Mergers & Acquisitions

2026 Furnishings Sector M&A Market Summary

In a tariff-driven environment headed into 2026, investors and companies continued to delay activity, extending the slowdown in furnishings sector acquisitions that began in late 2022. Weak consumer demand, shifts in trade policy, a wider gap between where sellers would transact and where buyers would commit and a financing market that demanded tighter diligence kept most participants from moving at scale. Rather than push deals into a market that wasn't ready, sponsors leaned into bolt-on activity and platform optimization, while strategics rationalized portfolios and built new capabilities ahead of what was expected to be a more workable 2026 deal market.

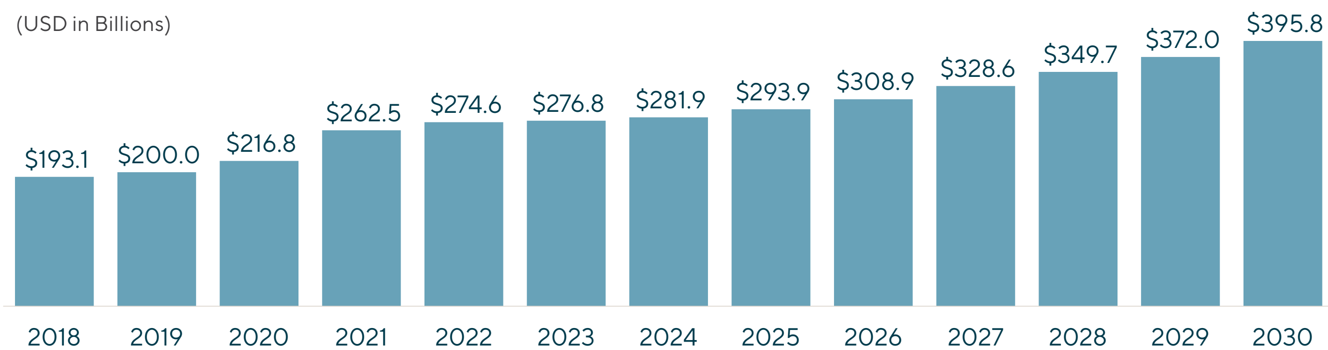
Although 2026 opened on a more optimistic footing, with buyers and sellers signaling a willingness to re-engage after a multi-year pause, the Iran conflict and resulting fuel and container price shocks cast fresh macro uncertainty over an outlook that had only just reached a relative degree of stabilization. Tariff headwinds have slightly improved since the conflict began, and although volatility remains, the operating environment has become more stable and predictable in the second half. With improving visibility, sponsors and strategics are positioned to convert the preparatory work of the past four years into actual transaction activity as 2026 progresses and we look into 2027.

The sector's next chapter will be defined by sponsors and strategics that move with conviction as the macro picture settles. Choosing the right advisor will separate the buyers and sellers who lead from those who follow. Lincoln International brings deep furnishings sector relationships, a global platform that spans residential, commercial, hospitality and education end markets and the transaction track record to help clients source, structure and close the deals that matter most in 2026 and beyond

1 Residential Channels and Trends

Residential was the softest segment of the sector heading into 2026, but the outlook is more encouraging than the headline data suggests. Mass-channel upholstery, case goods and bedding remain pressured. However, several indicators are improving, including better year-over-year housing affordability, stronger existing home sales activity and resilient consumer intent around furnishings purchases. Channel inventories have largely normalized, premium brands continue to protect margins and multiple years of deferred replacement demand create a more favorable setup for residential over the next 18 to 24 months.

U.S. Retail Furniture Market



Source: BEA, Statista Market Insights 2026

2026 Key Indicators

105.6

Housing Affordability Index

May 2026 monthly NAR[(1)] reading

+8.1% YoY

>100 = median family qualifies

5-Month High

Existing-Home Sales

May 2026: 4.17M SAAR[(2)]

