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Earnings Call

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Call Participants

EXECUTIVES

Bruce A. Hausmann
VP & CFO

Christine Needles
Global Head of Corporate Communications

Laurel M. Hurd
President, CEO & Director

ANALYSTS

Alexander Peter Paris
Barrington Research Associates, Inc.

David Sutherland MacGregor
Longbow Research LLC

Kathryn Ingram Thompson
Thompson Research Group, LLC

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Presentation

Operator

Good day, and welcome to the First Quarter 2024 Interface, Inc. Earnings Conference Call. [Operator Instructions] And finally, I would like to advise all participants that this call is being recorded.

I'd now like to welcome Christine Needles, Corporate Communications, to begin the conference. Christine, over to you.

Christine Needles
Global Head of Corporate Communications

Good morning, and welcome to Interface's conference call regarding first quarter 2024 results, hosted by Laurel Hurd, CEO; and Bruce Hausmann, CFO.

During today's conference call, any management comments regarding Interface's business, which are not historical information, are forward-looking statements within the meaning of federal securities laws. Forward-looking statements include statements regarding the intent, belief or current expectations of our management team as well as the assumptions on which such statements are based. Any forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties that could cause actual results to differ materially from any such statements, including risks and uncertainties described in our most recent annual report on Form 10-K filed with the SEC.

The company assumes no responsibility to update forward-looking statements. Management's remarks during this call also refer to certain non-GAAP measures. Reconciliations of the non-GAAP measures to the most comparable GAAP measures and explanations for their use are contained in the company's earnings release and Form 8-K furnished with the SEC today. Lastly, this call is being recorded and broadcasted for Interface. It contains copyrighted material and may not be rerecorded or rebroadcasted without Interface's express permission. Your participation on the call confirms your consent to the company's taping and broadcasting of it. After our prepared remarks, we will open up the call for questions.

Now I will turn the call over to Laurel Hurd, CEO.

Laurel M. Hurd
President, CEO & Director

Thank you, Christine, and good morning, everyone. To start our call, I'm going to thank the entire Interface team for a very strong quarter. Thanks to their efforts and the support of our customers and partners, we achieved robust performance in the first quarter, fueled by comprehensive strength across the Americas. These strong results reinforce the fact that our One Interface strategy is working and yielding tangible results. With that backdrop in mind, I'd like to take a few minutes to update you on our progress.

As a reminder, our strategy is focused on reducing complexity, driving continuous improvement, and globalizing our core functions to support our world-class selling team. After a successful pilot in 2023, our territories throughout the U.S. have transitioned to combined Nora and Interface selling team, and we continue to see tremendous synergies between the two. During the first quarter, the One Interface selling team drove strong order growth, outpacing our expectations in a challenging macro environment. This collaborative and consolidated approach aligns incentives and maximizes coverage to win business together.

Reducing complexity is a core tenet of our strategy. We are continuing to simplify how we work across the enterprise and around the globe in everything we do, in every functional area, and importantly, in how we provide the best products and services in the industry to our customers. We are also on track with operational improvements in manufacturing, including investments in new automation and robotic solutions, which will drive improved margins.

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We're adding robotics to some of the more manual parts of our carpet tile manufacturing process in the U.S., which is better for our workforce and these hard-to-fill labor-intensive roles. These robotic solutions will drive labor efficiencies and reduce raw material waste. We're in the preliminary stages of implementation, which will roll out in phases over the next 24 months. We are being prudent with our investments. And as we see the desired results, we will continue to assess and invest in efficiency opportunities. I recently visited our facilities in Germany, the Netherlands and Australia. In Germany, we witnessed firsthand our automation investments that work in our nora rubber manufacturing facility. By automating the rubber press and cutting processes, we enhance employee safety and increase production throughput.

In Australia, we met with several customers across corporate office, education, hospitality and health care, and also visited an event at our showroom where we showcased new products and interacted with over 80 customers. It was great to spend time in the field, seeing how our strategy and innovation are playing out. There's a lot of great work being done leading to encouraging progress in the horizon.

Earlier this month, Interface rolled out a fresh new brand attitude, Made for More, which showcases the best of Interface and encompasses our belief that our flooring is made with purpose and without compromise, meaning that our customers get beautiful design, quality, performance, innovation and sustainability with all of our products all the time. We don't ask our customers to sacrifice design for performance or quality for sustainability.

