

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 **July 28, 2024**

Commission file number **000-25349**

HOOKE FURNISHINGS CORPORATION

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of incorporation or organization)

54-0251350

(I.R.S. Employer Identification Number)

440 East Commonwealth Boulevard, Martinsville, VA 24112

(Address of principal executive offices, Zip Code)

(276) 632-2133

(Registrant's telephone)

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 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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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.

Large accelerated Filer ☐

Non-accelerated Filer ☐

Emerging growth company ☐

Accelerated filer ☒

Smaller reporting 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 ☒

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	HOFT	NASDAQ Global Select Market

As of August 30, 2024, there were 10,713,728 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HOOKE FURNISHINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

As of	July 28, 2024 (unaudited)	January 28, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 42,050	\$ 43,159
Trade accounts receivable, net	43,998	51,280
Inventories	57,099	61,815
Income tax recoverable	1,872	3,014
Prepaid expenses and other current assets	9,307	5,530
Total current assets	154,326	164,798
Property, plant and equipment, net	28,391	29,142
Cash surrender value of life insurance policies	29,408	28,528
Deferred taxes	13,970	12,005
Operating leases right-of-use assets	47,969	50,801
Intangible assets, net	26,774	28,622
Goodwill	15,036	15,036
Other assets	16,554	14,654
Total non-current assets	178,102	178,788
Total assets	\$ 332,428	\$ 343,586
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 22,177	\$ 1,393
Trade accounts payable	19,915	16,470
Accrued salaries, wages and benefits	6,073	7,400
Customer deposits	8,715	5,920
Current portion of operating lease liabilities	7,327	6,964
Other accrued expenses	2,246	3,262
Total current liabilities	66,453	41,409
Long term debt	-	21,481
Deferred compensation	7,132	7,418
Operating lease liabilities	43,504	46,414
Other long-term liabilities	-	889
Total long-term liabilities	50,636	76,202
Total liabilities	117,089	117,611
Shareholders' equity		
Common stock, no par value, 20,000 shares authorized, 10,714 and 10,672 shares issued and outstanding on each date	49,950	49,524
Retained earnings	164,745	175,717
Accumulated other comprehensive income	644	734
Total shareholders' equity	215,339	225,975
Total liabilities and shareholders' equity	\$ 332,428	\$ 343,586

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOOKE FURNISHINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended		For the	Twenty-Six Weeks Ended	
	July 28, 2024	July 30, 2023		July 28, 2024	July 30, 2023
Net sales	\$ 95,081	\$ 97,806	\$	188,652	\$ 219,621
Cost of sales	74,159	74,465		148,358	168,374
Gross profit	20,922	23,341		40,294	51,247
Selling and administrative expenses	23,147	21,144		46,614	46,191
Intangible asset amortization	924	924		1,849	1,807
Operating (loss) / income	(3,149)	1,273		(8,169)	3,249
Other income, net	1,486	357		1,963	411
Interest expense, net	203	654		567	833
(Loss) / income before income taxes	(1,866)	976		(6,773)	2,827
Income tax expense / (benefit)	85	191		(731)	593
Net (loss) / income	\$ (1,951)	\$ 785	\$	(6,042)	\$ 2,234
(Loss) / earnings per share					
Basic	\$ (0.19)	\$ 0.07	\$	(0.57)	\$ 0.20
Diluted	\$ (0.19)	\$ 0.07	\$	(0.57)	\$ 0.20
Weighted average shares outstanding:					
Basic	10,521	10,732		10,509	10,854
Diluted	10,521	10,828		10,509	10,962
Cash dividends declared per share	\$ 0.23	\$ 0.22	\$	0.46	\$ 0.44

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOOKE FURNISHINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME
(In thousands)
(Unaudited)

	Thirteen Weeks Ended		For the	Twenty-Six Weeks Ended	
	July 28, 2024	July 30, 2023		July 28, 2024	July 30, 2023
Net (loss) / income	\$ (1,951)	\$ 785	\$	(6,042)	\$ 2,234
Other comprehensive income:					
Actuarial adjustments	(59)	(70)		(118)	(140)
Income tax effect on adjustments	14	17		28	34
Adjustments to net periodic benefit cost	(45)	(53)		(90)	(106)
Total comprehensive (loss) / income	\$ (1,996)	\$ 732	\$	(6,132)	\$ 2,128

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOOKER FURNISHINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Twenty-Six Weeks Ended July 28, 2024	July 30, 2023
Operating Activities:		
Net (loss) / income	\$ (6,042)	\$ 2,234
Adjustments to reconcile net income to net cash (used in) / provided by operating activities:		
Depreciation and amortization	4,617	4,372
Deferred income tax expense	(1,941)	481
Noncash restricted stock and performance awards	425	1,043
Provision for doubtful accounts and sales allowances	(326)	(475)
Gain on life insurance policies	(1,596)	(684)
(Gain) / loss on disposal of assets	(2)	30
Changes in assets and liabilities:		
Trade accounts receivable	7,608	23,163
Inventories	4,716	35,062
Income tax recoverable	1,141	53
Prepaid expenses and other assets	(6,153)	(3,528)
Trade accounts payable	3,434	(2,029)
Accrued salaries, wages, and benefits	(1,326)	(2,843)
Customer deposits	2,794	(241)
Operating lease assets and liabilities	284	366
Other accrued expenses	(1,919)	(5,154)
Deferred compensation	(400)	(438)
Net cash provided by operating activities	\$ 5,314	\$ 51,412
Investing Activities:		
Purchases of property and equipment	(1,421)	(3,965)
Premiums paid on life insurance policies	(326)	(317)
Proceeds received on life insurance policies	936	444
Proceeds from sales of assets	3	-
Acquisitions	-	(2,373)
Net cash used in investing activities	\$ (808)	\$ (6,211)
Financing Activities:		
Purchase and retirement of common stock	-	(8,668)
Cash dividends paid	(4,915)	(4,856)
Payments for long-term loans	(700)	(700)
Net cash used in financing activities	\$ (5,615)	\$ (14,224)
Net (decrease) / increase in cash and cash equivalents	(1,109)	30,977
Cash and cash equivalents - beginning of year	43,159	19,002
Cash and cash equivalents - end of quarter	\$ 42,050	\$ 49,979
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for income taxes	\$ 65	\$ 60
Cash paid for interest, net	728	914
Non-cash transactions:		
Increase / (decrease) in lease liabilities arising from changes in right-of-use assets	\$ 903	\$ (6,356)
Increase in property and equipment through accrued purchases	11	8

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOOKE FURNISHINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except per share data)
(Unaudited)

	Common Stock		Retained	Accumulated	Total
	Shares	Amount	Earnings	Other Comprehensive Income	Shareholders' Equity
Balance at April 30, 2023	11,029	\$ 50,067	\$ 180,152	\$ 812	\$ 231,031
Net income for the 13 weeks ended July 30, 2023			785		785
Actuarial adjustments on defined benefit plan, net of tax of \$17				(53)	(53)
Cash dividends paid (\$0.22 per share)			(2,412)		(2,412)
Purchase and retirement of common stock	(246)	\$ (1,171)	(3,177)		(4,348)
Restricted stock grants, net of forfeitures	36	-			-
Restricted stock compensation cost		472			472
Performance-based restricted stock units cost		193			193
Balance at July 30, 2023	10,819	\$ 49,561	\$ 175,348	\$ 759	\$ 225,668
Balance at April 28, 2024	10,679	\$ 49,729	\$ 169,174	\$ 689	\$ 219,592
Net loss for the 13 weeks ended July 28, 2024			(1,951)		(1,951)
Actuarial adjustments on defined benefit plan, net of tax of \$14				(45)	(45)
Cash dividends paid (\$0.23 per share)			(2,478)		(2,478)
Restricted stock grants, net of forfeitures	35	(132)			(132)
Restricted stock compensation cost		496			496
Performance-based restricted stock units cost		(143)			(143)
Balance at July 28, 2024	10,714	\$ 49,950	\$ 164,745	\$ 644	\$ 215,339

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOOKE FURNISHINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONT.)
(In thousands, except per share data)
(Unaudited)

	Common Stock		Retained	Accumulated	Total
	Shares	Amount	Earnings	Other Comprehensive Income (loss)	Shareholders' Equity
Balance at January 29, 2023	11,197	\$ 50,770	\$ 184,386	\$ 865	\$ 236,021
Net income for the 26 weeks ended July 30, 2023			2,234		2,234
Actuarial adjustments on defined benefit plan, net of tax of \$34				(106)	(106)
Cash dividends paid (\$0.44 per share)			(4,856)		(4,856)
Purchase and retirement of common stock	(473)	(2,252)	(6,416)		(8,668)
Restricted stock grants, net of forfeitures	95	(150)			(150)
Restricted stock compensation cost		807			807
Performance-based restricted stock units costs		386			386
Balance at July 30, 2023	<u>10,819</u>	<u>\$ 49,561</u>	<u>\$ 175,348</u>	<u>\$ 759</u>	<u>\$ 225,668</u>
Balance at January 28, 2024	10,672	\$ 49,524	\$ 175,717	\$ 734	\$ 225,975
Net loss for the 26 weeks ended July 28, 2024			(6,042)		(6,042)
Actuarial adjustments on defined benefit plan, net of tax of \$28				(90)	(90)
Cash dividends paid (\$0.46 per share)			(4,930)		(4,930)
Restricted stock grants, net of forfeitures	42	(338)			(338)
Restricted stock compensation cost		765			765
Performance-based restricted stock units costs		(1)			(1)
Balance at July 28, 2024	<u>10,714</u>	<u>\$ 49,950</u>	<u>\$ 164,745</u>	<u>\$ 644</u>	<u>\$ 215,339</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HOOKER FURNISHINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar and share amounts in tables, except per share amounts, in thousands unless otherwise indicated)
(Unaudited)
For the Twenty-Six Weeks Ended July 28, 2024

1. Preparation of Interim Financial Statements

The condensed consolidated financial statements of Hooker Furnishings Corporation and subsidiaries (referred to as “we,” “us,” “our,” “Hooker” or the “Company”) have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management these statements include all adjustments necessary for a fair statement of the results of all interim periods reported herein. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) are condensed or omitted pursuant to SEC rules and regulations. However, we believe that the disclosures made are adequate for a fair presentation of our results of operations and financial position. These financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our annual report on Form 10-K for the fiscal year ended January 28, 2024 (“2024 Annual Report”). The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect both the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from our estimates. Operating results for the interim periods reported herein may not be indicative of the results expected for the fiscal year.

The financial statements contained herein are being filed as part of a quarterly report on Form 10-Q covering the 2025 fiscal year thirteen-week period (also referred to as “three months,” “three-month period,” “quarter,” “second quarter” or “quarterly period”) that began April 29, 2024, and the twenty-six week period (also referred to as “six months,” “six-month period” or “first half”) that began January 29, 2024, which both ended July 28, 2024. This report discusses our results of operations for these periods compared to the 2024 fiscal year thirteen-week period that began May 1, 2023, and the twenty-six-week period that began January 30, 2023, which both ended July 30, 2023; and our financial condition as of July 28, 2024 compared to January 28, 2024.

References in these notes to the condensed consolidated financial statements of the Company to:

- the 2025 fiscal year and comparable terminology mean the fifty-three-week fiscal year that began January 29, 2024 and will end February 2, 2025; and
- the 2024 fiscal year and comparable terminology mean the fifty-two-week fiscal year that began January 30, 2023 and ended January 28, 2024.

2. Recently Adopted Accounting Policies

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures”. The new guidance requires enhanced reportable segment disclosures to include significant segment expenses. ASU 2023-07 is effective for annual periods beginning after December 15, 2023 (our fiscal 2025) and interim periods beginning after December 15, 2024 (our fiscal 2026). We are currently evaluating the impact that the adoption of this new guidance will have on our consolidated financial statements and will add necessary disclosures upon adoption.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”. The new guidance requires enhanced effective tax rate reconciliation and income taxes paid disclosures. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 (our fiscal 2026). We are currently evaluating the impact that the adoption of this new guidance will have on our consolidated financial statements and will add necessary disclosures upon adoption.

We reviewed all other newly issued accounting pronouncements and concluded that they are either not applicable to our business or are not expected to have a material effect on our consolidated financial statements as a result of future adoption.

3. Accounts Receivable

	July 28, 2024	January 28, 2024
Gross accounts receivable	\$ 46,610	\$ 54,897
Customer allowances	(1,043)	(1,800)
Allowance for doubtful accounts	(1,569)	(1,817)
Trade accounts receivable	<u>\$ 43,998</u>	<u>\$ 51,280</u>

4. Inventories

	July 28, 2024	January 28, 2024
Finished furniture	\$ 70,320	\$ 75,354
Furniture in process	1,646	1,702
Materials and supplies	11,295	10,538
Inventories at FIFO	83,261	87,594
Reduction to LIFO basis	(26,162)	(25,779)
Inventories	<u>\$ 57,099</u>	<u>\$ 61,815</u>

5. Property, Plant and Equipment

	Depreciable Lives (In years)	July 28, 2024	January 28, 2024
Buildings and land improvements	15 - 30	\$ 34,406	\$ 33,785
Machinery and equipment	10	12,123	11,708
Computer software and hardware	3 - 10	8,566	8,994
Leasehold improvements	Term of lease	13,192	12,436
Furniture and fixtures	3 - 10	7,482	7,256
Other	5	702	698
Total depreciable property at cost		76,471	74,877
Less accumulated depreciation		(49,330)	(47,700)
Total depreciable property, net		27,141	27,177
Land		1,077	1,077
Construction-in-progress		173	888
Property, plant and equipment, net		<u>\$ 28,391</u>	<u>\$ 29,142</u>

6. Cloud Computing Hosting Arrangement

We implemented a common Enterprise Resource Planning (ERP) system across all legacy Hooker divisions in fiscal 2023 and 2024.

