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 **July 31, 2022**

Commission file number **000-25349**

HOOKER FURNISHINGS 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 September 2, 2022, there were 11,689,052 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

As of	July 31, 2022 (unaudited)	January 30, 2022
Assets		
Current assets		
Cash and cash equivalents	$ **11,653**	$ 69,366
Trade accounts receivable, net	**81,662**	73,727
Inventories	**131,088**	75,023
Income tax recoverable	**3,574**	4,361
Prepaid expenses and other current assets	**9,014**	5,237
Total current assets	**236,991**	227,714
Property, plant and equipment, net	**27,565**	28,058
Cash surrender value of life insurance policies	**27,332**	26,479
Deferred taxes	**9,763**	11,612
Operating lease right-of-use assets	**54,734**	51,854
Intangible assets, net	**33,547**	23,853
Goodwill	**15,591**	490
Other assets	**7,108**	4,499
Total non-current assets	**175,640**	146,845
Total assets	$ **412,631**	$ 374,559
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	$ **1,393**	$ -
Trade accounts payable	**36,628**	30,916
Accrued salaries, wages and benefits	**5,662**	7,141
Customer deposits	**10,448**	7,145
Current portion of operating lease liabilities	**7,254**	7,471
Other accrued expenses	**2,969**	4,264
Total current liabilities	**64,354**	56,937
Long term debt	**23,570**	-
Deferred compensation	**9,599**	9,924
Operating lease liabilities	**49,514**	46,570
Other long-term liabilities	**766**	-
Total long-term liabilities	**83,449**	56,494
Total liabilities	**147,803**	113,431
Shareholders' equity		
Common stock, no par value, **20,000** shares authorized, **11,959** and 11,922 shares issued and outstanding on each date	**53,853**	53,295
Retained earnings	**210,994**	207,884
Accumulated other comprehensive loss	**(19)**	(51)
Total shareholders' equity	**264,828**	261,128
Total liabilities and shareholders' equity	$ **412,631**	$ 374,559

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

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

	For the			
	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2022	August 1, 2021	**July 31, 2022**	August 1, 2021
Net sales	**$ 152,908**	$ 162,519	**$ 300,223**	$ 325,379
Cost of sales	**121,853**	130,802	**239,709**	260,080
Gross profit	**31,055**	31,717	**60,514**	65,299
Selling and administrative expenses	**22,886**	21,460	**47,543**	42,204
Intangible asset amortization	**878**	596	**1,756**	1,192
Operating income	**7,291**	9,661	**11,215**	21,903
Other (expense)/income, net	**(44)**	21	**234**	27
Interest expense, net	**83**	23	**111**	54
Income before income taxes	**7,164**	9,659	**11,338**	21,876
Income tax expense	**1,621**	2,192	**2,612**	4,966
Net income	**$ 5,543**	$ 7,467	**$ 8,726**	$ 16,910
Earnings per share				
Basic	**$ 0.47**	$ 0.63	**$ 0.74**	$ 1.42
Diluted	**$ 0.46**	$ 0.62	**$ 0.73**	$ 1.40
Weighted average shares outstanding:				
Basic	**11,876**	11,850	**11,871**	11,842
Diluted	**11,935**	11,993	**11,960**	11,985
Cash dividends declared per share	**$ 0.20**	$ 0.18	**$ 0.40**	$ 0.36

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

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

	For the			
	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2022	August 1, 2021	**July 31, 2022**	August 1, 2021
Net income	**$ 5,543**	$ 7,467	**$ 8,726**	$ 16,910
Other comprehensive income:				
Amortization of actuarial loss	**60**	100	**42**	201
Income tax effect on amortization	**(14)**	(24)	**(10)**	(48)
Adjustments to net periodic benefit cost	**46**	76	**32**	153
Total comprehensive income	**$ 5,589**	$ 7,543	**$ 8,758**	$ 17,063

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

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

	For the Twenty-Six Weeks Ended July 31, 2022	For the Twenty-Six Weeks Ended August 1, 2021
Operating Activities:		
Net income	**$ 8,726**	$ 16,910
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	**4,409**	3,583
Deferred income tax expense	**1,839**	1,621
Noncash restricted stock and performance awards	**873**	150
Provision for doubtful accounts and sales allowances	**(1,532)**	(340)
Gain on life insurance policies	**(587)**	(704)
Changes in assets and liabilities:		
Trade accounts receivable	**(4,843)**	(14,663)
Inventories	**(53,489)**	(33,435)
Income tax recoverable	**787**	-
Prepaid expenses and other assets	**(6,175)**	(4,663)
Trade accounts payable	**4,691**	8,362
Accrued salaries, wages, and benefits	**(1,480)**	(158)
Accrued income taxes	**-**	417
Customer deposits	**27**	3,302
Operating lease liabilities	**(151)**	89
Other accrued expenses	**(1,293)**	(507)
Deferred compensation	**(283)**	(171)
Net cash used in operating activities	**$ (48,481)**	$ (20,207)
Investing Activities:		
Acquisitions	**(25,912)**	-
Purchases of property and equipment	**(1,947)**	(3,465)
Premiums paid on life insurance policies	**(404)**	(473)
Net cash used in investing activities	**(28,263)**	(3,938)
Financing Activities:		
Proceeds from long-term loans	**25,000**	-
Proceeds from revolving credit facility	**30,301**	-
Payments for revolving credit facility	**(30,301)**	-
Debt issuance cost	**(38)**	-
Purchase and retirement of common stock	**(1,137)**	-
Cash dividends paid	**(4,794)**	(4,285)
Cash provided by/(used in) financing activities	**19,031**	(4,285)
Net decrease in cash and cash equivalents	**(57,713)**	(28,430)
Cash and cash equivalents - beginning of year	**69,366**	65,841
Cash and cash equivalents - end of quarter	**$ 11,653**	$ 37,411
Supplemental disclosure of cash flow information:		
Cash paid/(refund) for income taxes	**$ (14)**	$ 2,929
Cash paid for interest, net	**55**	1
Non-cash transactions:		
Increase/(Decrease) in lease liabilities arising from changes in right-of-use assets	**$ 7,680**	$ (4,919)
Increase in property and equipment through accrued purchases	**207**	111