+3.2% MoM / +3.2% YoY

Higher = more turnover

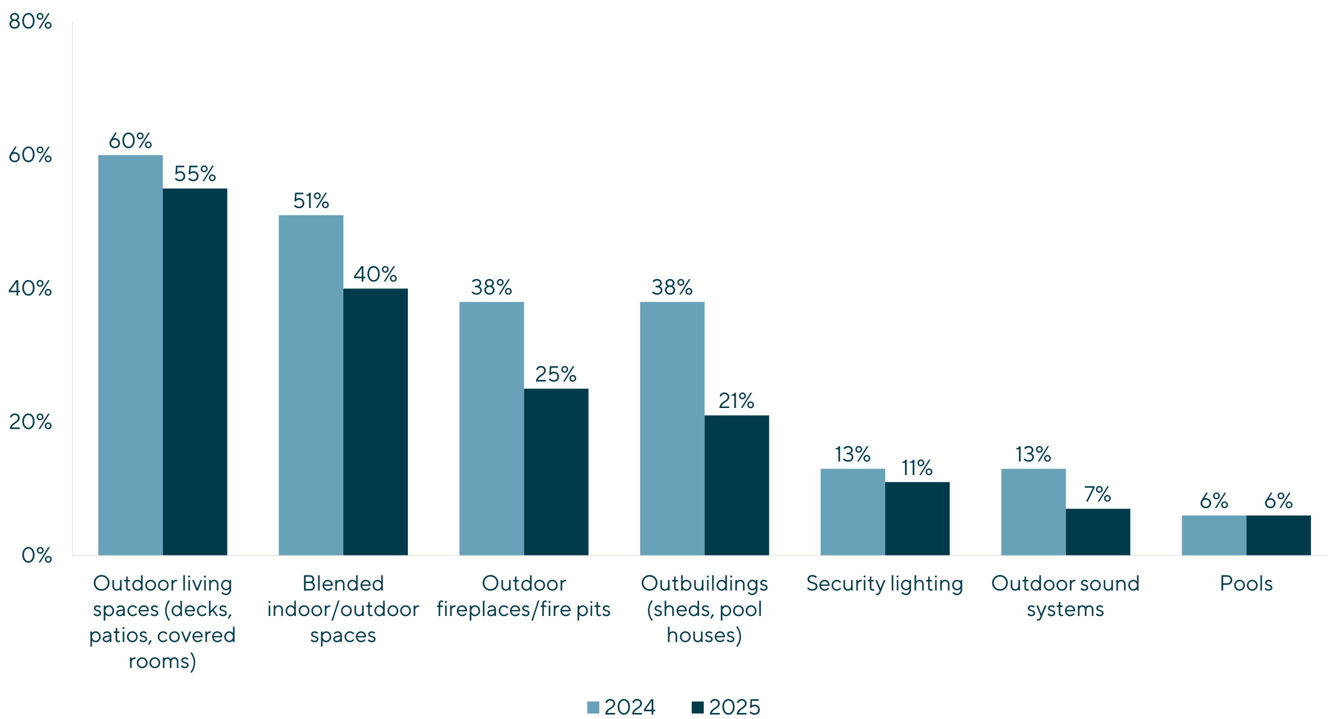
(1) National Association of Realtors, (2) Seasonally Adjusted Annual Rate
Sources: National Association of Realtors (NAR), FRED

I. Outdoor Living Strength Continues

Outdoor living remains one of the most durable corners of residential furnishings. The category continues to benefit from a structural shift in how homeowners use exterior space, as patios, decks, outdoor rooms, fire features and outdoor entertaining areas are increasingly treated as core living environments rather than discretionary add-ons. Recent design survey data continues to rank outdoor living as the top exterior feature, reinforcing the category's resilience despite broader softness in indoor furnishings. For sponsors, outdoor living offers a compelling combination of premium positioning, renovation-driven demand and potential upside from improved housing turnover as residential activity normalizes.

Outdoor Living Remains the #1 Exterior Feature

(Net % of respondents citing "increasing" popularity)