Based on the provisions of ASU 2018-15, Intangibles — Goodwill and Other — Internal-Use Software, we capitalize implementation costs associated with hosting arrangements that are service contracts. These costs are recorded in other noncurrent assets of our consolidated balance sheets. We amortize on a straight-line basis over a 10-year term as the system went live. The amortization expenses are recorded as a component of selling and administrative expenses in our consolidated statements of operations. Additionally, we recorded capitalized interest as we entered into the term loans in July 2022.

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Implementation costs and interest expense of \$1.2 million and \$1.4 million were capitalized in the second quarters of fiscal 2025 and fiscal 2024, respectively. Implementation costs and interest expense of \$2.6 million and \$2.8 million were capitalized in the fiscal 2025 and fiscal 2024 six-month periods, respectively. Amortization expenses of \$292,000 and \$18,000 were recorded in the second quarters of fiscal 2025 and fiscal 2024, respectively. Amortization expenses of \$582,000 and \$38,000 were recorded in the fiscal 2025 and fiscal 2024 six-month periods, respectively.

The capitalized implementation costs at July 28, 2024 and January 28, 2024 were as follows:

	July 28, 2024		January 28, 2024	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Implementation Costs	\$ 16,175	\$ (987)	\$ 13,736	\$ (414)
Interest Expenses	473	(18)	357	(8)

7. Fair Value Measurements

Fair value is the price that would be received upon the sale of an asset or paid upon the transfer of a liability (an exit price) in an orderly transaction between market participants on the applicable measurement date. We use a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1, defined as observable inputs such as quoted prices in active markets for identical assets and liabilities;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of July 28, 2024 and January 28, 2024, Company-owned life insurance was measured at fair value on a recurring basis based on Level 2 inputs. The fair value of the Company-owned life insurance is determined by inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Additionally, the fair value of the Company-owned life insurance is marked to market each reporting period and any change in fair value is reflected in income for that period.

Our assets measured at fair value on a recurring basis at July 28, 2024 and January 28, 2024, were as follows:

Description	Fair value at July 28, 2024				Fair value at January 28, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(In thousands)								
Assets measured at fair value								
Company-owned life insurance	\$ -	\$ 29,408	\$ -	\$ 29,408	\$ -	\$ 28,528	\$ -	\$ 28,528

8. Intangible Assets

Our intangible assets with indefinite lives consist of: goodwill related to the Shenandoah, Sunset West and BOBO Intriguing Objects acquisitions; and trademarks and tradenames related to the acquisitions of Bradington-Young, Home Meridian and BOBO Intriguing Objects. Our intangible assets with definite lives are recorded in our Home Meridian and Domestic Upholstery segments. Details of our intangible assets are as follows:

	July 28, 2024		January 28, 2024	
	Gross carrying amount	Accumulated Amortization	Gross carrying amount	Accumulated Amortization
Intangible assets with indefinite lives:				
Goodwill				
Domestic Upholstery - Shenandoah *	490	-	490	-
Domestic Upholstery - Sunset West	14,462	-	14,462	-
All Other - BOBO Intriguing Objects	84	-	84	-
Goodwill	15,036	-	15,036	-
Trademarks and Trade names *				
	8,011	-	8,011	-
Intangible assets with definite lives:				
Customer Relations	38,001	(20,665)	38,001	(18,982)
Trademarks and Trade names	2,334	(907)	2,334	(741)
Intangible assets, net	48,346	(21,572)	48,346	(19,723)

*: The amounts are net of impairment charges of \$ 16.4 million related to Shenandoah goodwill and \$ 4.8 million related to certain Home Meridian segment trade names, which were recorded in fiscal 2021.

Amortization expenses for intangible assets with definite lives were \$ 924,000 and \$1.8 million for the second quarter and first half of fiscal 2025 and 2024, respectively. For the remainder of fiscal 2025, amortization expense is expected to be approximately \$1.8 million.

9. Leases

We have operating leases for warehouses, showrooms, manufacturing facilities, offices and equipment. We recognized sub-lease income of \$ 18,000 and \$71,000 for the second quarter and first half of fiscal 2025, respectively. We recognized sub-lease income of \$ 45,000 and \$74,000 for the second quarter and first half of fiscal 2024, respectively.

The components of lease cost and supplemental cash flow information for leases for the three-months and six-months ended July 28, 2024 and July 30, 2023 were:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Operating lease cost	\$ 2,533	\$ 2,862	\$ 5,060	\$ 5,700
Variable lease cost	83	70	188	152
Short-term lease cost	83	92	199	170
Total operating lease cost	\$ 2,699	\$ 3,024	\$ 5,447	\$ 6,022
Operating cash outflows	\$ 2,554	\$ 2,679	\$ 5,163	\$ 5,371

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The right-of-use assets and lease liabilities recorded on our condensed consolidated balance sheets as of July 28, 2024 and January 28, 2024 were as follows:

	July 28, 2024	January 28, 2024
Real estate	\$ 47,282	\$ 49,968
Property and equipment	687	833
Total operating leases right-of-use assets	<u>\$ 47,969</u>	<u>\$ 50,801</u>
Current portion of operating lease liabilities	\$ 7,327	\$ 6,964
Long term operating lease liabilities	43,504	46,414
Total operating lease liabilities	<u>\$ 50,831</u>	<u>\$ 53,378</u>

The weighted-average discount rate is 5.17%. The weighted-average remaining lease term is 6.6 years.

The following table reconciles the undiscounted future lease payments for operating leases to the operating lease liabilities recorded in the condensed consolidated balance sheets on July 28, 2024:

	Undiscounted Future Operating Lease Payments
Remainder of fiscal 2025	\$ 4,861
2026	9,859
2027	9,709
2028	8,034
2029	7,350
2030 and thereafter	20,994
Total lease payments	<u>\$ 60,807</u>
Less: impact of discounting	(9,976)
Present value of lease payments	<u>\$ 50,831</u>

10. Long-Term Debt

On July 26, 2022, we entered into the Fourth Amendment (the "amendment") to the Second Amended and Restated Loan Agreement with Bank of America, N.A. ("BoFA") to replenish cash used to make the acquisition of substantially all of the assets of Sunset West (which closed at the beginning of the first quarter of fiscal 2023) (the "Sunset Acquisition"). The Second Amended and Restated Loan Agreement dated as of September 29, 2017, had previously been amended by a First Amendment to Second Amended and Restated Loan Agreement dated as of January 31, 2019, a Second Amendment to Second Amended and Restated Loan Agreement dated as of November 4, 2020, and a Third Amendment to Second Amended and Restated Loan Agreement dated as of January 27, 2021 (as so amended, the "Existing Loan Agreement"). Details of the individual credit facilities provided for in the Amendment are as follows:

- **Unsecured Revolving Credit Facility.** Under the Amendment, the expiration date of the existing \$ 35 million Unsecured Revolving Credit Facility (the "Existing Revolver") was extended to July 26, 2027. Any amounts outstanding will bear interest at a rate per annum, equal to the then current Bloomberg Short-Term Bank Yield Index ("BSBY") (adjusted periodically) plus 1.00%. The interest rate will be adjusted on a monthly basis. The actual daily amount of undrawn letters of credit is subject to a quarterly fee equal to a per annum rate of 1%. We must also pay a quarterly unused commitment fee that is based on the average daily amount of the facility utilized during the applicable quarter;
- **2022 Secured Term Loan.** The Amendment provided us with an \$ 18 million term loan (the "Secured Term Loan"), which was disbursed to us on July 26, 2022. We are required to pay monthly interest only payments at a rate per annum equal to the then current BSBY rate (adjusted periodically) plus 0.90% on the outstanding balance until the principal is paid in full. The interest rate will be adjusted on a monthly basis. On July 26, 2027, the entire outstanding indebtedness is due in full, including all principal and interest. The Secured Term Loan is secured by certain company-owned life insurance policies under a Security Agreement (Assignment of Life Insurance Policy as Collateral) dated July 26, 2022, by and between the Company and BoFA; and

- 2022 Unsecured Term Loan. The Amendment provided us with a \$ 7 million unsecured term loan (the "Unsecured Term Loan"), which was disbursed to us on July 26, 2022. We are required to make monthly principal payments of \$116,667 and monthly interest payments at a rate per annum equal to the then current BSBY (adjusted periodically) plus 1.40% on the outstanding balance until paid in full. The interest rate will be adjusted monthly. On July 26, 2027, the entire outstanding indebtedness is due in full, including all principal and interest.

We may prepay any outstanding principal amounts borrowed under either the Secured Term Loan or the Unsecured Term Loan at any time, without penalty provided that any payment is accompanied by all accrued interest owed. As of July 28, 2024, \$4.2 million was outstanding under the Unsecured Term Loan and \$18 million was outstanding under the Secured Term Loan.

We incurred \$37,500 in debt issuance costs in connection with our term loans. As of July 28, 2024, unamortized loan costs of \$ 22,500 were netted against the carrying value of our term loans on our condensed consolidated balance sheets.

The Amendment also included customary representations and warranties and requires us to comply with customary covenants, including, among other things, the following financial covenants:

- Maintain a ratio of funded debt to EBITDA not exceeding:
 - o 2.25:1.0 through July 30, 2024; and
 - o 2.00:1.00 thereafter.
- A basic fixed charge coverage ratio of at least 1.25:1.00; and
- Limit capital expenditures to no more than \$15.0 million during any fiscal year.

The Existing Loan Agreement also limits our right to incur other indebtedness, make certain investments and create liens upon our assets, subject to certain exceptions, among other restrictions. The Existing Loan Agreement does not restrict our ability to pay cash dividends on, or repurchase, shares of our common stock, subject to our compliance with the financial covenants discussed above if we are not otherwise in default under the Existing Loan Agreement.

Due to our first half results, we were not in compliance with the Existing Loan Agreement's basic fixed charge ratio covenant in either fiscal 2025 quarterly period; however, subsequent to the end of both quarterly periods, we obtained covenant waivers from BofA. Based on the risk of future non-compliance and according to U.S. GAAP, we have classified all of the debt as current in our consolidated balance sheets. We have sufficient cash and investments on hand to retire the debt if necessary. However, we expect to finalize a new credit facility with BofA during the fiscal 2025 third quarter. Consequently, we expect to be in compliance with our revised financial covenants beginning in our fiscal 2025 third quarter and for the foreseeable future.

As of July 28, 2024, we had \$28.3 million available under our \$35 million Existing Revolver to fund working capital needs. Standby letters of credit in the aggregate amount of \$6.7 million, used to collateralize certain insurance arrangements and for imported product purchases, were outstanding under the Existing Revolver as of July 28, 2024. There were no additional borrowings outstanding under the Existing Revolver as of July 28, 2024.

11. Earnings Per Share

We refer you to the discussion of Earnings Per Share in Note 1. Summary of Significant Accounting Policies, in the financial statements included in our 2024 Annual Report, for additional information concerning the calculation of earnings per share (EPS).

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All stock awards are designed to encourage retention and to provide an incentive for increasing shareholder value. We have issued restricted stock awards to non-employee members of the board of directors since 2006 and to certain non-executive employees since 2014. We have issued restricted stock units ("RSUs") to certain senior executives since fiscal 2012 under the Company's Stock Incentive Plan. Each RSU entitles an executive to receive one share of the Company's common stock if the executive remains continuously employed with the Company subject to a three-year vesting schedule. The RSUs may be paid in shares of our common stock, cash or both at the discretion of the Compensation Committee of our board of directors. We have issued Performance-based Restricted Stock Units ("PSUs") to certain senior executives since fiscal 2019 under the Company's Stock Incentive Plan. Each PSU entitles the executive officer to receive one share of our common stock based on the achievement of two specified performance conditions if the executive officer remains continuously employed through the end of the three-year performance period. Historically, one target is based on our annual average growth in our EPS over the performance period and the other target is based on EPS growth over the performance period compared to our peers. For the PSUs issued under the Company's 2024 Stock Incentive Plan in fiscal 2025, one target is the Company's annual EPS growth over the performance period and the other target is the Company's total shareholder return during the performance period compared to the Company's peer group. The payout or settlement of the PSUs will be made in shares of our common stock.

We expect to continue to grant these types of awards annually in the future. The following table sets forth the number of outstanding restricted stock awards and RSUs and PSUs, net of forfeitures and vested shares, as of the fiscal period-end dates indicated:

	July 28, 2024	January 28, 2024
Restricted shares	182	182
RSUs and PSUs	209	140
	<u>391</u>	<u>322</u>

All restricted shares, RSUs and PSUs awarded that have not yet vested are considered when computing diluted earnings per share.

The following table sets forth the computation of basic and diluted earnings per share:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Net (loss) / income	\$ (1,951)	\$ 785	\$ (6,042)	\$ 2,234
Less: Unvested participating restricted stock dividends	41	40	82	71
Net earnings allocated to unvested participating restricted stock	-	13	-	33
(Loss) / Earnings available for common shareholders	<u>(1,992)</u>	<u>732</u>	<u>(6,124)</u>	<u>2,130</u>
Weighted average shares outstanding for basic earnings per share	10,521	10,732	10,509	10,854
Dilutive effect of unvested restricted stock, RSU and PSU awards	-	96	-	108
Weighted average shares outstanding for diluted earnings per share	10,521	10,828	10,509	10,962
Basic (loss) / earnings per share	<u>\$ (0.19)</u>	<u>\$ 0.07</u>	<u>\$ (0.57)</u>	<u>\$ 0.20</u>
Diluted (loss) / earnings per share	<u>\$ (0.19)</u>	<u>\$ 0.07</u>	<u>\$ (0.57)</u>	<u>\$ 0.20</u>

Due to net losses in the fiscal 2025 second quarter and first half, approximately 169,000 and 176,000 shares would have been antidilutive and are therefore excluded from the calculation of earnings per share, respectively.

