

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended December 31, 2023

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **0-5151**

**FLEXSTEEL INDUSTRIES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Incorporated in the State of Minnesota**

(State or other Jurisdiction of  
Incorporation or Organization)

**42-0442319**

(I.R.S. Identification No.)

**385 BELL STREET**

**DUBUQUE, IA 52001-7004**

(Address of Principal Executive Offices) (Zip Code)

**(563) 556-7730**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock

Trading Symbol(s)

FLXS

Name of each exchange on which registered

The Nasdaq Stock Market, LLC

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such a shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (check one).

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company  Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Common Stock - \$1.00 Par Value

Shares Outstanding as of February 7, 2024

5,150,222

[Table of Contents](#)

**FLEXSTEEL INDUSTRIES, INC.  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTER ENDED DECEMBER 31, 2023**

	Page
	Part I – Financial Information
Item 1.	3
	<a href="#"><u>Financial Statements</u></a>
	<a href="#"><u>Consolidated Balance Sheets as of December 31, 2023, and June 30, 2023 (Unaudited)</u></a>
	3
	<a href="#"><u>Consolidated Statements of Income and Comprehensive Income for three and six months ended December 31, 2023, and December 31, 2022 (Unaudited)</u></a>
	4
	<a href="#"><u>Consolidated Statements of Changes in Shareholders' Equity for the three and six months ended December 31, 2023, and December 31, 2022 (Unaudited)</u></a>
	5
	<a href="#"><u>Consolidated Statements of Cash Flows for the six months ended December 31, 2023, and December 31, 2022 (Unaudited)</u></a>
	6
	<a href="#"><u>Notes to Consolidated Financial Statements (Unaudited)</u></a>
	7
Item 2.	<a href="#"><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>
	14
Item 3.	<a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>
Item 4.	<a href="#"><u>Controls and Procedures</u></a>
	16
	17
	Part II – Other Information
Item 1A.	<a href="#"><u>Risk Factors</u></a>
	17
Item 2.	<a href="#"><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></a>
	17
Item 6.	<a href="#"><u>Exhibits</u></a>
	18
	<a href="#"><u>Signatures</u></a>
	19

[Table of Contents](#)

**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
**(Amounts in thousands)**

	December 31, 2023	June 30, 2023
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,312	\$ 3,365
Trade receivables - less allowances: December 31, 2023, \$2,460, June 30, 2023, \$2,600	31,401	38,168
Inventories	105,238	122,076
Other	8,545	6,417
Assets held for sale	616	616
Total current assets	<u>149,112</u>	<u>170,642</u>
<b>NONCURRENT ASSETS:</b>		
Property, plant and equipment, net	39,848	38,652
Operating lease right-of-use assets	65,341	68,294
Deferred income taxes	7,070	7,154
Other assets	11,105	5,808
<b>TOTAL ASSETS</b>	<u><u>\$ 272,476</u></u>	<u><u>\$ 290,550</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable - trade	\$ 19,825	\$ 24,745
Current portion of operating lease liabilities	7,565	7,179
Accrued liabilities:		
Payroll and related items	7,382	9,955
Insurance	1,989	1,920
Sales and advertising related items	5,427	5,358
Other	6,401	5,948
Total current liabilities	48,589	55,105
<b>LONG-TERM LIABILITIES:</b>		
Operating lease liabilities, less current maturities	61,813	64,974
Line of credit	17,898	28,273
Other liabilities	643	577
Total liabilities	128,943	148,929
<b>SHAREHOLDERS' EQUITY:</b>		
Common stock - \$1 par value; authorized 15,000 shares; 8,357 shares issued and 5,163 outstanding as of December 31, 2023; 8,292 shares issued and 5,174 outstanding as of June 30, 2023	8,357	8,292
Additional paid-in capital	37,697	36,605
Treasury stock, at cost; 3,194 shares, and 3,118 shares as of December 31, 2023, and June 30, 2023, respectively	(71,499)	(70,072)
Retained earnings	168,978	166,796
Total shareholders' equity	143,533	141,621
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$ 272,476</u></u>	<u><u>\$ 290,550</u></u>

See accompanying Notes to Consolidated Financial Statements (Unaudited).

[Table of Contents](#)

**FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)**  
(Amounts in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Net sales	\$ 100,108	\$ 93,137	\$ 194,711	\$ 188,821
Cost of goods sold	78,158	77,299	154,351	157,634
Gross profit	21,950	15,838	40,360	31,187
Selling, general and administrative expenses	17,366	14,864	33,858	29,438
Environmental remediation	—	(2,788)	—	(2,788)
Other expense	—	—	—	347
Operating income	4,584	3,762	6,502	4,190
Interest expense	489	316	1,059	637
Other (income) expense	—	(1)	—	1
Income before income taxes	4,095	3,447	5,443	3,552
Income tax provision	1,044	594	1,640	410
Net income and comprehensive income	\$ 3,051	\$ 2,853	\$ 3,803	\$ 3,142
Weighted average number of common shares outstanding:				
Basic	5,184	5,259	5,183	5,285
Diluted	5,324	5,339	5,360	5,436
Earnings per share of common stock:				
Basic	\$ 0.59	\$ 0.54	\$ 0.73	\$ 0.59
Diluted	\$ 0.57	\$ 0.53	\$ 0.71	\$ 0.58

See accompanying Notes to Consolidated Financial Statements (Unaudited).

