

HAVERTY FURNITURE COMPANIES, INC.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2019	2018
<i>(In thousands, except per share data)</i>		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 75,739	\$ 71,537
Restricted cash equivalents	6,663	8,272
Accounts receivable, net	1,527	1,833
Inventories	104,817	105,840
Prepaid expenses	7,652	8,106
Other current assets	8,125	6,262
Total current assets	204,523	201,850
Accounts receivable, long-term, net	195	226
Property and equipment, net	156,534	216,852
Right-of-use lease assets	175,474	—
Deferred income taxes	13,198	12,544
Other assets	10,148	8,707
Total assets	\$ 560,072	\$ 440,179
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 27,830	\$ 19,840
Customer deposits	30,121	24,465
Accrued liabilities	39,654	39,903
Current lease liabilities	29,411	—
Current portion of lease obligations	—	4,018
Total current liabilities	127,016	88,226
Noncurrent lease liabilities	149,594	—
Lease obligations, less current portion	—	46,785
Other liabilities	22,959	30,539
Total liabilities	299,569	165,550
Stockholders' equity		
Capital Stock, par value \$1 per share		
Preferred Stock, Authorized – 1,000 shares; Issued: None		
Common Stock, Authorized – 50,000 shares; Issued: 2019 – 29,431; 2018 – 29,079	29,431	29,079
Convertible Class A Common Stock, Authorized – 15,000 shares; Issued: 2019 – 2,054; 2018 – 2,280	2,054	2,280
Additional paid-in capital	93,208	91,394
Retained earnings	295,999	282,366
Accumulated other comprehensive income (loss)	(2,087)	(1,465)
Less treasury stock at cost – Common Stock (2019 – 11,850; 2018 – 10,300) and Convertible Class A Common Stock (2019 and 2018 – 522)	(158,102)	(129,025)
Total stockholders' equity	260,503	274,629
Total liabilities and stockholders' equity	\$ 560,072	\$ 440,179

The accompanying notes are an integral part of these consolidated financial statements.

HAVERTY FURNITURE COMPANIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2019	2018	2017
<i>(In thousands, except per share data)</i>			
Net sales	\$ 802,291	\$ 817,733	\$ 819,866
Cost of goods sold	367,803	371,191	374,943
Gross profit	434,488	446,542	444,923
Credit service charges	79	103	161
Gross profit and other revenue	434,567	446,645	445,084
Expenses:			
Selling, general and administrative	407,456	404,856	402,884
Provision for doubtful accounts	90	68	224
Other income, net	(416)	(110)	(3,358)
Total expenses	407,130	404,814	399,750
Income before interest and income taxes	27,437	41,831	45,334
Interest (income) expense, net	(1,287)	1,423	2,111
Income before income taxes	28,724	40,408	43,223
Income tax expense	6,859	10,101	22,148
Net income	\$ 21,865	\$ 30,307	\$ 21,075
Other comprehensive (loss) income, net of tax:			
Defined benefit pension plan adjustments; net of tax expense (benefit) of \$(238), \$226 and \$(105)	\$ (622)	\$ 679	\$ (314)
Comprehensive income	\$ 21,243	\$ 30,986	\$ 20,761
Basic earnings per share:			
Common Stock	\$ 1.10	\$ 1.45	\$ 1.00
Class A Common Stock	\$ 1.04	\$ 1.39	\$ 0.95
Diluted earnings per share:			
Common Stock	\$ 1.08	\$ 1.42	\$ 0.98
Class A Common Stock	\$ 1.03	\$ 1.39	\$ 0.94