We are the preferred partner for flooring and design projects because we provide high design, sustainability-focused products across all of our brands and categories to our customers, which significantly differentiates us in the marketplace. We've introduced Made for More around the globe at the same time, and it's another example of our One Interface strategy in action. We look forward to Clerkenwell Design Week in May and NeoCon in June, where we will showcase several exciting new product launches.

Turning to our first quarter results, net sales came in at the high end of our expectations, driven by the Americas. We continue to see notable strength in education with billings up double digits. Our K-12 business was particularly strong, driven by increased demand for our expanded Open Air collection. Expanding our offering of carpet tile designs at more accessible price points allows us to connect with our customers' needs, while ultimately driving increased carpet and LVT sales.

Corporate office was down low single digits in the first quarter, which we viewed as a positive outcome given the volatility in that segment. Our renovation business remains strong as the trend for people returning to office continues, and we grew share in the U.S. carpet tile market in the quarter. As expected, retail sales were soft in the first quarter due to ongoing headwinds in the sector. However, we are beginning to see increased demand, and we expect stronger retail sales beginning in Q2, which is reflected in our updated guidance. While first quarter sales were down 2% year-over-year, adjusted gross profit margin increased by 528 basis points year-over-year. Our selling organization continues to successfully execute holding price and driving favorable mix. Gross profit margin also benefited from raw material deflation in the quarter.

Turning to orders. Total company orders were strong in the quarter, up 5% year-over-year. Orders were up 7% in the Americas and up 3% in EAAA. Strength in EMEA and Asia was partially offset by softer orders in Australia, which had tough comps. Our backlog was strong as we finished Q1, up 19% year-to-date. We remain focused on commercial productivity and aligning our sales teams to the fastest-growing geographic markets and segments.

Before I turn the call over to Bruce, I want to talk about a recent update to our sustainability strategy, which marks a pivotal point in our climate journey. Beginning in 2025, we will redirect investments from carbon offset purchases into initiatives that will both reduce our carbon footprint and accelerate our growth, including low-carbon innovation and circular solutions. We have proven over the past 3 decades that we can significantly reduce our carbon footprint while growing our business, with our most recent figures showing an 82% reduction in our global carbon footprint from when we started the journey back in 1996 to 2023.

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We remain committed to helping our customers achieve their sustainability goals, and this change will enable us to continue to thoughtfully invest in differentiated innovation, accelerating development of more sustainable solutions that our customers will love. In summary, I'm pleased with our strong first quarter results and I'm more confident than ever that our strategy is working and yielding tangible results.

With that, I will turn it over to Bruce to go through the financials. Bruce?

Bruce A. Hausmann
VP & CFO

Well, thank you, Laurel, and good morning, everyone. First quarter net sales totaled $289.7 million, a decrease of 2% versus the first quarter of 2023. First quarter FX-neutral net sales in the Americas were up 0.5% year-over-year. We saw strength in education, offset by softness in the retail sector, driven mostly by project deferrals. FX-neutral net sales in EAAA were down 5.1%, driven by a softer macro environment. First quarter adjusted gross profit margin was 38.6%, an increase of 528 basis points from prior year's first quarter, primarily due to strong execution from our selling organization to hold price, favorable product mix and raw material input cost deflation.

Adjusted SG&A expenses were $86.2 million in the first quarter compared to $83.2 million in the first quarter of 2023. The increase was primarily due to inflation. First quarter adjusted operating income was $25.5 million compared to adjusted operating income of $15.2 million in the first quarter of 2023. The increase was due to higher gross profit margins in the quarter. First quarter adjusted EPS was $0.24 versus $0.07 in the first quarter of 2023.

Adjusted EBITDA was $38.8 million versus $26.3 million in the first quarter of 2023. We generated $12.6 million of cash from operating activities in the first quarter and liquidity totaled $388 million, which consisted of $90 million of cash and $298 million of revolver capacity. In line with our capital allocation strategy, we repaid $24.8 million of debt in the first quarter resulting in net debt or total debt less cash on hand of $302 million at the end of the quarter.

Our leverage ratio was 1.7x, calculated as net debt divided by LTM adjusted EBITDA. We remain focused on paying down debt, which continues to strengthen our balance sheet and positions us to capitalize on future growth opportunities as they arise. Capital expenditures were $4 million in the first quarter of 2024 compared to $5.7 million in the first quarter of 2023. And as we look to 2024, while the macroeconomic environment remains dynamic, we continue to be encouraged by improving trends. We are increasing our full year net sales estimate, and we continue to expect gross profit margin expansion this year.