12. Income Taxes

During the second quarters of fiscal 2025 and 2024, we recorded income tax expenses of \$ 85,000 and \$191,000, respectively. The effective tax rates for these periods were (4.5%) and 19.6%, respectively. Due to the annualization method, we recognized income tax expenses on a loss before income tax in fiscal 2025 second quarter. For the fiscal 2025 first half, we recorded income tax benefits of \$731,000 compared to the income tax expense of \$593,000 for the previous year's first half. The effective tax rates for the fiscal 2025 and 2024 first half periods were 10.8% and 21.0%, respectively.

No material and non-routine positions have been identified as uncertain tax positions.

Tax years ending January 31, 2021 through January 28, 2024 remain subject to examination by federal and state taxing authorities.

13. Segment Information

As a public entity, we are required to present disaggregated information by segment using the management approach. The objective of this approach is to allow users of our financial statements to see our business through the eyes of management based upon the way management reviews performance and makes decisions. The management approach requires segment information to be reported based on how management internally evaluates the operating performance of the company's business units or segments. The objective of this approach is to meet the basic principles of segment reporting as outlined in ASC 280 *Segments* ("ASC 280"), which are to allow the users of our financial statements to:

- better understand our performance;
- better assess our prospects for future net cash flows; and
- make more informed judgments about us as a whole.

We define our segments as those operations our chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. We measure the results of our segments using, among other measures, each segment's net sales, gross profit and operating income, as determined by the information regularly reviewed by the CODM.

For financial reporting purposes, we are organized into three reportable segments and "All Other", which includes the remainder of our businesses:

- **Hooker Branded**, consisting of the operations of our imported Hooker Casegoods and Hooker Upholstery businesses;
- **Home Meridian**, is a stand-alone, mostly autonomous business that serves a different type or class of customer than do our other operating segments and at much lower margins;
- **Domestic Upholstery**, which includes the domestic upholstery manufacturing operations of Bradington-Young, HF Custom (formerly Sam Moore), Shenandoah Furniture and Sunset West; and
- **All Other**, consisting of H Contract, Lifestyle Brands and BOBO Intriguing Objects. None of these operating segments were individually reportable; therefore, we combined them in "All Other" in accordance with ASC 280.

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The following table presents segment information for the periods, and as of the dates, indicated.

	Thirteen Weeks Ended				Twenty-Six Weeks Ended			
	July 28, 2024		July 30, 2023		July 28, 2024		July 30, 2023	
		% Net Sales		% Net Sales		% Net Sales		% Net Sales
Net Sales								
Hooker Branded	\$ 34,756	36.6%	\$ 36,381	37.1%	\$ 70,109	37.1%	\$ 79,813	36.3%
Home Meridian	30,516	32.1%	28,911	29.6%	56,940	30.2%	70,832	32.3%
Domestic Upholstery	28,556	30.0%	30,892	31.6%	58,583	31.1%	65,996	30.0%
All Other	1,253	1.3%	1,622	1.7%	3,020	1.6%	2,980	1.4%
Consolidated	<u>\$ 95,081</u>	<u>100%</u>	<u>\$ 97,806</u>	<u>100%</u>	<u>\$ 188,652</u>	<u>100%</u>	<u>\$ 219,621</u>	<u>100%</u>
Gross Profit								
Hooker Branded	\$ 10,417	30.0%	\$ 13,103	36.0%	\$ 21,465	30.6%	\$ 26,621	33.4%
Home Meridian	5,946	19.5%	3,210	11.1%	9,397	16.5%	9,923	14.0%
Domestic Upholstery	4,646	16.3%	6,365	20.6%	9,351	16.0%	13,387	20.3%
All Other	(87)	-6.9%	663	40.9%	81	2.7%	1,316	44.2%
Consolidated	<u>\$ 20,922</u>	<u>22.0%</u>	<u>\$ 23,341</u>	<u>23.9%</u>	<u>\$ 40,294</u>	<u>21.4%</u>	<u>\$ 51,247</u>	<u>23.3%</u>
Operating (Loss) / Income								
Hooker Branded	\$ (406)	-1.2%	\$ 3,896	10.7%	\$ (399)	-0.6%	\$ 6,614	8.3%
Home Meridian	(896)	-2.9%	(3,336)	-11.5%	(4,169)	-7.3%	(5,454)	-7.7%
Domestic Upholstery	(1,285)	-4.5%	724	2.3%	(2,593)	-4.4%	2,051	3.1%
All Other	(562)	-44.9%	(11)	-0.7%	(1,008)	-33.4%	38	1.3%
Consolidated	<u>\$ (3,149)</u>	<u>-3.3%</u>	<u>\$ 1,273</u>	<u>1.3%</u>	<u>\$ (8,169)</u>	<u>-4.3%</u>	<u>\$ 3,249</u>	<u>1.5%</u>
Capital Expenditures (net of disposals)								
Hooker Branded	\$ 240		\$ 622		\$ 445		\$ 3,409	
Home Meridian	16		11		251		238	
Domestic Upholstery	323		141		714		257	
All Other	-		33		11		61	
Consolidated	<u>\$ 579</u>		<u>\$ 807</u>		<u>\$ 1,421</u>		<u>\$ 3,965</u>	
Depreciation & Amortization								
Hooker Branded	\$ 562		\$ 503		\$ 1,114		\$ 994	
Home Meridian	659		690		1,284		1,377	
Domestic Upholstery	1,087		1,007		2,166		1,954	
All Other	27		25		53		47	
Consolidated	<u>\$ 2,335</u>		<u>\$ 2,225</u>		<u>\$ 4,617</u>		<u>\$ 4,372</u>	
Identifiable Assets								
	As of July 28, 2024	%Total Assets	As of January 28, 2024	%Total Assets				
Hooker Branded	\$ 174,822	60.1%	\$ 168,832	56.3%				
Home Meridian	52,956	18.2%	58,799	19.6%				
Domestic Upholstery	58,322	20.1%	67,230	22.4%				
All Other	4,518	1.6%	5,067	1.7%				
Consolidated	<u>\$ 290,618</u>	<u>100%</u>	<u>\$ 299,928</u>	<u>100%</u>				
Consolidated Goodwill and Intangibles	41,810		43,658					
Total Consolidated Assets	<u>\$ 332,428</u>		<u>\$ 343,586</u>					

Sales by product type are as follows:

	Net Sales (in thousands)							
	Thirteen Weeks Ended				Twenty-Six Weeks Ended			
	July 28, 2024	%Total	July 30, 2023	%Total	July 28, 2024	%Total	July 30, 2023	%Total
Casegoods	\$ 55,731	59%	\$ 49,984	51%	\$ 108,583	58%	\$ 117,883	54%
Upholstery	39,350	41%	47,822	49%	80,069	42%	101,738	46%
	<u>\$ 95,081</u>	<u>100%</u>	<u>\$ 97,806</u>	<u>100%</u>	<u>\$ 188,652</u>	<u>100%</u>	<u>\$ 219,621</u>	<u>100%</u>

14. Subsequent Events

Dividends

On September 3, 2024, our board of directors declared a quarterly cash dividend of \$ 0.23 per share which will be paid on September 30, 2024 to shareholders of record at September 13, 2024.

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

All references to the "Company," "we," "us" and "our" in this document refer to Hooker Furnishings Corporation and its consolidated subsidiaries, unless specifically referring to segment information. All references to the "Hooker," "Hooker Division(s)," "Hooker Legacy Brands" or "traditional Hooker" divisions or companies refer to all current business units and brands except for those in the Home Meridian segment. The Hooker Branded segment includes Hooker Casegoods and Hooker Upholstery. The Domestic Upholstery segment includes Bradington-Young, HF Custom (formerly Sam Moore), Shenandoah Furniture and Sunset West. All Other includes H Contract, Lifestyle Brands, and BOBO Intriguing Objects.

Forward-Looking Statements

Certain statements made in this report, including statements under Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the notes to the consolidated financial statements included in this report, are not based on historical facts, but are forward-looking statements. These statements reflect our reasonable judgment with respect to future events and typically can be identified by the use of forward-looking terminology such as "believes," "expects," "projects," "intends," "plans," "may," "will," "should," "would," "could" or "anticipates," or the negatives thereof, or other variations thereof, or comparable terminology, or by discussions of strategy. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Those risks and uncertainties include but are not limited to:

- 1) general economic or business conditions, both domestically and internationally, including the current macro-economic uncertainties and challenges to the retail environment for home furnishings along with instability in the financial and credit markets, in part due to inflation and high interest rates, including their potential impact on (i) our sales and operating costs and access to financing, (ii) customers, and (iii) suppliers and their ability to obtain financing or generate the cash necessary to conduct their respective businesses;
- 2) the cyclical nature of the furniture industry, which is particularly sensitive to changes in consumer confidence, the amount of consumers' income available for discretionary purchases, and the availability and terms of consumer credit;
- 3) risks associated with the ultimate outcome of our planned cost reduction plans, including the amounts and timing of savings realized;
- 4) risks associated with the outcome of the HMI segment restructuring which we expect to complete in fiscal 2025, including whether we can return the segment to consistent profitability;
- 5) risks associated with our reliance on offshore sourcing and the cost of imported goods, including fluctuation in the prices of purchased finished goods, customs issues, freight costs, including the price and availability of shipping containers, ocean vessels, domestic trucking, and warehousing costs and the risk that a disruption in our offshore suppliers or the transportation and handling industries, including labor stoppages, strikes, or slowdowns, could adversely affect our ability to timely fill customer orders;
- 6) the impairment of our long-lived assets, which can result in reduced earnings and net worth;
- 7) difficulties in forecasting demand for our imported products and raw materials used in our domestic operations;
- 8) adverse political acts or developments in, or affecting, the international markets from which we import products, including duties or tariffs imposed on those products by foreign governments or the U.S. government;
- 9) our inability to collect amounts owed to us or significant delays in collecting such amounts;
- 10) the interruption, inadequacy, security breaches or integration failure of our information systems or information technology infrastructure, related service providers or the internet or other related issues including unauthorized disclosures of confidential information, hacking or other cyber-security threats or inadequate levels of cyber-insurance or risks not covered by cyber-insurance;
- 11) risks associated with domestic manufacturing operations, including fluctuations in capacity utilization and the prices and availability of key raw materials, as well as changes in transportation, warehousing and domestic labor costs, availability of skilled labor, and environmental compliance and remediation costs;

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- 12) the risks related to the Sunset Acquisition including maintaining Sunset West's existing customer relationships, debt service costs, interest rate volatility, the use of operating cash flows to service debt to the detriment of other corporate initiatives or strategic opportunities, the loss of key employees from Sunset West, the costs and risk associated with the expansion of Sunset West distribution to our East Coast facilities, and failure to realize benefits anticipated from the Sunset Acquisition;
- 13) disruptions and damage (including those due to weather) affecting our Virginia or Georgia warehouses, our Virginia, North Carolina or California administrative facilities, our High Point, Las Vegas, and Atlanta showrooms or our representative offices or warehouses in Vietnam and China;
- 14) changes in U.S. and foreign government regulations and in the political, social and economic climates of the countries from which we source our products;
- 15) risks associated with product defects, including higher than expected costs associated with product quality and safety, regulatory compliance costs (such as the costs associated with the US Consumer Product Safety Commission's new mandatory furniture tip-over standard, STURDY) related to the sale of consumer products and costs related to defective or non-compliant products, product liability claims and costs to recall defective products and the adverse effects of negative media coverage;
- 16) the risks specifically related to the concentrations of a material part of our sales and accounts receivable in only a few customers, including the loss of several large customers through business consolidations, failures or other reasons, or the loss of significant sales programs with major customers;
- 17) the direct and indirect costs and time spent by our associates associated with the implementation of our Enterprise Resource Planning system ("ERP"), including costs resulting from unanticipated disruptions to our business;
- 18) achieving and managing growth and change, and the risks associated with new business lines, acquisitions, including the selection of suitable acquisition targets, restructurings, strategic alliances and international operations;
- 19) risks associated with securing a suitable credit facility, which may include restrictive covenants that could limit our ability to pursue our business strategies;
- 20) risks associated with distribution through third-party retailers, such as non-binding dealership arrangements;
- 21) the cost and difficulty of marketing and selling our products in foreign markets;
- 22) changes in domestic and international monetary policies and fluctuations in foreign currency exchange rates affecting the price of our imported products and raw materials;
- 23) price competition in the furniture industry;
- 24) competition from non-traditional outlets, such as internet and catalog retailers; and
- 25) changes in consumer preferences, including increased demand for lower-priced furniture.

Our forward-looking statements could be wrong considering these and other risks, uncertainties and assumptions. The future events, developments or results described in this report could turn out to be materially different. Any forward-looking statement we make speaks only as of the date of that statement, and we undertake no obligation, except as required by law, to update any forward-looking statements whether as a result of new information, future events or otherwise and you should not expect us to do so.

Also, our business is subject to significant risks and uncertainties any of which can adversely affect our business, results of operations, financial condition or future prospects. For a discussion of risks and uncertainties that we face, see the Forward-Looking Statements detailed above and Item 1A, "Risk Factors" in our 2024 Annual Report.

Investors should also be aware that while we occasionally communicate with securities analysts and others, it is against our policy to selectively disclose to them any material nonpublic information or other confidential commercial information. Accordingly, investors should not assume that we agree with any projection, forecast or report issued by any analyst regardless of the content of the statement or report, as we have a policy against confirming information issued by others.

