**	**(111)**	**(29)**	**53**	**40**	**95**	**159**	**234**
Operating margin	(7.5%)	4.7%	2.1%	(6.4%)	(4.3%)	0.8%	(0.2%)	(0.4%)	(0.9%)	(1.1%)	1.7%	1.4%	3.0%	1.3%	1.9%
Y/Y bps	(258)	1,222	(255)	(857)	236	688	747	513	552	319	85	158	338	225	53
Equity-based compensation expense	241	297	374	527	151	167	146	159	623	127	112	110	119	467	492
Other	-	4	12	70	78	1	-	-	79	79	-	-	-	79	-
Reported operating income / (loss)	(930)	360	(94)	(1,384)	(347)	(142)	(152)	(172)	(813)	(235)	(58)	(70)	(24)	(387)	(258)
Interest expense / (income), net	55	146	32	27	5	5	5	2	17	6	4	4	4	18	16
Other expense / (income), net	(3)	9	5	(92)	1	(103)	4	(3)	(101)	4	-	-	-	4	-
Income / (loss) before income taxes	(982)	205	(131)	(1,319)	(353)	(44)	(161)	(171)	(729)	(245)	(62)	(74)	(28)	(409)	(274)
Provision / (benefit) for income taxes, net	3	20	1	12	2	2	2	3	9	3	3	3	3	12	12
Effective tax rate	-	10%	-	-	-	-	-	-	-	-	-	-	-	-	-
Reported net income / (loss)	(985)	185	(131)	(1,331)	(355)	(46)	(163)	(174)	(738)	(248)	(65)	(77)	(31)	(421)	(286)
Reported earnings / (loss) per share	($10.68)	$2.11	($1.26)	($12.56)	($3.22)	($0.41)	($1.41)	$1.49	($6.47)	($2.06)	($0.54)	($0.63)	($0.25)	($3.44)	($2.25)
Diluted weighted average shares outstanding	92	106	104	106	110	112	116	118	114	120	122	123	124	122	127
Q/Q %	-	-	-	-	2%	2%	4%	2%	-	2%	1%	1%	1%	-	-
Net income available to common stockholders after dilution	(985)	224	(131)	(1,331)	(355)	(46)	(163)	(174)	(738)	(248)	(65)	(77)	(31)	(421)	(286)
Total adjustments to reported net income / (loss)	244	344	407	513	231	70	148	162	611	209	115	113	122	558	504
Adjusted net income / (loss)	(741)	568	276	(818)	(124)	24	(15)	(12)	(127)	(39)	49	36	91	137	218
Adjusted earnings per share	**($8.03)**	**$5.16**	**$2.32**	**($7.71)**	**($1.13)**	**$0.21**	**($0.13)**	**$0.11**	**$1.13**	**($0.32)**	**$0.40**	**$0.29**	**$0.74**	**$1.12**	**$1.72**
Adjusted diluted weighted average shares outstanding	92	110	119	106	110	112	116	118	114	120	122	123	124	122	127
Adjusted operating income / (loss)	(689)	661	292	(787)	(118)	26	(6)	(13)	(111)	(29)	53	40	95	159	234
Depreciation and amortization	192	286	322	371	104	102	106	105	417	104	107	113	114	439	465
Adjusted EBITDA	**(497)**	**947**	**614**	**(416)**	**(14)**	**128**	**100**	**92**	**306**	**75**	**160**	**153**	**210**	**598**	**700**
Adjusted EBITDA Margin	(5.4%)	6.7%	4.5%	(3.4%)	(0.5%)	4.0%	3.4%	3.0%	2.5%	2.7%	5.0%	5.3%	6.5%	5.0%	5.5%
Y/Y bps	(227)	1,213	(222)	(788)	327	733	776	524	595	325	99	191	357	243	57

Sources: Wayfair, and William Blair Equity Research

The prices of the common stock of other public companies mentioned in this report follow:

Airbnb, Inc. (Outperform)	$140.10
Amazon, Inc. (Outperform)	$182.50
Arhaus, Inc. (Outperform)	$16.34
Conn's, Inc.	$0.34
Costco Wholesale Corporation (Outperform)	$817.6
Ethan Allen Interiors, Inc.	$30.84
Flexsteel Industries, Inc.	$38.45
Floor & Decor Holdings, Inc. (Outperform)	$96.05
Home Depot, Inc.	$359.51
Hooker Furnishings Corporation	$15.68
Leslie's, Inc. (Market Perform)	$2.99
Lowe's Companies, Inc.	$238.87
Pool Corporation (Outperform)	$371.82
Redfin Corporation (Market Perform)	$8.10
RH (Outperform)	$280.97
Tempur Sealy International, Inc. (Market Perform)	$52.31
TJX Companies, Inc. (Outperform)	$111.83
Walmart, Inc.	$69.78
Wayfair, Inc. (Outperform)	$53.02
Williams-Sonoma, Inc.	$155.50
Whirlpool Corporation	$99.53
Zillow Group, Inc.	$48.08

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DOW JONES: 40539.90
S&P 500: 5463.54
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Additional information is available upon request.

