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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **November 3, 2019**

Commission file number **000-25349**

HOOKER FURNITURE CORPORATION
(Exact name of registrant as specified in its charter)

Virginia	**54-0251350**
(State or other jurisdiction of incorporation or organization)	*(IRS employer identification no.)*

440 East Commonwealth Boulevard, Martinsville, VA 24112
(Address of principal executive offices, zip code)

(276) 632-2133
(Registrant's telephone number, including area code)

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 ☐	Accelerated Filer ☒
Non-accelerated Filer ☐	Smaller reporting company ☐
Emerging growth company ☐	

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

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

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 December 6, 2019, there were 11,838,367 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HOOKER FURNITURE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

As of	November 3, 2019 (unaudited)	February 3, 2019
Assets		
Current assets		
Cash and cash equivalents	**$ 24,498**	$ 11,435
Trade accounts receivable, net	**92,603**	112,557
Inventories	**103,615**	105,204
Income tax recoverable	**2,348**	-
Prepaid expenses and other current assets	**4,119**	5,735
Total current assets	**227,183**	234,931
Property, plant and equipment, net	**30,782**	29,482
Cash surrender value of life insurance policies	**25,016**	23,816
Deferred taxes	**3,035**	4,522
Operating leases right-of-use assets	**40,872**	-
Intangible assets, net	**33,967**	35,755
Goodwill	**40,058**	40,058
Other assets	**1,528**	1,152
Total non-current assets	**175,258**	134,785
Total assets	**$ 402,441**	$ 369,716
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of term loans	**$ 5,833**	$ 5,829
Trade accounts payable	**27,407**	40,838
Accrued salaries, wages and benefits	**5,449**	8,002
Income tax accrual	**-**	3,159
Customer deposits	**13,030**	3,023
Current portion of lease liabilities	**6,395**	-
Other accrued expenses	**3,913**	3,564
Total current liabilities	**62,027**	64,415
Long term debt	**25,253**	29,628
Deferred compensation	**10,611**	11,513
Lease liabilities	**35,304**	-
Other long-term liabilities	**3**	984
Total long-term liabilities	**71,171**	42,125
Total liabilities	**133,198**	106,540
Shareholders' equity		
Common stock, no par value, **20,000** shares authorized, **11,838** and 11,785 shares issued and outstanding on each date	**51,177**	49,549
Retained earnings	**218,131**	213,380
Accumulated other comprehensive (loss) income	**(65)**	247
Total shareholders' equity	**269,243**	263,176
Total liabilities and shareholders' equity	**$ 402,441**	$ 369,716

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

HOOKER FURNITURE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	Nov 3, 2019	Oct 28, 2018	**Nov 3, 2019**	Oct 28, 2018
Net sales	**$ 158,176**	$ 171,474	**$ 445,942**	$ 483,026
Cost of sales	**129,777**	135,638	**363,201**	379,079
Casualty loss	**-**	-	**-**	500
Total Cost of sales	**129,777**	135,638	**363,201**	379,579
Gross profit	**28,399**	35,836	**82,741**	103,447
Selling and administrative expenses	**22,810**	22,979	**67,286**	68,150
Intangible asset amortization	**596**	596	**1,788**	1,788
Operating income	**4,993**	12,261	**13,667**	33,509
Other income, net	**309**	200	**215**	275
Interest expense, net	**316**	354	**986**	1,099
Income before income taxes	**4,986**	12,107	**12,896**	32,685
Income tax expense	**1,066**	2,775	**2,829**	7,504
Net income	**$ 3,920**	$ 9,332	**$ 10,067**	$ 25,181
Earnings per share				
Basic	**$ 0.33**	$ 0.79	**$ 0.85**	$ 2.14
Diluted	**$ 0.33**	$ 0.79	**$ 0.85**	$ 2.13
Weighted average shares outstanding:				
Basic	**11,789**	11,763	**11,782**	11,758
Diluted	**11,816**	11,778	**11,821**	11,778
Cash dividends declared per share	**$ 0.15**	$ 0.14	**$ 0.45**	$ 0.42

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

HOOKER FURNITURE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	November 3, 2019	October 28, 2018	**November 3, 2019**	October 28, 2018
Net Income	**$ 3,920**	$ 9,332	**$ 10,067**	$ 25,181
Other comprehensive income (loss):				
Gain on pension plan settlement	**(520)**	-	**(520)**	-
Income tax effect on settlement	**124**	-	**124**	-
Amortization of actuarial loss	**37**	43	**111**	129
Income tax effect on amortization	**(9)**	(10)	**(27)**	(31)
Adjustments to net periodic benefit cost	**(368)**	33	**(312)**	98
Reclassification of tax effects due to the adoption of ASU 2018-02	**-**	-	**-**	111
Total Comprehensive Income	**$ 3,552**	$ 9,365	**$ 9,755**	$ 25,390

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

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

	For the Thirty-Nine Weeks Ended	
	Nov 3, 2019	Oct 28, 2018
Operating Activities:		
Net income	**$ 10,067**	$ 25,181
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**5,260**	5,558
Gain on pension settlement	**(520)**	-
Gain on disposal of assets	**(271)**	(66)
Deferred income tax expense	**1,461**	254
Noncash restricted stock and performance awards	**891**	919
Provision/(benefit from) for doubtful accounts and sales allowances	**1,365**	(1,692)
Gain on life insurance policies	**(715)**	(608)
Changes in assets and liabilities:		
Trade accounts receivable	**18,589**	9,036
Inventories	**1,589**	(16,862)
Income tax recoverable	**(2,348)**	-
Prepaid expenses and other current assets	**(638)**	(484)
Trade accounts payable	**(13,456)**	5,566
Accrued salaries, wages, and benefits	**(2,553)**	(484)
Accrued income taxes	**(3,159)**	(2,412)
Customer deposits	**10,006**	(1,359)
Operating lease liabilities	**536**	-
Other accrued expenses	**350**	503
Deferred compensation	**156**	(2,253)
Other long-term liabilities	**-**	122
Net cash provided by operating activities	**$ 26,610**	$ 20,919
Investing Activities:		
Purchases of property and equipment	**(4,745)**	(2,464)
Proceeds received from sale of assets	**1,465**	99
Proceeds received on life insurance policies	**-**	1,225
Premiums paid on life insurance policies	**(558)**	(620)
Net cash used in investing activities	**(3,838)**	(1,760)
Financing Activities:		
Payments for long-term debt	**(4,393)**	(15,679)
Cash dividends paid	**(5,316)**	(4,946)
Net cash used in financing activities	**(9,709)**	(20,625)
Net increase/(decrease) in cash and cash equivalents	**13,063**	(1,466)
Cash and cash equivalents - beginning of year	**11,435**	30,915
Cash and cash equivalents - end of quarter	**$ 24,498**	$ 29,449
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	**$ 6,754**	$ 9,661
Cash paid for interest, net	**852**	973
Non-cash transactions:		
Increase in lease liabilities arising from obtaining right-of-use assets	**$ 272**	$ -
Increase in property and equipment through accrued purchases	**25**	104

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

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

	Common Stock Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at January 28, 2018	11,762	$ 48,970	$ 180,122	$ 368	$ 229,460
Net income			25,181		25,181
Prior year adjustment for ASU 2014-09 and 2018-02			99	111	210
Unrealized loss on defined benefit plan, net of tax of $31				98	98
Cash dividends paid and accrued ($0.14 per share)			(4,945)		(4,945)
Restricted stock grants, net of forfeitures	23	(30)			(30)
Restricted stock compensation cost		450			450
Balance at October 28, 2018	11,785	$ 49,390	$ 200,457	$ 577	$ 250,424
Balance at February 3, 2019	**11,785**	**$ 49,549**	**$ 213,380**	**$ 247**	**$ 263,176**
Net income			**10,067**		**10,067**
Gain on pension settlement, net of tax of $124				**(396)**	**(396)**
Unrealized loss on defined benefit plan, net of tax of $27				**84**	**84**
Cash dividends paid and accrued ($0.15 per share)			**(5,316)**		**(5,316)**
Restricted stock grants, net of forfeitures	**53**	**344**			**344**
Restricted stock compensation cost		**600**			**600**
Recognition of PSUs as equity-based awards		**684**			**684**
Balance at November 3, 2019	**11,838**	**$ 51,177**	**$ 218,131**	**$ (65)**	**$ 269,243**

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

HOOKER FURNITURE 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 Thirty-Nine Weeks Ended November 3, 2019

1. Preparation of Interim Financial Statements

The condensed consolidated financial statements of Hooker Furniture 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 February 3, 2019 (“2019 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 thirteen-week period (also referred to as “three months,” “three-month period,” “quarter,” “third quarter” or “quarterly period”) that began August 5, 2019, and the thirty-nine week period (also referred to as “nine months”, “nine-month period” or “year-to-date period”) that began February 4, 2019, which both ended November 3, 2019. This report discusses our results of operations for this period compared to the 2019 fiscal year thirteen-week period that began July 30, 2018 and the thirty-nine-week period that began January 29, 2018, which both ended October 28, 2018; and our financial condition as of November 3, 2019 compared to February 3, 2019.