Quarterly Reporting

This quarterly report on Form 10-Q includes our unaudited condensed consolidated financial statements for the 2025 fiscal year thirteen-week period (also referred to as “three months,” “three-month period,” “quarter,” “second quarter” or “quarterly period”) that began April 29, 2024 and the twenty-six week period (also referred to as “six months”, “six-month period” or “first half”) that began January 29, 2024, which both ended July 28, 2024. This report discusses our results of operations for these periods compared to the 2024 fiscal year thirteen-week period that began May 1, 2023, and the twenty-six-week period that began January 30, 2023, which both ended July 30, 2023; and our financial condition as of July 28, 2024 compared to January 28, 2024.

References in this report to:

- the 2025 fiscal year and comparable terminology mean the fiscal year that began January 29, 2024, and will end February 2, 2025; and
- the 2024 fiscal year and comparable terminology mean the fiscal year that began January 30, 2023, and ended January 28, 2024.

Dollar amounts presented in the tables below are in thousands except for per share data.

The following discussion should be read in conjunction with the condensed consolidated financial statements, including the related notes, contained elsewhere in this quarterly report. We also encourage users of this report to familiarize themselves with all our recent public filings made with the SEC, especially our 2024 Annual Report. Our 2024 Annual Report contains critical information regarding known risks and uncertainties that we face, critical accounting policies and information on commitments and contractual obligations that are not reflected in our condensed consolidated financial statements, as well as a more thorough and detailed discussion of our corporate strategy and new business initiatives.

Our 2024 Annual Report and other public filings made with the SEC are available, without charge, at www.sec.gov and at <http://investors.hookerfurnishings.com>.

Overview

Hooker Furnishings Corporation, incorporated in Virginia in 1924, is a designer, marketer, and importer of casegoods (wooden and metal furniture), leather furniture, fabric-upholstered furniture, lighting, accessories, and home décor for the residential, hospitality and contract markets. We also domestically manufacture premium residential custom leather, custom fabric-upholstered furniture and outdoor furniture.

Orders and Backlog

In the discussion below and herein, we reference changes in sales orders or “orders” and sales order backlog (unshipped orders at a point in time) or “backlog” over and compared to certain periods of time and changes discussed are in sales dollars and not units of inventory, unless stated otherwise. We believe orders are generally good current indicators of sales momentum and business conditions. If the items ordered are in stock and the customer has requested immediate delivery, we generally ship products in about seven days or less from receipt of order; however, orders may be shipped later if they are out of stock or there are production or shipping delays or the customer has requested the order to be shipped at a later date. It is our policy and industry practice to allow order cancellation for casegoods up to the time of shipment or, in the case of container direct orders, up until the time the container is booked with the ocean freight carrier; therefore, customer orders for casegoods are not firm. However, domestically produced upholstered products are predominantly custom-built and consequently, cannot be cancelled once the leather or fabric has been cut. Our hospitality products are highly customized and are generally non-cancellable. For our outdoor furnishings, most orders require a deposit upon order and the balance before production is started, and hence are generally non-cancellable.

For the Hooker Branded and Domestic Upholstery segments and All Other, we generally consider backlogs to be one helpful indicator of sales for the upcoming 30-day period, but because of our relatively quick delivery and our cancellation policies, we do not consider order backlogs to be a reliable indicator of expected long-term sales. At times, the ratio of new products to currently available inventory items can affect the amount of the backlog that can be converted to shipments in the short-term. We generally consider the Home Meridian segment's backlog to be one helpful indicator of that segment's sales for the upcoming 90-day period. Due to (i) the average sales order sizes of its mass and mega account channels of distribution, (ii) the proprietary nature of many of its products and (iii) the project nature of its hospitality business, for which average order sizes tend to be larger and consequently, the Home Meridian segment's order backlog tends to be larger.

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There have been exceptions to the general predictive nature of our orders and backlogs noted in the above paragraph, such as during times of extremely high demand and supply chain challenges as experienced during the immediate aftermath of the initial COVID-19 crisis and subsequent recovery. Orders were not being converted to shipments as quickly as would be expected compared to the pre-pandemic environment due to the lack and cost of shipping containers and vessel space as well as limited overseas vendor capacity and our domestic production capacity. As a result, backlogs were significantly elevated and reached historical levels in the prior two years.

At July 28, 2024, our backlog of unshipped orders was as follows:

Reporting Segment	Order Backlog (Dollars in 000s)			
	July 28, 2024	January 28, 2024	July 30, 2023	*August 4, 2019
Hooker Branded	\$ 14,765	\$ 15,416	\$ 18,838	\$ 12,267
Home Meridian	43,918	36,013	43,001	92,388
Domestic Upholstery	18,066	18,920	24,130	12,114
All Other	1,130	1,475	2,264	2,213
Consolidated	<u>\$ 77,879</u>	<u>\$ 71,824</u>	<u>\$ 88,233</u>	<u>\$ 118,982</u>

Consolidated order backlog decreased compared to the end of the second quarter of the prior year but increased from year-end in January 2024, driven by a higher backlog in Home Meridian's hospitality business. Order backlog in the Hooker Branded and Domestic Upholstery segments decreased slightly from year-end but remained above pre-COVID levels in calendar 2019.

*For comparison purposes, we included order backlog as of fiscal 2020 second quarter end, the year before the COVID crisis. At fiscal 2020 second quarter end, Home Meridian backlog included approximately \$14 million orders from the unprofitable ready-to-assemble (RTA), Clubs and Accentrics Home e-commerce (ACH) businesses which we decided to exit in fiscal 2022 and fiscal 2023, respectively. Domestic Upholstery backlog did not include Sunset West, the business we acquired in the beginning of fiscal 2023. At fiscal 2020 second quarter end, Sunset West had approximately \$3 million in backlog. See Review below for additional information on our incoming orders and backlog.

Executive Summary-Results of Operations

Our fiscal 2025 second quarter and first half results were adversely affected by continued anemic demand for home furnishings which is impacting most of home furnishings industry. Additionally, in the prior year's second quarter and first half, the \$3.5 million and \$11 million in liquidation sales from the unprofitable businesses we exited were not present in the current year periods. Year-over-year industry-wide U.S. furniture store sales fell compared to the prior year same months for 17 consecutive months, according to the U.S. Census Bureau.

During the fiscal 2025 second quarter, consolidated net sales decreased by \$2.7 million, or 2.8%, compared to the same quarter last year. Net sales decreased by \$2.3 million at Domestic Upholstery and \$1.6 million at Hooker Branded, while Home Meridian saw a \$1.6 million increase, driven by strong sales in its hospitality business. Consolidated gross profit and margin decreased for the quarter, primarily due to decreased profitability in the Hooker Branded and Domestic Upholstery segments, which were attributed to lower sales and higher product costs, as well as under-absorbed indirect costs. This decrease was partially offset by improved profitability in the Home Meridian segment. The Company reported a quarterly consolidated operating loss of \$3.1 million, with a margin of (3.3%), driven by low sales volume and under-absorbed expenses, compared to an operating income of \$1.3 million and a 1.3% margin in the prior year's second quarter. The consolidated net loss for the quarter was \$2.0 million, or (\$0.19) per diluted share, compared to net income of \$785,000, or \$0.07 per diluted share, in the same quarter last year.

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During the fiscal 2025 first half, consolidated net sales decreased by \$31.0 million, or 14.1%, compared to the same period last year, also due to the persistent low demand for home furnishings driven by macroeconomic uncertainties. All three segments experienced sales decreases during the six-month period. Consolidated gross profit and margin decreased, impacted by lower overall sales, higher product costs in the Hooker Branded and Domestic Upholstery segments, and an unfavorable customer mix in the Home Meridian segment. However, these decreases were partially offset by strong profitability in the hospitality business. The company reported an operating loss of \$8.2 million, with a margin of (4.3%), compared to an operating income of \$3.2 million and a 1.5% margin in the same period last year. The consolidated net loss for the six-month period was \$6.0 million, or (\$0.57) per diluted share, compared to \$2.2 million, or \$0.20 per diluted share, in the prior year period.

Our fiscal 2025 second quarter and first-half performance are discussed in greater detail below under “Review” and “Results of Operations.”

Review

The softness in the macroeconomic environment and ongoing challenges in the home furnishings industry, which we observed in the previous quarters, have extended beyond our initial expectations. In response to this downturn, we have focused on maintaining a strong balance sheet while protecting our 50-plus year history of quarterly dividends. We have continued to grow our profitable businesses, including driving Home Meridian's gross margin to one of the highest levels since its acquisition in 2016. We continue to invest in growth initiatives, including the addition of new talent in areas like merchandising, interior design sales and support, increased showroom footprint as well as the continued expansion of Sunset West, all of which we believe will position us for improved profitability when demand returns. Additionally, we are in the process of implementing cost reduction measures including the consolidation of certain operations and other fixed cost reductions. In the fiscal 2025 second quarter, we reported a modest 2.8% decrease in revenue compared to the same period last year. However, sales volumes remained insufficient to reach breakeven. Despite the quarterly operating loss, we strongly believe in our strategic positioning and expect profitability to resume once the market recovers and sales volumes rebound.

The Hooker Branded segment's net sales decreased by \$1.6 million, or 4.5%, compared to the second quarter of the prior year, driven by the lower average selling prices due to the price reductions we implemented on orders after August of the prior year to align with reduced ocean freight costs. Incoming orders decreased by 6.8% during the quarter, reflecting the persistent industry-wide weak demand for home furnishings. Although unit volume exceeded both the prior year's second quarter and the current fiscal year's first quarter, it was still among the lowest quarters in recent history. On a more positive note, the quarter-end order backlog remained 20% higher than pre-pandemic levels at the end of the fiscal 2020 second quarter.

Gross profit and gross margin both decreased during the quarter due to reduced net sales and higher product costs, driven by the recent increase in freight costs. The prior period's gross margin benefited from lower freight costs and price increases implemented two years ago, making the current quarter's comparison more challenging. Additionally, warehousing and distribution costs increased during the quarter, largely due to increased labor costs.

Despite achieving a 30% gross margin, the segment recorded a small operating loss of \$406,000 for the quarter, driven by under-absorbed selling and administrative (S&A) expenses due to low sales, compared to a \$3.9 million operating income in the prior quarter. S&A expenses were higher as a percentage of sales due to the impact of lower sales on the mostly fixed nature of these expenses. Additionally, S&A expenses increased in part because this segment assumes the majority of expenses associated with the Company's growth and strategic initiatives, including investments in talent, ERP implementation expenses, professional services expenses, and other sales and marketing expenses. Given that much of the increased spending is in growth initiatives, we believe the additional spending is warranted. Notably, management remains committed to optimizing spending and expects to see significant fixed cost reductions beginning in the second half of fiscal 2025 and beyond.

The Home Meridian segment reported a \$1.6 million, or 5.6%, increase in net sales for the fiscal 2025 second quarter, despite the absence of \$3.5 million ACH liquidation sales that were in the prior period. This marks the first year-over-year quarterly sales increase for the segment in two years. The growth was primarily driven by strong sales at Samuel Lawrence Hospitality (SLH). Additionally, we saw a sales uptick with major furniture chains and mass merchants during the quarter. However, these increases were partially offset by decreased sales to independent furniture stores and e-commerce channels.

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Home Meridian reported an increase in gross profit, achieving a gross margin of 19.5%, one of the highest levels since the acquisition of the business in 2016. This was driven by strong profitability at SLH, along with reduced Georgia warehouse costs and lower expenses in Asian operations, though it was partially offset by sales of some lower-margin products and customer mix. The segment recorded a quarterly operating loss of \$896,000 due to sales volume deficit; however, it improved from a \$3.3 million operating loss in the same quarter last year and a \$3.4 million loss in the first quarter of the current fiscal year. This result was in line with management's expectations given the current industry conditions. While incoming orders decreased during the second quarter, the quarter-end backlog was 2.1% higher than the same period last year and 22% higher than the fiscal 2024 year-end in January.

The *Domestic Upholstery segment's* net sales decreased by \$2.3 million, or 7.6%, compared to the prior year second quarter due to decreased sales at Bradington-Young and HF Custom, partially offset by increased sales at Sunset West and Shenandoah. Industry weakness affected order rates and backlog levels, leading to reduced production at Bradington-Young and HF Custom during the quarter. On a more positive note, excluding Sunset West, the order backlog remained 20% higher than the pre-pandemic levels at the end of the fiscal 2020 second quarter. Gross profit and margin both decreased during the quarter due to increased direct material costs and under-absorbed indirect costs attributed to lower sales and resulting reduced production efficiencies at these domestic facilities, which negatively impacted margins by 150 bps and 180 bps, respectively. Additionally, warehousing costs increased due to higher labor costs and increased warehouse rent expenses, as Sunset West has expanded into a portion of the Georgia warehouse for its growing East Coast footprint. S&A expenses also increased by 240 bps during the quarter. As a result, the segment recorded an operating loss of \$1.3 million, compared to operating income of \$724,000 in the prior year period.

Cash and cash equivalents were \$42.1 million at the end of the second quarter, down \$1.1 million from the fiscal 2024 year-end, but up \$1.2 million from the first quarter ended in April 2024. Inventory levels decreased by \$4.7 million from year-end. During the six-month period, we used cash and cash equivalents on hand and \$5.3 million cash generated from operating activities to fund \$4.9 million in cash dividends to our shareholders, \$2.4 million for further development of our cloud-based ERP system, and \$1.4 million in capital expenditures. In addition to our cash balance, we had an aggregate of \$28.3 million available under our existing revolver at quarter-end to fund working capital needs, as well as \$29.4 million cash surrender value of company-owned life insurance. With strategic inventory management, reasonable capital expenditures, and prudent expense management, we believe we have sufficient financial resources to support our business operations for the foreseeable future.