[Table of Contents](#)

**FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
(Amounts in thousands)

	Six Months Ended December 31, 2023					
	Total Par Value of Common Shares (\$1 Par)	Additional Paid-In Capital	Treasury Stock	Retained Earnings		Total
Balance on June 30, 2023	\$ 8,292	\$ 36,605	\$ (70,072)	\$ 166,796	\$ 141,621	
Stock-based compensation	8	903	—	—	—	911
Vesting of restricted stock units and restricted shares	44	(691)	—	—	—	(647)
Treasury stock purchases	—	—	(455)	—	—	(455)
Cash dividends declared	—	—	—	(815)	—	(815)
Net income	—	—	—	752	—	752
Balance on September 30, 2023	\$ 8,344	\$ 36,817	\$ (70,527)	\$ 166,733	\$ 141,367	
Stock-based compensation	9	925	—	—	—	934
Vesting of restricted stock units and restricted shares	4	(45)	—	—	—	(41)
Treasury stock purchases	—	—	(972)	—	—	(972)
Cash dividends declared	—	—	—	(806)	—	(806)
Net income	—	—	—	3,051	—	3,051
Balance on December 31, 2023	<u>\$ 8,357</u>	<u>\$ 37,697</u>	<u>\$ (71,499)</u>	<u>\$ 168,978</u>	<u>\$ 143,533</u>	
	Six Months Ended December 31, 2022					
	Total Par Value of Common Shares (\$1 Par)	Additional Paid-In Capital	Treasury Stock	Retained Earnings		Total
Balance on June 30, 2022	\$ 8,190	\$ 34,467	\$ (66,372)	\$ 155,275	\$ 131,560	
Stock-based compensation	8	817	—	—	—	825
Vesting of restricted stock units and restricted shares	28	(378)	—	—	—	(350)
Treasury stock purchases	—	—	(403)	—	—	(403)
Cash dividends declared	—	—	—	(833)	—	(833)
Net income	—	—	—	289	—	289
Balance on September 30, 2022	<u>\$ 8,226</u>	<u>\$ 34,906</u>	<u>\$ (66,775)</u>	<u>\$ 154,731</u>	<u>\$ 131,088</u>	
Stock-based compensation	10	835	—	—	—	845
Vesting of restricted stock units and restricted shares	3	(60)	—	—	—	(57)
Treasury stock purchases	—	—	(1,823)	—	—	(1,823)
Cash dividends declared	—	—	—	(819)	—	(819)
Net income	—	—	—	2,853	—	2,853
Balance on December 31, 2022	<u>\$ 8,239</u>	<u>\$ 35,681</u>	<u>\$ (68,598)</u>	<u>\$ 156,765</u>	<u>\$ 132,087</u>	

See accompanying Notes to Consolidated Financial Statements (Unaudited).

[Table of Contents](#)

**FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**(Amounts in thousands)**

	<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 3,803	\$ 3,142
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,899	2,277
Deferred income taxes	84	—
Stock-based compensation expense	1,845	1,670
Change in provision for losses on accounts receivable	(140)	(100)
Loss on disposal of assets	34	—
Changes in operating assets and liabilities:		
Trade receivables	6,907	8,541
Inventories	16,838	30,387
Other current assets	(2,128)	(1,958)
Other assets	(5,297)	—
Accounts payable - trade	(4,991)	(14,132)
Accrued liabilities	(1,751)	(4,914)
Other long-term liabilities	63	(271)
Net cash provided by operating activities	<u>17,166</u>	<u>24,642</u>
<b>INVESTING ACTIVITIES:</b>		
Capital expenditures	(3,058)	(2,176)
Net cash (used in) investing activities	<u>(3,058)</u>	<u>(2,176)</u>
<b>FINANCING ACTIVITIES:</b>		
Dividends paid	(1,671)	(1,678)
Treasury stock purchases	(1,427)	(2,226)
Proceeds from line of credit	180,524	166,933
Payments on line of credit	(190,899)	(185,498)
Shares withheld for tax payments on vested restricted shares	(688)	(407)
Net cash (used in) financing activities	<u>(14,161)</u>	<u>(22,876)</u>
(Decrease) in cash and cash equivalents	(53)	(410)
Cash and cash equivalents at beginning of the period	3,365	2,184
Cash and cash equivalents at end of the period	<u>\$ 3,312</u>	<u>\$ 1,774</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	1,104	823
Cash paid for income taxes, net	1,724	1,993
Capital expenditures in accounts payable	382	15

See accompanying Notes to Consolidated Financial Statements (Unaudited).

## [Table of Contents](#)

### FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2023

##### **1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS**

**DESCRIPTION OF BUSINESS** – Flexsteel Industries, Inc. and Subsidiaries (the “Company” or “Flexsteel” or “Our”) is one of the largest manufacturers, importers, and marketers of furniture products in the United States. Product offerings include a wide variety of furniture such as sofas, loveseats, chairs, reclining rocking chairs, swivel rockers, sofa beds, convertible bedding units, occasional tables, desks, dining tables and chairs, kitchen storage, bedroom furniture, and outdoor furniture. A featured component in most of the upholstered furniture is a unique steel drop-in seat spring from which the name “Flexsteel” is derived. The Company distributes its products throughout the United States through its e-commerce channel and direct sales force.

**BASIS OF PRESENTATION** – The unaudited Consolidated Financial Statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The information contained in the Consolidated Financial Statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of such Consolidated Financial Statements. Operating results for the three and six months ended December 31, 2023, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2024. Certain information and footnote disclosures normally included in the Consolidated Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. Except to the extent updated or described below, the significant accounting policies in Note 1 to the Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended June 30, 2023, appropriately represent, in all material respects, the current status of accounting policies.

##### **2. INVENTORIES**

A comparison of inventories is as follows:

(in thousands)	December 31, 2023	June 30, 2023
Raw materials	\$ 16,841	\$ 18,616
Work in process and finished parts	3,621	3,741
Finished goods	84,776	99,719
Total	<u>\$ 105,238</u>	<u>\$ 122,076</u>

##### **3. ASSETS HELD FOR SALE**

During the fiscal year 2020, the Company committed to a plan to sell assets located at the Company’s Starkville, Mississippi location as part of a restructuring plan. As of December 31, 2023, the Company continues to actively market the assets in Starkville, Mississippi. A summary of the assets held for sale as of December 31, 2023, is included in the table below.

