

# HAVERTY FURNITURE COMPANIES, INC.

## CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	2016
<i>(In thousands, except per share data)</i>		
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 79,491	\$ 63,481
Restricted cash and cash equivalents	8,115	8,034
Accounts receivable, net	2,408	4,244
Inventories	103,437	102,020
Prepaid expenses	11,314	8,836
Other current assets	5,922	7,500
<b>Total current assets</b>	<b>210,687</b>	<b>194,115</b>
Accounts receivable, long-term, net	254	462
Property and equipment	229,215	233,667
Deferred income taxes	12,375	18,376
Other assets	8,798	7,885
<b>Total assets</b>	<b>\$ 461,329</b>	<b>\$ 454,505</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 20,501	\$ 25,662
Customer deposits	27,813	24,923
Accrued liabilities	37,582	41,904
Current portion of lease obligations	3,788	3,461
<b>Total current liabilities</b>	<b>89,684</b>	<b>95,950</b>
Lease obligations, less current portion	50,803	52,013
Other liabilities	26,700	24,671
<b>Total liabilities</b>	<b>167,187</b>	<b>172,634</b>
<b>Stockholders' equity</b>		
Capital Stock, par value \$1 per share		
Preferred Stock, Authorized – 1,000 shares; Issued: None		
Common Stock, Authorized – 50,000 shares; Issued: 2017 – 28,950; 2016 – 28,793	28,950	28,793
Convertible Class A Common Stock, Authorized – 15,000 shares; Issued: 2017 – 2,290; 2016 – 2,340	2,290	2,340
Additional paid-in capital	88,978	86,273
Retained earnings	287,390	277,707
Accumulated other comprehensive income (loss)	(2,144)	(1,830)
Less treasury stock at cost – (2017 – 9,498; 2016 – 9,506) and Convertible Class A Common Stock (2017 and 2016 – 522)	(111,322)	(111,412)
<b>Total stockholders' equity</b>	<b>294,142</b>	<b>281,871</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 461,329</b>	<b>\$ 454,505</b>

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,		
	2017	2016	2015
<i>(In thousands, except per share data)</i>			
Net sales	\$ 819,866	\$ 821,571	\$ 804,870
Cost of goods sold	374,943	378,234	374,094
Gross profit	444,923	443,337	430,776
Credit service charges	161	229	286
<b>Gross profit and other revenue</b>	<b>445,084</b>	<b>443,566</b>	<b>431,062</b>
Expenses:			
Selling, general and administrative	402,884	399,236	384,801
Provision for doubtful accounts	224	383	314
Other income, net	(3,358)	(4,107)	(1,617)
<b>Total expenses</b>	<b>399,750</b>	<b>395,512</b>	<b>383,498</b>
Income before interest and income taxes	45,334	48,054	47,564
Interest expense, net	2,111	2,233	2,289
Income before income taxes	43,223	45,821	45,275
Income tax expense	22,148	17,465	17,486
<b>Net income</b>	<b>\$ 21,075</b>	<b>\$ 28,356</b>	<b>\$ 27,789</b>
Other comprehensive (loss) income, net of tax:			
Defined benefit pension plans adjustments; net of tax expense (benefit) of (\$105), \$66 and \$141	\$ (314)	\$ 108	\$ 230
<b>Comprehensive income</b>	<b>\$ 20,761</b>	<b>\$ 28,464</b>	<b>\$ 28,019</b>
Basic earnings per share:			
Common Stock	\$ 1.00	\$ 1.32	\$ 1.24
Class A Common Stock	\$ 0.95	\$ 1.27	\$ 1.18
Diluted earnings per share:			
Common Stock	\$ 0.98	\$ 1.30	\$ 1.22
Class A Common Stock	\$ 0.94	\$ 1.27	\$ 1.17

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# HAVERTY FURNITURE COMPANIES, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year ended December 31,		
	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 21,075	\$ 28,356	\$ 27,789
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,516	29,045	25,756
Gain on insurance recovery	(2,848)	(3,338)	—
Proceeds from insurance recovery received for business interruption and destroyed inventory	2,867	2,599	—
Stock-based compensation expense	3,818	3,872	4,033
Excess tax benefit from stock-based plans	—	(80)	(397)
Deferred income taxes	5,559	(1,120)	(3,019)
Provision for doubtful accounts	224	383	314
Other	82	(400)	(160)
Changes in operating assets and liabilities:			
Accounts receivable	1,820	1,514	960
Inventories	(2,112)	6,876	(2,305)
Customer deposits	2,890	3,887	(2,650)
Other assets and liabilities	(932)	(9,508)	(590)
Accounts payable and accrued liabilities	(10,502)	(2,032)	2,501
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>52,457</b>	<b>60,054</b>	<b>52,232</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(24,465)	(29,838)	(27,143)
Maturities of investments	—	12,725	7,250
Purchase of commercial paper and certificates of deposit	—	—	(9,975)
Proceeds from insurance for destroyed property and equipment	1,987	3,011	—
Other investing activities	870	915	1,513
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(21,608)</b>	<b>(13,187)</b>	<b>(28,355)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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	1,574	6,701
Payments on lease obligations	(3,482)	(3,125)	(2,534)
Excess tax benefit from stock-based plans	—	80	397
Dividends paid	(11,392)	(30,409)	(8,060)
Common stock repurchased	—	(21,282)	(14,002)
Taxes on vested restricted shares	(1,555)	(883)	(1,201)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(14,839)</b>	<b>(54,045)</b>	<b>(18,699)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>16,010</b>	<b>(7,178)</b>	<b>5,178</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>63,481</b>	<b>70,659</b>	<b>65,481</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 79,491</b>	<b>\$ 63,481</b>	<b>\$ 70,659</b>

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