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

- the 2020 fiscal year and comparable terminology mean the fifty-two-week fiscal year that began February 4, 2019 and will end February 2, 2020; and

- the 2019 fiscal year and comparable terminology mean the fifty-three-week fiscal year that began January 29, 2018 and ended February 3, 2019.

2. Recently Adopted Accounting Policies

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) (“Topic 842”), which requires lessees to recognize lease right-of-use assets and liabilities on-balance sheet and disclose key information about leasing arrangements. ASU 2016-02 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU No. 2018-11, *Targeted Improvements*. We adopted Topic 842 standard on February 4, 2019 and used the effective date transition method. As a result, our condensed consolidated balance sheets prior to February 4, 2019 were not restated and continue to be reported under previous guidance that did not require the recognition of lease liabilities and corresponding lease assets on the condensed consolidated balance sheets. In addition, we have elected the package of practical expedients, which allowed us not to reassess prior conclusions related to the expired or existing leases, and not to reassess the accounting for initial direct costs. As a result of the adoption of Topic 842, we have operating lease right-of-use assets of $40.9 million and operating lease liabilities of $41.7 million as of November 3, 2019. The adoption of Topic 842 did not have a material impact on our condensed consolidated statements of income and condensed consolidated statement of cash flows for the three-month or nine-month period ended November 3, 2019. See Note 9 for additional information and disclosures required by Topic 842.

3. Accounts Receivable

		November 3, 2019		February 3, 2019
Trade accounts receivable	**$**	**98,818**	$	117,732
Other accounts receivable allowances		**(5,452)**		(4,267)
Allowance for doubtful accounts		**(763)**		(908)
Accounts receivable	**$**	**92,603**	$	112,557

4. Inventories

		November 3, 2019		February 3, 2019
Finished furniture	**$**	**116,501**	$	112,847
Furniture in process		**1,092**		1,825
Materials and supplies		**8,965**		10,896
Inventories at FIFO		**126,558**		125,568
Reduction to LIFO basis		**(22,943)**		(20,364)
Inventories	**$**	**103,615**	$	105,204

5. Property, Plant and Equipment

	Depreciable Lives *(In years)*		November 3, 2019		February 3, 2019
Buildings and land improvements	15 - 30	**$**	**31,295**	$	24,588
Computer software and hardware	3 - 10		**19,100**		18,719
Machinery and equipment	10		**9,116**		8,934
Leasehold improvements	Term of lease		**9,443**		9,376
Furniture and fixtures	3 - 10		**2,454**		2,318
Other	5		**650**		665
Total depreciable property at cost			**72,058**		64,600
Less accumulated depreciation			**42,853**		39,925
Total depreciable property, net			**29,205**		24,675
Land			**1,077**		1,067
Construction-in-progress			**500**		3,740
Property, plant and equipment, net		**$**	**30,782**	$	29,482

6. 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.

Table of Contents

As of November 3, 2019 and February 3, 2019, 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.

On January 30, 2019, our Board of Directors voted to terminate the Pension Plan. We settled all Pension Plan obligations during the quarter with the purchase of annuities for plan participants. See Note 11. Employee Benefit Plans for additional information about the Plan.

Our assets measured at fair value on a recurring basis at November 3, 2019 and February 3, 2019, were as follows:

	Fair value at November 3, 2019				Fair value at February 3, 2019			
Description	**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	**$ -**	**$ 25,016**	**$ -**	**$ 25,016**	$ -	$ 23,816	$ -	$ 23,816
Pension Plan assets	**$ -**	**-**	**-**	**-**	10,992	-	-	10,992

7. Intangible Assets

Non-amortizable Intangible Assets	**Segment**	**November 3, 2019**	February 3, 2019
Goodwill	Home Meridian	**$ 23,187**	$ 23,187
Goodwill	All Other	**16,871**	16,871
Total Goodwill		**40,058**	40,058
Trademarks and trade names - Home Meridian	Home Meridian	**11,400**	11,400
Trademarks and trade names - Bradington-Young	All Other	**861**	861
Trademarks and trade names - Sam Moore	All Other	**396**	396
Total Trademarks and trade names		**$ 12,657**	$ 12,657
Total non-amortizable assets		**$ 52,715**	$ 52,715

Our amortizable intangible assets are recorded in our Home Meridian segment and All Other. The carrying amounts and changes therein of those amortizable intangible assets were as follows:

	Amortizable Intangible Assets		
	Customer Relationships	**Trademarks**	**Totals**
Balance at February 3, 2019	$ 22,320	$ 778	$ 23,098
Amortization	(1,743)	(45)	(1,788)
Balance at November 3, 2019	**$ 20,577**	**$ 733**	**$ 21,310**

For the remainder of fiscal 2020, amortization expense is expected to be approximately $596,000.

8. Customer Deposits

Due to the highly customized nature of our hospitality products, we typically require a 50% deposit with order, a 40% deposit before goods reach a U.S. port and the remaining 10% balance due within 30 days of the receipt of goods by the customer. These deposits have increased $10.0 million since our fiscal 2019 year-end principally due to increased order activity in our Home Meridian segment's hospitality division.

9. Leases

On February 4, 2019, we adopted Accounting Standards Codification Topic 842 *Leases*. Our lease assets are composed of real estate and equipment. Real estate leases consist primarily of warehouses and offices, while equipment leases consist of vehicles, office and warehouse equipment. At the inception of a contract, we assess whether the contract is, or contains, a lease. Our assessment is based on: (a) whether there is an identified asset in the contract that is land or a depreciable asset – i.e. property, plant or equipment; (b) whether we have the right to control the use of the identified asset throughout the period of use, which may be different from the overall contract term; and (c) whether we have the right to direct the use of an identified asset if it can direct (and change) how and for what purpose the asset will be used throughout the period of use.

Leases are classified as either finance leases or operating leases based on criteria in Topic 842. All of our leases are classified as operating leases. We do not currently have finance leases but could in the future.

Operating lease right-of-use ("ROU") assets and liabilities are recognized on the adoption date based on the present value of lease payments over the remaining lease term. As interest rates are not explicitly stated or implicit in any of our leases, we utilized our incremental borrowing rate at the adoption date of February 4, 2019, which was one-month LIBOR plus 1.5%. For leases without explicitly stated or implicit interest rates that commenced after the adoption date, we used our incremental borrowing rate which was one-month LIBOR at the lease commencement date plus 1.5%. ROU assets also include any lease payments made and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

At the inception of a lease, we allocate the consideration in the contract to each lease and non-lease component based on the component's relative stand-alone price to determine the lease payments. Lease and non-lease components are accounted for separately. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Included in lease expense are any variable lease payments incurred in the period that were not included in the initial lease liability. Some of our real estate leases contain variable lease payments, including payments based on the percentage increase in the Consumer Price Index for Urban Consumers (“CPI-U”). We used February 2019 CPI-U issued by the US Department of Labor’s Bureau of Labor Statistics to measure lease payments and calculate lease liabilities. Additional payments based on the change in an index or rate, or payments based on a change in our portion of the operating expenses, including real estate taxes and insurance, are recorded when incurred.

We have a sub-lease at one of our warehouses. In accordance with the provisions of Topic 842, since we have not been relieved as the primary obligor of the warehouse lease, we cannot net the sublease income against our lease payment to calculate the lease liability and ROU asset. Our practice has been, and we will continue to, straight-line the sub-lease income over the term of the sublease. We recognized $130,000 and $347,000 sub-lease income for the three-month and nine-month period ended November 3, 2019, respectively.

Our leases have remaining lease terms of less than one year to seven years, some of which include options to extend the leases for up to seven years. We have elected not to recognize ROU assets and lease liabilities that arise from short term leases for any class of underlying asset. Short term leases are leases with lease terms of 12 months or less with either (a) no renewal option or (b) a renewal option which we are not reasonably certain to exercise.