As Laurel mentioned earlier, we now expect higher retail segment sales, which generally have lower gross profit margins compared to our more premium product offerings. This sequential change in mix is reflected in our adjusted gross profit margin guide. And with that backdrop in mind, we have updated our full year 2024 guidance, and we are anticipating the following: For second quarter of fiscal 2024, net sales of $335 million to $345 million; adjusted gross profit margin of approximately 34.5%; adjusted SG&A expenses of approximately $86 million; adjusted interest and other expenses of approximately $8 million; fully diluted weighted average share count of approximately 58.8 million shares.

And for the full year of 2024, net sales of $1.29 billion to $1.31 billion; adjusted gross profit margin of approximately 35.5% to 36%; adjusted SG&A expenses of approximately 26% of net sales; adjusted interest and other expenses of approximately $30 million; and adjusted effective tax rate for the full year of approximately 28%; and capital expenditures of approximately $42 million.

Now I'll turn the call back to Laurel for concluding remarks.

Laurel M. Hurd
President, CEO & Director
Thank you, Bruce. Interface delivered a strong start to 2024. Despite the dynamic global market, we continue to see positive trends in our business. We remain focused on executing our strategy and driving sustainable growth to increase value for our shareholders. With that, I'll open it up to questions. Operator?

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Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Kathryn Thompson from Thompson Research Group.

Kathryn Ingram Thompson
Thompson Research Group, LLC

Thank you for your commentary today. A couple of different things. First one is to just discuss the balance of price versus volumes in the quarter. Any color that you can give in terms of volumes and price of carpet tile and other major categories would be great. And then also against the backdrop, very solid growth in backlogs. Any color that you can give on mix there would be great by product category.

Laurel M. Hurd
President, CEO & Director

Maybe I'll take your second one, Kathryn. This is Laurel. If we look at our order growth, we feel really good about where we sit. Really strong quarter in order growth, and we're showing growth in all categories. So across carpet tile, a little bit stronger growth in LVT and rubber, but carpet tile also showing growth, which we're really excited about.

Bruce A. Hausmann
VP & CFO

And then I'd just say you asked a little bit about the mix of price versus volume in the quarter, Kathryn. So price was up around 2%. Volume was down around 4%. And that's where you see the negative 2% on the P&L. And that's across all product categories globally.

Kathryn Ingram Thompson
Thompson Research Group, LLC

Okay. Great. And then I know you gave some commentary about margins, just really the upper end down slightly given the mix going forward. But against that backdrop, you did have some good solid performance this quarter in margins because of various tailwinds, including better raw materials. Maybe talk a little bit more about what to expect ex mix in terms of the puts and takes for gross margins as we look into 2024?

Bruce A. Hausmann
VP & CFO

Yes, sure. And just to clarify, we actually brought the high end of our gross margins up compared to our prior guide. So I just wanted to make sure that was noted.

Kathryn Ingram Thompson
Thompson Research Group, LLC

Yes, the 20 basis points, yes.

Bruce A. Hausmann
VP & CFO

Exactly. The thing that we also wanted to flag is that I'm sure you noticed sequentially, from Q1 to Q2, the gross margins will go down. Most of that is due to the mix. So here's the good news. We're raising our revenue $30 million, which is fantastic. It's just that our best estimate is that, that will probably come in at a slightly lower gross profit margin than our more premium products. So we're really happy with the volume. It's carpet volume, which is also at a slightly lower gross margin than rubber and LVT for us. So we're happy for the volume, and we're pleased to be able to take the revenue up. It's just the note in our guide is that it is at a slightly lower gross margin than what we saw in Q1.

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Laurel M. Hurd
President, CEO & Director

And Kathryn, I'll just jump into on carpet, as Bruce mentioned. The strength we're seeing there compared to the industry, we're really encouraged by. So our Q1 billings in carpet in the Americas were pretty strong compared to the industry. So we're feeling good about that.

Operator

Your next question comes from the line of David MacGregor from Longbow Research.