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HAVERTY FURNITURE COMPANIES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Year Ended December 31,					
	2019		2018		2017	
	Shares	Dollars	Shares	Dollars	Shares	Dollars
COMMON STOCK:						
Beginning balance	29,079	\$ 29,079	28,950	\$ 28,950	28,793	\$ 28,793
Conversion of Class A Common Stock	226	226	10	10	50	50
Stock compensation transactions, net	126	126	119	119	107	107
Ending balance	<u>29,431</u>	<u>29,431</u>	<u>29,079</u>	<u>29,079</u>	<u>28,950</u>	<u>28,950</u>
CLASS A COMMON STOCK:						
Beginning balance	2,280	2,280	2,290	2,290	2,340	2,340
Conversion to Common Stock	(226)	(226)	(10)	(10)	(50)	(50)
Ending balance	<u>2,054</u>	<u>2,054</u>	<u>2,280</u>	<u>2,280</u>	<u>2,290</u>	<u>2,290</u>
TREASURY STOCK:						
Beginning balance (includes 522,410 shares Class A Stock for each of the years presented; remainder are Common Stock)	(10,822)	(129,025)	(10,020)	(111,322)	(10,028)	(111,412)
Directors' Compensation Plan	55	680	88	1,029	8	90
Purchases	(1,605)	(29,757)	(890)	(18,732)	—	—
Ending balance	<u>12,372</u>	<u>(158,102)</u>	<u>(10,822)</u>	<u>(129,025)</u>	<u>(10,020)</u>	<u>(111,322)</u>
ADDITIONAL PAID-IN CAPITAL:						
Beginning balance		91,394		88,978		86,273
Stock option and restricted stock issuances		(1,568)		(1,352)		(1,662)
Directors' Compensation Plan		(53)		(590)		549
Stock-based compensation		3,435		4,358		3,818
Ending balance		<u>93,208</u>		<u>91,394</u>		<u>88,978</u>
RETAINED EARNINGS:						
Beginning balance		282,366		287,390		277,707
Impact of adoption of new accounting pronouncement		6,824		133		—
Net income		21,865		30,307		21,075
Cash dividends (Common Stock: 2019 - \$0.76; 2018 - \$1.72; and 2017 - \$ 0.54; per share Class A Common Stock: 2019 - \$0.72; 2018 - \$1.63 and 2017- \$0.51 per share)		(15,056)		(35,464)		(11,392)
Ending balance		<u>295,999</u>		<u>282,366</u>		<u>287,390</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):						
Beginning balance		(1,465)		(2,144)		(1,830)
Pension liabilities adjustment, net of taxes		(622)		679		(314)
Ending balance		<u>(2,087)</u>		<u>(1,465)</u>		<u>(2,144)</u>
TOTAL STOCKHOLDERS' EQUITY		<u>\$ 260,503</u>		<u>\$ 274,629</u>		<u>\$ 294,142</u>

The accompanying notes are an integral part of these consolidated financial statements

HAVERTY FURNITURE COMPANIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year ended December 31,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 21,865	\$ 30,307	\$ 21,075
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,596	29,806	30,516
Net loss on asset impairment	2,415	—	—
Stock-based compensation	3,435	4,358	3,818
Deferred income taxes	(2,691)	(439)	5,559
Provision for doubtful accounts	90	68	224
Gain on insurance recovery	—	(307)	(2,848)
Proceeds from insurance recovery received for business interruption and destroyed inventory	—	266	2,867
Other	616	863	82
Changes in operating assets and liabilities:			
Accounts receivable	247	535	1,820
Inventories	1,023	(2,403)	(2,112)
Customer deposits	5,656	(3,348)	2,890
Other assets and liabilities	1,586	9,196	(932)
Accounts payable and accrued liabilities	8,581	1,490	(10,502)
Net Cash Provided by Operating Activities	63,419	70,392	52,457
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(16,841)	(21,473)	(24,465)
Proceeds from sale of property and equipment	2,270	2,446	951
Proceeds from insurance for destroyed property and equipment	—	55	1,987
Net Cash Used in Investing Activities	(14,571)	(18,972)	(21,527)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings under revolving credit facilities	—	—	—
Payments of borrowings under revolving credit facilities	—	—	—
Net change in borrowings under revolving credit facilities	—	—	—
Construction allowance receipts	—	—	1,590
Payments on lease obligations	—	(3,788)	(3,482)
Dividends paid	(15,056)	(35,464)	(11,392)
Common stock repurchased	(29,757)	(18,732)	—
Taxes on vested restricted shares	(1,442)	(1,233)	(1,555)
Net Cash Used in Financing Activities	(46,255)	(59,217)	(14,839)
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash Equivalents	2,593	(7,797)	16,091
Cash, Cash Equivalents and Restricted Cash Equivalents at Beginning of Year	79,809	87,606	71,515
Cash and Cash Equivalents and Restricted Cash Equivalents at End of Year	\$ 82,402	\$ 79,809	\$ 87,606

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