We have elected to adopt a package of practical expedients provided under Topic 842 that allows us not to reassess: (a) whether expired or existing contracts contain a lease under the new definition of a lease; (b) lease classification of expired or existing leases; and (c) whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

The components of lease cost and supplemental cash flow information for leases for the three-month and nine-month periods ended November 3, 2019 were:

	Thirteen Weeks Ended November 3, 2019	Thirty-Nine Weeks Ended November 3, 2019
Operating lease cost	$ 2,090	$ 6,289
Short-term lease cost	173	467
Total operating lease cost	$ 2,263	$ 6,756
Operating cash outflows	$ 1,918	$ 6,255

The right-of-use assets and lease liabilities recorded on our Condensed Consolidated Balance Sheets as of November 3, 2019 were:

	November 3, 2019
Real estate	$ 39,750
Property and equipment	1,122
Total operating leases right-of-use assets	$ 40,872
Current portion of operating lease liabilities	$ 6,395
Long term operating lease liabilities	35,304
Total operating lease liabilities	$ 41,699

Weighted-average remaining lease term is 7.5 years. We used our incremental borrowing rate which is LIBOR plus 1.5% at the adoption date. The weighted-average discount rate is 4.00%.

The following table reconciles the undiscounted future lease payments for operating leases to the operating lease liabilities recorded in the condensed consolidated balance sheet at November 3, 2019:

	Undiscounted Future Operating Lease Payments
Remainder of 2019	$ 2,327
2020	7,732
2021	7,114
2022	5,520
2023	5,267
2024 and thereafter	20,394
Total lease payments	$ 48,354
Less: impact of discounting	(6,655)
Present value of lease payments	$ 41,699

As of November 3, 2019, we did not have any additional operating or finance leases that had not yet commenced.

10. Long-Term Debt

As of November 3, 2019, we had an aggregate $25.7 million available under our revolving credit facility to fund working capital needs. Standby letters of credit in the aggregate amount of $4.3 million, used to collateralize certain insurance arrangements and for imported product purchases, were outstanding under the revolving credit facility as of November 3, 2019. There were no additional borrowings outstanding under the revolving credit facility as of November 3, 2019.

11. Employee Benefit Plans

We maintain three retirement plans for the benefit of certain former and current employees, including a supplemental retirement income plan (“SRIP”) for certain former and current employees of Hooker Furniture Corporation, as well as two plans for the benefit of certain and former employees of Pulaski Furniture Corporation, which we assumed when we acquired the business of Home Meridian International. These legacy pension plan obligations include:

- the Pulaski Furniture Corporation Supplemental Executive Retirement Plan (“SERP”) for certain former executives. The SERP is an unfunded plan and all benefits are paid solely out of our general assets; and
- the Pension Plan for former Pulaski Furniture Corporation employees.

The SRIP, SERP and Pension Plan are all “frozen” and we do not expect to add additional participants to any of these plans in the future.

On January 30, 2019, our Board of Directors voted to terminate the Pension Plan. We settled all Pension Plan obligations during the quarter with the purchase of nonparticipating annuity contracts for plan participants. Consequently, we recognized a $520,000 settlement gain during the quarter, which is recorded in the "other income" line of our condensed consolidated statements of income. The $520,000 represented an amount recorded in accumulated other comprehensive income until the pension obligation was settled upon plan termination.

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 3, 2019	October 28, 2018	**November 3, 2019**	October 28, 2018
Net periodic benefit costs				
Service cost	**26**	81	**78**	243
Interest cost	**204**	206	**613**	618
Actuarial loss	**37**	43	**111**	129
Expected return on pension plan assets	**(101)**	(144)	**(304)**	(431)
Pension plan administrative expenses	**98**	70	**293**	210
Consolidated net periodic benefit costs	**$ 264**	$ 256	**$ 791**	$ 769

The SRIP and SERP plans are unfunded plans. We paid $171,000 in the third quarter and $520,000 in the first nine months. We expect to pay a total of approximately $164,000 in benefit payments from our general assets during the remainder of fiscal 2020 to fund SRIP and SERP payments.

12. Earnings Per Share

We refer you to the discussion of Earnings Per Share in Note 2. Summary of Significant Accounting Policies, in the financial statements included in our 2019 Annual Report, for additional information concerning the calculation of earnings per share.

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 through the end of a three-year service period. 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. 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. 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:

	November 3, 2019	February 3, 2019
Restricted shares	**49**	22
RSUs and PSUs	**78**	36
	127	58

The number of outstanding restricted shares increased due primarily to grants of restricted shares to a larger population of our non-executive employees as an incentive for retention and alignment of individual performance to our values. The number of RSUs and PSUs increased primarily due to the addition of three additional executive officers in the second quarter of fiscal 2019.

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		Thirty-Nine Weeks Ended	
	November 3, 2019	October 28, 2018	**November 3, 2019**	October 28, 2018
Net income	**$ 3,920**	$ 9,332	**$ 10,067**	$ 25,181
Less: Unvested participating restricted stock dividends	**7**	3	**18**	8
Net earnings allocated to unvested participating restricted stock	**16**	17	**33**	41
Earnings available for common shareholders	**3,897**	9,312	**10,016**	25,132
Weighted average shares outstanding for basic earnings per share	**11,789**	11,763	**11,782**	11,758
Dilutive effect of unvested restricted stock, RSU and PSU awards	**27**	15	**39**	20
Weighted average shares outstanding for diluted earnings per share	**11,816**	11,778	**11,821**	11,778
Basic earnings per share	**$ 0.33**	$ 0.79	**$ 0.85**	$ 2.14
Diluted earnings per share	**$ 0.33**	$ 0.79	**$ 0.85**	$ 2.13

13. Income Taxes

We recorded income tax expense of $1.1 million for the fiscal 2020 third quarter compared to $2.8 million for the comparable prior year period. The effective tax rates for the fiscal 2020 and 2019 third quarters were 21.4% and 22.9%, respectively. The effective tax rates for the first nine months of fiscal 2020 and 2019 were 21.9% and 23.0%.

The net unrecognized tax benefits as of November 3, 2019 and February 3, 2019, which, if recognized, would affect our effective tax rate are $40,000 and $38,000, respectively.

Tax years ending January 31, 2016 through February 3, 2019 remain subject to examination by federal and state taxing authorities.

14. Segment Information

For financial reporting purposes, we are organized into two 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**, a business acquired at the beginning of fiscal 2017, 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; and
- **All Other**, which includes the domestic upholstery manufacturing operations of Bradington-Young, Sam Moore, Shenandoah Furniture and H Contract. None of these operating segments were individually reportable; therefore, we combined them in "All Other" in accordance with ASC 280.

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

	Thirteen Weeks Ended				Thirty-Nine Weeks Ended			
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales
Net Sales								
Hooker Branded	$ 43,703	27.6%	$ 46,479	27.1%	$ 122,707	27.5%	$ 129,801	26.9%
Home Meridian	85,776	54.3%	95,013	55.4%	240,594	54.0%	266,631	55.2%
All Other	28,697	18.1%	29,982	17.5%	82,641	18.5%	86,594	17.9%
Consolidated	$ 158,176	100.0%	$ 171,474	100.0%	$ 445,942	100.0%	$ 483,026	100.0%
Gross Profit								
Hooker Branded	$ 13,947	31.9%	$ 14,334	30.8%	$ 38,323	31.2%	$ 41,372	31.9%
Home Meridian	7,286	8.5%	15,382	16.2%	24,139	10.0%	43,196	16.2%
All Other	7,166	25.0%	6,120	20.4%	20,279	24.5%	18,879	21.8%
Consolidated	$ 28,399	18.0%	$ 35,836	20.9%	$ 82,741	18.6%	$ 103,447	21.4%
Operating Income (Loss)								
Hooker Branded	$ 6,188	14.2%	$ 5,712	12.3%	$ 15,453	12.6%	$ 17,381	13.4%
Home Meridian	(3,955)	-4.6%	4,829	5.1%	(9,013)	-3.7%	10,168	3.8%
All Other	2,760	9.6%	1,720	5.7%	7,227	8.7%	5,960	6.9%
Consolidated	$ 4,993	3.2%	$ 12,261	7.2%	$ 13,667	3.1%	$ 33,509	6.9%
Capital Expenditures								
Hooker Branded	$ 89		$ 350		$ 600		$ 699	
Home Meridian	126		143		300		330	
All Other	871		1,138		3,845		1,435	
Consolidated	$ 1,086		$ 1,631		$ 4,745		$ 2,464	
Depreciation & Amortization								
Hooker Branded	$ 471		$ 984		$ 1,453		$ 1,479	
Home Meridian	549		851		1,627		1,795	
All Other	768		1,248		2,180		2,284	
Consolidated	$ 1,788		$ 3,083		$ 5,260		$ 5,558	