Location (in thousands)	Asset Category	Cost	Accumulated Depreciation	Net Book Value
Starkville, Mississippi	Building & building improvements	\$ 4,615	\$ (4,254)	\$ 361
	Land & land improvements	694	(439)	255
	Total assets held for sale	<u>\$ 5,309</u>	<u>\$ (4,693)</u>	<u>\$ 616</u>

##### **4. LEASES**

The Company accounts for its leases in accordance with ASU No. 2016-02, *Leases (Topic 842)* (“ASC 842”). ASC 842 requires lessees to (i) recognize a right-of-use asset (“ROU asset”) and a lease liability that is measured at the present value of the remaining lease payments on the Consolidated Balance Sheets, (ii) recognize a single lease cost, calculated over the lease term on a straight-line basis and (iii) classify lease-related cash payments within operating and financing activities. The Company made an accounting policy election to not recognize short-term leases on the Consolidated Balance Sheets and all non-lease components, such as common area maintenance, were excluded. At any given time during the lease term, the lease liability represents the present value of the remaining lease payments,

## [Table of Contents](#)

and the ROU asset is measured as the amount of the lease liability, adjusted for pre-paid rent, unamortized initial direct costs, and the remaining balance of lease incentives received. Both the lease ROU asset and liability are reduced to zero at the end of the lease term.

The Company leases distribution centers and warehouses, manufacturing facilities, showrooms, and office space. At the lease inception date, the Company determines if an arrangement is, or contains a lease. Some of the Company's leases include options to renew at similar terms. The Company assesses these options to determine if the Company is reasonably certain of exercising these options based on relevant economic and financial factors. Options that meet these criteria are included in the lease term at the lease commencement date.

For purposes of measuring the Company's ROU asset and lease liability, the discount rate utilized by the Company was based on the average interest rates effective for the Company's line of credit. Some of the Company's leases contain variable rent payments, including common area maintenance and utilities. Due to the variable nature of these costs, they are not included in the measurement of the ROU asset and lease liability.

On August 20, 2021, Flexsteel entered into a lease agreement for the construction of a 507,830 square foot manufacturing facility in Mexicali, Mexico. The lease commencement date under ASC 842 guidance was July 1, 2022, the date the lessor made the building available for use by the Company for purposes of completing any leasehold improvements required by the Company prior to beginning operations. The 12-year lease ends on June 30, 2034, with options for two five-year extensions. Annual base rent under the lease is \$3.2 million plus taxes, insurance and common area maintenance costs. As of December 31, 2023, the Company has not begun operations in the Mexicali facility. On May 3, 2023, the Company entered into a sublease with a third party for 105,000 square feet of the Mexicali facility with a term of 12 months. Annual rent net of broker's fees under the sublease is \$1 million, plus a proportionate share of taxes, insurance, and common area maintenance. On October 2, 2023, the Company entered into a sublease with a third party for 339,413 square feet of the facility with an initial term of 12 months with four 6 month extensions. Annual rent net of broker's fees under the sublease is \$2.2 million, plus a proportionate share of taxes, insurance, and common area maintenance.

At December 31, 2023, the Company determined that no impairment indicators exist with regard to the Mexicali lease given the current and expected sublease tenants and plans for future operations in the facility. At December 31, 2023, the right-of-use asset associated specifically with the Mexicali lease is \$31.1 million and associated lease liability is \$32.6 million. Sublease income net of broker's fees received from the sub-tenant is offset against operating lease expense in the Company's Consolidated Statements of Income.

The components of the Company's leases reflected on the Company's Consolidated Statements of Income were as follows:

(in thousands)	Three Months Ended		Six Months Ended	
	December 31, 2023	2022	December 31, 2023	2022
Operating lease expense	\$ 2,384	\$ 2,700	\$ 4,808	\$ 5,366
Variable lease expense	524	490	970	908
<b>Total lease expense</b>	<b>\$ 2,908</b>	<b>\$ 3,190</b>	<b>\$ 5,778</b>	<b>\$ 6,274</b>

Other information related to leases and future minimum lease payments under non-cancelable operating leases were as follows:

(in thousands)	Six Months Ended	
	December 31, 2023	December 31, 2022
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows paid for operating leases	\$ 4,663	\$ 4,224
<b>Cash received from subleasing of operating lease:</b>		
Operating cash flows received from subleasing of operating lease	\$ 1,119	\$ —
<b>Right-of-use assets obtained in exchange for lease liabilities:</b>		
Operating leases	\$ 797	\$ 35,305
<b>Weighted-average remaining lease term (in years):</b>		
Operating leases	8.6	4.9
<b>Weighted-average discount rate:</b>		
Operating leases	3.1%	3.3%

## Table of Contents

Future minimum lease payments under non-cancelable operating leases were as follows:

	<b>December 31, 2023</b>
Remaining payments in FY2024	\$ 4,838
FY2025	9,418
FY2026	9,208
FY2027	9,378
FY2028	9,144
Thereafter	37,040
<b>Total future minimum lease payments</b>	<b>\$ 79,026</b>
Less imputed interest	9,648
<b>Lease liability</b>	<b>\$ 69,378</b>

## **5. CREDIT ARRANGEMENTS**

On September 8, 2021, the Company, as the borrower, entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association (the "Lender"), and the other lenders party thereto. The Credit Agreement has a five-year term and provides for up to an \$85 million revolving line of credit. Subject to certain conditions, the Credit Agreement also provides for the issuance of letters of credit in an aggregate amount up to \$5 million which, upon issuance, would be deemed advances under the revolving line of credit. Proceeds of borrowings were used to refinance all indebtedness owed to a prior lender and for working capital purposes. The Company's obligations under the Credit Agreement are secured by substantially all its assets, excluding real property. The Credit Agreement contains customary representations, warranties, and covenants, including a financial covenant to maintain a fixed coverage ratio of not less than 1.00 to 1.00. In addition, the Loan Agreement places restrictions on the Company's ability to incur additional indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets, and to merge or consolidate with other entities. As of December 31, 2023, management believes the Company was in compliance with all covenants.

On April 18, 2022, the Company, as the borrower, entered into a first amendment to the September 8, 2021, Credit Agreement ("First Amendment to the Credit Agreement"), with the Lender and the lenders thereto. The amendment to the Credit Agreement changed the definition of the term 'Payment Conditions' and further defined default or event of default and the calculation of the Fixed Charge Coverage Ratio.