Results of Operations

The following table sets forth the percentage relationship to net sales of certain items included in the condensed consolidated statements of income included in this report.

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Net sales	100%	100%	100%	100%
Cost of sales	78.0	76.1	78.6	76.7
Gross profit	22.0	23.9	21.4	23.3
Selling and administrative expenses	24.3	21.6	24.7	21.0
Intangible asset amortization	1.0	0.9	1.0	0.8
Operating (loss)/income	(3.3)	1.3	(4.3)	1.5
Other income, net	1.5	0.4	1.0	0.2
Interest expense	0.2	0.7	0.3	0.4
(Loss)/income before income taxes	(2.0)	1.0	(3.6)	1.3
Income tax expense / (benefit)	0.1	0.2	(0.4)	0.3
Net (loss)/income	(2.1)	0.8	(3.2)	1.0

Fiscal 2025 Second Quarter and First Half Compared to Fiscal 2024 Second Quarter and First Half

Net Sales												
Thirteen Weeks Ended							Twenty-Six Weeks Ended					
July 28, 2024		July 30, 2023					July 28, 2024		July 30, 2023			
	% Net Sales		% Net Sales	\$ Change	% Change		% Net Sales		% Net Sales	\$ Change	% Change	
Hooker Branded	\$ 34,756	36.6%	\$ 36,381	37.1%	\$ (1,625)	-4.5%	\$ 70,109	37.1%	\$ 79,813	36.3%	\$ (9,704)	-12.2%
Home Meridian	30,516	32.1%	28,911	29.6%	1,605	5.6%	56,940	30.2%	70,832	32.3%	(13,892)	-19.6%
Domestic Upholstery	28,556	30.0%	30,892	31.6%	(2,336)	-7.6%	58,583	31.1%	65,996	30.0%	(7,413)	-11.2%
All Other	1,253	1.3%	1,622	1.7%	(369)	-22.7%	3,020	1.6%	2,980	1.4%	40	1.3%
Consolidated	\$ 95,081	100%	\$ 97,806	100%	\$ (2,725)	-2.8%	\$ 188,652	100%	\$ 219,621	100%	\$ (30,969)	-14.1%

Unit Volume	FY25 Q2 vs. FY24 Q2 Change	FY25 YTD vs. FY24 YTD Change	Average Selling Price ("ASP")	FY25 Q2 vs. FY24 Q2 Change	FY25 YTD vs. FY24 YTD Change
Hooker Branded	11.6%	-0.6%	Hooker Branded	-8.6%	-6.1%
Home Meridian	-32.7%	-43.6%	Home Meridian	50.3%	40.7%
Domestic Upholstery	-2.9%	-7.6%	Domestic Upholstery	-3.1%	-2.3%
All Other	-47.8%	-41.4%	All Other	-37.4%	-32.2%
Consolidated	-22.6%	-33.5%	Consolidated	25.4%	29.9%

Consolidated net sales decreased in the second quarter of fiscal 2025, primarily due to decreases in the Domestic Upholstery and Hooker Branded segments, partially offset by an increase in net sales at Home Meridian. For the first half of fiscal 2025, consolidated net sales decreased as all three segments experienced a downturn in sales.

- The Hooker Branded segment's net sales decreased by \$1.6 million, or 4.5%, in the second quarter of fiscal 2025, primarily due to lower average selling prices following price reductions implemented in the second half of previous year, driven by reduced ocean freight costs. While unit volume exceeded both the previous year's second quarter and the current fiscal year's first quarter, the price reductions had a more significant impact on overall revenue. For the six-month period, net sales decreased by \$9.7 million, or 12.2%, driven by the same decrease in average selling prices and, to a lesser extent, decreased unit volume in the first quarter, reflecting the ongoing industry headwinds.
- The Home Meridian segment's net sales increased by \$1.6 million, or 5.6%, in the second quarter of fiscal 2025, primarily driven by strong performance in its hospitality business. Additionally, sales through major furniture chains and mass merchants increased during the quarter. These gains were partially offset by decreases in sales to independent furniture stores and through e-commerce channels. In the previous year's second quarter, ACH liquidation sales accounted for \$3.5 million, or 34% of unit volume. For the six-month period, net sales decreased by \$13.9 million, or 19.6%, largely due to the absence of \$11 million in liquidation sales, which accounted for 39% of total unit volume in the first half of the prior year. The remaining decrease was attributed to lower sales through independent furniture stores and e-commerce, while partially offset by increased sales in its hospitality business. The average selling price increased significantly in the second quarter and first half of fiscal 2025 due to the absence of liquidation sales.
- The Domestic Upholstery segment's net sales decreased by \$2.3 million, or 7.6%, in the second quarter of fiscal 2025, primarily due to lower unit volume at Bradington-Young and HF Custom. Sunset West and Shenandoah each reported single-digit sales increases. Over the six-month period, net sales decreased by \$7.4 million, or 11.2%, with Bradington-Young, HF Custom, and Shenandoah experiencing sales decreases, while Sunset West reported a 10.7% sales growth. This growth was attributed to the Company's efforts to expand its distribution along the East Coast and the stabilization of its ERP system over the past year.

Gross Profit and Margin												
Thirteen Weeks Ended							Twenty-Six Weeks Ended					
	July 28, 2024		July 30, 2023				July 28, 2024		July 30, 2023			
		% Net Sales		% Net Sales	\$ Change	% Change		% Net Sales		% Net Sales	\$ Change	% Change
Hooker Branded	\$ 10,417	30.0%	\$ 13,103	36.0%	\$ (2,686)	-20.5%	\$ 21,465	30.6%	\$ 26,621	33.4%	\$ (5,156)	-19.4%
Home Meridian	5,946	19.5%	3,210	11.1%	2,736	85.2%	9,397	16.5%	9,923	14.0%	(526)	-5.3%
Domestic Upholstery	4,646	16.3%	6,365	20.6%	(1,719)	-27.0%	9,351	16.0%	13,387	20.3%	(4,036)	-30.1%
All Other	(87)	-6.9%	663	40.9%	(750)	-113.1%	81	2.7%	1,316	44.2%	(1,235)	-93.8%
Consolidated	\$ 20,922	22.0%	\$ 23,341	23.9%	\$ (2,419)	-10.4%	\$ 40,294	21.4%	\$ 51,247	23.3%	\$ (10,953)	-21.4%

Consolidated gross profit decreased in the fiscal 2025 second quarter and first half primarily due to overall lower net sales, while consolidated gross margin decreased in both periods due to reduced margins in the Hooker Branded and Domestic Upholstery segments, partially offset by increased gross margin at Home Meridian.

- The Hooker Branded segment's profit and gross margin both decreased in fiscal 2025 second quarter, due to lower net sales and increased product costs. The gross margin in the previous year's second quarter had been elevated by a combination of reduced ocean freight costs and price increases implemented during the post-COVID years to mitigate higher freight costs. Warehousing and distribution expenses also increased during the quarter, driven by higher labor costs. For the six-month period, gross profit decreased due to lower net sales, while gross margin decreased due to increased product costs and warehousing and distribution expenses.
- The Home Meridian segment's gross profit increased in the second quarter of fiscal 2025, driven by strong sales in the hospitality business, but decreased over the six-month period due to lower overall net sales. Gross margin increased in both periods, due to higher profitability at SLH as well as reduced Georgia warehouse and Asian operation costs. However, these gains were partially offset by an unfavorable customer and product mix.
- The Domestic Upholstery segment's gross profit and margin both decreased in the second quarter and first half of fiscal 2025. Direct material costs increased by 150 bps in the quarter and 130 bps over the six-month period, driven by increased raw material costs. Indirect costs increased by 180 bps and 150 bps, respectively, for both periods due to lower net sales resulting in under-absorbed fixed overhead costs. Although direct labor costs decreased in absolute terms, they remained unchanged as a percentage of net sales, as Bradington-Young and HF Custom operated on reduced schedules to align production with lower backlog levels. Additionally, warehousing and distribution expenses increased in both periods due to higher labor costs and increased rent expenses, as a portion of the Georgia warehouse was redeployed to support Sunset West's East Coast expansion.

Selling and Administrative Expenses (S&A)												
Thirteen Weeks Ended							Twenty-Six Weeks Ended					
July 28, 2024		July 30, 2023					July 28, 2024		July 30, 2023			
	% Net Sales		% Net Sales	\$ Change	% Change			% Net Sales		% Net Sales	\$ Change	% Change
Hooker Branded	\$ 10,823	31.1%	\$ 9,208	25.3%	\$ 1,615	17.5%	\$ 21,864	31.2%	\$ 20,007	25.1%	\$ 1,857	9.3%
Home Meridian	6,511	21.3%	6,215	21.5%	296	4.8%	12,905	22.7%	14,717	20.8%	(1,812)	-12.3%
Domestic Upholstery	5,338	18.7%	5,047	16.3%	291	5.8%	10,756	18.4%	10,189	15.4%	567	5.6%
All Other	475	37.9%	674	41.6%	(199)	-29.5%	1,089	36.0%	1,278	42.9%	(189)	-14.8%
Consolidated	\$ 23,147	24.3%	\$ 21,144	21.6%	\$ 2,003	9.5%	\$ 46,614	24.7%	\$ 46,191	21.0%	\$ 423	0.9%

Consolidated selling and administrative ("S&A") expenses increased both in absolute terms and as a percentage of net sales in the fiscal 2025 second quarter and the six-month period.

- The Hooker Branded segment's S&A expenses increased in absolute terms in both the second quarter and first half of fiscal 2025. This increase was attributed to higher compensation costs due to wage inflation and investment in talent, higher bad debt, increased ERP system implementation expenses, and increased costs to support strategic growth initiatives. S&A expenses increased as a percentage of net sales in the second quarter and the first half, primarily due to low sales, caused by the ongoing challenges in the home furnishings industry, as well as increased spending.

- The Home Meridian segment's S&A expenses increased slightly in absolute terms during fiscal 2025 second quarter but remained unchanged as a percentage of net sales. Increased compensation costs, higher bad debt, and increased selling costs associated with higher net sales contributed to the uptick, partially offset by reduced spending in other areas. For the fiscal 2025 first half, S&A expenses decreased due to lower selling costs on reduced net sales, decreased compensation expenses from personnel changes, and other cost-saving initiatives. S&A expenses increased as a percentage of net sales due to lower net sales over the six-month period.
- The Domestic Upholstery segment's S&A expenses increased both in absolute terms and as a percentage of net sales during the second quarter and first half of fiscal 2025. This increase was primarily driven by higher professional services expenses, as well as increased selling expenses. These increases were partially offset by lower compensation expenses and other cost reductions.

Intangible Asset Amortization												
	Thirteen Weeks Ended						Twenty-Six Weeks Ended					
	July 28, 2024		July 30, 2023				July 28, 2024		July 30, 2023			
	% Net Sales		% Net Sales	\$ Change	% Change		% Net Sales		% Net Sales	\$ Change	% Change	
Intangible asset amortization	\$ 924	1.0%	\$ 924	0.9%	\$ -	0.0%	\$ 1,849	1.0%	\$ 1,807	0.8%	\$ 42	2.3%

Intangible asset amortization expense remained unchanged in the second quarter of fiscal 2025 but increased slightly over the six-month period due to the reassessment and subsequent amortization of the Sam Moore trade name, which began in April of the previous year. See Note 8 to our Condensed Consolidated Financial Statements for additional information.

Operating (Loss) / Profit and Margin												
	Thirteen Weeks Ended					Twenty-Six Weeks Ended						
	July 28, 2024	% Net Sales	July 30, 2023	% Net Sales	\$ Change	% Change	July 28, 2024	% Net Sales	July 30, 2023	% Net Sales	\$ Change	% Change
Hooker Branded	\$ (406)	-1.2%	\$ 3,896	10.7%	\$ (4,302)	-110.4%	\$ (399)	-0.6%	\$ 6,614	8.3%	\$ (7,013)	-106.0%
Home Meridian	(896)	-2.9%	(3,336)	-11.5%	2,440	73.1%	(4,169)	-7.3%	(5,454)	-7.7%	1,285	23.6%
Domestic Upholstery	(1,285)	-4.5%	724	2.3%	(2,009)	-277.5%	(2,593)	-4.4%	2,051	3.1%	(4,644)	-226.4%
All Other	(562)	-44.9%	(11)	-0.7%	(551)	5009.1%	(1,008)	-33.4%	38	1.3%	(1,046)	2752.6%
Consolidated	\$ (3,149)	-3.3%	\$ 1,273	1.3%	\$ (4,422)	-347.4%	\$ (8,169)	-4.3%	\$ 3,249	1.5%	\$ (11,418)	-351.4%

The Company reported operating losses in the fiscal 2025 second quarter and first half due to the factors discussed above.

Income taxes												
	Thirteen Weeks Ended					Twenty-Six Weeks Ended						
	July 28, 2024	% Net Sales	July 30, 2023	% Net Sales	\$ Change	% Change	July 28, 2024	% Net Sales	July 30, 2023	% Net Sales	\$ Change	% Change
Consolidated income tax expense / (benefits)	\$ 85	0.1%	\$ 191	0.2%	\$ (106)	-55.5%	\$ (731)	-0.4%	\$ 593	0.3%	\$ (1,324)	-223.3%
Effective Tax Rate	-4.5%		19.6%				10.8%		21.0%			

During the second quarters of fiscal 2025 and 2024, we recorded income tax expenses of \$85,000 and \$191,000, respectively. The effective tax rates for these periods were (4.5%) and 19.6%, respectively. Due to the annualization method, we recognized income tax expenses on a loss before income tax in fiscal 2025 second quarter. For the fiscal 2025 first half, we recorded income tax benefits of \$731,000 compared to the income tax expense of \$593,000 for the previous year's first half. The effective tax rates for the fiscal 2025 and 2024 first half periods were 10.8% and 21.0%, respectively.