Identifiable Assets	As of November 3, 2019	%Total Assets	As of February 3, 2019	%Total Assets
Hooker Branded	$ 140,920	42.9%	$ 108,445	36.9%
Home Meridian	146,971	44.8%	144,277	49.1%
All Other	40,525	12.3%	41,181	14.0%
Consolidated	$ 328,416	100.0%	$ 293,903	100.0%
Consolidated Goodwill and Intangibles	74,025		75,813	
Total Consolidated Assets	$ 402,441		$ 369,716	

Sales by product type are as follows:

	Net Sales (in thousands)							
	Thirteen Weeks Ended				Thirty-Nine Weeks Ended			
	November 3, 2019	**%Total**	October 28, 2018	%Total	**November 3, 2019**	**%Total**	October 28, 2018	%Total
Casegoods	**$ 105,018**	**66%**	$ 108,584	63%	**$ 288,470**	**65%**	$ 304,370	63%
Upholstery	**53,158**	**34%**	62,890	37%	**157,472**	**35%**	178,656	37%
	$ 158,176	**100%**	$ 171,474	100%	**$ 445,942**	**100%**	$ 483,026	100%

15. Subsequent Events

Dividends

On December 5, 2019, our board of directors declared a quarterly cash dividend of $0.16 per share, an increase of 6.7% or $0.01 per share, payable on December 30, 2019 to shareholders of record at December 16, 2019.

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 Furniture Corporation and its consolidated subsidiaries, unless specifically referring to segment information. All references to the "Hooker," "Hooker Division," "Hooker Brands" or "traditional Hooker" divisions or companies refer to the current components of our Hooker Branded segment and All Other which includes Bradington-Young, Sam Moore, Shenandoah Furniture and H Contract.

References to the "Shenandoah acquisition" refer to the acquisition of substantially all of the assets of Shenandoah Furniture, Inc. on September 29, 2017. References to the "HMI acquisition" refer to the acquisition of substantially all of the assets of Home Meridian International, Inc. on February 1, 2016.

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:

- general economic or business conditions, both domestically and internationally, and instability in the financial and credit markets, including their potential impact on our (i) sales and operating costs and access to financing or (ii) customers and suppliers and their ability to obtain financing or generate the cash necessary to conduct their respective businesses;

- 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, such as the current U.S. administration imposing a 25% tariff on certain goods imported into the United States from China, including almost all furniture and furniture components manufactured in China, with the potential for additional or increased tariffs in the future;

- sourcing transitions away from China, including the lack of adequate manufacturing capacity and skilled labor and longer lead times, due to competition and increased demand for resources in those countries;

- 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;

- the risks specifically related to the concentrations of a material part of our sales and accounts receivable in only a few customers;

- risks associated with product defects, including higher than expected costs associated with product quality and safety, and regulatory compliance costs related to the sale of consumer products and costs related to defective or non-compliant products, including product liability claims and costs to recall defective products;

- our inability to collect amounts owed to us;

- disruptions involving our vendors or the transportation and handling industries, particularly those affecting imported products from Vietnam and China, including customs issues, labor stoppages, strikes or slowdowns and the availability of shipping containers and cargo ships;

- 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 or inadequate levels of cyber-insurance or risks not covered by cyber insurance;

- disruptions and damage (including due to weather) affecting our Virginia, North Carolina or California warehouses, our Virginia or North Carolina administrative facilities or our representative offices or warehouses in Vietnam and China;

- achieving and managing growth and change, and the risks associated with new business lines, acquisitions, restructurings, strategic alliances and international operations;

- risks associated with our reliance on offshore sourcing and the cost of imported goods, including fluctuation in the prices of purchased finished goods, ocean freight costs and warehousing costs and the risk that a disruption in our offshore suppliers could adversely affect our ability to timely fill customer orders;
- higher than expected employee medical and workers' compensation costs that may increase the cost of our high-deductible healthcare and workers compensation plans;
- our ability to successfully implement our business plan to increase sales and improve financial performance;
- risks related to our defined benefit plans;
- the possible impairment of our long-lived assets, which can result in reduced earnings and net worth;
- the cost and difficulty of marketing and selling our products in foreign markets;
- price competition in the furniture industry;
- difficulties in forecasting demand for our imported products;
- changes in domestic and international monetary policies and fluctuations in foreign currency exchange rates affecting the price of our imported products and raw materials;
- 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;
- 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;
- risks associated with distribution through third-party retailers, such as non-binding dealership arrangements;
- capital requirements and costs, including the servicing of our floating-rate term loans;
- competition from non-traditional outlets, such as internet and catalog retailers; and
- changes in consumer preferences, including increased demand for lower-quality, lower-priced furniture due to, among other things, fluctuating consumer confidence, amounts of discretionary income available for furniture purchases and the availability of consumer credit.

Our forward-looking statements could be wrong in light of 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 a number of 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 2019 annual report on Form 10-K (the "2019 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.

This quarterly report on Form 10-Q includes our unaudited condensed consolidated financial statements for the thirteen-week period (also referred to as "three months," "three-month period," "quarter," "third quarter" or "quarterly period") that began August 5, 2019, and the thirty-nine week period (also referred to as "nine months," "nine-month period" or "year-to-date period") that began February 4, 2019, which both ended November 3, 2019. This report discusses our results of operations for this period compared to the 2019 fiscal year thirteen-week period that began July 30, 2018 and the thirty-nine-week period that began January 29, 2018, which both ended October 28, 2018; and our financial condition as of November 3, 2019 compared to February 3, 2019.

References in this report to:

- the 2020 fiscal year and comparable terminology mean the fiscal year that began February 4, 2019 and will end February 2, 2020; and

- the 2019 fiscal year and comparable terminology mean the fiscal year that began January 29, 2018 and ended February 3, 2019.

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 of our recent public filings made with the Securities and Exchange Commission ("SEC"), especially our 2019 Annual Report. Our 2019 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 2019 Annual Report and our other public filings made with the SEC are available, without charge, at www.sec.gov and at http://investors.hookerfurniture.com.

Overview

Hooker Furniture Corporation, incorporated in Virginia in 1924, is a designer, marketer and importer of casegoods (wooden and metal furniture), leather furniture and fabric-upholstered furniture for the residential, hospitality and contract markets. We also domestically manufacture premium residential custom leather and custom fabric-upholstered furniture. We are ranked among the nation's top five largest publicly traded furniture sources, based on 2018 shipments to U.S. retailers, according to a 2019 survey by a leading trade publication.

We believe that consumer tastes and channels in which they shop for furniture are evolving at a rapid pace and we continue to change to meet these demands.

Our strategy is to leverage the financial strength afforded us by Hooker's slower-growing but highly profitable traditional businesses in order to boost revenues and earnings both organically and by acquiring companies selling in faster-growing channels of distribution in which our traditional businesses are under-represented. Consequently, Hooker acquired the business of Home Meridian on February 1, 2016 and Shenandoah Furniture on September 29, 2017.

We believe our acquisition of Home Meridian has better positioned us in some of the fastest growing and advantaged channels of distribution, including e-commerce, warehouse membership clubs and contract furniture. While growing faster than industry average, these channels tend to operate at lower margins.

We also believe our acquisition of Shenandoah Furniture, a North Carolina-based domestic upholsterer has better positioned us in the "lifestyle specialty" retail distribution channel. For that channel, domestically- produced, customizable upholstery is extremely viable and preferred by the end consumers who shop at retailers in that channel.

Executive Summary-Results of Operations

Consolidated net sales for fiscal 2020 third quarter decreased $13.3 million or 7.8% as compared to the prior year period, from $171.5 million to $158.2 million due primarily to $9.2 million or 9.7% net sales decrease in the Home Meridian segment, and to a lesser extent net sales decreases in the Hooker Branded segment and All Other of $2.8 million and $1.3 million, respectively.

For the first nine months of fiscal 2020, consolidated net sales decreased $37.1 million or 7.7% from $483.0 million to $445.9 million as compared to the prior year period due to sales decreases in both of our reportable segments as well as All Other. Home Meridian segment net sales declined by $26.0 million or 9.8%, the Hooker Branded segment net sales decreased $7.1 million or 5.5% and All Other net sales decreased $4.0 million or 4.6%, all as compared to the fiscal 2019 nine-month period.