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

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HOOKER FURNISHINGS 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 (loss)**		**Total Shareholders' Equity**
Balance at May 2, 2021	11,909	$	53,004	$	212,291	$	(732)	$	264,563
Net income for the 13 weeks ended August 1, 2021					7,467				7,467
Unrealized loss on defined benefit plan, net of tax of $24							77		77
Cash dividends paid and accrued ($0.18 per share)					(2,145)				(2,145)
Restricted stock grants, net of forfeitures	15		-						-
Restricted stock compensation cost			323						323
Performance-based restricted stock units costs			146						146
PSU awards			-						-
Balance at August 1, 2021	11,924	$	53,473	$	217,613	$	(655)	$	270,431
Balance at May 1, 2022	**12,002**	**$**	**53,649**	**$**	**208,678**	**$**	**(65)**	**$**	**262,262**
Net income for the 13 weeks ended July 31, 2022					**5,543**				**5,543**
Unrealized loss on defined benefit plan, net of tax of $14							**46**		**46**
Cash dividends paid and accrued ($0.20 per share)					**(2,405)**				**(2,405)**
Purchase and retirement of common stock	**(68)**		**(315)**		**(822)**				**(1,137)**
Restricted stock grants, net of forfeitures	**25**		**(6)**						**(6)**
Restricted stock compensation cost			**371**						**371**
Performance-based restricted stock units costs			**154**						**154**
Balance at July 31, 2022	**11,959**	**$**	**53,853**	**$**	**210,994**	**$**	**(19)**	**$**	**264,828**

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

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

	Common Stock			Retained		Accumulated Other Comprehensive		Total Shareholders'
	Shares		Amount		Earnings		Income (loss)		Equity
Balance at January 31, 2021	11,888	$	53,323	$	204,988	$	(808)	$	257,503
Net income for the 26 weeks ended August 1, 2021					16,910				16,910
Unrealized loss on defined benefit plan, net of tax of $48							153		153
Cash dividends paid and accrued ($0.36 per share)					(4,285)				(4,285)
Restricted stock grants, net of forfeitures	36		-						-
Restricted stock compensation cost			597						597
Performance-based restricted stock units costs			293						293
PSU awards			(740)						(740)
Balance at August 1, 2021	11,924	$	53,473	$	217,613	$	(655)	$	270,431
Balance at January 30, 2022	**11,922**	**$**	**53,295**	**$**	**207,884**	**$**	**(51)**	**$**	**261,128**
Net income for the 26 weeks ended July 31, 2022					**8,726**				**8,726**
Unrealized loss on defined benefit plan, net of tax of $10							**32**		**32**
Cash dividends paid and accrued ($0.40 per share)					**(4,794)**				**(4,794)**
Purchase and retirement of common stock	**(68)**		**(315)**		**(822)**				**(1,137)**
Restricted stock grants, net of forfeitures	**105**		**(102)**						**(102)**
Restricted stock compensation cost			**667**						**667**
Performance-based restricted stock units costs			**308**						**308**
Balance at July 31, 2022	**11,959**	**$**	**53,853**	**$**	**210,994**	**$**	**(19)**	**$**	**264,828**

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

HOOKER FURNISHINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar and share amounts in tables, except per share amounts, in thousands unless otherwise indicated)
(Unaudited)
For the Twenty-Six Weeks Ended July 31, 2022

1. Preparation of Interim Financial Statements

The condensed consolidated financial statements of Hooker Furnishings Corporation and subsidiaries (referred to as “we,” “us,” “our,” “Hooker” or the “Company”) have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, these statements include all adjustments necessary for a fair statement of the results of all interim periods reported herein. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) are condensed or omitted pursuant to SEC rules and regulations. However, we believe that the disclosures made are adequate for a fair presentation of our results of operations and financial position. These financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our annual report on Form 10-K for the fiscal year ended January 30, 2022 (“2022 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 2023 fiscal year thirteen-week period (also referred to as “three months,” “three-month period,” “quarter,” “second quarter” or “quarterly period”) that began May 2, 2022, and the twenty-six week period (also referred to as “six months”, “six-month period” or “first half”) that began January 31, 2022, which both ended July 31, 2022. This report discusses our results of operations for these periods compared to the 2022 fiscal year thirteen-week period that began May 3, 2021, and the twenty-six-week period that began February 1, 2021, which both ended August 1, 2021; and our financial condition as of July 31, 2022 compared to January 30, 2022.