Subject to certain conditions, borrowings under the Credit Agreement initially bore interest at LIBOR plus 1.25% or 1.50% per annum. On May 24, 2023, the Company entered into a second amendment to the Credit Agreement ("Second Amendment to the Credit Agreement") with the Lender to transition the applicable interest rate from LIBOR to Secured Overnight Financing Rate ("SOFR"). Effective as of the date of the Second Amendment to the Credit Agreement, borrowings under the amended Credit Agreement bear interest at SOFR plus 1.36% to 1.61%, or an effective interest rate of 6.75%, on December 31, 2023.

As of December 31, 2023, there was \$17.9 million outstanding under the Credit Agreement, exclusive of fees and letters of credit.

Letters of credit outstanding with the Lender as of December 31, 2023, totaled \$1.1 million.

## **6. INCOME TAXES**

The provision for income taxes for the interim periods is based on an estimate of the Company's annual effective tax rate adjusted to reflect the impact of discrete items. Management judgment is required in projecting ordinary income to estimate the Company's annual effective tax rate. The Company's effective tax rate for the three months ended December 31, 2023, and December 31, 2022, was 25.5% and 17.2%, respectively. The Company's effective tax rate for the six months ended December 31, 2023 and 2022, was 30.1% and 11.5%, respectively. For the three and six months ended December 31, 2023, the effective tax rate differs from the statutory tax rate of 21% due to nondeductible stock compensation, state taxes, the impacts associated with uncertain tax positions, and impact of foreign operations. For the three and six months ended December 31, 2022, the effective tax rate differs from the statutory tax rate of 21% due to nondeductible stock compensation, state taxes, the impacts associated with uncertain tax positions, as well as impacts arising from the reversal of the valuation allowance associated with movements in certain deferred tax assets.

## [Table of Contents](#)

### **7. STOCK-BASED COMPENSATION**

The Company accounts for its stock-based compensation plans in accordance with ASC 718, *Stock Compensation*, which requires the Company to measure all share-based payments at grant date fair value and recognize the cost over the requisite service period. Restricted shares and restricted stock units ("RSUs") generally vest over 1 to 3 years. Stock options are granted at an exercise price equal to the fair value of the Company's common stock price at the grant date and are exercisable for up to 10 years upon vesting. Stock-based compensation is included in selling, general and administrative expenses on the Consolidated Statements of Income and Comprehensive Income. Forfeitures are recognized as incurred.

The following table is a summary of total stock-based compensation expenses for the three and six months ended December 31, 2023 and 2022.

<i>(in thousands)</i>	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Total stock-based compensation expense	\$ 934	\$ 845	\$ 1,845	\$ 1,670

On December 14, 2022, the Company's shareholders approved the Flexsteel Industries, Inc. 2022 Equity Incentive Plan ("2022 Plan").

The 2022 Plan replaced the Long-Term Incentive Compensation Plan ("LTIP") and the 2013 Omnibus Stock Plan (collectively, the "Prior Plans"). No further awards will be made under either of the Prior Plans, but these Prior Plans will continue to govern awards previously granted under them.

#### (1)2022 Equity Incentive Plan

The 2022 Plan is a long-term incentive plan pursuant to which awards may be granted to certain employees, independent contractors and directors of the Company, in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares or other stock-based awards. For periods beginning on or after July 1, 2023, restricted stock units ("RSUs") and performance stock units ("PSUs") granted to officers and key employees as part of long-term compensation programs are issued from the 2022 Plan. RSUs and PSUs awarded from the 2022 Plan are included in the Long-Term Incentive Compensation or Restricted Share and RSUs tables below.

#### (2)Long-Term Incentive Compensation Plan

The LTIP provided for PSUs to be awarded to officers and key employees based on performance goals set by the Compensation Committee of the Board of Directors (the "Committee"). In conjunction with each grant of PSUs, the Committee granted RSUs under the 2013 Omnibus Stock Plan that vested at the end of three years. No further awards will be issued under this plan.

#### (3)2013 Omnibus Stock Plan

The 2013 Omnibus Stock Plan was for key employees, officers and directors and provided for the granting of incentive and nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights, and performance units. No further awards will be issued under this plan.

#### **Long-Term Incentive Compensation**

The table below sets forth, as of December 31, 2023, the number of unvested PSUs granted at the target performance level for the 2022-2024, 2023-2025, and 2024-2026 performance periods under the 2022 Plan and LTIP (as applicable) and the number of unvested RSUs granted in conjunction with the PSUs. For PSUs awarded for the three year performance period ending June 30, 2024 participants may earn the award based on a cumulative three year performance goal. For PSUs awarded for the three year performance periods ending June 30, 2025 and 2026, participants may earn one-third of the award in each of the three years based on meeting performance goals for

[Table of Contents](#)

that year. The Committee selected Adjusted Earnings Before Interest and Tax based on a defined percentage growth as the performance metric for the performance periods ending June 30, 2024, 2025, and 2026.

(shares in thousands)	Time-Based Vest (RSUs)			Performance-Based Vest (PSUs)			Total		
	Shares	Weighted Average		Shares	Weighted Average		Shares	Weighted Average	
		Fair Value	Per Share		Fair Value	Per Share		Fair Value	Per Share
Unvested as of June 30, 2023	79	\$	24.56	211	\$	19.19	290	\$	20.65
Granted	66		18.91	99		18.91	165		18.91
Vested	—		—	(75)		12.15	(75)		12.15
Forfeited	(1)		21.59	(19)		14.80	(20)		15.14
Unvested as of December 31, 2023	<u>144</u>	\$	<u>21.99</u>	<u>216</u>	\$	<u>21.89</u>	<u>360</u>	\$	<u>21.93</u>

Total unrecognized stock-based compensation related to the unvested PSUs at the target performance level and the related unvested RSUs was \$3.8 million as of December 31, 2023, which is expected to be recognized over a weighted-average period of 1.8 years.