David Sutherland MacGregor
Longbow Research LLC

Congratulations on the results. Strong quarter. I guess lots of questions, but let me just pick up on the observation of the backlog that rubber and LVT are stronger than carpet. Is that a reflection of market demand? Or is it more a reflection of some of the initiatives that you've undertaken in the One Interface, where you're really focusing on the attachment sale of the LVT and the rubber product to a tile order.

Laurel M. Hurd
President, CEO & Director

Yes, I think it's that. And it's early days yet. So we kicked off the One Interface selling team in the U.S. on January 1. And what we're seeing now is actually we had a bunch of our sales leaders in this week, and we were talking about the order momentum and trying to put our finger on it, because honestly, it's a tough market out there. And we feel good that we're gaining share. And as you said, we're seeing more attachment across rubber and LVT. It's early days. So we're encouraged where the momentum of holding each other accountable to deliver growth in a single market, regardless of what product family, is really starting to take hold. But we're encouraged. I don't think we expected to see it so soon. So more to come.

David Sutherland MacGregor
Longbow Research LLC

And I mean how much forward visibility do you have on that? It seems as though this is probably early innings if this is kind of a structural change in terms of how you go to market. Do you respond to that by adding more resources in your sales organization and just trying to take that new basket of product or that new mix of product to the market?

Laurel M. Hurd
President, CEO & Director

Yes, it's a great question. So it takes a while. We've got a specified sales team, and it takes them a while to actually build their momentum. And we added 7, almost 8, I think it is new sellers in nora that's really amplifying that growth. What we're finding right now is in addition to potentially looking at -- we'll learn as we go. And if we need to add more resources to fuel the growth, we'll definitely do that. We're also looking at some of our supporting functions that this momentum is having on our business. We do some design services for our customers. It's a great indicator of how strong our order momentum is when our internal design services start getting pressured. So we're looking at some supporting functions to make sure that we're there to service the growth.

David Sutherland MacGregor
Longbow Research LLC

I wanted to ask you as well about the lower costs that you achieved in the quarter. And how much of that would be a reflection of just market pricing versus some of the improvements you've made and the investments you've made in your procurement function?

Laurel M. Hurd
President, CEO & Director

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Yes. I think it's probably both. So we're seeing some of the investments roll through. We talked about -- Bruce and I were out in Weinheim, Germany, looking at our nora facility, and we made some investments there in automation, and seeing that flow through is starting to have a nice impact. But I think that's early days, too. So a lot of those investments are just laying in, the investments we're making in La Grange. We're ramping up, but we can only get so many machines so quickly. So some of that will take time over the next 24 months. So I think that's another one that's in early innings, honestly.

David Sutherland MacGregor
Longbow Research LLC

Yes, it sounds that way. And then I wanted to ask you about your balance sheet. You're down to 1.7x. Boy, the whole discussion around the Interface balance sheet has really evolved over the last couple of years and you've done a great job of deleveraging. I guess, what do you do now with that? Do you start looking more seriously at developing an acquisition funnel or just talk about -- Bruce mentioned in his comments that it creates opportunity. I guess, I just want you to drill a little further on that.

Laurel M. Hurd
President, CEO & Director

Yes. I think as you said, I'm proud of the team for how aggressively we've gone after the debt. It helps us give us a lot of options going forward. And I think we're really assessing our #1 investment -- yes we'll continue to pay down debt, but our #1 investment will be internally, things that we can do to service our business growth, which we're finding more and more of those, but it does give us options to pick our head up and see what's out there. I think right now we're really focused on the here and now. And we think we've got a lot to invest in with respect to innovation and automation going forward.

David Sutherland MacGregor
Longbow Research LLC

Okay. Great. Congratulations on all the progress.

Operator

[Operator Instructions] And your next question comes from the line of Alex Paris from Barrington Research.

Alexander Peter Paris
Barrington Research Associates, Inc.

Laurel and Bruce, congratulations on the strong quarter.

Laurel M. Hurd
President, CEO & Director

Thank you.

Alexander Peter Paris
Barrington Research Associates, Inc.

A lot of good questions so far. I've got a couple being sort of newer to the story. I just want to understand a little bit more of the dynamics of the gross margin and area of focus, clearly, and it continues to benefit from favorable mix and price and input cost deflation. So starting in reverse order, input cost deflation. Just catch me up to today, how long have we been benefiting from that? And will it continue? Or has it been largely anniversaried at this point?