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

- the 2023 fiscal year and comparable terminology mean the fifty-two-week fiscal year that began January 31, 2022 and will end January 29, 2023; and
- the 2022 fiscal year and comparable terminology mean the fifty-two-week fiscal year that began February 1, 2021 and ended January 30, 2022.

On January 31, 2022, the first day of our 2023 fiscal year, we entered into an Asset Purchase Agreement (the “Asset Purchase Agreement”) with Sunset HWM, LLC (“Sunset West”) and its three members (the “Sunset West Members”) to acquire substantially all of the assets of Sunset West (the “Sunset Acquisition”). Simultaneously, we closed on the transaction by paying $23.9 million in cash and $2 million subject to an escrow arrangement and possible earn-out payments to the Sunset West Members up to an aggregate of $4 million with the closing cash consideration subject to adjustment for customary working capital estimates. Under the Asset Purchase Agreement, the Company also assumed specified liabilities of Sunset West.

Sunset West’s results are included in the Domestic Upholstery segment’s results beginning with the fiscal 2023 first quarter. Consequently, comparable prior-year information for Sunset West is not included in the financial statements presented in this report. The acquisition is discussed in greater detail below in Note 3 Acquisition.

2. Recently Adopted Accounting Policies

No new accounting pronouncements have been adopted in the 2023 fiscal year. We reviewed newly issued accounting pronouncements and concluded they are either not applicable to our business or are not expected to have a material effect on our consolidated financial statements as a result of future adoption.

3. Acquisition

In accordance with FASB Accounting Standards Codification Topic 805, "Business Combinations" ("ASC 805"), the Acquisition has been accounted for using the acquisition method of accounting. We recorded assets acquired, including identifiable intangible assets, and liabilities assumed, from Sunset West at their respective fair values at the date of completion of the Acquisition. The excess of the purchase price over the net fair value of such assets and liabilities was recorded as goodwill.

The following table summarizes the preliminary estimates of the fair values of the identifiable assets acquired and liabilities assumed in the Acquisition as of July 31, 2022. The preliminary estimates of fair value of identifiable assets acquired and liabilities assumed are subject to revision, which may result in adjustments to the preliminary values presented below, when management's appraisals and estimates are finalized. Normal post-closing contingencies remain to be resolved, including the final working capital adjustment and any changes due to deviations from the seller's representations and warranties at closing.

Fair Value Estimates of Assets Acquired and Liabilities Assumed

The consideration and components of our initial fair value allocation of the purchase price paid at closing and in the subsequent net working capital adjustment consisted of the following:

Purchase price consideration

Fair value estimates of assets acquired and liabilities assumed		
Purchase price consideration		
Cash paid for assets acquired	$	23,909
Escrow		2,003
Fair value of earnout		766
Total purchase price	$	26,678
Accounts receivable	$	1,560
Inventory		2,577
Prepaid expenses and other current assets		90
Property		7
Intangible assets		11,451
Goodwill		15,101
Customer deposits		(3,276)
Accounts payable		(816)
Accrued expenses		(16)
Total purchase price	$	26,678

Property was recorded at fair value and primarily consists of machinery and equipment. Property and equipment will be amortized over their estimated useful lives.

Goodwill is calculated as the excess of the purchase price over the net assets acquired. The goodwill recognized is attributable to growth opportunities and expected synergies. All goodwill is expected to be deductible for income tax purposes.

Intangible assets, consist of two separately identified assets:

- Sunset West customer relationships, which are definite-lived intangible assets with an aggregate fair value of $10.4 million. The customer relationships are amortizable and will be amortized over a period of 10 years; and
- The Sunset West trade name, which is definite-lived intangible asset with fair value of $1.1 million. The trade name is amortizable and will be amortized over a period of 12 years.
- The total weighted average amortization period for these assets is 10.2 years.

We incurred Acquisition-related costs of $414,000 in fiscal 2022 and $63,000 in the first six months of fiscal 2023. These expenses were included in the "Selling and administrative expenses" line of our fiscal 2022 and fiscal 2023 condensed consolidated statements of operations. Sunset West's results are included in the Domestic Upholstery segment's results beginning with the fiscal 2023 first quarter, which include $6.9 million in net sales and $150,000 of operating income, including $282,000 in intangible amortization expense for the fiscal 2023 second quarter and $14.8 million in net sales and $1.0 million of operating income, including $564,000 in intangible amortization expense for the fiscal 2023 first half.