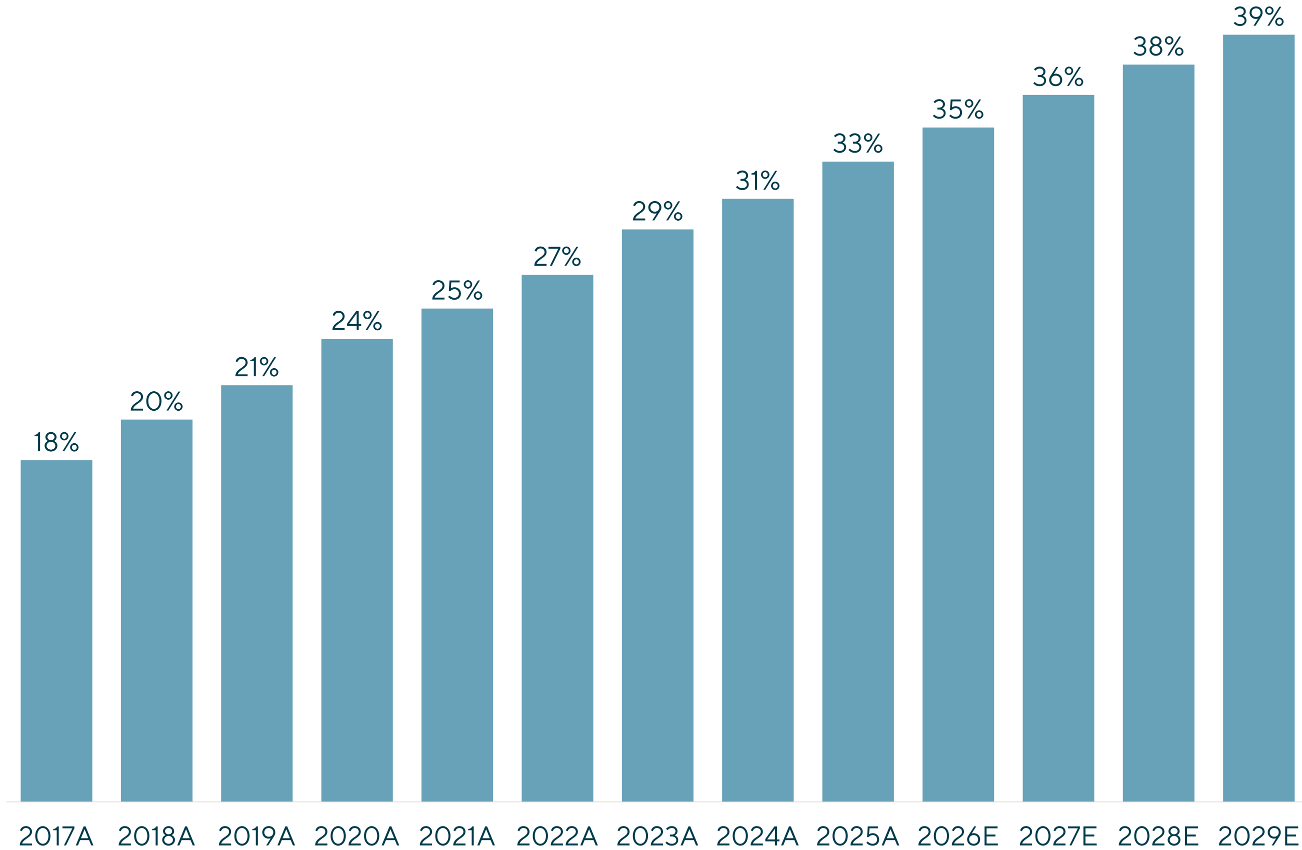
Source: BEA, Statista Market Insights 2026

II. E-Commerce Focus Remains

E-commerce continues to reshape how residential products are discovered, configured and purchased. Industry data points to roughly 35% of U.S. furniture and home furnishings sales now transacted online, with penetration expected to approach 40% by the end of the decade. Leading platforms are investing behind delivery, configuration and augmented reality (AR)-enabled visualization. Additionally, middle market and premium brands with strong digital and showroom integration are using online channels to sell larger, more customized items at full price. For buyers, the focus is increasingly on disciplined customer acquisition, repeat rates and profitable contribution margins rather than growth driven by promotion led demand.

U.S. Furniture E-Commerce Share of Total Sales

2017A-2029E



Source: Statista Market Insights 2026

III. Tariffs and Mid- to Long-Term Impact

Tariffs remain a defining issue for residential furnishings, particularly for import-heavy categories tied to China and other countries. The near-term impact has been margin pressure, more-complex pricing conversations and a renewed focus on sourcing flexibility. While tariffs remain an elevated cost headwind, recent refund activity and delayed step-ups in certain furnishings-related tariffs provide some near-term relief on a go-forward basis. In the longer-term, tariffs are accelerating a rebalancing of the supply base toward Mexico, Vietnam, India and select domestic capacity, with advantaged operators using diversified supplier networks to protect service levels and preserve pricing power. Structural winners will have clear visibility into all-in delivered cost, the ability to shift production across regions and the balance sheet flexibility to manage ongoing trade policy changes without disrupting customers.