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Coverage Universe	Percent	Inv. Banking Relationships *	Percent
Outperform (Buy)	71	Outperform (Buy)	8
Market Perform (Hold)	28	Market Perform (Hold)	1
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William Blair

Equity Research Directory

John Kreger, Partner   Director of Research   +1 312 364 8612
Kyle Harris, CFA, Partner   Operations Manager   +1 312 364 8230

Scott Hansen   Associate Director of Research   +1 212 245 6526

CONSUMER

Sharon Zackfia, CFA, Partner   +1 312 364 5386
Group Head–Consumer
Lifestyle and Leisure Brands, Restaurants, Automotive/E-commerce

Jon Andersen, CFA, Partner   +1 312 364 8697
Consumer Products

Phillip Blee, CPA   +1 312 801 7874
Home and Outdoor, Automotive Parts and Services, Discount and Convenience

Dylan Carden   +1 312 801 7857
E-commerce, Specialty Retail

ECONOMICS

Richard de Chazal, CFA   +44 20 7868 4489

ENERGY AND SUSTAINABILITY

Jed Dorsheimer   +1 617 235 7555
Group Head–Energy and Sustainability
Generation, Efficiency, Storage

Tim Mulrooney, Partner   +1 312 364 8123
Sustainability Services

FINANCIAL SERVICES AND TECHNOLOGY

Adam Klauber, CFA, Partner   +1 312 364 8232
Group Head–Financial Services and Technology
Financial Analytic Service Providers, Insurance Brokers, Property & Casualty Insurance

Andrew W. Jeffrey, CFA   +1 415 796 6896
Fintech

Cristopher Kennedy, CFA   +1 312 364 8596
Fintech, Specialty Finance

Jeff Schmitt   +1 312 364 8106
Wealthtech, Wealth Management, Capital Markets Technology

GLOBAL SERVICES

Tim Mulrooney, Partner   +1 312 364 8123
Group Head–Global Services
Commercial and Residential Services

Andrew Nicholas, CPA   +1 312 364 8689
Consulting, HR Technology, Information Services

Trevor Romeo, CFA   +1 312 801 7854
Staffing

HEALTHCARE

Biotechnology

Tim Lugo, Partner   +1 415 248 2870
Group Head–Biotechnology

Sami Corwin, Ph.D.   +1 312 801 7783

Andy T. Hsieh, Ph.D., Partner   +1 312 364 5051

Myles R. Minter, Ph.D.   +1 617 235 7534

Matt Phipps, Ph.D., Partner   +1 312 364 8602

Healthcare Technology and Services

Ryan S. Daniels, CFA, Partner   +1 312 364 8418
Group Head–Healthcare Technology and Services
Healthcare Technology, Healthcare Services

Margaret Kaczor Andrew, CFA, Partner   +1 312 364 8608
Medical Technology

Brandon Vazquez, CFA   +1 212 237 2776
Dental, Animal Health

Life Sciences

Matt Larew, Partner   +1 312 801 7795
Life Science Tools, Bioprocessing, Healthcare Delivery

Andrew F. Brackmann, CFA   +1 312 364 8776
Diagnostics

Max Smock, CFA   +1 312 364 8336
Pharmaceutical Outsourcing and Services

INDUSTRIALS

Brian Drab, CFA, Partner   +1 312 364 8280
Co-Group Head–Industrials
Advanced Manufacturing, Industrial Technology

Ryan Merkel, CFA , Partner   +1 312 364 8603
Co-Group Head–Industrials
Building Products, Specialty Distribution

Louie DiPalma, CFA   +1 312 364 5437
Aerospace and Defense, Smart Cities

Ross Sparenblek   +1 312 364 8361
Diversified Industrials, Robotics, and Automation

TECHNOLOGY, MEDIA, AND COMMUNICATIONS

Jason Ader, CFA, Partner   +1 617 235 7519
Co-Group Head–Technology, Media, and Communications
Infrastructure Software

Arjun Bhatia, Partner   +1 312 364 5696
Co-Group Head–Technology, Media, and Communications
Software as a Service

Dylan Becker, CFA   +1 312 364 8938
Software, Software as a Service

Louie DiPalma, CFA   +1 312 364 5437
Government Technology

Jonathan Ho, Partner   +1 312 364 8276
Cybersecurity, Security Technology

Maggie Nolan, CPA, Partner   +1 312 364 5090
IT Services

Jake Roberge   +1 312 364 8056
Software, Software as a Service

Ralph Schackart III, CFA, Partner   +1 312 364 8753
Internet and Digital Media

Stephen Sheldon, CFA, CPA, Partner   +1 312 364 5167
Vertical Technology – Real Estate, Education, Restaurant/Hospitality

EDITORIAL AND SUPERVISORY ANALYSTS

Steve Goldsmith, Head Editor and SA   +1 312 364 8540

Audrey Majors, Editor and SA   +1 312 364 8992

Beth Pekol Porto, Editor and SA   +1 312 364 8924

Lisa Zurcher, Editor and SA   +44 20 7868 4549

Mubasil Chaudhry, Editor and SA   +44 20 7868 4453