4. Accounts Receivable

	July 31, 2022	January 30, 2022
Gross accounts receivable	**$ 89,316**	$ 83,027
Customer allowances	**(5,902)**	(7,284)
Allowance for doubtful accounts	**(1,752)**	(2,016)
Trade accounts receivable	**$ 81,662**	$ 73,727

5. Inventories

	July 31, 2022	January 30, 2022
Finished furniture	**$ 145,092**	$ 89,066
Furniture in process	**2,793**	2,314
Materials and supplies	**15,299**	13,179
Inventories at FIFO	**163,184**	104,559
Reduction to LIFO basis	**(32,096)**	(29,536)
Inventories	**$ 131,088**	$ 75,023

6. Property, Plant and Equipment

	Depreciable Lives *(In years)*	July 31, 2022	January 30, 2022
Buildings and land improvements	15 - 30	**$ 32,262**	$ 32,030
Computer software and hardware	3 - 10	**15,773**	15,648
Machinery and equipment	10	**10,900**	10,390
Leasehold improvements	Term of lease	**10,684**	10,984
Furniture and fixtures	3 - 10	**5,871**	5,829
Other	5	**694**	676
Total depreciable property at cost		**76,184**	75,557
Less accumulated depreciation		**(51,039)**	(49,077)
Total depreciable property, net		**25,145**	26,480
Land		**1,077**	1,077
Construction-in-progress		**1,343**	501
Property, plant and equipment, net		**$ 27,565**	$ 28,058

7. Cloud Computing Hosting Arrangement

We are in the process of implementing a common Enterprise Resource Planning (ERP) system across all divisions and expect to go-live with this system in Sunset West in the second half of fiscal 2023 and in our legacy Hooker divisions in fiscal 2024, with other segments and divisions following thereafter. Based on the provisions of ASU 2018-15, Intangibles — Goodwill and Other — Internal-Use Software, we capitalize implementation costs incurred to develop internal-use software associated with hosting arrangements that are service contracts. These costs are recorded on "Other noncurrent assets" line of our condensed consolidated balance sheets. Amortization expense is expected to commence at system go-live in the second half of fiscal 2023. The capitalized implementation costs at July 31, 2022 and January 30, 2022 were as follows:

		Capitalized Implementation Costs
Balance at January 30, 2022	$	3,228
Costs capitalized during the period		3,045
Balance at July 31, 2022	**$**	**6,273**

8. Fair Value Measurements

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

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

As of July 31, 2022 and January 30, 2022, Company-owned life insurance was measured at fair value on a recurring basis based on Level 2 inputs. The fair value of the Company-owned life insurance is determined by inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Additionally, the fair value of the Company-owned life insurance is marked to market each reporting period and any change in fair value is reflected in income for that period.

Our assets measured at fair value on a recurring basis at July 31, 2022 and January 30, 2022, were as follows:

	Fair value at July 31, 2022				Fair value at January 30, 2022			
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	**$ -**	**$ 27,332**	**$ -**	**$ 27,332**	$ -	$ 26,479	$ -	$ 26,479

9. Intangible Assets

During the fiscal 2023 first half, we recorded both non-amortizable and amortizable intangible assets as a result of the Acquisition. Details of these new intangible assets, as well as previously recorded intangible assets assigned to our Domestic Upholstery and Home Meridian segments, are shown in the following two tables:

Non-amortizable Intangible Assets	Segment	January 30, 2022 Beginning Balance	Acquisition	**July 31, 2022 Net Book Value**
Goodwill - Shenandoah Furniture	Domestic Upholstery	$ 490	$ -	**$ 490**
Goodwill - Sunset West	Domestic Upholstery	-	15,101	**15,101**
Total Goodwill		$ 490	$ 15,101	**$ 15,591**
Trademarks and trade names - Home Meridian	Home Meridian	6,650	-	**6,650**
Trademarks and trade names - Bradington-Young	Domestic Upholstery	861	-	**861**
Trademarks and trade names - Sam Moore	Domestic Upholstery	396	-	**396**
Total Trademarks and trade names		$ 7,907	$ -	**$ 7,907**
Total non-amortizable assets		$ 8,397	$ 15,101	**$ 23,498**

Our amortizable intangible assets are recorded in our Home Meridian and Domestic Upholstery segments. The carrying amounts and changes therein of those amortizable intangible assets were as follows:

	Amortizable Intangible Assets		
	Customer Relationships	**Trademarks**	**Totals**
Balance at January 30, 2022	$ 15,348	$ 598	$ 15,946
Acquisition	10,401	1,050	11,451
Amortization	(1,682)	(74)	(1,756)
Balance at July 31, 2022	**$ 24,067**	**$ 1,574**	**$ 25,641**

For the remainder of fiscal 2023, amortization expense is expected to be approximately $1.8 million.

10. Leases

We have operating leases for warehouses, showrooms, manufacturing facilities, offices and equipment. We recognized sub-lease income of $34,000 for the three-month period and $381,000 for the six-month period, both ended July 31, 2022. We recognized sub-lease income of $150,000 for the three-month period and $296,000 for the six-month period, both ended August 1, 2021.

The components of lease cost and supplemental cash flow information for leases for the three-months and six-months ended July 31, 2022 and August 1, 2021 were:

	Thirteen Weeks Ended		**Twenty-Six Weeks Ended**	
	July 31, 2022	August 1, 2021	**July 31, 2022**	August 1, 2021
Operating lease cost	**$ 2,270**	$ 1,906	**$ 4,797**	$ 3,919
Variable lease cost	**56**	65	**111**	109
Short-term lease cost	**78**	19	**164**	28
Total lease cost	**$ 2,404**	$ 1,990	**$ 5,072**	$ 4,056
Operating lease cash outflows	**$ 2,389**	$ 1,954	**$ 5,224**	$ 3,936

The right-of-use assets and lease liabilities recorded on our condensed consolidated balance sheets as of July 31, 2022 and January 30, 2022 were as follows:

	July 31, 2022	January 30, 2022
Real estate	**$ 53,787**	$ 50,749
Property and equipment	**947**	1,105
Total leases right-of-use assets	**$ 54,734**	$ 51,854
Current portion of operating lease liabilities	**$ 7,254**	$ 7,471
Long term operating lease liabilities	**49,514**	46,570
Total lease liabilities	**$ 56,768**	$ 54,041

For leases that commenced before July 2022, we used our incremental borrowing rate which was LIBOR plus 1.5%. When we entered into the new loan agreement our incremental borrowing rate for unsecured term loan became the current BSBY rate plus 1.40%. We use this rate as discount rate for leases commenced in July 2022 and thereafter. The weighted-average discount rate is 3.02%. The weighted-average remaining lease term is 7.9 years.