Tariff Exposure At A Glance

25%[1]

Tariff Remains

On upholstered wood furniture, kitchen cabinets & vanities: 1-year delay under Section 301

$20B+[1]

Refunds Distributed

In Section 301 tariff refunds through May 2026

Most Exposed Categories[2]

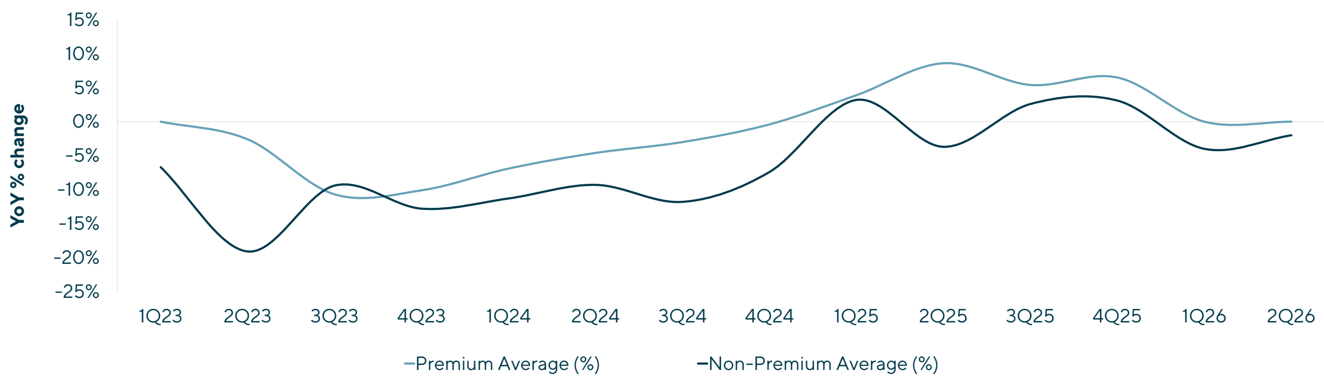
Bedroom Furniture	63%
Dining Room Furniture	63%
Accent Furniture	56%
Home Office Furniture	50%
Motion Upholstery	49%
Home Accents & Decor	46%

Sources: 1 Statista Market Insights 2026, 2 Furniture Today

IV. Premium vs. Non-Premium Performance

Premium and design-led residential brands continue to outperform non-premium and mass-channel operators. Higher-income consumers have been less affected by inflation and rate pressure, allowing premium platforms with strong brand equity, vertical integration and credible multi-channel distribution to hold volume and margin more effectively. By contrast, mass-channel brands have faced greater pressure from inventory normalization, tariff-related cost inflation and lower ability to pass through price increases without triggering consumer trade-down. While the gap has narrowed recently, premium operators have outpaced non-premium peers across the broader period, reinforcing the importance of brand positioning, margin quality and customer cohort in any potential transaction.

Average YoY Sales Growth by Brand Positioning



Note: Premium includes RH, WSM and ARHS; Non-Premium includes LZB and HVT

Source: Public Filings (RH, WSM, ARHS, LZB, HVT), Smith Leonard

Wall Street Consensus Over Time:

Company (*$ in millions*)	2025 Estimated / Actual Sales			2026E Sales			YoY Growth (%)	
	Estimated at 12/31/2024	2025A	% Change	Estimated at 12/31/2025	Estimated at 6/30/2026	% Change	2025A	2026E
Home Furnishings								
ARHAUS	$1,323	$1,366	3.3%	$1,439	$1,445	0.4%	10.2%	5.8%
Bassett	335	334	(0.4%)	341	334	(2.1%)	1.5%	0.3%
ETHAN ALLEN	628	602	(4.1%)	625	578	(7.5%)	(4.4%)	(4.0%)
LA-Z-BOY	2,161	2,121	(1.9%)	2,211	2,149	(2.8%)	1.7%	1.3%
LOVESAC	719	692	(3.8%)	762	717	(5.9%)	3.3%	3.7%
RH	3,649	3,470	(4.9%)	3,872	3,626	(6.4%)	8.4%	4.5%
WILLIAMS SONOMA	7,597	7,867	3.6%	7,973	8,159	2.3%	3.7%	3.7%
Home Furnishings Mean	**$2,345**	**$2,350**	**(1.2%)**	**$2,460**	**$2,430**	**(3.1%)**	**3.5%**	**2.2%**