Consolidated net income decreased $5.4 million or 58.0% and $15.1 million or 60.0%, as compared to the prior year third quarter and first nine months, respectively.

As discussed in greater detail under "Results of Operations" below, the following are the primary factors that affected our consolidated fiscal 2020 third quarter and first nine months results of operations:

- **Gross profit.** Fiscal 2020 third quarter and first nine-months, consolidated gross profit decreased both in absolute terms and as a percentage of net sales due to decreased gross profit in the Home Meridian segment and to a lesser extent in the Hooker Branded segment, partially offset by increased gross profit in All Other. In the nine-month period, the gross profit decrease was also partially offset by the absence of $500,000 casualty loss related to the damage caused by torrential rains at one of our warehouse facilities recorded in the fiscal 2019 second quarter.

- **Selling and administrative expenses.** Consolidated selling and administrative ("S&A") expenses decreased in absolute terms but increased as a percentage of net sales in the fiscal 2020 third quarter and first nine months. S&A expense increased as a percentage of net sales due to lower sales. S&A expenses decreased in absolute terms due to decreased selling expenses and compensation costs resulting from lower net sales and profitability, partially offset by increased salaries and wages and the absence of $1.0 million one-time life insurance gain recorded in fiscal 2019 first quarter.

- **Intangible asset amortization expense.** Intangible amortization expense on the Home Meridian and Shenandoah acquisition-related intangible assets was unchanged compared to the prior year periods.

- **Operating income.** Consolidated operating income decreased from $12.3 million to $5.0 million and from 7.2% to 3.2% as a percentage of net sales in the fiscal 2020 third quarter. For the fiscal 2020 first nine months, consolidated operating income decreased from $33.5 million to $13.7 million and from 6.9% to 3.1% as a percentage of net sales, due to the factors discussed above and in greater detail in the analysis below.

Review

Our lower third quarter sales and earnings were disappointing. They were impacted significantly by higher chargebacks and reduced volume from a single large retail customer in our Home Meridian segment. The lingering effects of 25% tariffs on finished goods and component parts imported from China, along with spotty retail demand that has continued through the first nine months of the year, also negatively affected our performance.

The sales decline with the single major customer represented 70% of a $9 million volume reduction at the Home Meridian segment, and approximately $3 million in chargebacks from the same retailer drove a $4.0 million operating loss for the quarter in the segment. That compares to operating income of about $5 million at Home Meridian in the same quarter a year ago. Several other factors also negatively affected Home Meridian's current quarter results including about $600,000 in demurrage costs due to excess inventory that we added in anticipation of increased sales, and $450,000 in costs to store that inventory and additional excess inventory due to quality-related customer returns from a major customer last year. We also wrote that inventory down by $650,000 to market value during the quarter to increase the rate of sale. Additionally, Home Meridian incurred about $200,000 in start-up costs for HMIdea during the current quarter. These costs were partially offset by a $520,000 gain on the settlement of our pension plan during the quarter, recorded in other income.

On a more positive note, Home Meridian's hospitality and e-commerce sales continued to grow. Samuel Lawrence Hospitality's ("SLH") net sales increased over 30% for the first nine months and ended the quarter with backlog 27% higher than the prior year period and is expected to continue to grow. Home Meridian has also launched a new division, HMidea, which will offer better-quality, ready-to-assemble furniture to mass marketers and e-commerce customers. HMidea's initial launch was well received at the October High Point Furniture Market and the line is expected continue to grow in the coming months.

Percentage-wise, sales in Hooker Branded and All Other were down in the mid-to-low single digits, respectively, and gross profits and operating income improved compared to the prior year third quarter as a percentage of net sales. The impact of 25% tariffs on imported furniture from China enacted this summer has generally resulted in a 10% price increase on the portion of the Company's product line imported from China in the Hooker Branded segment, suppressing retail demand. In total, given the challenging retail environment and the continued impact of tariffs, we were gratified to improve profitability performance in the Hooker Branded segment and All Other. The Hooker Branded Segment achieved a 190-basis-point improvement in operating income margin, and All Other achieved a 390-basis-point improvement compared to prior year third quarter.

The Hooker Branded segment's net sales decreased $2.8 million or 6.0% in the fiscal 2020 third quarter, due to a net sales decrease in the Hooker Casegoods division, partially offset by a net sales increase at Hooker Upholstery. Hooker Casegoods experienced reduced incoming orders and lower sales volume driven by lower consumer demand and softness in the home furnishings industry. Volume loss was partially mitigated by higher average selling prices as we adjusted pricing to mitigate increased product costs and excess tariffs. Hooker Upholstery continued to grow net sales and gross profit, both in the double digits, due to broader product offerings and favorable product mix with more higher-priced sofas and sectionals sold. Hooker Upholstery's incoming orders increased over 10% compared to fiscal 2019 third quarter.

Our sourcing transitions to non-tariff countries are on schedule. Company-wide, we expect to reduce the portion of our overall product line imported from China from about 40% at the end of our most recent fiscal year to approximately 22% by this fiscal year end, with further progress expected in fiscal 2021.

Net sales in All Other decreased $1.3 million or 4.3% in the fiscal 2020 third quarter due to sales declines at Bradington –Young and Sam Moore, driven by decreased incoming orders, partially offset by continued strong sales in H Contract division and a lower-single digit sales increase at Shenandoah. Despite net sales declines, three out of four divisions improved gross margin in the third quarter, benefiting from lower material costs and better cost containment, partially offset by operating inefficiencies and higher direct labor due to lower production volume in the third quarter. However, favorable material costs have leveled out and we do not expect additional decreases in the near future. H Contract incoming orders increased over 15% in the third quarter and finished the quarter with backlog over 20% higher than the prior year quarter end. Broader product offerings and favorable product mix with heavier weighting of imported casegoods significantly improved H Contract net sales and profitability. All Other reported a solid operating income margin of 9.6% and 8.7% for the fiscal 2020 third quarter and year to date, respectively.

Cash and cash equivalents increased $13.1 million to $24.5 million compared to $11.4 million at fiscal 2019 year-end, principally due to customer deposits in Home Meridian's hospitality division and the collection of accounts receivable. Despite disappointing operating results thus far in fiscal 2020, we generated $26.6 million in cash from operating activities and $1.4 million from proceeds received on a note receivable from the sale of a former distribution facility. In addition, we paid $5.3 million in cash dividends to our shareholders, $4.7 million for capital expenditures to expand our manufacturing facilities, and $4.4 million towards our term loans. Our total assets and liabilities as of November 3, 2019 each increased approximately $41 million due to the adoption of Topic 842, Leases on the first day of the current fiscal year. We are working to reduce excess inventory and exited one of the temporary warehouses early in the fiscal 2020 fourth quarter. With strategic inventory management and cautious capital expenditures, along with an aggregate $25.7 million available under our existing revolving credit facility to fund working capital, we are confident in our financial condition going forward.

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		**Thirty-Nine Weeks Ended**	
	November 3, 2019	October 28, 2018	**November 3, 2019**	October 28, 2018
Net sales	**100.0%**	100.0%	**100.0%**	100.0%
Cost of sales	**82.0**	79.1	**81.4**	78.5
Casualty loss	**-**	-	**-**	0.1
Total cost of sales	**82.0**	79.1	**81.4**	78.6
Gross profit	**18.0**	20.9	**18.6**	21.4
Selling and administrative expenses	**14.4**	13.4	**15.1**	14.1
Intangible asset amortization	**0.4**	0.3	**0.4**	0.4
Operating income	**3.2**	7.2	**3.1**	6.9
Other income, net	**0.2**	0.1	**-**	0.1
Interest expense, net	**0.2**	0.2	**0.2**	0.2
Income before income taxes	**3.2**	7.1	**2.9**	6.8
Income tax expense	**0.7**	1.6	**0.6**	1.6
Net income	**2.5**	5.4	**2.3**	5.2

Fiscal 2020 Third Quarter Compared to Fiscal 2019 Third Quarter

	Net Sales Thirteen Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Hooker Branded	**$ 43,703**	**27.6%**	$ 46,479	27.1%	$ (2,776)	-6.0%
Home Meridian	**85,776**	**54.3%**	95,013	55.4%	(9,237)	-9.7%
All Other	**28,697**	**18.1%**	29,982	17.5%	(1,285)	-4.3%
Consolidated	**$ 158,176**	**100%**	$ 171,474	100%	$ (13,298)	-7.8%

Unit Volume	**FY20 Q3 % Increase vs. FY19 Q3**	**Average Selling Price (ASP)**	**FY20 Q3 % Increase vs. FY19 Q3**
Hooker Branded	**-21.1%**	Hooker Branded	**19.7%**
Home Meridian	**-4.7%**	Home Meridian	**-1.7%**
All Other	**-11.2%**	All Other	**6.7%**
Consolidated	**-7.5%**	Consolidated	**1.7%**

Consolidated net sales decreased primarily due to sales decline in the Home Meridian segment and to a lesser extent in the Hooker Branded segment and All Other.