The following table reconciles the undiscounted future lease payments for operating leases to the operating lease liabilities recorded in the condensed consolidated balance sheets on July 31, 2022:

	Undiscounted Future Operating Lease Payments
Remainder of 2023	$ 4,590
2024	8,523
2025	8,549
2026	8,516
2027	8,167
2028 and thereafter	26,217
Total lease payments	$ 64,562
Less: impact of discounting	(7,794)
Present value of lease payments	$ 56,768

As of July 31, 2022, the Company had an additional lease for a showroom in High Point, North Carolina. This lease is expected to commence in the Fall of calendar 2022 with an initial lease term of 10 years and estimated future minimum rental commitments of approximately $23.7 million. Since the lease has not yet commenced, the undiscounted amounts are not included in our financial statements or in the table above.

11. Debt

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

Details of the individual credit facilities provided for in the Amendment are as follows:

- **Unsecured Revolving Credit Facility.** Under this Amendment, the expiration date of the existing $35 million Unsecured Revolving Credit Facility (the "Existing Revolver") was extended to July 26, 2027. Any amounts outstanding will bear interest at a rate per annum, equal to the then current Bloomberg Short-Term Bank Yield Index ("BSBY") (adjusted periodically) plus 1.00%. The interest rate will be adjusted on a monthly basis. The actual daily amount of undrawn letters of credit is subject to a quarterly fee equal to a per annum rate of 1%. We must also pay a quarterly unused commitment fee that is based on the average daily amount of the facility utilized during the applicable quarter;

- **2022 Secured Term Loan.** The Amendment provided us with a $18 million term loan (the "Secured Term Loan"), which was disbursed to us on July 26, 2022. We are required to pay monthly interest only payments at a rate per annum equal to the then current BSBY rate (adjusted periodically) plus 0.90% on the outstanding balance until the principal is paid in full. The interest rate will be adjusted on a monthly basis. On July 26, 2027, the entire outstanding indebtedness is due in full, including all principal and interest. The Secured Term Loan is secured by certain company-owned life insurance policies under a Security Agreement (Assignment of Life Insurance Policy as Collateral) dated July 26, 2022, by and between the Company and BofA; and

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

We may prepay any outstanding principal amounts borrowed under either the Secured Term Loan or the Unsecured Term Loan at any time, without penalty provided that any payment is accompanied by all accrued interest owed.

We incurred $37,500 in debt issuance costs in connection with our term loans. As of July 31, 2022, unamortized loan costs of $37,500 were netted against the carrying value of our term loans on our condensed consolidated balance sheets.

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

- Maintain a ratio of funded debt to EBITDA not exceeding:
  - 2.50:1.0 through July 30, 2023;
  - 2.25:1.0 through July 30, 2024; and
  - 2.00:1.00 thereafter.

The other financial covenants under the Existing Loan Agreement continue to apply to us, including a basic fixed charge coverage ratio of at least 1.25:1.00 and limit capital expenditures to no more than $15.0 million during any fiscal year. The Existing Loan Agreement also limits our right to incur other indebtedness, make certain investments and create liens upon our assets, subject to certain exceptions, among other restrictions. The Existing Loan Agreement does not restrict our ability to pay cash dividends on, or repurchase, shares of our common stock, subject to our compliance with the financial covenants discussed above, if we are not otherwise in default under the Existing Loan Agreement.

We were in compliance with each of these financial covenants at July 31, 2022 and expect to remain in compliance with existing covenants through fiscal 2023 and for the foreseeable future.

During the fiscal 2023 second quarter, we drew $30.3 million under our $35 million Existing Revolver to cover working capital needs driven by finished goods inventory purchases from our Asian suppliers but had repaid such amounts by the end of the quarter due in part to receiving the proceeds from the Secured Term Loan and Unsecured Term Loan. As of July 31, 2022, we had $27.9 million available under our $35 million Existing Revolver to fund working capital needs. Standby letters of credit in the aggregate amount of $7.1 million, used to collateralize certain insurance arrangements and for imported product purchases, were outstanding under the Existing Revolver as of July 31, 2022. There were no additional borrowings outstanding under the Existing Revolver as of July 31, 2022.

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 2022 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:

	July 31, 2022	January 30, 2022
Restricted shares	**143**	60
RSUs and PSUs	**139**	78
	282	138

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

During the fiscal 2023 second quarter, we purchased and retired 68,400 shares of our common stock (at an average price of $16.59 per share) under the $20 million share repurchase authorization approved by our board of directors earlier this quarter. These repurchases reduced our total outstanding shares and, consequently, reduced the weighted outstanding shares used in our calculation of earnings per share for the fiscal 2023 second quarter and year-to-date periods shown below. Through September 7, 2022, we have purchased a total of 362,000 shares at a total cost of $5.9 million.