2 Commercial Trends

Commercial furnishings have proven more resilient than residential, though performance varies meaningfully by subsegment. Premium products have outperformed across the board, and brands with strong identity have continued to take share; however, the underlying drivers differ by end market. Demand has been redefined rather than reduced, with corporates and institutions downsizing total footprint while upgrading the quality of the space that remains. Additionally, customization, domestic manufacturing and white-glove services are commanding clear price premiums. Consolidation among public players reinforces that scale is the play, with strategic appetite and sponsor demand both converging on premium, brand-led platforms across the different subsectors.

I. Hospitality Record Backlog That is Still Yet to Hit

Hospitality contract furnishings represent a more mixed near-term pocket of demand, with the category experiencing a relatively flat-to-soft year as hotel owners delay projects amid uneven travel trends, higher renovation costs and added uncertainty from the Iran conflict. Franchise standards across major hotel brands still require furnishings, fixtures and equipment to be refreshed every five to seven years, but many owners have deferred or re-phased property improvement plan work rather than committing to full renovation programs in the current environment. At the same time, pandemic pauses created a meaningful backlog of required refresh activity that has not gone away, and much of that work still needs to move through the system over time. As a result, the short-term outlook for hospitality furnishings is more muted, but the medium- to long-term backdrop remains constructive. Looking forward, the U.S. hospitality furnishings market is projected to grow at a 6.6% CAGR through 2030, while continued growth in the broader global hotel market provides a durable long-term demand backdrop for contract suppliers.

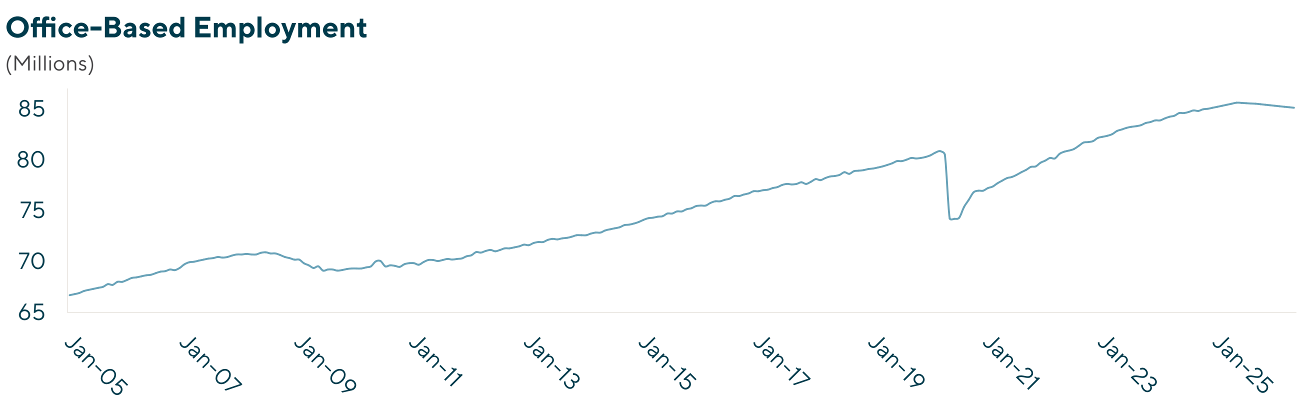
Massive Customer End Market	Highly Fragmented Competitive Set	Significant Budgeted Hotel CapEx Spend
Market Size	**Industry Competition**	**Market Outlook**
\$5B+ Hospitality Furnishings	**63%** Of Industry Revenue is Comprised of Sub-scale, Local Players	**6.2K** Projects in U.S. Hospitality Pipeline
\$51K+ Hotels in the United States	**600+** Hospitality Furnishing Providers	**\$12-15B** Near-Term CapEx & Performance Improvement Plans
\$20B+ U.S. Hotel FF&E Market		**5-7 Year** Mandatory Replacement Cycle