Bruce A. Hausmann
VP & CFO

Great question, Alex. And actually, for being new to the story, I think you're very strongly up to speed. In the current quarter, if you think about our gross margin expansion, about 1/3 of that came from price, 1/3 of that came from raw material deflation, and 1/3 of that came from mix. And we have benefited from raw

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material deflation over the last few quarters. What we're seeing right now is really pretty -- to be fair, a ton of puts and takes, but pretty steady raw material pricing right now with the exception of a little bit of pressure on freight. And our best estimate is that the year-over-year pickups on raw materials will come to a close in the back half of this year.

Alexander Peter Paris
Barrington Research Associates, Inc.

Great. That's helpful. And then the other 2, let's talk about mix and price. You say 1/3 comes from price. Those are price increases and they're durable. You don't usually take them back once they're put into place.

Laurel M. Hurd
President, CEO & Director

Yes, I can comment on that, Alex, just to give a little bit of context, especially in the U.S. where we have an incentified selling organization. Those guys really do a nice job putting price out and holding price. So to your point, we don't often -- we won't take prices down. And in the U.S., which is our largest market, they're really incented to hold them. So they're fighting every day for it. It's a tough market, but proud of the progress.

Alexander Peter Paris
Barrington Research Associates, Inc.

Great. And then lastly, on this line of questioning, the mix, it's clear that LVT and rubber have higher gross margins than tile. How about by market segment, corporate office, education, health care, government, et cetera, retail?

Bruce A. Hausmann
VP & CFO

It's a mix of customers across all those segments. Clearly, health care and education come at stronger gross margins than, say, retail does. But to be fair, we also have very strong margins in our corporate office business. So it varies by mix, it varies by segment, it varies by customer, it varies by geography. So there are a lot of different puts and takes. I think the headline is that everything that we sell comes in at gross margins that we like. But if you were to stack rank them, I think you're aware of this, Alex, rubber has the strongest gross margins followed by LVT followed by carpet.

Laurel M. Hurd
President, CEO & Director

And then just to add on that as well, our margins in the U.S. are stronger. So that helps you when we mix up in the U.S.

Alexander Peter Paris
Barrington Research Associates, Inc.

Great. Super helpful. And then kind of continuing down the line of the new guy's stupid questions, because I have the license to do that at this point. Order growth of 5.1%, very encouraging. You talked a little bit about it in the prepared comments and you were questioned about it already. Here's a fundamental question. How quickly do orders turn into revenue at Interface?

Bruce A. Hausmann
VP & CFO

There is a big range. The average is sort of 12 to 13-ish weeks. However, some stuff goes out same day, and then some stuff doesn't go out for a few quarters. So when you peel into the data, there's a huge range, but if you were to average it out, it's around 12-ish weeks.

Laurel M. Hurd
President, CEO & Director

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And I'll just comment to our -- I think Bruce already said this, but our orders in April continue with the same trend. So we're feeling good about the order strength in April.

Alexander Peter Paris
Barrington Research Associates, Inc.

Excellent. And then retail. So retail is a contributor to the increase in net sales guidance, as I heard. Is the recovery in retail faster than you had expected? I realize that put some pressure on revenue, even though it's a small segment, put some pressure on revenue in the second half, and you expected that to continue through the first half?

Laurel M. Hurd
President, CEO & Director

Yes, I'll take that, and then Bruce, you can jump in on it. So as you said, our retail business is small. We don't talk about it a lot. It's about 4% of our total business, so it's not a huge segment. But in the back half of last year, we had some significant pullbacks that impacted our revenue. And we weren't sure when they were going to come back. We didn't lose the business, but some retailers made a decision to not refresh their stores. And we're pleased, I would say, that the stores need to get refreshed eventually, and we're starting to see that come through, which is what will start impacting us in Q2.

Bruce A. Hausmann
VP & CFO

Yes, I would just add -- I mean, I'll reiterate what Laurel said, it was project deferrals instead of lost business, which we knew we were going to get that business. The question was timing. And we're starting to see it come back.

Alexander Peter Paris
Barrington Research Associates, Inc.

So from a timing perspective, is it coming back a little sooner than expected? Again, I expected to see pressure on that front during both the first and the second quarters, but it sounds like it's coming back a bit in the second quarter.

Laurel M. Hurd
President, CEO & Director

It is. It's coming back a bit in the second quarter sooner than expected, and then our current view is that it will also be there in Q3. So you're right.

Alexander Peter Paris
Barrington Research Associates, Inc.