- The net sales decrease in the Hooker Branded segment was due to a sales decrease in Hooker Casegoods while partially offset by continued sales growth in Hooker Upholstery. The sales decline was attributable to decreased unit volume, partially offset by increased ASP, which was due to price increases necessitated by the imposition of tariffs on goods imported from China and higher freight costs, as well as increased sales of higher-priced products by Hooker Upholstery.

- Net sales decreased in the Home Meridian segment due to sales volume loss with club accounts and higher quality chargebacks from a large customer, partially offset by increased volume in Pulaski Furniture and Samuel Lawrence Furniture as their sales begin to return to normal, as well as in Accentrics Home business, which focuses on the growing e-commerce channels. ASP decreased in three out of five divisions but increased significantly at Samuel Lawrence Hospitality due to favorable product mix, and at PRI as the result of margin improvement efforts.

- All Other net sales decreased due to reduced incoming orders at our domestic upholstery manufacturing divisions, partially offset by continued strong sales at H Contract. All Other ASP increased due primarily to increased sales of higher-priced products at Bradington-Young and Shenandoah.

	Gross Income and Margin Thirteen Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Hooker Branded	**$ 13,947**	**31.9%**	$ 14,334	30.8%	$ (387)	-2.7%
Home Meridian	**7,286**	**8.5%**	15,382	16.2%	(8,096)	-52.6%
All Other	**7,166**	**25.0%**	6,120	20.4%	1,046	17.1%
Consolidated	**$ 28,399**	**18.0%**	$ 35,836	20.9%	$ (7,437)	-20.8%

Consolidated gross profit decreased in absolute terms and as a percentage of net sales in the fiscal 2020 third quarter.

- The Hooker Branded segment's gross profit increased as a percentage of net sales and decreased in absolute terms, which was attributable to lower discounting and increased sales at Hooker Upholstery.

- The Home Meridian segment's gross profit decreased in absolute terms and as a percentage of net sales due principally to lower sales and the effects of higher customer chargebacks as well as increased product costs due to excess tariff costs, higher freight costs and charges to write inventory of quality-related returns down to market price. Increased warehousing and distribution costs to handle the excess inventory related to quality issues also negatively impacted gross margin.

- All Other's gross profit increased in absolute terms and as a percentage of net sales despite a sales decline in the third quarter. Our domestic upholstery manufacturing divisions continued to benefit from favorable cost of goods sold due to lower material costs, decreased benefits expense due to lower medical claims, partially offset by under-absorption of overhead expense due to reduced order volumes and sales of heavily discounted discontinued product at Sam Moore. H Contract gross profit benefitted from favorable product mix.

Selling and Administrative Expenses (S&A)
Thirteen Weeks Ended

	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Hooker Branded	**$ 7,760**	**17.8%**	$ 8,623	18.6%	$ (863)	-10.0%
Home Meridian	**10,907**	**12.7%**	10,219	10.8%	688	6.7%
All Other	**4,143**	**14.4%**	4,137	13.8%	6	0.1%
Consolidated	**$ 22,810**	**14.4%**	$ 22,979	13.4%	$ (169)	-0.7%

Consolidated S&A expenses decreased in absolute terms but increased as a percentage of net sales in the fiscal 2020 third quarter.

- Hooker Branded segment S&A expenses decreased in absolute terms and as a percentage of net sales due to decreased compensation costs, lower selling expenses, decreased bad debt expense and other costs.

- Home Meridian segment S&A expenses increased in absolute terms due primarily to increased wages related to the resourcing transition underway in Asia, increased professional services expenses due to higher compliance costs and consulting fees and start-up costs for the new HMIdea division. The increase in Home Meridian S&A expenses was partially offset by decreased selling expenses due to lower sales. Home Meridian segment S&A expenses increased as a percentage of net sales due to lower net sales and higher S&A expenses.

- All Other S&A expenses stayed flat in absolute terms and increased as a percentage of net sales due to lower net sales.

Intangible Asset Amortization
Thirteen Weeks Ended

	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Intangible asset amortization	**$ 596**	**0.4%**	$ 596	0.3%	$ -	0.0%

Intangible asset amortization expense stayed the same compared to the prior year third quarter.

Operating Profit (Loss) and Margin
Thirteen Weeks Ended

	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Hooker Branded	**$ 6,188**	**14.2%**	$ 5,712	12.3%	$ 476	8.3%
Home Meridian	**(3,955)**	**-4.6%**	4,829	5.1%	(8,784)	-181.9%
All Other	**2,760**	**9.6%**	1,720	5.7%	1,040	60.5%
Consolidated	**$ 4,993**	**3.2%**	$ 12,261	7.2%	$ (7,268)	-59.3%

Table of Contents

Operating profitability decreased in absolute terms and as a percentage of net sales, due to the factors discussed above.

	Interest Expense, net Thirteen Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Consolidated interest expense, net	**$ 316**	**0.2%**	$ 354	0.2%	$ (38)	-10.7%

Consolidated interest expense decreased due to lower average loan balances, partially offset by increased interest rates on our variable-rate term loans.

	Income taxes Thirteen Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Consolidated income tax expense	**$ 1,066**	**0.7%**	$ 2,775	1.6%	$ (1,709)	-61.6%
Effective Tax Rate	**21.4%**		22.9%			

We recorded income tax expense of $1.1 million for the fiscal 2020 third quarter compared to $2.8 million for the comparable prior year period. The effective tax rates for the fiscal 2020 and 2019 third quarters were 21.4% and 22.9%, respectively.

	Net Income Thirteen Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Net Income						
Consolidated	**$ 3,920**	**2.5%**	$ 9,332	5.4%	$ (5,412)	-58.0%
Diluted earnings per share	**$ 0.33**		$ 0.79			

Fiscal 2020 First Nine Months Compared to Fiscal 2019 First Nine Months

	Net Sales Thirty-Nine Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Hooker Branded	**$ 122,707**	**27.5%**	$ 129,801	26.9%	$ (7,094)	-5.5%
Home Meridian	**240,594**	**54.0%**	266,631	55.2%	(26,037)	-9.8%
All Other	**82,641**	**18.5%**	86,594	17.9%	(3,953)	-4.6%
Consolidated	**$ 445,942**	**100%**	$ 483,026	100%	$ (37,084)	-7.7%

Unit Volume	FY20 YTD % Increase vs. FY19 YTD	Average Selling Price (ASP)	FY20 YTD % Increase vs. FY19 YTD
Hooker Branded	**-14.0%**	Hooker Branded	**10.5%**
Home Meridian	**-9.4%**	Home Meridian	**1.1%**
All Other	**-9.8%**	All Other	**5.5%**
Consolidated	**-10.0%**	Consolidated	**3.5%**

Consolidated net sales decrease was driven by net sales decline in the Home Meridian segment, and to a lesser extent in the Hooker Branded segment and All Other. Incoming orders declined primarily due to the soft retail environment, especially earlier in the fiscal year.

- Net sales decreased in the Hooker Branded segment due to decreased net sales in the Hooker Casegoods division, partially offset by a net sales increase at Hooker Upholstery. Unit volume decreased in this segment while ASP increased due to price increases in response to excess tariffs and higher freight costs, lower discounts, as well as increased sales of higher-priced sofas and sectionals at Hooker Upholstery. Net sales were negatively impacted by higher than expected allowances on increased e-commerce sales.

- Net sales decreased in Home Meridian segment due to sales volume loss with club accounts and major furniture chains, as well as higher allowances and chargebacks due to quality issues, partially offset by increased volume in the Samuel Lawrence Hospitality business and e-commerce sales growth. ASP increased at Samuel Lawrence Hospitality due to favorable product mix and Accentrics Home which focuses on e-commerce channels, partially offset by decreased ASP in the traditional channels.

- All Other net sales decreased due to sales declines at our domestic upholstery manufacturing divisions which experienced reduced incoming orders, partially offset by a strong net sales increase at H Contract. ASP increased in all four divisions included in All Other; however, it was not sufficient to mitigate the volume loss.