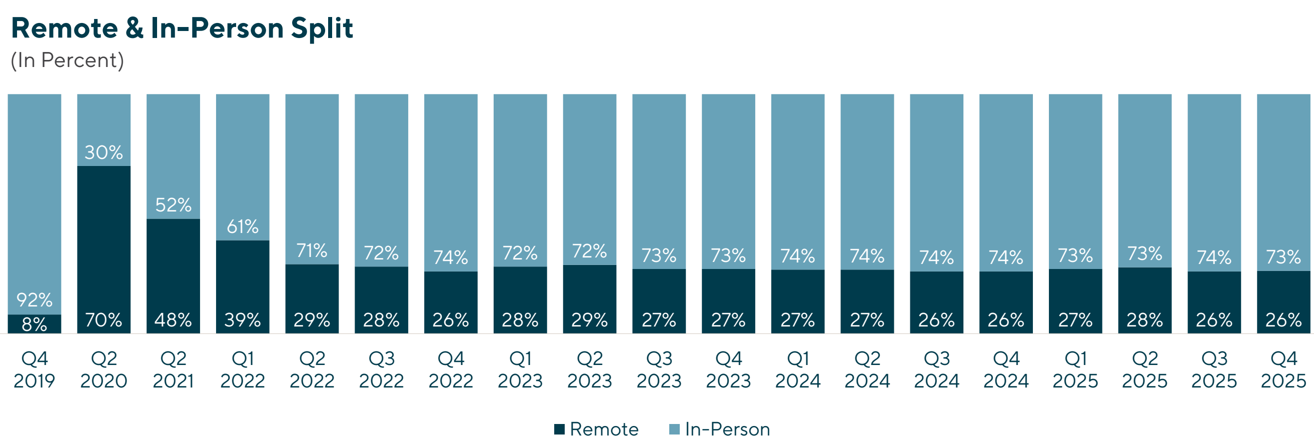
Sources: Oxford Economics, IBISWorld, Getzler Henrich, Lodging Econometrics, Stellar Medico

II. Premium Commercial Office Leads, Commodity Lags

Commercial office furnishings show the sharpest bifurcation of any subsector in our furnishings coverage given the stark difference in the sector outlook between premium and non-premium office spaces. Office-using employment now sits meaningfully above its pre-pandemic peak, while the in-person share of work has stabilized in the low seventies for more than three consecutive years. This suggests the hybrid equilibrium is largely set, with demand polarizing rather than disappearing. Against that resilient base, demand has polarized rather than disappeared.

The premium end continues to benefit from a structural flight to quality as tenants migrate to higher-grade assets and corporates use return-to-office mandates to reset the workplace experience, while the commodity end remains soft as vacancy concentrates in older buildings and price-driven procurement compresses margins for undifferentiated producers. Footprints have shrunk, but per-square-foot investment in the remaining space is rising materially. Scaled premium platforms with architecture and design channel relationships, domestic manufacturing and white-glove service are extending share, while commodity producers face structural headwinds tied to obsolete building stock and a long conversion and demolition cycle still ahead. Sponsor opportunity sits squarely on the premium side, where brand, customization and project execution translate directly into price premiums and customer stickiness.



