

NEW RISK ALERT: (TTC)

Toro Hints at Potential Change in Relationship With Large Retail Partner in Latest 10-K

Two days after mentioning Home Depot on an earnings call, the retailer disappears from Toro's 10-K.

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This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

Home Depot No Longer Mentioned in Annual Report

In 2019, Toro touted its relationship with Home Depot, mentioning the retailer at least four times in its annual report.

*"Historically, the Residential segment of our business has had significant sales to The Home Depot as a customer, which accounted for approximately **10.0 percent of our total consolidated gross sales in fiscal 2017.**"*

Toro emphasized its reliance on Home Depot as a retail partner was declining:

*"Overall, we believe that in the long-term we are **not dependent on any single customer; and during fiscal 2019 and 2018, no customer accounted for 10.0 percent or more of our total consolidated gross sales.**"*

Following a third mention of Home Depot in its 2019 10-K, Toro warns about the loss of a large customer:

*"We believe that our diverse distribution channels and customer base should reduce the long-term impact on us **if we were to lose any substantial customer.**"*

*"However, **the loss of any substantial customer**, a significant reduction in sales to such customers, or our inability to maintain adequate product placement at mass retailers and **home centers** or our inability to respond to future changes in buying patterns of consumers or new distribution channels could have a material adverse impact on our business and operating results."*

Despite the customary warnings, on its December 16, 2020 Earnings Call TTC continued to speak positively about its HD relationship:

*“But we grew our distributor business as well, our dealer business and for our longtime partners at Home Depot we had a **terrific year with the Home Depot. They continue to be great partners and we see more opportunities going forward.**”*

Two days later Toro issued its 2020 10-K. It no longer includes any mention of Home Depot. It does reiterate that losing a substantial customer— which it called Home Depot in its prior annual report— could have a material adverse impact on the business.

The Winkler Group has contacted Toro to learn whether there has been any change in its relationship with the Home Depot. We will update subscribers when we receive a response.