	Net (Loss) / Income											
	Thirteen Weeks Ended						Twenty-Six Weeks Ended					
	July 28, 2024		July 30, 2023				July 28, 2024		July 30, 2023			
		% Net Sales		% Net Sales	\$ Change	% Change		% Net Sales		% Net Sales	\$ Change	% Change
Consolidated net (loss) / income	\$ (1,951)	-2.1%	\$ 785	0.8%	\$ (2,736)	-348.5%	\$ (6,042)	-3.2%	\$ 2,234	1.0%	\$ (8,276)	-370.5%
Diluted (loss) / earnings per share	\$ (0.19)		\$ 0.07				\$ (0.57)		\$ 0.20			

Outlook

We are encouraged that inflation hit its lowest post-pandemic level in July, with the Consumer Price Index cooling to 2.9%, setting up a possible interest rate cut in September. There has been a recent surge in mortgage refinancing in August, which is a positive indicator. We believe, if the Federal Reserve lowers interest rates, housing activity will accelerate.

While the U.S. Department of Commerce reported its 17th consecutive month of lower home furnishings retail sales in July, overall retail sales rose about 3% during the same period, and the University of Michigan Consumer Sentiment Index rose in early August for the first time since March. Additionally, existing-home sales grew in July ending a four-month sales decline.

Our strong balance sheet, financial condition and seasoned management team will well equip us to navigate the remaining downturn, as we focus on maximizing efficiencies with the planned cost reductions. We are in the process of refinancing our credit facility and expect to have that completed in the near future. In addition, we plan to pay off \$22 million in term debt during the third quarter, demonstrating our confidence in our future. We will continue investing in expansion strategies that will position us for improved profitability and revenue growth when demand returns.

Financial Condition, Liquidity and Capital Resources

Cash Flows – Operating, Investing and Financing Activities

Twenty-Six Weeks Ended			
	July 28, 2024	July 30, 2023	
Net cash provided by operating activities	\$ 5,314	\$ 51,412	
Net cash used in investing activities	(808)	(6,211)	
Net cash used in financing activities	(5,615)	(14,224)	
Net (decrease) / increase in cash and cash equivalents	\$ (1,109)	\$ 30,977	

During fiscal 2025 first half ended July 28, 2024, we used existing cash and cash equivalent on hand, \$5.3 million cash generated from operations and \$936,000 life insurance proceeds to fund \$4.9 million in cash dividends to our shareholders, \$2.4 million for further development of our cloud-based ERP system, \$1.4 million capital expenditures and \$326,000 in life insurance premiums on Company-owned life insurance policies.

In comparison, during the six months ended July 30, 2023, we used a portion of the \$51.4 million cash generated from operations and \$444,000 life insurance proceeds to fund \$8.7 million share repurchases, \$4.9 million in cash dividends to our shareholders, \$4.0 million capital expenditures including investments in our new showrooms, \$2.6 million for development of our cloud-based ERP system, \$2.4 million on the BOBO acquisition, and \$317,000 in life insurance premiums on Company-owned life insurance policies.

Liquidity, Financial Resources and Capital Expenditures

Our financial resources include:

- available cash and cash equivalents, which are highly dependent on incoming order rates and our operating performance;
- expected cash flow from operations;
- available lines of credit; and
- cash surrender value of Company-owned life insurance.

The most significant components of our working capital are inventory, accounts receivable and cash and cash equivalents reduced by accounts payable and accrued expenses.

Our most significant ongoing short-term cash requirements relate primarily to funding operations (including expenditures for inventory, lease payments and payroll), quarterly dividend payments and capital expenditures related primarily to our ERP project, showroom renovations and upgrading systems, buildings and equipment. The timing of our working capital needs can vary greatly depending on demand for and availability of raw materials and imported finished goods but is generally the greatest in mid-summer because of inventory build-up for the traditional fall selling season. Long term cash requirements relate primarily to funding lease payments and repayment of long-term debt.

Loan Agreements and Revolving Credit Facility

On July 26, 2022, we entered into the Fourth Amendment to the Second Amended and Restated Loan Agreement (the "Amendment") with Bank of America, N.A. ("BofA") to replenish cash used to make the Sunset Acquisition. The Second Amended and Restated Loan Agreement dated as of September 29, 2017, had previously been amended by a First Amendment to Second Amended and Restated Loan Agreement dated as of January 31, 2019, a Second Amendment to Second Amended and Restated Loan Agreement dated as of November 4, 2020, and a Third Amendment to Second Amended and Restated Loan Agreement dated as of January 27, 2021 (as so amended, the "Existing Loan Agreement"). Details of the individual credit facilities provided for in the Amendment are as follows:

- **Unsecured Revolving Credit Facility.** Under the Amendment, the expiration date of the existing \$35 million Unsecured Revolving Credit Facility (the "Existing Revolver") was extended to July 26, 2027. Any amounts outstanding will bear interest at a rate per annum, equal to the then current Bloomberg Short-Term Bank Yield Index ("BSBY") (adjusted periodically) plus 1.00%. The interest rate will be adjusted on a monthly basis. The actual daily amount of undrawn letters of credit is subject to a quarterly fee equal to a per annum rate of 1%. We must also pay a quarterly unused commitment fee that is based on the average daily amount of the facility utilized during the applicable quarter;
- **2022 Secured Term Loan.** The Amendment provided us with an \$18 million term loan (the "Secured Term Loan"), which was disbursed to us on July 26, 2022. We are required to pay monthly interest only payments at a rate per annum equal to the then current BSBY rate (adjusted periodically) plus 0.90% on the outstanding balance until the principal is paid in full. The interest rate will be adjusted on a monthly basis. On July 26, 2027, the entire outstanding indebtedness is due in full, including all principal and interest. The Secured Term Loan is secured by certain company-owned life insurance policies under a Security Agreement (Assignment of Life Insurance Policy as Collateral) dated July 26, 2022, by and between the Company and BofA; and
- **2022 Unsecured Term Loan.** The Amendment provided us with a \$7 million unsecured term loan (the "Unsecured Term Loan"), which was disbursed to us on July 26, 2022. We are required to make monthly principal payments of \$116,667 and monthly interest payments at a rate per annum equal to the then current BSBY (adjusted periodically) plus 1.40% on the outstanding balance until paid in full. The interest rate will be adjusted monthly. On July 26, 2027, the entire outstanding indebtedness is due in full, including all principal and interest.

We may prepay any outstanding principal amounts borrowed under either the Secured Term Loan or the Unsecured Term Loan at any time, without penalty provided that any payment is accompanied by all accrued interest owed. As of July 28, 2024, \$4.2 million was outstanding under the Unsecured Term Loan and \$18 million was outstanding under the Secured Term Loan.

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We incurred \$37,500 in debt issuance costs in connection with our term loans. As of July 28, 2024, unamortized loan costs of \$22,500 were netted against the carrying value of our term loans on our condensed consolidated balance sheets.

The Amendment also included customary representations and warranties and requires us to comply with customary covenants, including, among other things, the following financial covenants:

- Maintain a ratio of funded debt to EBITDA not exceeding:
 - o 2.25:1.0 through July 30, 2024; and
 - o 2.00:1.00 thereafter.
- A basic fixed charge coverage ratio of at least 1.25:1.00; and
- Limit capital expenditures to no more than \$15.0 million during any fiscal year.

The Existing Loan Agreement also limits our right to incur other indebtedness, make certain investments and create liens upon our assets, subject to certain exceptions, among other restrictions. The Existing Loan Agreement does not restrict our ability to pay cash dividends on, or repurchase, shares of our common stock, subject to our compliance with the financial covenants discussed above if we are not otherwise in default under the Existing Loan Agreement.

Due to our first half results, we were not in compliance with the Existing Loan Agreement's basic fixed charge ratio covenant in either fiscal 2025 quarterly period; however, subsequent to the end of both quarterly periods, we obtained covenant waivers from BofA. Based on the risk of future non-compliance and according to U.S. GAAP, we have classified all of the debt as current in our consolidated balance sheets. We have sufficient cash and investments on hand to retire the debt if necessary. However, we expect to finalize a new credit facility with BofA during the fiscal 2025 third quarter. Consequently, we expect to be in compliance with our revised financial covenants beginning in our fiscal 2025 third quarter and for the foreseeable future.

As of July 28, 2024, we had \$28.3 million available under our \$35 million Existing Revolver to fund working capital needs. Standby letters of credit in the aggregate amount of \$6.7 million, used to collateralize certain insurance arrangements and for imported product purchases, were outstanding under the Existing Revolver as of July 28, 2024. There were no additional borrowings outstanding under the Existing Revolver as of July 28, 2024.

Capital Expenditures

We expect to spend approximately \$1 million in capital expenditures over the remainder of fiscal 2025 to maintain and enhance our operating systems and facilities, excluding any possible spending decreases resulting from the cost reduction plan discussed above.

Enterprise Resource Planning Project

During calendar 2021, our Board of Directors approved an upgrade to our current ERP system and implementation efforts begun shortly thereafter. The ERP system went live at Sunset West in December 2022 and in the legacy Hooker divisions in early September 2023. Due to our cost reduction initiatives, we have paused the ERP project in the Home Meridian segment. We do not anticipate further significant ERP spending in fiscal 2025.

Dividends

On September 3, 2024, our board of directors declared a quarterly cash dividend of \$0.23 per share which will be paid on September 30, 2024, to shareholders of record at September 13, 2024.

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 2024 Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various types of market risk in the normal course of our business, including the impact of interest rate changes, raw materials price risk and changes in foreign currency exchange rates, which could impact our results of operations or financial condition. We manage our exposure to this risk through our normal operating activities.

Interest Rate Risk

Borrowings under our revolving credit facility, the Secured Term Loan and the Unsecured Term loan bear interest based on BSBY plus 1.00%, BSBY plus 0.90% and BSBY plus 1.40%, respectively. As such, these debt instruments expose us to market risk for changes in interest rates. There was no outstanding balance under our revolving credit facility as of July 28, 2024 other than standby letters of credit in the amount of \$6.7 million. As of July 28, 2024, \$22.2 million was outstanding under our term loans. A 1% increase in the BSBY rate would result in an annual increase in interest expenses on our terms loans of approximately \$216,000.

Raw Materials Price Risk

We are exposed to market risk from changes in the cost of raw materials used in our domestic upholstery manufacturing processes; principally, wood, fabric, and foam products. Increases in home construction activity could result in increases in wood and fabric costs. Additionally, the cost of petroleum-based foam products we utilize are sensitive to crude oil prices, which vary due to supply, demand, and geo-political factors.

Currency Risk

For imported products, we generally negotiate firm pricing denominated in U.S. Dollars with our foreign suppliers, typically for periods of at least one year. We accept the exposure to exchange rate movements beyond these negotiated periods. We do not use derivative financial instruments to manage this risk but could choose to do so in the future. Most of our imports are purchased from suppliers located in Vietnam and China. The Chinese currency floats within a limited range in relation to the U.S. Dollar, resulting in exposure to foreign currency exchange rate fluctuations.

Since we transact our imported product purchases in U.S. Dollars, a relative decline in the value of the U.S. Dollar could increase the price we pay for imported products beyond the negotiated periods. We generally expect to reflect substantially all of the effect of any price increases from suppliers in the prices we charge for imported products. However, these changes could adversely impact sales volume or profit margins during affected periods.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended July 28, 2024. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective as of July 28, 2024 to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Company's management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

During fiscal 2024 second quarter, we closed on the acquisition of substantially all of the assets of BOBO Intriguing Objects ("BOBO"). As permitted by SEC guidance for newly acquired businesses, we excluded BOBO's operations from the scope of our Sarbanes-Oxley Section 404 report on internal controls over financial reporting for the year ending January 28, 2024. We are in the process of implementing our internal control structure at BOBO and expect that this effort will be completed in fiscal 2025.

There have been no changes in our internal control over financial reporting during the fiscal quarter ended July 28, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 5. Other Information

During the three months ended July 28, 2024, no director or officer of the Company adopted, terminated or modified a 'Rule 10b5-1 trading arrangement' or 'non-Rule 10b5-1 trading arrangement,' as each term is defined in Item 408(a) of Regulation S-K.

As further described under "Liquidity, Financial Resources and Capital Expenditures" in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations herein, the Company entered into a covenant waiver with BofA under the Existing Loan Agreement on September 3, 2024 (the "Waiver"). A copy of the Waiver is filed herewith as Exhibit 10.3 to this Quarterly Report on Form 10-Q and its terms are hereby incorporated by reference into this Item 5.

Item 6. Exhibits

- 3.1 [Articles of Incorporation of the Company, as amended as of September 16, 2021 \(incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q \(SEC File No. 000-25349\) for the quarter ended October 31, 2021\)](#)
- 3.2 [Amended and Restated Bylaws of the Company, as amended September 5, 2023 \(incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q \(SEC File No. 000-25349\) for the quarter ended July 30, 2023\)](#)
- 4.1 Articles of Incorporation of the Company, as amended (See Exhibit 3.1)
- 4.2 Amended and Restated Bylaws of the Company, as amended (See Exhibit 3.2)
- 10.1* [Form of Performance Stock Units Grant Agreement, for grants made in fiscal 2025](#)
- 10.2* [Form of RSU Time-based Vesting Grant Agreement, for grants made in fiscal 2025](#)
- 10.3* [Covenant Waiver Letter between the Company and Bank of America executed on September 3, 2024 under the Company's Second Amended and Restated Loan Agreement dated as of September 29, 2017.](#)
- 31.1* [Rule 13a-14\(a\) Certification of the Company's principal executive officer](#)
- 31.2* [Rule 13a-14\(a\) Certification of the Company's principal financial officer](#)
- 32.1** [Rule 13a-14\(b\) Certification of the Company's principal executive officer and principal financial officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101* Interactive Data Files (formatted as Inline XBRL)
- 104* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

*Filed herewith

** Furnished herewith

SIGNATURE

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.