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

	Thirteen Weeks Ended		**Twenty-Six Weeks Ended**	
	July 31, 2022	August 1, 2021	**July 31, 2022**	August 1, 2021
Net income	**$ 5,543**	$ 7,467	**$ 8,726**	$ 16,910
Less: Unvested participating restricted stock dividends	**27**	12	**46**	23
Net earnings allocated to unvested participating restricted stock	**63**	43	**85**	92
Earnings available for common shareholders	**5,453**	7,412	**8,595**	16,795
Weighted average shares outstanding for basic earnings per share	**11,876**	11,850	**11,871**	11,842
Dilutive effect of unvested restricted stock, RSU and PSU awards	**59**	143	**89**	143
Weighted average shares outstanding for diluted earnings per share	**11,935**	11,993	**11,960**	11,985
Basic earnings per share	**$ 0.47**	$ 0.63	**$ 0.74**	$ 1.42
Diluted earnings per share	**$ 0.46**	$ 0.62	**$ 0.73**	$ 1.40

13. Income Taxes

We recorded income tax expense of $1.6 million for the fiscal 2023 second quarter compared to $2.2 million for the comparable prior year quarter. The effective tax rates for the fiscal 2023 and 2022 second quarters were 22.6% and 22.7%, respectively. For the fiscal 2023 first half, we recorded income tax expense of $2.6 million, compared to $5.0 million for the comparable prior year period. The effective tax rates for the fiscal 2023 and 2022 first half periods were 23.0% and 22.7%, respectively.

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

Tax years ending February 3, 2019 through January 30, 2022 remain subject to examination by federal and state taxing authorities.

14. Segment Information

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

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

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

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

- **Hooker Branded**, consisting of the operations of our imported Hooker Casegoods and Hooker Upholstery businesses;
- **Home Meridian**, 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;
- **Domestic Upholstery,** which includes the domestic upholstery manufacturing operations of Bradington-Young, Sam Moore, Shenandoah Furniture and newly acquired Sunset West; and
- **All Other**, consisting of H Contract and Lifestyle Brands. Neither of these operating segments were individually reportable; therefore, we combined them in "All Other" in accordance with ASC 280.

Changes to segment reporting for fiscal 2023

We regularly monitor our reportable segments for changes in facts and circumstances to determine whether changes in the identification or aggregation of operating segments are necessary.

Before the fiscal 2023 first quarter, H Contract's results included sales of seating products sourced from Sam Moore. Due to a change in the way management internally evaluates operating performance, beginning with fiscal 2023 first quarter Sam Moore's results now include sales of seating products formerly included in H Contract's results. Fiscal 2022 results discussed below have been recast to reflect this change. The Hooker Branded and Home Meridian segments are unchanged.

As discussed in Note 3 above, we acquired substantially all the assets of Sunset West on the first day of the 2023 fiscal year. Based on our analysis and the requirements of ASC 280: *Segment Reporting*, Sunset West's results are included in the Domestic Upholstery segment on a prospective basis.

The following table presents segment information for the periods, and as of the dates, indicated. Prior-year information has been recast to reflect the change discussed above.

	Thirteen Weeks Ended				Twenty-Six Weeks Ended			
	July 31, 2022	**% Net Sales**	August 1, 2021	% Net Sales	**July 31, 2022**	**% Net Sales**	August 1, 2021	% Net Sales
Net Sales								
Hooker Branded	**$ 52,817**	**34.5%**	$ 49,929	30.7%	**$ 95,047**	**31.7%**	$ 101,268	31.1%
Home Meridian	**59,048**	**38.6%**	87,323	53.7%	**121,133**	**40.3%**	171,732	52.8%
Domestic Upholstery	**38,326**	**25.1%**	23,665	14.6%	**79,546**	**26.5%**	49,086	15.1%
All Other	**2,717**	**1.8%**	1,602	1.0%	**4,497**	**1.5%**	3,293	1.0%
Consolidated	**$ 152,908**	**100%**	$ 162,519	100.0%	**$ 300,223**	**100.0%**	$ 325,379	100.0%
Gross Profit								
Hooker Branded	**$ 15,598**	**29.5%**	$ 17,060	34.2%	**$ 28,837**	**30.3%**	$ 34,273	33.8%
Home Meridian	**7,321**	**12.4%**	9,607	11.0%	**13,626**	**11.2%**	19,742	11.5%
Domestic Upholstery	**7,128**	**18.6%**	4,517	19.1%	**16,483**	**20.7%**	10,154	20.7%
All Other	**1,008**	**37.1%**	533	33.3%	**1,568**	**34.9%**	1,130	34.3%
Consolidated	**$ 31,055**	**20.3%**	$ 31,717	19.5%	**$ 60,514**	**20.2%**	$ 65,299	20.1%
Operating Income/(Loss)								
Hooker Branded	**$ 6,072**	**11.5%**	$ 8,929	17.9%	**$ 10,214**	**10.7%**	$ 18,371	18.1%
Home Meridian	**(991)**	**-1.7%**	43	0.0%	**(4,085)**	**-3.4%**	908	0.5%
Domestic Upholstery	**1,713**	**4.5%**	569	2.4%	**4,465**	**5.6%**	2,300	4.7%
All Other	**497**	**18.3%**	120	7.5%	**621**	**13.8%**	324	9.8%
Consolidated	**$ 7,291**	**4.8%**	$ 9,661	5.9%	**$ 11,215**	**3.7%**	$ 21,903	6.7%
Capital Expenditures								
Hooker Branded	**$ 239**		$ 38		**$ 706**		$ 121	
Home Meridian	**592**		1,109		**632**		2,455	
Domestic Upholstery	**286**		130		**609**		889	
All Other	**-**		-		**-**		-	
Consolidated	**$ 1,117**		$ 1,277		**$ 1,947**		$ 3,465	
Depreciation & Amortization								
Hooker Branded	**$ 437**		$ 750		**$ 1,122**		$ 1,200	
Home Meridian	**725**		567		**1,386**		1,068	
Domestic Upholstery	**957**		549		**1,896**		1,309	
All Other	**3**		2		**5**		6	
Consolidated	**$ 2,122**		$ 1,868		**$ 4,409**		$ 3,583	