#### Restricted Shares and RSUs

A summary of the activity in the Company's unvested restricted shares and unvested RSUs (not granted in conjunction with PSUs) during the three and six months ended December 31, 2023, is as follows:

	Shares (in thousands)	Weighted Average	
		Fair Value	Per Share
Unvested as of June 30, 2023	74	\$	21.67
Granted	4		20.06
Vested	(8)		28.66
Unvested as of December 31, 2023	<u>70</u>	\$	<u>20.78</u>

Total unrecognized stock-based compensation related to unvested restricted shares and unvested RSUs (not granted in conjunction with the PSUs) was \$0.5 million as of December 31, 2023, which is expected to be recognized over a weighted-average period of 0.9 year.

#### Options

A summary of the activity of the Company's stock option plans as of December 31, 2023, is presented below:

	Shares (in thousands)	Weighted Average	
		Exercise Price	
Outstanding at June 30, 2023	202	\$	20.98
Canceled	(18)		27.40
Outstanding at December 31, 2023	<u>184</u>	\$	<u>20.34</u>

The following table summarizes information for options outstanding at December 31, 2023:

Range of Prices	Options Outstanding (in thousands)	Weighted Average	
		Remaining Life (Years)	Exercise Price
\$ 9.97 - 15.14	97	6.2	\$ 12.64
18.30 - 19.72	6	7.4	18.30
21.96 - 27.57	39	5.0	22.64
31.06 - 32.80	29	2.3	32.27
43.09 - 47.45	13	2.7	45.28
\$ 9.97 - 47.45	<u>184</u>	<u>5.1</u>	<u>\$ 20.34</u>

There is no unrecognized stock-based compensation expense related to these options as of December 31, 2023.

## Table of Contents

### Stock-based compensation granted outside a plan

During the quarter ended June 30, 2020, the Company awarded its Chief Financial Officer/Chief Operating Officer 79,000 options outside of any Company stock plans. All 79,000 options remain outstanding as of December 31, 2023, with an exercise price of \$9.97 and a remaining life of 6.3 years. There is no remaining unrecognized stock-based compensation expense related to these options.

During the quarter ended December 31, 2018, the Company awarded its Chief Executive Officer 55,000 options outside of any Company stock plans. All 55,000 options remain outstanding as of December 31, 2023, with an exercise price of \$21.96 and a remaining life of 5.0 years. There is no remaining unrecognized stock-based compensation expense related to these options.

## **8. EARNINGS PER SHARE**

Basic earnings per share (EPS) of common stock are based on the weighted-average number of common shares outstanding during each period. Diluted earnings per share of common stock include the dilutive effect of potential common shares outstanding. The Company's potential common shares outstanding are stock options, shares associated with the long-term incentive compensation plans, and non-vested restricted stock units. The Company calculates the dilutive effect of outstanding options and restricted stock units using the treasury stock method. Anti-dilutive options are not included in the computation of diluted EPS when their exercise price is greater than the average closing market price of the common shares.

<i>(in thousands)</i>	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Basic shares	5,184	5,259	5,183	5,285
Potential common shares:				
Stock options	66	45	74	52
Non-vested restricted stock units and restricted shares	74	35	103	99
Diluted shares	5,324	5,339	5,360	5,436
Anti-dilutive shares	136	161	136	161

Cash dividends declared per common share were \$0.15 and \$0.30 for the three and six months ended December 31, 2023, respectively, and were \$0.15 and \$0.30 for the three and six months ended December 31, 2022, respectively.

## **9. COMMITMENTS AND CONTINGENCIES**

**Environmental Matters** – In March 2016, the Company received a General Notice Letter for the Lane Street Groundwater Superfund Site (the "Lane Street Site") located in Elkhart, Indiana from the U.S. Environmental Protection Agency (EPA). In April 2016, the EPA issued their proposed clean-up plan for groundwater pollution and request for public comment. The Company responded to the request for public comment in May 2016. The EPA issued a Record of Decision selecting a remedy in August 2016 and estimated total costs to remediate of \$3.6 million. In July 2017, the EPA issued a Special Notice Letter to the Company demanding that the Company perform the remedy selected and pay for the remediation cost and past response costs of \$5.5 million. On October 12, 2017, the Company, after consultation with its insurance carriers, offered an amount, fully reimbursable by insurance coverage, to the EPA to resolve this matter. On November 6, 2017, the settlement offer extended on October 12, 2017, was rejected.

In April 2018, the EPA issued a Unilateral Administrative Order for Remedial Design and Remedial Action (the "Order") against the Company. The Order was issued under Section 106(a) of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. §9606(a). The Order directed the Company to perform remedial design and remedial action for the Lane Street Site. The Order was to be effective May 29, 2018. To ensure completion of the remediation work, the EPA required the Company to secure financial assurance in the initial amount of \$3.6 million, which as noted above, was the estimated cost of remedial work. The Company believed that financial assurance was not required because it met the relevant financial test criteria as provided in the Order. In May 2018, the EPA agreed to suspend enforcement of the Order so that the Company could conduct environmental testing upgradient to its former manufacturing location pursuant to an Administrative Order on Consent (AOC). On April 24, 2019, the Company signed an AOC with the EPA to conduct the upgradient investigation. The Company negotiated site access to the upgradient property over a period of months in 2019, followed by completion of sampling activities on that property on September 28-29, 2019. Following multiple exchanges from November 2019 through early 2020, the Company submitted a final and supplemental report to the EPA regarding the results of the upgradient investigation on June 17, 2020.

Despite the Company's position that it did not cause or contribute to the contamination, the Company reached a settlement with the EPA and the State of Indiana, which was filed as a consent decree in the U.S. District Court for the Northern District of Indiana on October 24, 2022. The consent decree required Flexsteel to pay \$9.8 million in resolution of the matter. Flexsteel also reached agreements with

## [Table of Contents](#)

its insurance carriers for partial reimbursement of the settlement. During the quarter ended December 31, 2022, the Company made full payment in accordance with the settlement agreement and as a result of insurance proceeds received, the Company recorded income of \$2.8 million for the quarter ended December 31, 2022.