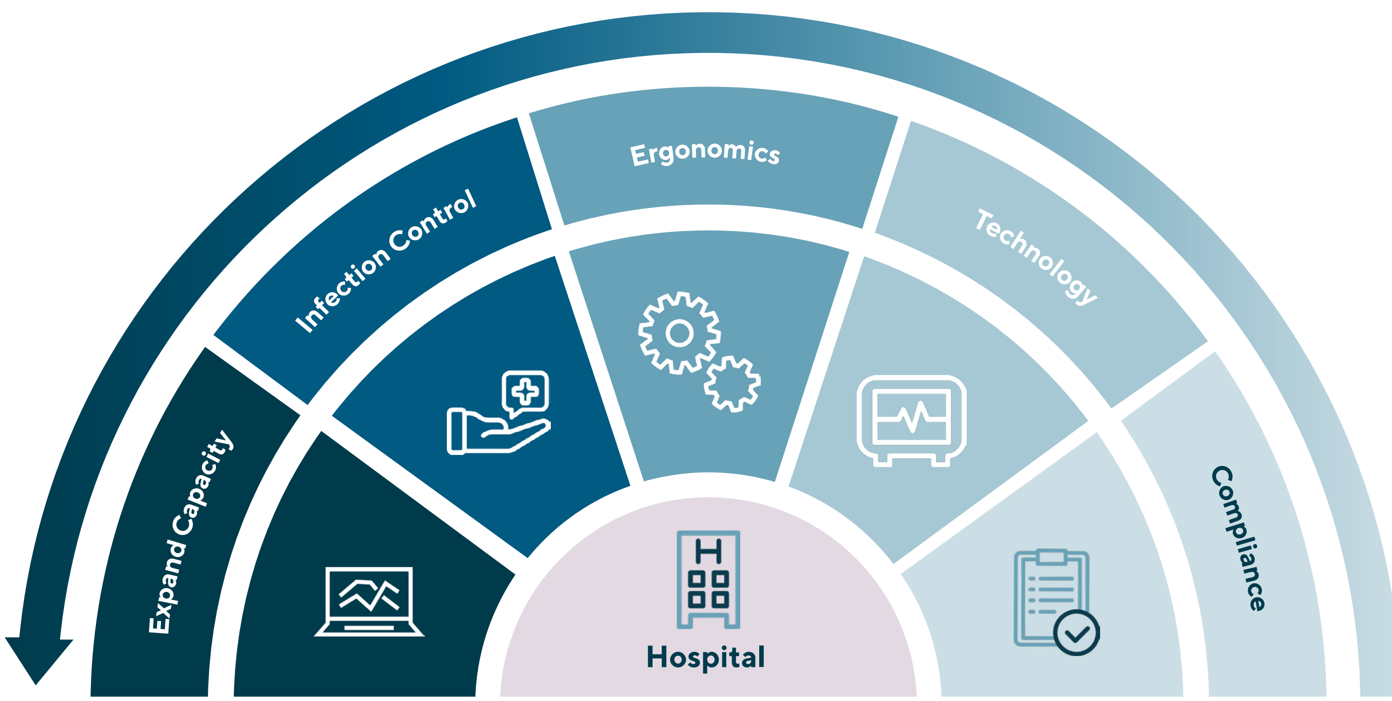


III. Healthcare Continues a Planned Buildout

Healthcare furnishings have moved from a quiet niche to one of the more attractive contract categories heading into 2026, with 2026 industry commentary framing the year as an inflection point as health systems shift from reactive purchasing to planned, long-term infrastructure development concentrated in urban and semi-urban expansion projects. New ICUs, maternity wings, dialysis centers and outpatient departments are coming online, each requiring purpose-built furnishings rather than off-the-shelf product.

Demand from rural facilities and for-profit hospital operators is materially softer given capital constraints and a narrower buildout pipeline, sharpening the case for sponsors to back platforms with credibility in urban health system and academic medical center channels. Spend is being driven by capacity expansion across acute and outpatient care, infection-control product engineered for fast cleaning and antimicrobial compatibility, ergonomics as a staff retention lever in a tight clinical labor market, baseline technology integration and tightening regulatory requirements that are forcing upgrades to legacy furniture.

For sponsors, healthcare offers the same attributes that make hospitality attractive: system-driven specifications, long sales cycles with high switching costs and a fragmented supplier base that supports a credible roll-up thesis anchored on urban and semi-urban health system buildouts.



IV. Pre-K-12 Demand Anchored by Bond Funding Structural Tailwinds

Pre-K-12 educational furnishing benefits from one of the most visible demand pipelines in the contract market, with a multi-billion-dollar bond pipeline providing forward visibility into the construction and renovation activity that drives furniture, fixtures and equipment (FF&E) demand. Spring 2026 election results have been broadly supportive, anchored by several outsized district packages that signal continued willingness to fund long-cycle capital projects. Within that spend, capital is prioritizing specialty learning spaces, HVAC, athletic facilities, electrical and lighting and safety and security upgrades ahead of pure furnishings allocations. Still, classroom furniture, case work and specialty seating remain attached to virtually every funded project as a baseline FF&E line, so furnishings demand stays stable even as the headline dollars flow to building systems. Headwinds are real, including declining enrollment in select districts, the roll-off of CARES Act stimulus, voter resistance in certain markets and broader birth-rate dynamics, but the scale and forward visibility of the bond pipeline still represents a multi-year tailwind for educational furnishings suppliers, with the opportunity focused on platforms that can pair design and spec credibility with the long sales cycles and procurement processes that K-12 districts run.