Identifiable Assets	**As of July 31, 2022**	**%Total Assets**	As of January 30, 2022	%Total Assets
Hooker Branded	**$ 151,444**	**41.7%**	$ 170,968	48.8%
Home Meridian	**144,674**	**39.8%**	130,890	37.4%
Domestic Upholstery	**64,554**	**17.7%**	47,232	13.5%
All Other	**2,821**	**0.8%**	1,126	0.3%
Consolidated	**$ 363,493**	**100%**	$ 350,216	100%
Consolidated Goodwill and Intangibles	**49,138**		24,343	
Total Consolidated Assets	**$ 412,631**		$ 374,559	

Sales by product type are as follows:

	Net Sales (in thousands)							
	Thirteen Weeks Ended				Twenty-Six Weeks Ended			
	July 31, 2022	**%Total**	August 1, 2021	%Total	**July 31, 2022**	**%Total**	August 1, 2021	%Total
Casegoods	**$ 92,869**	**61%**	$ 96,494	59%	**$ 167,313**	**56%**	$ 193,590	59%
Upholstery	**60,039**	**39%**	66,025	41%	**132,910**	**44%**	131,789	41%
	$ 152,908	**100%**	$ 162,519	100%	**$ 300,223**	**100%**	$ 325,379	100%

15. Subsequent Events

Dividends

On September 7, 2022, our board of directors declared a quarterly cash dividend of $0.20 per share which will be paid on September 30, 2022 to shareholders of record at September 19, 2022.

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

All references to the "Company," "we," "us" and "our" in this document refer to Hooker Furnishings Corporation and its consolidated subsidiaries, unless specifically referring to segment information. References to the "Acquisition" refer to the recently completed acquisition of substantially all of the assets of Sunset West on January 31, 2022.

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:

- risks associated with our reliance on offshore sourcing and the cost of imported goods, including fluctuation in the prices of purchased finished goods, customs issues, freight costs, including the price and availability of shipping containers, ocean vessels, ocean and domestic trucking, and warehousing costs and the risk that a disruption in our offshore suppliers or the transportation and handling industries, including labor stoppages, strikes, or slowdowns, could adversely affect our ability to timely fill customer orders;

- the effect and consequences of the coronavirus (COVID-19) pandemic or future pandemics on a wide range of matters including but not limited to U.S. and local economies; our business operations and continuity; the health and productivity of our employees; and the impact on our global supply chain, inflation, the retail environment and our customer base;

- 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 prior U.S. administration's imposition of a 25% tariff on certain goods imported into the United States from China including almost all furniture and furniture components manufactured in China, which is still in effect, with the potential for additional or increased tariffs in the future;

- 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;

- the risks related to the recent Acquisition including integration costs, costs related to Acquisition debt, maintaining Sunset West's existing customer relationships, debt service costs, interest rate volatility, the use of operating cash flows to service debt to the detriment of other corporate initiatives or strategic opportunities, the loss of key employees from Sunset West, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies across the business which could adversely affect our internal control or information systems and the costs of bringing them into compliance and failure to realize benefits anticipated from the Acquisition;

- 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;

- difficulties in forecasting demand for our imported products;

- 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 and the adverse effects of negative media coverage;

- disruptions and damage (including those due to weather) affecting our Virginia or Georgia warehouses, our Virginia or North Carolina administrative facilities, our North Carolina and Las Vegas showrooms or our representative offices or warehouses in Vietnam and China;
- risks associated with our newly leased warehouse space in Georgia including information systems, access to warehouse labor and the inability to realize anticipated cost savings;
- the risks specifically related to the concentrations of a material part of our sales and accounts receivable in only a few customers, including the loss of several large customers through business consolidations, failures or other reasons, or the loss of significant sales programs with major customers;
- our inability to collect amounts owed to us or significant delays in collecting such amounts;
- 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;
- the direct and indirect costs and time spent by our associates associated with the implementation of our Enterprise Resource Planning system (ERP), including costs resulting from unanticipated disruptions to our business;
- achieving and managing growth and change, and the risks associated with new business lines, acquisitions, including the selection of suitable acquisition targets, restructurings, strategic alliances and international operations;
- the impairment of our long-lived assets, which can result in reduced earnings and net worth;
- capital requirements and costs;
- risks associated with distribution through third-party retailers, such as non-binding dealership arrangements;
- the cost and difficulty of marketing and selling our products in foreign markets;
- 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;
- price competition in the furniture industry;
- 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.