Other Proceedings – From time to time, the Company is subject to various other legal proceedings, including lawsuits, which arise out of, and are incidental to, the conduct of the Company's business. The Company does not consider any of such other proceedings that are currently pending, individually or in the aggregate, to be material to its business or likely to result in a material effect on its consolidated operating results, financial condition, or cash flows.

### **10. SUBSEQUENT EVENTS**

On February 5, 2024 the Company announced its decision to close its manufacturing facility in Dublin, Georgia as part of a strategic plan to streamline its North American manufacturing operations. Closure of the facility is expected to occur by the end of our fourth quarter of fiscal 2024. As part of the transition, the company expects to incur pre-tax restructuring and related expenses between \$2.5 million and \$3.2 million. The one-time costs include approximately \$2.0 million to \$2.5 million for employee separations and \$0.5 million to \$0.7 million for other expenses directly related to the closure. Substantially all of these expenses are expected to result in future cash expenditures primarily during the third and fourth quarters of fiscal year 2024. The Dublin, GA facility will be listed for sale upon closure and the company anticipates a future one-time gain in excess of the carrying value of the asset. The Dublin facility supports less than 5% of annual sales and the Company expects to retain the majority of these sales through this transition.

## [Table of Contents](#)

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **GENERAL**

The following analysis of the results of operations and financial condition of the Company should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this quarterly report on Form 10-Q.

#### **CRITICAL ACCOUNTING POLICIES:**

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our 2023 annual report on Form 10-K.

#### Overview

The following table has been prepared as an aid in understanding the Company's results of operations on a comparative basis for the three and six months ended December 31, 2023 and 2022. The amounts presented are percentages of the Company's net sales.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	78.1	83.0	79.3	83.5
Gross margin	21.9	17.0	20.7	16.5
Selling, general and administrative expenses	17.3	16.0	17.4	15.6
Environmental remediation	—	(3.0)	—	(1.5)
Other expense	—	—	—	0.2
Operating income	4.6	4.0	3.3	2.2
Interest expense	0.5	0.3	0.5	0.3
Income before income taxes	4.1	3.7	2.8	1.9
Income tax provision	1.1	0.6	0.8	0.2
Net income and comprehensive income	3.0 %	3.1 %	2.0 %	1.7 %

#### Results of Operations for the Quarter Ended December 31, 2023 vs. 2022

Net sales were \$100.1 million for the quarter ended December 31, 2023, compared to net sales of \$93.1 million in the prior year quarter, an increase of 7.5%. The increase was driven by higher sales in home furnishings products sold through retail stores of \$9.9 million, or 12.5%, led by unit volume increases and product mix. Sales of products sold through e-commerce channels decreased by (\$2.9) million, or (20.3%), compared to the second quarter of the prior year. Lower sales in the e-commerce channel were driven by softer consumer demand and less promotional activity to improve overall profitability.

Retail home furnishings backlog was \$55 million as of the quarter ended December 31, 2023, a decrease of (9.8%) compared to \$61 million home furnishings backlog in the prior year quarter, mainly due to the Company's focus on reducing manufactured backlog down to 3-5 week lead times.

Gross margin as a percent of net sales for the quarter ended December 31, 2023, was 21.9%, compared to 17.0% for the prior year quarter, an increase of 490 basis points ("bps"). The 490-bps increase was primarily due to supply chain cost saving initiatives and fixed cost leverage on higher sales volume.

Selling, general and administrative ("SG&A") expenses increased \$2.5 million or 16.8% to \$17.4 million in the second quarter ended December 31, 2023, as compared to \$14.9 million in the prior year quarter. As a percentage of net sales, SG&A was 17.3% in the quarter ended December 31, 2023 compared to 16.0% of net sales in the prior year quarter. The 130-bps increase primarily was due to investments to support growth and higher incentive compensation for the quarter ended December 31, 2023.

Income tax expense was \$1.0 million, or an effective rate of 25.5% for the quarter ended December 31, 2023, compared to an income tax expense of \$0.6 million, or an effective rate of 17.2% during the quarter ended December 31, 2022. For the quarter ended December 31, 2023, the effective tax rate differs from the statutory tax rate of 21% due to nondeductible stock compensation, state taxes, the impacts associated with uncertain tax positions, and the impact of foreign operations.

## Table of Contents

Net income was \$3.1 million, or \$0.57 per diluted share for the quarter ended December 31, 2023, compared to net income of \$2.9 million, or \$0.53 per diluted share in the prior year quarter.

### Results of Operations for the Six Months Ended December 31, 2023 vs. 2022

Net sales were \$194.7 million for the six months ended December 31, 2023, compared to net sales of \$188.8 million in the prior-year six-month period, an increase of 3.1%. The increase in sales of \$5.9 million was driven by a \$7.6 million increase related to home furnishing products sold through retailers and a decrease of (\$1.7) million for home furnishing products sold through e-commerce channels.

Gross margin as a percent of net sales for the six months ended December 31, 2023, was 20.7%, compared to 16.5% for the prior-year six-month period, an increase of 420 bps. The 420-bps increase was primarily driven by the same factors discussed above for the quarter ended December 31, 2023.

Selling, general and administrative expenses increased \$4.5 million in the six months ended December 31, 2023, compared to the prior-year six-month period. SG&A was 17.4% in the six months ended December 31, 2023, compared to the prior-year six-month period of 15.6%. The 180-bps increase was primarily due to investments in growth initiatives and higher incentive compensation for the six months ended December 31, 2023.

During the six months ended December 31, 2022, the Company recorded income of \$2.8 million related to the settlement of the environmental remediation liability. See Note 10, Commitments and Contingencies, of the Notes to Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for more information.