	Gross Income and Margin Thirty-Nine Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Hooker Branded	**$ 38,323**	**31.2%**	$ 41,372	31.9%	$ (3,049)	-7.4%
Home Meridian	**24,139**	**10.0%**	43,196	16.2%	(19,057)	-44.1%
All Other	**20,279**	**24.5%**	18,879	21.8%	1,400	7.4%
Consolidated	**$ 82,741**	**18.6%**	$ 103,447	21.4%	$ (20,706)	-20.0%

Consolidated gross profit decreased in absolute terms and as a percentage of net sales in the fiscal 2020 first nine months.

- The Hooker Branded segment's gross profit decreased due to lower net sales and increased cost of sales in Hooker Casegoods, partially offset by increased gross profit in Hooker Upholstery due to steady sales growth, favorable product mix, and the absence of a $500,000 casualty loss recorded in fiscal 2019 second quarter. Hooker Branded segment product costs were negatively impacted by excess tariffs and higher freight costs.

- The Home Meridian segment's gross margin decreased in absolute terms and as a percentage of net sales due primarily to the sales decline, increased product costs and loss of margin due to higher quality allowances. This segment was more impacted by excess tariff costs, increased freight costs, resourcing transition costs, and increased warehousing and distribution costs to handle excess inventory related to quality issues and inventory build due to business being slower than forecast.

- All Other's gross profit increased in absolute terms and as a percentage of net sales, primarily due to the sales increase at H Contract; however, all four divisions improved gross margin as a percentage of net sales. In our domestic upholstery manufacturing divisions, favorable cost of goods sold was attributable to lower material costs, lower benefits expense and cost containment efforts, partially offset by under-absorbed overhead and operating costs as our domestic upholstery divisions continue to operate at lower production levels due to reduced incoming orders. H Contract benefitted from favorable product mix and contributed 75% of the increased gross profit in All Other.

	Selling and Administrative Expenses (S&A) Thirty-Nine Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Hooker Branded	**$ 22,870**	**18.6%**	$ 23,992	18.5%	$ (1,122)	-4.7%
Home Meridian	**32,152**	**13.4%**	32,027	12.0%	125	0.4%
All Other	**12,264**	**14.8%**	12,131	14.0%	133	1.1%
Consolidated	**$ 67,286**	**15.1%**	$ 68,150	14.1%	$ (864)	-1.3%

Consolidated S&A expenses decreased in absolute terms but increased as a percentage of net sales in the fiscal 2020 first nine months.

- Hooker Branded segment S&A expenses decreased in absolute terms due to decreased compensation costs and selling expenses as the result of lower net sales and profitability, and the recognition of a deferred gain related to the sale of a former distribution facility which we had owner-financed which was paid off during the first quarter. Lower costs were partially offset by higher salaries and wages due to increased headcount, higher expenses to support e-commerce, and the absence of a $1.0 million life insurance gain recorded in the prior year period. Hooker Branded segment S&A expenses stayed essentially flat as a percentage of net sales.

- Home Meridian segment S&A expenses increased in absolute terms due primarily to increased labor costs related to the sourcing transition in Asia, increased professional service fees for compliance and training, increased travel expenses incurred during the sourcing transition and start-up costs for HMIdea, partially offset by decreased selling expenses and bonus attributable to lower sales and profitability. Home Meridian segment S&A expenses increased as a percentage of net sales due to lower net sales.

- All Other S&A expenses increased in absolute terms and as a percentage of net sales due to higher compensation costs, higher benefits expenses due to medical claims and increased advertising supplies expenses to support the launch of a new brand.

	Intangible Asset Amortization Thirty-Nine Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Intangible asset amortization	**$ 1,788**	**0.4%**	$ 1,788	0.4%	$ -	0.0%

Intangible asset amortization expense stayed the same compared to the prior year nine-month period.

	Operating Profit (Loss) and Margin Thirty-Nine Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Hooker Branded	**$ 15,453**	**12.6%**	$ 17,381	13.4%	$ (1,928)	-11.1%
Home Meridian	**(9,013)**	**-3.7%**	10,168	3.8%	(19,181)	-188.6%
All Other	**7,227**	**8.7%**	5,960	6.9%	1,267	21.3%
Consolidated	**$ 13,667**	**3.1%**	$ 33,509	6.9%	$ (19,842)	-59.2%

Operating profitability decreased in absolute terms and as a percentage of net sales in fiscal 2020 first nine months, due to the factors discussed above.

	Interest Expense, net Thirty-Nine Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Consolidated interest expense, net	**$ 986**	**0.2%**	$ 1,099	0.2%	$ (113)	-10.3%

Consolidated interest expense decreased due to loan balances, partially offset by increased interest rates on our variable-rate term loans.

	Income taxes Thirty-Nine Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Consolidated income tax expense	**$ 2,829**	**0.6%**	$ 7,504	1.6%	$ (4,675)	-62.3%
Effective Tax Rate	**21.9%**		23.0%			

We recorded income tax expense of $2.8 million for the fiscal 2020 first nine months compared to $7.5 million for the comparable prior year period. The effective tax rates for the fiscal 2020 and 2019 first nine months were 21.9% and 23.0%, respectively.

	Net Income Thirty-Nine Weeks Ended					
	November 3, 2019	% Net Sales	October 28, 2018	% Net Sales	$ Change	% Change
Consolidated	**$ 10,067**	**2.3%**	$ 25,181	5.2%	$ (15,114)	-60.0%
Diluted earnings per share	**$ 0.85**		$ 2.13			

Outlook

We face a number of significant risks and uncertainties, as more fully discussed in Item 1A, “Risk Factors” in our 2019 Annual Report.

Compared to the fiscal 2020 second quarter, consolidated orders increased by about $8 million or 5% in the fiscal 2020 third quarter. However, compared to the same period a year ago, consolidated orders dipped approximately $15 million or about 8%. The decline in orders from the one large Home Meridian segment customer is a significant part of that reduction, along with the subdued demand resulting from increased prices due to tariffs. While some retail components of the home furnishings industry like large national chains, club stores, international sales and full-line furniture independent retailers are sluggish, sales performance in other channels such as e-commerce, hospitality, contract furniture and interior design are up.

On a consolidated basis, we expect earnings to improve on a sequential basis next quarter. We believe the earnings performance momentum we have in the Hooker Branded segment and in All Other will continue, and for the Home Meridian segment earnings to improve significantly from the third quarter of fiscal 2020 despite the reduced volume from the single large customer.

However, there are two calendar dynamics that will impact our performance in the fourth quarter of fiscal 2020. First, last year was a 53-week leap year, so Company-wide we will have one less week of shipments this year. In addition to this lost week of shipping, the Chinese and Vietnamese New Year holiday vacations are earlier, which will result in an additional five to ten fewer shipping days this fiscal year for our container direct customers.

We remain highly engaged as a management team in strategic planning and continue to benefit from having a diverse portfolio of 11 operating units across many different distribution channels, price points and products. We are addressing our long-term and short-term challenges and have active strategies in place to expand our business beyond the current product line and customer base. We remain confident in our business model, market position and strategies and believe we will adapt successfully to the challenges posed by the current business climate.

Financial Condition, Liquidity and Capital Resources

Cash Flows – Operating, Investing and Financing Activities

	Thirty-Nine Weeks Ended	
	November 3, 2019	October 28, 2018
Net cash provided by operating activities	**$ 26,610**	$ 20,919
Net cash used in investing activities	**(3,838)**	(1,760)
Net cash used in financing activities	**(9,709)**	(20,625)
Net increase/(decrease) in cash and cash equivalents	**$ 13,063**	$ (1,466)

During the nine months ended November 3, 2019, we used some of the $26.6 million of cash generated from operations and $1.4 million of proceeds on a note receivable to pay for $5.3 million in cash dividends, $4.7 million of capital expenditures to expand our domestic manufacturing capacities and to enhance our business systems and facilities, $4.4 million in long-term debt payments, and $558,000 in life insurance premiums.

In comparison, during the nine months ended October 28, 2018, cash generated from operations of $20.9 million (despite a $3.0 million contribution to our Pension Plan) and $1.2 million in proceeds received under Company-owned life insurance policies helped to pay $15.7 million in long-term debt payments, $4.9 million in cash dividends, $2.5 million of capital expenditures to enhance our business systems and facilities, and $620,000 in life insurance premiums.

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; and
- available lines of credit.

We believe these resources are sufficient to meet our business requirements through fiscal 2020 and for the foreseeable future, including:

- capital expenditures;
- working capital, including capital required to fund our retirement plans;
- the payment of regular quarterly cash dividends on our common stock; and
- the servicing of our acquisition-related debt.