HOOKE FURNISHINGS CORPORATION

Date: September 6, 2024

By: /s/ Paul A. Huckfeldt

Paul A. Huckfeldt

Chief Financial Officer and

Senior Vice President – Finance and Accounting

HOOKER FURNISHINGS CORPORATION

Performance-based Restricted Stock Unit ("PSU") Grant

Name of Grantee:

Date of Grant:

Performance Period: February __, 20__ to January __, 20__

1. **Grant of PSUs.** Hooker Furnishings Corporation (the "**Company**") hereby grants to you __ Performance-based Restricted Stock Units ("**PSUs**") based on the terms of this Grant Agreement. Each PSU entitles you to receive the Fair Market Value of one share of Company Stock, if and to the extent certain Performance Goals described in Section 2 and Appendix A are achieved for the Performance Period. The PSUs are subject to the terms and conditions set forth herein, including the terms set forth in the 2024 Amendment and Restatement of the Hooker Furnishings Corporation Stock Incentive Plan (the "**Plan**"). By signing below, you acknowledge that you agree to be bound by all the terms and conditions hereof and of the Plan with respect to the PSUs granted to you. In the event of any conflict between the terms of this Grant Agreement and the terms of the Plan, the terms of the Plan shall control. Capitalized terms not defined in this Grant Agreement shall have the meanings set forth in the Plan.
2. **Performance Goals and Payout/Settlement Amount.** The Company must achieve certain Performance Goals relating to growth in earnings per share and total shareholder return during the Performance Period (as specified in Appendix A) and, except as provided in Section 4 or 5 below, you must remain in continuous employment with the Company or a Related Company to the last day of the Performance Period (the "**Performance Period End Date**") in order for any amount to be payable to you under this grant of PSUs. Except as otherwise provided in Section 4, no amount shall be payable to you unless a threshold level of performance with respect to the Performance Goals is met for the Performance Period, as described in Appendix A. The amount, if any, payable to you under this grant of PSUs shall be referred to as the "**Payout/Settlement Amount**."
3. **Time and Form of Payment.**
 - (a) The PSUs shall be settled by delivery of one share of Common Stock for each PSU earned based on the achievement of Performance Goals during the Performance Period. The PSUs shall be settled as soon as practicable after the date that the Committee approves the Performance Goals have been achieved, but in no event later than 90 days following the Performance Period End Date. Notwithstanding the foregoing, to the extent that the PSUs are subject to Section 409A of the Internal Revenue Code, all such payments shall be made in compliance with the requirements of Section 409A of the Internal Revenue Code.
 - (b) Before the Payout/Settlement Amount may be paid, the Committee must approve in writing after the close of the Performance Period that the Performance Goals have been met and the levels that were attained, and any other material terms of the Grant Agreement have been satisfied. The Payout/Settlement Amount may be adjusted to the extent necessary to comply with applicable law and with the terms of the Plan, as determined by the Committee.

4. **Change of Control.** Notwithstanding Section 3 to the contrary, if a Change of Control occurs during the Performance Period and you have been continuously employed with the Company or a Related Company from the Date of Grant through the date of the Change of Control, you shall receive a Payout/Settlement Amount equal to the amount that would have been payable or settled if you had remained in employment to the Performance Period End Date and (i) Target Level EPS Growth and (ii) Target Level Relative TSR Performance (as defined in Appendix A) each had been attained for the Performance Period. The Payout/Settlement Amount shall be paid in the manner described in Section 3, except that payment shall be made simultaneous with the occurrence of the Change of Control.

5. **Death, Disability or Retirement.** Notwithstanding Section 3 to the contrary, if your employment with the Company and its Related Companies terminates on account of your death, Disability or Retirement, you shall be deemed to have continued in employment with the Company and its Related Companies to the Performance Period End Date and your Payout/Settlement Amount (if any) shall be equal to the product of (a) and (b), where:

(a) is the Payout/Settlement Amount determined in accordance with the Appendix A of this Grant Agreement, and

(b) is a fraction, the numerator of which is the number of completed calendar months from the first day of the Performance Period to the date of your death, Disability or Retirement (as applicable), and the denominator of which is 36.

The Payout/Settlement Amount (if any) shall be paid in the manner described in Section 3.

For purposes of this grant of PSUs, "Retirement" shall mean the Company's agreement to your voluntary separation from service on account of your retirement provided you (1) give the Company a minimum of 90 days advance written notice of your anticipated retirement date (unless waived by the Company), (2) enter into a mutually agreed upon written plan with the Company to effect the orderly transition of your duties and responsibilities, and (3) comply with such other guidelines as the Company may establish to ensure the uniform application of this provision.

6. **Dividend Equivalents.** You shall have the right to receive dividend equivalents, if any, which shall be credited to an account established on your behalf and subject to the same vesting and other terms and conditions as the underlying PSUs described herein. Dividend equivalents shall be paid in cash.

7. **No Rights as a Shareholder.** The grant of PSUs to you shall not convey to you or any other person any rights as an owner of Company Stock, including (without limitation) any voting rights, dividend rights or any rights to receive any year-end or other reports from the Company.

- 8 . **Nontransferability.** All rights associated with this grant of PSUs shall belong to you alone and may not be transferred, assigned, pledged, or hypothecated by you in any way (whether by operation of law or otherwise), other than by will or the laws of descent and distribution, and shall not be subject to execution, attachment, or similar process. Upon any attempt by you to transfer, assign, pledge, hypothecate, or otherwise dispose of such rights contrary to the provisions in this Grant Agreement, or upon the levy of any attachment or similar process upon such rights, such rights shall immediately become null and void.
9. **Withholding of Taxes.** The Participant (or the Participant's successor) shall pay to the Company the Applicable Withholding Taxes for the PSUs, or the Participant (or the Participant's successor) and the Company shall make satisfactory provision for the payment of such taxes (which may include having the Applicable Withholding Taxes withheld from other amounts currently payable by the Company to the Participant). In the absence of such arrangements having been made for the payment of Applicable Withholding Taxes, the Company will retain from the payment due under the PSUs that number of shares of Company Stock (valued at their current Fair Market Value), cash or a combination of Company Stock and cash sufficient to satisfy the Applicable Withholding Taxes with respect to the PSUs.
10. **Beneficiary.** By written instrument signed and delivered to the Company, you may designate a beneficiary to receive any payments that are to be paid under this grant of PSUs after your death. If you make no valid designation or if the designated beneficiary or beneficiaries fail to survive you or otherwise fail to receive the payments, your beneficiary will be the personal representative of your estate.
11. **Binding Effect.** This Grant Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and upon any person lawfully claiming under you.
12. **Entire Agreement.** This Grant Agreement, the Plan, and the rules and procedures adopted by the Committee or the Company (including the Company's Compensation Recoupment Policy), contain all of the provisions applicable to the PSUs and no other statements, documents or practices may modify, waive or alter such provisions unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to you.
13. **Modifications.** Except as otherwise provided in the Plan, any modification of this Grant Agreement shall be effective only if it is in writing and signed by both you and an authorized officer of the Company.
- 14 . **No Right to Continued Service.** This Grant Agreement does not confer upon you any right with respect to continuance of service with the Company or any Related Company, nor shall it interfere in any way with the right of the Company or a Related Company to end your service at any time and for any reason.

- 1 5 . **Recoupment.** This grant of PSUs is subject to the terms and conditions of the Company's Compensation Recoupment Policy and any successor or replacement policy thereto, and the terms and conditions of the Compensation Recoupment Policy (and any successor or replacement thereto) are incorporated by reference and are made a part of this Grant Agreement.
16. **Section 409A.**
- (a) It is intended that this Grant Agreement either be exempt from or comply with the requirements of Sections 409A of the Code and applicable Treasury Regulations and other generally applicable guidance issued thereunder (collectively, "**Section 409A**"), and this Grant Agreement shall be interpreted for all purposes in accordance with that intent.
 - (b) Notwithstanding any term or provision of this Grant Agreement (including any term or provision of the Plan incorporated herein by reference), the parties hereto agree that, from time to time, the Company may, without prior notice to or consent from you, amend this Grant Agreement to the extent determined by the Company, in the exercise of its discretion in good faith, to be necessary or advisable to prevent the inclusion in your gross income pursuant to Section 409A of any compensation payable under this Grant Agreement. The Company shall notify you as soon as reasonably practicable of any such amendment affecting you.
 - (c) In the event that the amounts payable/settled under this Grant Agreement are subject to any taxes, penalties or interest under Section 409A, you shall be solely liable for the payment of any such taxes, penalties or interest.
 - (d) If you are deemed on the date of a "separation from service" to be a "specified employee" (within the meaning of those terms under Section 409A and determined using any identification methodology and procedure selected by the Company from time to time), then with regard to any payment under this Grant Agreement that is "nonqualified deferred compensation" within the meaning of Section 409A and which is paid as a result of your separation from service, such payment or benefit shall not be made or provided prior to the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such separation from service, and (ii) the date of your death (the "**Delay Period**"). Upon the expiration of the Delay Period, all payments delayed pursuant to this clause (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to you in a lump sum, and any remaining payments and benefits due under this Grant Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.
17. **Governing Law.** The PSUs shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia, without regard to conflicts of laws principles thereof.

HOOKER FURNISHINGS CORPORATION

By: _____
Name: Jeremy R. Hoff
Title: Chief Executive Officer

GRANTEE

Name:

APPENDIX A

Performance Goals and Payout/Settlement Schedule

1 . **Performance Goals.** Performance Goals for the Performance Period shall be based on the attainment of a specified level of the Company's earnings per common share growth on an absolute basis over the Performance Period and total shareholder return on a relative basis over the Performance Period, as described in this appendix.

2 . **Payout Tables.** The Payout/Settlement Amount shall be equal to the sum of (1) the earned amount (expressed in shares) determined from Table A below (based on the level of the Company's EPS Growth for the Performance Period) and (2) the earned amount (expressed as shares) determined from Table B below (based on the level of the Company's Relative TSR Performance for the Performance Period).

Table A – Absolute EPS Growth

Company's EPS Growth for the Performance Period	Earned Amount (expressed in shares)
Less than 5%	0
Threshold: 5%	
Target: 10%	
Maximum: 25% or greater	

To the extent that the Company's EPS Growth ranks in a percentile between the 5th and 25th percentiles in Table A above, then the earned amount will be interpolated between the corresponding earned amounts set forth above.

Table B – Relative TSR Performance

Company's Relative TSR Performance	Earned Amount (expressed in shares)
Less than the 25 th percentile	0
Threshold: 25th percentile	
Target: 50th percentile	
Maximum: Equal to or greater than the 75th percentile	

To the extent that the Company's Relative TSR Performance ranks in a percentile between the 25th and 75th percentiles in Table B above, then the earned amount will be interpolated between the corresponding earned amounts set forth above. Notwithstanding anything above to the contrary, if the Company fails to achieve positive TSR for the Performance Period, the earned amount (if any) for purposes of Table B shall not exceed the earned amount for Relative TSR Performance at the 50th percentile for the Performance Period.

3. Definitions. Capitalized terms not otherwise defined in this Grant Agreement or the Plan shall have the following meaning:

"EPS Growth" means the rate of growth of the Company's earnings per share, computed by (a) adding together the fully diluted aggregated earnings per share from continuing operations ("EPS") for each fiscal year of the Company that falls within the Performance Period, (b) dividing that sum by 3, and (c) dividing that result by the Company's EPS for the first fiscal year of the Company that ends immediately before the Performance Period. EPS shall be calculated according to Generally Accepted Accounting Principles and, with respect to the Company, by excluding the impact of any write-down of the Company's intangible assets.

"Peer Group" means the following companies: La-Z-Boy, Inc.; American Woodwork Corporation; Haverty Furniture Companies, Inc.; Ethan Allen Interiors Inc.; Cavco Industries, Inc.; Lifetime Brands, Inc.; Flexsteel Industries, Inc.; Dixie Group, Inc.; Bassett Furniture Industries, Inc.; PGT Innovations, Inc.; Nautilus, Inc.; Culp, Inc.; Hamilton Beach Brands Holding Company; Kirkland's, Inc.; and Lovesac Company. If any of these companies cease to exist as an independent entity during the Performance Period, that company shall be removed from the Peer Group and not be taken into consideration in determining Relative TSR Performance.

"Relative TSR Performance" means the percentile ranking based on where the Company's TSR during the Performance Period ranks in relation to the TSRs of the companies that are members of the Peer Group.

"Target Level EPS Growth" means EPS Growth of __% for the Performance Period.

"Target Level Relative TSR Performance" means Relative TSR Performance at the __th percentile for the Performance Period.

"TSR" means total shareholder return computed as the difference between the value of common stock at the beginning of the Performance Period (the average price for the 20 trading days prior to the start of the Performance Period) and end of the Performance Period (the average price of the last 20 trading days of the Performance Period), plus the value of gross dividends paid as if re-invested in such stock and such other appropriate adjustments

as determined by the Committee. As soon as practicable after the completion of the Performance Period, the TSRs of the companies in the Peer Group will be calculated and ranked from highest to lowest by the Committee. The Company's TSR will then be ranked in terms of which percentile it would have placed in among the companies in the Peer Group.

4 . Miscellaneous. This PSU is subject to the provisions of the Plan, and any applicable law or Company policy, including the Compensation Recoupment Policy (whether in effect on the Date of Grant or adopted or modified after the Date of Grant).