Income tax expense was \$1.6 million, or an effective rate of 30.1%, during the six months ended December 31, 2023, compared to income tax expense of \$0.4 million in the prior-year six-month period, or an effective tax rate of 11.5%. The effective tax rate for the six months ended December 31, 2023, was primarily impacted by nondeductible stock compensation, state taxes, the impacts associated with uncertain tax positions, and the impact of foreign operations.

Net income was \$3.8 million, or \$0.71 per diluted share for the six months ended December 31, 2023, compared to net income of \$3.1 million, or \$0.58 per diluted share in the prior-year six-month period.

### Liquidity and Capital Resources

Working capital (current assets less current liabilities) on December 31, 2023, was \$100.5 million compared to \$115.5 million on June 30, 2023. The (\$15.0) million decrease in working capital was primarily due to a decrease in inventory of (\$16.8) million, a decrease in net trade receivables of (\$6.8) million, and an increase of operating lease liabilities of \$0.4 million, partially offset by a decrease in accounts payable of (\$4.9) million, an increase in other current assets of \$2.1 million, and a decrease in other current liabilities of (\$2.0) million. Refer to discussion of working capital changes below, under *Net cash provided by operating activities*. Capital expenditures were \$3.1 million during the six months ended December 31, 2023.

A summary of operating, investing, and financing cash flow is shown in the following table:

<i>(in thousands)</i>	<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Net cash provided by operating activities	\$ 17,166	\$ 24,642
Net cash (used in) investing activities	(3,058)	(2,176)
Net cash (used in) financing activities	(14,161)	(22,876)
(Decrease) in cash and cash equivalents	<u>\$ (53)</u>	<u>\$ (410)</u>

#### ***Net cash provided by operating activities***

For the six months ended December 31, 2023, net cash provided by operating activities was \$17.2 million, primarily due to a decrease in inventory of \$16.8 million, a decrease in trade receivables of \$6.9 million, net income of \$3.8 million, and adjustments for non-cash items including depreciation of \$1.9 million, stock-based compensation of \$1.8 million, and deferred income taxes of \$0.1 million partially offset by an increase in other assets of \$5.3 million, a decrease in accounts payable of \$5.0 million, an increase in other current assets of \$2.1 million, and a decrease in accrued liabilities of \$1.7 million.

For the six months ended December 31, 2022, net cash provided by operating activities was \$24.6 million, which primarily consisted of net income of \$3.1 million, adjusted for non-cash items including depreciation of \$2.3 million, and stock-based compensation of \$1.7

## Table of Contents

million. Net cash provided by operating assets and liabilities was \$17.7 million and was primarily due to a decrease in inventories of \$30.4 million, and a decrease in trade receivables of \$8.5 million, partially offset by a decrease in accrued liabilities of \$4.9 million, a decrease in payables of \$14.1 million, an increase in other current assets of \$2.0 million, and a decrease in other long-term liabilities of \$0.3 million. Sales volume declines drove the decrease in trade receivables, as well as decreased inventory purchases driving declines in inventory and payables. Accrued liabilities declined primarily due to the environmental remediation settlement.

### ***Net cash (used in) investing activities***

For the six months ended December 31, 2023, net cash used in investing activities was \$3.1 million due to capital expenditures.

For the six months ended December 31, 2022, net cash used in investing activities was \$2.2 million due to capital expenditures.

### ***Net cash (used in) financing activities***

For the six months ended December 31, 2023, net cash used in financing activities was \$14.2 million, due to payments on the line of credit of \$190.9 million partially offset by proceeds from the line of credit of \$180.5 million, dividends paid of \$1.7 million, \$1.4 million paid for purchases of company stock, and \$0.7 million paid for tax payments on employee vested restricted shares netted with proceeds from the issuance of common stock.

For the six months ended December 31, 2022, net cash used in financing activities was \$22.9 million, primarily due to payments on lines of credit of \$185.5 million, partially offset by proceeds from lines of credit of \$166.9 million. In addition to the line of credit activity, net cash used in financing activities was also due to \$2.2 million for treasury stock purchases, dividends paid of \$1.7 million, and \$0.4 million for tax payments on employee vested restricted shares netted with proceeds from the issuance of common stock.

### Line of Credit

On September 8, 2021, the Company, as the borrower, entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association (the "Lender"), and the other lenders party thereto. The Credit Agreement has a five-year term and provides for up to an \$85 million revolving line of credit. Subject to certain conditions, the Credit Agreement also provides for the issuance of letters of credit in an aggregate amount up to \$5 million which, upon issuance, would be deemed advances under the revolving line of credit. Proceeds of borrowings were used to refinance all indebtedness owed to a prior lender and for working capital purposes. The Company's obligations under the Credit Agreement are secured by substantially all its assets, excluding real property. The Credit Agreement contains customary representations, warranties, and covenants, including a financial covenant to maintain a fixed coverage ratio of not less than 1.00 to 1.00. In addition, the Loan Agreement places restrictions on the Company's ability to incur additional indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets, and to merge or consolidate with other entities. As of December 31, 2023, management believes the Company was in compliance with all covenants.

On April 18, 2022, the Company, as the borrower, entered into a first amendment to the September 8, 2021, Credit Agreement ("First Amendment to the Credit Agreement"), with the Lender and the lenders thereto. The amendment to the Credit Agreement changed the definition of the term 'Payment Conditions' and further defined default or event of default and the calculation of the Fixed Charge Coverage Ratio.

Subject to certain conditions, borrowings under the Credit Agreement initially bore interest at LIBOR plus 1.25% or 1.50% per annum. On May 24, 2023, the Company entered into a second amendment to the Credit Agreement ("Second Amendment to the Credit Agreement") with the Lender to transition the applicable interest rate from LIBOR to Secured Overnight Financing Rate ("SOFR"). Effective as of the date of the Second Amendment to the Credit Agreement, borrowings under the amended Credit Agreement bear interest at SOFR plus 1.36% to 1.61%, or an effective interest rate of 6.75%, on December 31, 2023.

As of December 31, 2023, there was \$17.9 million outstanding under the Credit Agreement, exclusive of fees and letters of credit.

Letters of credit outstanding with the Lender as of December 31, 2023, totaled \$1.1 million.