Okay. Great. Good news. And then last question, again, from my ignorance. There was a $400,000 charge for a cyber event. I wasn't aware of that. When did that occur? Is that behind the company now? Or do you expect more expenses in that regard?

Bruce A. Hausmann
VP & CFO

Yes. So Alex, that was actually a credit. We had an insurance claim related to our 2022 cyber event. So we incurred some hard costs. And so we actually got insurance recovery on that. And so what you're seeing on the GAAP and non-GAAP adjustment schedule is actually a pickup.

Alexander Peter Paris
Barrington Research Associates, Inc.

Got you. All right. I missed that. So thank you very much. I appreciate the additional color, and I'll talk to you on our follow-up call.

Operator

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Your next question comes from the line of David MacGregor from Longbow Research.

David Sutherland MacGregor
Longbow Research LLC

Yes. Just a follow-up. It seems like we've got a few minutes here. I just wanted to get you to comment on the observation in the press release that you're talking about the drivers of the gross margin, I believe, and you're referring to synergies from globalization of our core functions. And so I guess, we've talked a little bit about some of the things you've done in terms of sales resources and speculators, but I just thought I'd get you to comment on anything maybe that we haven't talked about that you feel is worth noting. And then maybe factors that you've been working on that really haven't come into play yet in the numbers, but you would expect to have a more beneficial impact and become more visible in the second half.

Laurel M. Hurd
President, CEO & Director

Yes. Thanks for the follow-up. I appreciate it. It's stuff we love to talk about. So we talked a lot about the selling combined teams in the Americas. We're doing a ton of work, honestly, across every function. So a couple of examples. Our marketing organization, which used to be very regional and even country level, we have one marketing team that's driving initiatives around the world. So we launched our Made for More brand campaign, which hit, which is great, exciting. You'll see it on our website and social media. That's an example. That speed to market, one voice for the brand that goes and hits the globe all at one time. So really efficient.

Another example that I think is yet to be seen and we'll start to see signs of it at Clerkenwell and at NeoCon is we've globalized our design function. And that doesn't mean every product is a global product, because there are certainly regional nuances. But we're looking at it from a global point of view to have one design team. They sit in different places around the world, but there's one team really putting our best efforts against our biggest opportunities. So we've got some exciting new product launches that will showcase at NeoCon. So that's another example.

And then the third, I'd say, as you know, we hired a Chief Supply Chain Officer, and we're globalizing that function as well. There's so much opportunity as Bruce and I looked at. We went to see the facilities in Australia, in Germany and the Netherlands. And there's just so much learning that's happening and sharing and everyone is on the same team driving great results, helping each other to see how efficiently we can learn from each other. And there's really good best practices that are coming through some of the investments that we're making in La Grange we've showcased to the other regions, and we're assessing whether that makes sense for those markets or not. But that's where the beauty is. We do it efficiently, we do it once, and we scale it. So there's a lot more to come from that perspective. It's good work so far.

David Sutherland MacGregor
Longbow Research LLC

Do you find that as you're building out this capability with the One Team, One Dream Global scale opportunity, are you finding that you're getting a better audience or you're maybe getting a little more traction with larger global accounts as opposed to maybe smaller, more fragmented accounts.

Laurel M. Hurd
President, CEO & Director

Yes. Yes, it's interesting. There are a couple of examples of that. In Australia, we met with a large global account, and some of it is that we're, as you say, we're approaching it beyond one flooring solution. There's more than that. There's another example in a major retailer that we met with. It's really looking at a multi-floor solution. And again, we've shown up a little bit differently in the past, and we're now coming with one voice. So I think you're right, we're getting a higher level audience, and we're also much more coordinated and making more impact as we do meet with our customers. And they're enjoying it. They don't have to work with separate teams, right? They show up with one voice, and we know their needs as well.

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David Sutherland MacGregor
Longbow Research LLC

Great. Congratulations on the progress.

Laurel M. Hurd
President, CEO & Director

Great. Thanks, David.

Operator

There are no further questions at this time. So I'd like to turn the call back over to Laurel Hurd.

Laurel M. Hurd
President, CEO & Director

Well, thank you so much. I appreciate you all listening today, and I want to again thank the team for all the work that they're doing and the great progress. Great start to the year, and we look forward to updating everyone next quarter.

Operator
That does conclude our conference for today. Thank you for participating. You may now all disconnect.

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