HOOKER FURNISHINGS CORPORATION

RSU Award – Time-Based Vesting

Name of Grantee:

Date of Grant:

1. **Grant of RSUs.** Hooker Furnishings Corporation (the “**Company**”) hereby grants to you ____ Restricted Stock Units (“**RSUs**”). Each RSU entitles you to receive the Fair Market Value of one share of Company Stock upon the terms and conditions set forth herein, including the terms set forth in the 2020 Amendment and Restatement of the Hooker Furnishings Corporation Stock Incentive Plan (the “**Plan**”). By signing below, you acknowledge that you agree to be bound by all the terms and conditions hereof and of the Plan with respect to this grant. In the event of any conflict between the terms of this Grant Agreement and the terms of the Plan, the terms of the Plan shall control. Capitalized terms not defined in this Grant Agreement shall have the meanings set forth in the Plan.

2. **Vesting.**

- (a) The RSUs granted hereunder shall vest in accordance with the following schedule:

Vesting Date	Percentage Vested
At Date of Grant	0%
First Anniversary of Date of Grant	33.33%
Second Anniversary of Date of Grant	66.67%
Third Anniversary of Date of Grant	100%

- (b) Except as provided in Section 2(c), you must remain in continuous employment with the Company or a Related Company from the Date of Grant through each applicable Vesting Date in order to vest in the RSUs. If your employment with the Company and its Related Companies terminates for any reason prior to the final Vesting Date, except as provided in Section 2(c), any unvested RSUs granted hereunder will be forfeited at such time.
- (c) Notwithstanding Section 2(b) above to the contrary, any unvested RSUs shall become 100% vested upon the occurrence prior to the final Vesting Date of a Change of Control, provided you have been continuously employed with the Company or a Related Company from the Date of Grant through the date of the Change of Control. In addition, if your employment with the Company and its Related Companies terminates on account of your death, Disability or Retirement before the final Vesting Date, you will become vested on the date of your death, Disability or your Retirement (as applicable) in a number of RSUs equal to (A) minus (B), where (A) equals the number of RSUs awarded under this Grant

Agreement multiplied by a fraction, the numerator of which is the number of completed months from the Date of Grant to the date of your death, Disability or Retirement (as applicable), and the denominator of which is 36, and (B) equals the number of RSUs, if any, which have vested prior to the date of such termination of employment. Any fractional RSUs that become vested pursuant to this Section 2(c) shall be rounded to the nearest whole RSU.

For purposes of this grant of RSUs, "Retirement" shall mean the Company's agreement to your voluntary separation from service on account of your retirement provided you (1) give the Company a minimum of 90 days advance written notice of your anticipated retirement date, (2) enter into a mutually agreed upon written plan with the Company to effect the orderly transition of your duties and responsibilities, and (3) comply with such other guidelines as the Company may establish to ensure the uniform application of this provision.

3. **Payment.**

- (a) RSUs that vest pursuant to Section 2 shall be paid to you (or, in the case of your death, your beneficiary) as soon as administratively practicable, but in any event within sixty (60) days, after each applicable date on which such RSUs become vested, as determined in accordance with Section 2; provided that any RSUs that become vested on account of a Change of Control shall be paid simultaneous with the occurrence of the Change of Control.
- (b) The payments described in subsection (a) shall be made in the form of Company Stock, in which case one share of Company Stock shall be delivered for each vested RSU. The Committee may place any restrictions on the Company Stock issuable to you (or your beneficiary) as the Committee deems necessary or appropriate to comply with applicable securities laws.
- (c) Notwithstanding subsection (b) to the contrary, the Committee may, in its discretion, provide for payment in cash, in an amount equal to the total number of RSUs that have become vested multiplied by the Fair Market Value of one share of Company Stock as of the date on which payment is made, or the Committee may provide in its discretion for payment in any combination of cash and Company Stock.
- (d) Notwithstanding the provisions of subsection (a) above, any RSUs that vest pursuant to Section 2 (c) on account of your Retirement, shall not be paid to you until the Third Anniversary of the Date of Grant, or within sixty (60) days thereafter.

4. **Dividend Equivalents.** You shall have the right to receive dividend equivalents, if any, which shall be credited to an account established on your behalf and subject to the same vesting and other terms and conditions as the underlying RSUs described herein. Dividend equivalents shall be paid in cash.

5. **No Rights as a Shareholder.** The RSUs granted to you hereunder shall not convey to you or any other person any rights as an owner of Company Stock, including (without limitation) any voting rights, dividend rights or any rights to receive any year-end or other reports from the Company.
6. **Change in Capital Structure.** The number of RSUs granted hereunder shall be proportionately adjusted to reflect any stock dividend, stock split, reverse stock split, combination or exchange, merger, consolidation, or other change in capitalization with a similar substantive effect upon Company Stock without the receipt of consideration by the Company, or as otherwise provided or permitted according to the terms of the Plan. The Committee shall have the power and sole discretion to determine the nature and amount of the adjustment to be made in each case. If the adjustment would produce a fractional RSU, the number of RSUs shall be rounded down to the nearest whole number.
7. **Nontransferability.** All rights associated with RSUs under this Grant Agreement shall belong to you alone and may not be transferred, assigned, pledged, or hypothecated by you in any way (whether by operation of law or otherwise), other than by will or the laws of descent and distribution, and shall not be subject to execution, attachment, or similar process. Upon any attempt by you to transfer, assign, pledge, hypothecate, or otherwise dispose of such rights contrary to the provisions in this Grant Agreement, or upon the levy of any attachment or similar process upon such rights, such rights shall immediately become null and void.
8. **Withholding of Taxes.** The Participant (or the Participant's successor) shall pay to the Company the Applicable Withholding Taxes for the RSUs, or the Participant (or the Participant's successor) and the Company shall make satisfactory provision for the payment of such taxes (which may include having the Applicable Withholding Taxes withheld from other amounts currently payable by the Company to the Participant). In the absence of such arrangements having been made for the payment of Applicable Withholding Taxes, the Company will retain from the payment due under the RSUs that number of shares of Company Stock (valued at their current Fair Market Value), cash or a combination of Company Stock and cash sufficient to satisfy the Applicable Withholding Taxes with respect to the RSUs.
9. **Beneficiary.** By written instrument signed and delivered to the Company, you may designate a beneficiary to receive any payments that are to be paid under this Grant Agreement after your death. If you make no valid designation or if the designated beneficiary or beneficiaries fail to survive you or otherwise fail to receive the payments, your beneficiary will be the personal representative of your estate.
10. **Binding Effect.** This Grant Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and upon any person lawfully claiming under you.

11. **Entire Agreement.** This Grant Agreement, the Plan, and the rules and procedures adopted by the Committee or the Company (including the Company's Compensation Recoupment Policy), contain all of the provisions applicable to the RSUs and no other statements, documents or practices may modify, waive or alter such provisions unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to you.
12. **Modifications.** Except as otherwise provided in the Plan, any modification of this Grant Agreement shall be effective only if it is in writing and signed by both you and an authorized officer of the Company.
13. **No Right to Continued Service.** This Grant Agreement does not confer upon you any right with respect to continuance of service with the Company or any Related Company, nor shall it interfere in any way with the right of the Company or a Related Company to end your service at any time and for any reason.
14. **Recoupment.** The RSUs are subject to the terms and conditions of the Company's Compensation Recoupment Policy and any successor or replacement policy thereto, and the terms and conditions of the Compensation Recoupment Policy (and any successor or replacement thereto) are incorporated by reference and are made a part of this Award Agreement.
15. **Section 409A.**
- (a) It is intended that this Grant Agreement either be exempt from or comply with the requirements of Sections 409A of the Code and applicable Treasury Regulations and other generally applicable guidance issued thereunder (collectively, "**Section 409A**"), and this Grant Agreement shall be interpreted for all purposes in accordance with that intent.
 - (b) Notwithstanding any term or provision of this Grant Agreement (including any term or provision of the Plan incorporated herein by reference), the parties hereto agree that, from time to time, the Company may, without prior notice to or consent from you, amend this Grant Agreement to the extent determined by the Company, in the exercise of its discretion in good faith, to be necessary or advisable to prevent the inclusion in your gross income pursuant to Section 409A of any compensation payable under this Grant Agreement. The Company shall notify you as soon as reasonably practicable of any such amendment affecting you.
 - (c) In the event that the amounts payable under this Grant Agreement are subject to any taxes, penalties or interest under Section 409A, you shall be solely liable for the payment of any such taxes, penalties or interest.
 - (d) If you are deemed on the date of a "separation from service" to be a "specified employee" (within the meaning of those terms under Section 409A and determined using any identification methodology and procedure selected by the Company from time to time), then with regard to any payment under this Grant Agreement that is "nonqualified deferred compensation" within the meaning of Section 409A and

which is paid as a result of your separation from service, such payment shall not be made or provided prior to the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such separation from service, and (ii) the date of your death (the "**Delay Period**"). Upon the expiration of the Delay Period, all payments delayed pursuant to this clause (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to you in a lump sum, and any remaining payments due under this Grant Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

16. **Miscellaneous.** This grant of RSUs is subject to the provisions of the Plan, and any applicable law or Company policy, including the Compensation Recoupment Policy (whether in effect on the Date of Grant or adopted or modified after the Date of Grant).
17. **Governing Law.** This grant shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia, without regard to conflicts of laws principles thereof.

HOOKE FURNISHINGS CORPORATION

By: _____
Name: Jeremy R. Hoff
Title: Chief Executive Officer

GRANTEE

Name:

BANK OF AMERICA

September 3, 2024

Hooker Furnishings Corporation
440 East Commonwealth Blvd.
Martinsville, Virginia 24112
Attn: Paul A. Huckfeldt

Dear Paul:

Reference is made to that certain Second Amended and Restated Loan Agreement dated as of September 29, 2017 (as amended from time to time, the "Loan Agreement"), between Bank of America, N.A. (the "Bank") and Hooker Furnishings Corporation (formerly known as Hooker Furniture Corporation), a Virginia corporation, Bradington-Young, LLC, a Virginia limited liability company, Sam Moore Furniture LLC, a Virginia limited liability company, and Home Meridian Group, LLC, a Virginia limited liability company (each a "Borrower" and collectively the "Borrowers"), pursuant to which the Bank has made certain credit facilities available to the Borrowers. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Loan Agreement.

As we have discussed, an Event of Default has occurred under the Loan Agreement as a result of the Borrowers' failure to maintain a Basic Fixed Charge Coverage Ratio as required by Section 9.4(c) of the Loan Agreement as of July 28, 2024 (the "FCCR Covenant Default").

The Bank hereby waives the FCCR Covenant Default.

Each Borrower acknowledges and agrees (by the execution of a counterpart of this waiver letter) that (a) the waiver set forth above (the "Waiver") relates only to the FCCR Covenant Default, and the Bank has not waived any other Default or Event of Default that may be outstanding under the Loan Agreement or any of the other Loan Documents, (b) the Waiver does not imply or in any way obligate the Bank to consent to any transaction or to waive any other Default or Event of Default that may now exist or may hereafter arise, (c) the Waiver does not affect or impair any of the Bank's rights or remedies under the Loan Agreement or the other Loan Documents, or the right of the Bank to demand strict compliance by the Borrowers with all terms and conditions of the Loan Agreement and the other Loan Documents, except with respect to the FCCR Covenant Default, and (d) all existing terms and conditions of the Loan Agreement and the other Loan Documents are, and shall remain, in full force and effect, and the Bank expressly reserves all of its rights and remedies thereunder.

The Borrowers agrees to pay all out-of-pocket expenses incurred by the Bank in connection with the preparation of this waiver letter and the consummation of the transactions described herein, including, without limitation, the attorneys' fees and expenses of the Bank.

The effectiveness of this waiver letter is conditioned on the Borrowers signing and returning a copy of this waiver letter to me by electronic mail (colleen.landau@bofa.com), which each Borrower acknowledges and agrees will be treated the same as if this waiver letter were physically delivered to the Bank with original hand-written signatures of the Borrowers.

This waiver letter may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same instrument.

Very truly yours,

BANK OF AMERICA, N.A.

By: /s/ Colleen Landau
Name: Colleen Landau
Title: Senior Vice President

ACKNOWLEDGED AND AGREED:

HOOKE FURNISHINGS CORPORATION
BRADINGTON-YOUNG, LLC.
SAM MOORE FURNITURE LLC and
HOME MERIDIAN GROUP, LLC

By: /s/ Paul Huckfeldt
Name: Paul Huckfeldt
Title: CFO

Form 10-Q for the Quarterly Period Ended July 28, 2024
SECTION 13a-14(a) CERTIFICATION

I, Jeremy R. Hoff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hooker Furnishings Corporation;
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 change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 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 control 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: September 6, 2024

By: /s/ Jeremy R. Hoff
Jeremy R. Hoff
Chief Executive Officer and Director

Form 10-Q for the Quarterly Period Ended July 28, 2024
SECTION 13a-14(a) CERTIFICATION

I, Paul A. Huckfeldt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hooker Furnishings Corporation;
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 change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 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 control 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: September 6, 2024

By: /s/ Paul A. Huckfeldt
Paul A. Huckfeldt
Chief Financial Officer and
Senior Vice President - Finance and Accounting

CERTIFICATION 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 Hooker Furnishings Corporation (the "Company") Quarterly Report on Form 10-Q for the quarterly period ended July 28, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

Date: September 6, 2024

By: /s/ Jeremy R. Hoff
Jeremy R. Hoff
Chief Executive Officer and Director

By: /s/ Paul A. Huckfeldt
Paul A. Huckfeldt
Chief Financial Officer and Senior Vice President -
Finance and Accounting