### Contractual Obligations

As of December 31, 2023, there have been no material changes to our contractual obligations presented in our Annual Report on Form 10-K for the year ended June 30, 2023.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

*General* – Market risk represents the risk of changes in the value of a financial instrument, derivative or non-derivative, caused by fluctuations in interest rates, foreign exchange rates and equity prices. As discussed below, management of the Company does not

## [Table of Contents](#)

believe that changes in these factors could cause material fluctuations in the Company's results of operations or cash flows. The ability to import furniture products can be adversely affected by political issues in the countries where suppliers are located, as well as disruptions associated with shipping distances and negotiations with port employees. Other risks related to furniture product importation include government imposition of regulations and/or quotas; duties, taxes or tariffs on imports; and significant fluctuation in the value of the U.S. dollar against foreign currencies. Any of these factors could interrupt supply, increase costs, and decrease earnings.

**Foreign Currency Risk** – During the quarters ended December 31, 2023 and 2022, the Company did not have sales but did have purchases and other expenses denominated in foreign currencies, primarily the Mexican Peso. The wages of our employees and certain other employee benefits and indirect costs related to our operations in Mexico are made in Pesos and subject to foreign currency fluctuation with the U.S. dollar. The Company does not employ any foreign currency hedges against this exposure. A negative shift in the value of the U.S. dollar against the Peso could increase the cost of our manufactured product. See "Risk Factors" in Item 1A in the most recent Annual Report on Form 10-K for further discussion.

**Interest Rate Risk** – The Company's primary market risk exposure regarding financial instruments is changes in interest rates. On December 31, 2023, the Company had \$17.9 million outstanding on its line of credit, exclusive of fees and letters of credit.

### **Item 4. Controls and Procedures**

(a) *Evaluation of disclosure controls and procedures.* Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective as of December 31, 2023.

(b) *Changes in internal control over financial reporting.* During the quarter ended December 31, 2023, there were no significant changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

### **Cautionary Statement Relevant to Forward-Looking Information for "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995**

The Company and its representatives may from time to time make written or oral forward-looking statements concerning long-term goals or anticipated results of the Company, including statements contained in the Company's filings with the Securities and Exchange Commission and its reports to stockholders.

Statements, including those in this Quarterly Report on Form 10-Q, which are not historical or current facts, are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain important factors that could cause the Company's results to differ materially from those anticipated by some of the statements made herein. Investors are cautioned that all forward-looking statements involve risk and uncertainty. Some of the factors that could affect results are the cyclical nature of the furniture industry, supply chain disruptions, litigation, restructurings, the effectiveness of new product introductions and distribution channels, the product mix of sales, pricing pressures, the cost of raw materials and fuel, changes in foreign currency values, retention and recruitment of key employees, actions by governments including laws, regulations, taxes and tariffs, the amount of sales generated and the profit margins thereon, competition (both U.S. and foreign), credit exposure with customers, participation in multi-employer pension plans, disruptions or security breaches to business information systems, the impact of any future pandemic, and general economic conditions. For further information regarding these risks and uncertainties, see the "Risk Factors" section in Item 1A of our most recent Annual Report on Form 10-K.

The Company specifically declines to undertake any obligation to publicly revise any forward-looking statements that have been made to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

## **PART II OTHER INFORMATION**

### **Item 1A. Risk Factors**

There has been no material change in the risk factors set forth under Part 1, Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On January 20, 2022, the Board of Directors approved a share repurchase program authorizing the Company to purchase up to \$30 million of the Company's common stock through January 19, 2025. All purchases were made in the open market.

## Table of Contents

The following table summarizes the activity of the common stock repurchases made during the three months ended December 31, 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Plan	Approximate Dollar Value of Shares that May Yet Be Purchased
October 1, 2023, to October 31, 2023	5,315	\$ 19.78	1,424,774	\$ 3,218,216
November 1, 2023, to November 30, 2023	28,047	17.82	1,452,821	2,717,029
December 1, 2023, to December 31, 2023	20,026	18.34	1,472,847	2,348,851
Three months ended December 31, 2023	53,388	\$ 18.21	1,472,847	\$ 2,348,851

## **Item 6. Exhibits**

### Exhibit No.

<a href="#">31.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.*</a>
<a href="#">31.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.*</a>
<a href="#">32</a>	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*</a>
101.INS	XBRL Instance Document**
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104.Cover Page	Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	Filed herewith
**	In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed."

[Table of Contents](#)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLEXSTEEL INDUSTRIES, INC.

Date: February 7, 2024

By: */s/ Michael J. Ressler*  
Michael J. Ressler  
Chief Financial Officer  
(Principal Financial & Accounting Officer)

**CERTIFICATION**

I, Jerald K. Dittmer, certify that:

- 1.I have reviewed this quarterly report on Form 10-Q of Flexsteel Industries, Inc.;
- 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
- 4.The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a)designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b)designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c)evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d)disclosed in this report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
- 5.The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit and Ethics Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
  - a)all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b)any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 7, 2024

/s/ *Jerald K. Dittmer*  
Jerald K. Dittmer  
Chief Executive Officer

---

**CERTIFICATION**

I, Michael J. Ressler, certify that:

- 1.I have reviewed this quarterly report on Form 10-Q of Flexsteel Industries, Inc.;
- 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
- 4.The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a)designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b)designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c)evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d)disclosed in this report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
- 5.The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit and Ethics Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
  - a)all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b)any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 7, 2024

*/s/ Michael J. Ressler*

Michael J. Ressler  
Chief Financial Officer

---

**CERTIFICATION BY  
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Flexsteel Industries, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Jerald K. Dittmer, Chief Executive Officer, and Michael J. Ressler, Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and;
- (2)The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company.

Date: February 7, 2024

*/s/ Jerald K. Dittmer*

\_\_\_\_\_  
Jerald K. Dittmer  
Chief Executive Officer

*/s/ Michael J. Ressler*

\_\_\_\_\_  
Michael J. Ressler  
Chief Financial Officer

---