Loan Agreements and Revolving Credit Facility

We currently have one unsecured term loan and one secured term loan outstanding and a revolving credit facility. The term loans are related to the Home Meridian acquisition. Details of our loan agreements and revolving credit facility are outlined below.

Original Loan Agreement

On February 1, 2016, we entered into an amended and restated loan agreement (the “Original Loan Agreement”) with Bank of America, N.A. (“BofA”) in connection with the closing of the Home Meridian acquisition. Also on February 1, 2016, we borrowed in full the amounts available under the Unsecured Term Loan (the “Unsecured Term Loan”) and the Secured Term Loan (the “Secured Term Loan”) in connection with the completion of the Home Meridian acquisition.

Details of the individual credit facilities provided for in the Original Loan Agreement are as follows:

- **Unsecured revolving credit facility.** The Original Loan Agreement increased the amount available under our existing unsecured revolving credit facility from $15 million to $30 million and increased the sublimit of the facility available for the issuance of letters of credit from $3 million to $4 million. Amounts outstanding under the revolving facility bear interest at a rate, adjusted monthly, equal to the then-current LIBOR monthly rate plus 1.50%. 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;

- **Unsecured Term Loan.** The Original Loan Agreement provided us with a $41 million Unsecured Term Loan. Any amount borrowed under the Unsecured Term Loan bears interest at a rate, adjusted monthly, equal to the then-current LIBOR monthly rate plus 1.50%. We must repay any principal amount borrowed under the Unsecured Term Loan in monthly installments of approximately $490,000, together with any accrued interest, until the full amount borrowed is repaid or until February 1, 2021, at which time all amounts outstanding under the Unsecured Term Loan will become due and payable; and

- **Secured Term Loan.** The Original Loan Agreement provided us with a $19 million term loan secured by a security interest in certain Company-owned life insurance policies granted to BofA under a security agreement, dated as of February 1, 2016 (the "Security Agreement"). Any amount borrowed under the Secured Term Loan bears interest at a rate, adjusted monthly, equal to the then-current LIBOR monthly rate plus 0.50%. We must pay the interest accrued on any principal amounts borrowed under the Secured Term Loan on a monthly basis until the full principal amount borrowed is repaid or until February 1, 2021, at which time all amounts outstanding under the Secured Term Loan will become due and payable. BofA's rights under the Security Agreement are enforceable upon the occurrence of an event of default under the Original Loan Agreement.

New Loan Agreement

On September 29, 2017, we entered into a second amended and restated loan agreement (the "New Loan Agreement") with BofA in connection with the completion of the Shenandoah acquisition. The New Loan Agreement:

- amends and restates the Original Loan Agreement detailed above such that our existing $30 million unsecured revolving credit facility (the "Existing Revolver"), Unsecured Term Loan, and Secured Term Loan all remain outstanding under the New Loan Agreement; and

- provided us with a new $12 million unsecured term loan (the "New Unsecured Term Loan"), which we subsequently paid off in full.

The New Loan Agreement 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:
- 2.25:1.0 through August 31, 2019; and
- 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 beginning in fiscal 2020.

The New 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 New 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 New Loan Agreement. We paid off the New Unsecured Term Loan in fiscal 2019.

We were in compliance with each of these financial covenants at November 3, 2019 and expect to remain in compliance with existing covenants for the foreseeable future.

As of November 3, 2019, $14.0 million was outstanding under the Unsecured Term Loan, $17.1 million was outstanding under the Secured Term Loan, respectively. We expect to refinance any outstanding balances due under these term loans prior to their due dates of February 1, 2021.

Revolving Credit Facility Availability

As of November 3, 2019, we had an aggregate $25.7 million available under our revolving credit facility to fund working capital needs. Standby letters of credit in the aggregate amount of $4.3 million, used to collateralize certain insurance arrangements and for imported product purchases, were outstanding under the revolving credit facility as of November 3, 2019. There were no additional borrowings outstanding under the revolving credit facility as of November 3, 2019.

Capital Expenditures

We spent $4.7 million for capital expenditures during fiscal 2020 first nine months, $3.3 million of which was spent on the expansion of our Bradington-Young manufacturing facility. We expect to spend minimal amounts during the remainder of fiscal 2020 to maintain and continue to enhance our operating systems and facilities.

Share Repurchase Authorization

During fiscal 2013, our Board of Directors authorized the repurchase of up to $12.5 million of shares of the Company's common stock. The authorization does not obligate us to acquire a specific number of shares during any period and does not have an expiration date, but it may be modified, suspended or discontinued at any time at the discretion of our Board of Directors. Repurchases may be made from time to time in the open market, or through privately negotiated transactions or otherwise, in compliance with applicable laws, rules and regulations, and subject to our cash requirements for other purposes, compliance with the covenants under the Loan Agreement and other factors we deem relevant. No shares have been repurchased since fiscal 2013. Approximately $11.8 million remained available for future repurchases under the authorization as of November 3, 2019.

Commitments and Contractual Obligations

As of November 3, 2019, our commitments and contractual obligations related to our operating leases were as follows:

	Cash Payments Due by Period (In thousands)				
	Less than 1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Operating leases*	2,516	20,366	10,507	15,155	48,544

*These amounts represent estimated cash payments due under operating leases for real estate utilized in our operations and warehouse and office equipment, as well as short term leases with remaining terms less than 12 months. See Note 9 for additional information and disclosures about our leases.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13*, Financial Instruments—Credit Losses (Topic 326)*. This update seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, including trade receivables, and other commitments to extend credit held by a reporting entity at each reporting date. The amendments require an entity to replace the incurred loss impairment methodology in current GAAP with a methodology that reflects current expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which guidance is effective, which is a modified-retrospective approach. We are presently completing our analysis of the effects of adopting this standard on our consolidated financial statements and results of operations. Based on our analysis to-date, we do not believe the adoption of this standard will have a material effect on our consolidated financial statements or results of operations.

Critical Accounting Policies

Except as discussed below, 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 2019 Annual Report.

On the first day of the current fiscal year, we adopted the accounting standard outlined in Part 1, Notes to Condensed Consolidated Financial Statements, "Note 2. Recently Adopted Accounting Policies" ("Note 2"). See Note 2 for additional information related to the impact of adopting this accounting standard.

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 and the Unsecured Term Loan bear interest based on LIBOR plus 1.5% and borrowings under the Secured Term Loan bear interest based on LIBOR plus 0.5%. 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 November 3, 2019, other than standby letters of credit in the amount of $4.3 million; however, as of November 3, 2019, $31.1 million was outstanding under our term loans. A 1% increase in the LIBOR rate would result in an annual increase in interest expenses on our terms loans of approximately $284,000.

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 November 3, 2019. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective as of November 3, 2019 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

There have been no changes in our internal control over financial reporting during the fiscal quarter ended November 3, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

3.1	Amended and Restated Articles of Incorporation of the Company, as amended March 28, 2003 (incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q (SEC File No. 000-25349) for the quarter ended February 28, 2003)
3.2	Amended and Restated Bylaws of the Company, as amended December 10, 2013 (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K (SEC File No. 000-25349) for the year ended February 2, 2014)
4.1	Amended and Restated 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	First Amendment to the 2010 Amended and Restated Hooker Furniture Corporation Supplemental Retirement Income plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (SEC File No. 000-25349) filed with the SEC on November 15, 2019)
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*	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended November 3, 2019, formatted in Extensible Business Reporting Language ("XBRL"): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of income, (iii) condensed consolidated statements of comprehensive income, (iv) condensed consolidated statements of cash flows, and (v) the notes to the condensed consolidated financial statements

*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.

HOOKER FURNITURE CORPORATION

Date: December 13, 2019

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

Form 10-Q for the Quarterly Period Ended November 3, 2019
SECTION 13a-14(a) CERTIFICATION

I, Paul B. Toms, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hooker Furniture 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: December 13, 2019

By: /s/ Paul B. Toms, Jr.
Paul B. Toms, Jr.
Chairman and Chief Executive Officer

Exhibit 31.2

Form 10-Q for the Quarterly Period Ended November 3, 2019
SECTION 13a-14(a) CERTIFICATION

I, Paul A. Huckfeldt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hooker Furniture 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: December 13, 2019

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

Exhibit 32.1

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 Furniture Corporation (the "Company") Quarterly Report on Form 10-Q for the quarterly period ended November 3, 2019 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: December 13, 2019

By: /s/ Paul B. Toms, Jr.
Paul B. Toms, Jr.
Chairman and Chief Executive Officer

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