Wall Street Consensus Over Time:

Company *($ in millions)*	2025 Estimated / Actual Sales			2026E Sales			YoY Growth (%)	
	Estimated at 12/31/2024	2025A	% Change	Estimated at 12/31/2025	Estimated at 6/30/2026	% Change	2025A	2026F
Commercial Interiors								
HNI	$2,610	$2,663	2.0%	$2,730	$5,998	119.7%[1]	4.8%	125.3%[1]
ITOKI	$928	$964	3.8%	$1,090	$1,070	(1.9%)	9.5%	11.0%
KOKUYO	$2,217	$2,287	3.2%	$2,533	$2,414	(4.7%)	6.9%	5.6%
MillerKnoll	$3,816	$3,737	(2.1%)	$3,837	$3,865	0.7%	4.3%	3.4%
okamura	$2,049	$2,059	0.5%	$2,352	$2,124	(9.7%)	4.8%	3.2%
Commercial Interiors Mean[2]	**$2,324**	**$2,342**	**1.5%**	**$2,509**	**$3,094**	**(3.9%)**	**6.1%**	**5.8%**

(1) Reflects pro-forma combined HNI + Steelcase revenu
(2) HNI figures are excluded from the mean to avoid distortion from its December 2025 acquisition of Steelcase.
Source: Capital IQ

3 Lincoln Outlook

We believe the M&A market will continue to be supportive for high-quality furnishings assets across all end markets. There is generally a healthy buyer pool for quality commercial assets that are hitting forecasts and demonstrating consistent growth, even at modest rates, and textiles businesses have performed well through the cycle and remain a popular target category in furnishings M&A. Residential furnishings assets face a higher bar, needing to combine high margins with consistent, above-market growth to transact at attractive valuations.

While no imminent sector or M&A change is expected, the mid- to long-term trajectory is stronger, creating a near-term window to acquire home furnishings assets with strong financial characteristics at reasonable prices ahead of the industry cycling back up and valuations increasing accordingly. Sponsors with the discipline to underwrite to a normalized earnings base today should be positioned to capture multiple expansion as cyclical end markets recover and competitive bidding tension returns to the category.

The furnishings category also benefits from a structural durability factor that is increasingly relevant to sponsors: furnishings investments are largely insulated from AI disruption while positioned to capture meaningful operational efficiencies from AI adoption across design, manufacturing, supply chain and customer-facing functions. Unlike software-centric categories where AI is collapsing pricing power and creating existential displacement risk, furnishings demand is grounded in physical product, project execution and channel relationships that are difficult to disintermediate. That insulation, paired with AI as a margin tailwind rather than a competitive threat, gives furnishings a defensible position in a sponsor portfolio over the next investment cycle.

Companies that favorably address the below points are highly attractive in the 2026 M&A market:

Demonstrate consistent forecast accuracy and growth. Commercial assets hitting plan with even modest, above-market growth continue to transact, and reliable forward visibility into backlog, bookings and project pipeline is a baseline expectation rather than a differentiator.

Validate pricing power and margin durability. Verify that price increases implemented through the tariff and inflation cycle have been absorbed by the market and are sticking, with clear documentation of the all-in delivered cost of product and the ability to flex pricing as input costs move.

Show a diversified, resilient supply base. Sponsors will reward platforms with multi-region sourcing across Mexico, Vietnam, India and domestic capacity, the ability to shift production without disrupting service levels and balance sheet flexibility to absorb ongoing trade policy changes.

Define the moat with precision. Articulate the specific source of defensibility, whether brand, design IP, architecture and design channel relationships, custom and project management capabilities, or white-glove service, and tie each to measurable pricing premium or customer retention.

Articulate the AI roadmap. Quantify the operational efficiency opportunity from AI across design, engineering, manufacturing, supply chain planning and customer service and demonstrate early progress rather than aspirational slides.

Bring credibility to the EBITDA bridge. Engage third-party quality-of-earnings advisors to normalize for tariff timing, freight volatility and one-time pricing actions so buyers can underwrite a defensible run-rate earnings figure with confidence.

While furnishings has cycled through a difficult four-year demand reset, the M&A drivers for the category remain firmly intact. Scaled consumer and contract furnishings platforms continue to attract investor interest, strategic acquirers are well-capitalized and the structural durability of furnishings against AI disruption is increasingly recognized as a portfolio attribute. The near-term window favors disciplined, patient buyers with mid- to long-term conviction.

> Ready to discuss the opportunities ahead for you?
> Connect with a senior professional at connect@lincolninternational.com