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

Also, our business is subject to significant risks and uncertainties any of which can adversely affect our business, results of operations, financial condition or future prospects. For a discussion of risks and uncertainties that we face, see the Forward-Looking Statements detailed above and Item 1A, "Risk Factors" in our 2022 Annual Report.

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

Quarterly Reporting

This quarterly report on Form 10-Q includes our unaudited condensed consolidated financial statements for the 2023 fiscal year thirteen-week period (also referred to as “three months,” “three-month period,” “quarter,” “second quarter” or “quarterly period”) that began May 2, 2022, and the twenty-six week period (also referred to as “six months”, “six-month period” or “first half”) that began January 31, 2022, which both ended July 31, 2022. This report discusses our results of operations for these periods compared to the 2022 fiscal year thirteen-week period that began May 3, 2021, and the twenty-six-week period that began February 1, 2021, which both ended August 1, 2021; and our financial condition as of July 31, 2022 compared to January 30, 2022.

References in this report to:

- the 2023 fiscal year and comparable terminology mean the fiscal year that began January 31, 2022 and will end January 29, 2023; and
- the 2022 fiscal year and comparable terminology mean the fiscal year that began February 1, 2021 and ended January 30, 2022.

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 SEC, especially our 2022 Annual Report. Our 2022 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 2022 Annual Report and other public filings made with the SEC are available, without charge, at www.sec.gov and at http://investors.hookerfurnishings.com.

Overview

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

Changes to segment reporting for fiscal 2023

We regularly monitor our reportable segments for changes in facts and circumstances to determine whether changes in the identification or aggregation of operating segments are necessary.

Before the fiscal 2023 first quarter, H Contract’s results included sales of seating products sourced from Sam Moore. Due to a change in the way management internally evaluates operating performance, beginning with fiscal 2023 first quarter Sam Moore’s results now include sales of seating products formerly included in H Contract’s results. Fiscal 2022 results discussed below have been recast to reflect this change. The Hooker Branded and Home Meridian segments are unchanged.

As discussed in Note 3 above, we acquired substantially all the assets of Sunset West on the first day of the 2023 fiscal year. Based on our analysis and the requirements of ASC 280: *Segment Reporting*, Sunset West’s results are included in the Domestic Upholstery segment on a prospective basis.

Orders and Backlog

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

For the Hooker Branded and Domestic Upholstery segments and All Other, we generally consider backlogs to be one helpful indicator of sales for the upcoming 30-day period, but because of our relatively quick delivery and our cancellation policies, we do not consider order backlogs to be a reliable indicator of expected long-term sales. We generally consider the Home Meridian segment’s backlog to be one helpful indicator of that segment’s sales for the upcoming 90-day period. Due to (i) Home Meridian’s sales volume, (ii) the average sales order sizes of its mass and mega account channels of distribution, (iii) the proprietary nature of many of its products and (iv) the project nature of its hospitality business, for which average order sizes tend to be larger and consequently, its order backlog tends to be larger. There are exceptions to the general predictive nature of our orders and backlogs noted in this paragraph due to current demand and supply chain challenges related to the COVID-19 pandemic and subsequent recovery. They are discussed in greater detail below and are essential to understanding our prospects. During fiscal 2022, orders were not converting to shipments as quickly as would be expected compared to the pre-pandemic environment due to the lack and cost of shipping containers and vessel space as well as limited overseas vendor capacity. As a result, backlogs were elevated to historical high levels. At July 31, 2022, our backlog of unshipped orders was as follows and a further discussion of our current backlog by segment is discussed below under “Review”:

	Order Backlog (Dollars in 000s)		
Reporting Segment	**July 31, 2022**	January 30, 2022	August 1, 2021
Hooker Branded	**$ 54,168**	$ 68,925	$ 54,041
Home Meridian	**80,087**	167,968	201,060
Domestic Upholstery	**61,849**	67,068	60,570
All Other	**5,333**	6,148	4,701
Consolidated	**$ 201,437**	$ 310,109	$ 320,372

Executive Summary-Results of Operations

- Consolidated net sales for the fiscal 2023 second quarter decreased by $9.6 million, or 5.9%, as compared to the prior year quarter, driven by decreased net sales in the Home Meridian segment, partially offset by sales increases in the Domestic Upholstery (due in part to the addition of Sunset West results) and Hooker Branded segments, and the recovery in the H Contract business. Consolidated gross profit decreased due to decreases in the Home Meridian and Hooker Branded segments, partially offset by increased gross profit in the Domestic Upholstery segment. Consolidated gross margin increased due to improved margin at Home Meridian. Consolidated operating income was $7.3 million or 4.8% of net sales as compared to a $9.7 million or 5.9% of net sales in the prior year period. Consolidated net income was $5.5 million or $0.46 per diluted share for the fiscal 2023 second quarter, as compared to $7.5 million or $0.62 per diluted share in the prior year quarter.

- For the fiscal 2023 first half, consolidated net sales decreased by $25.2 million, or 7.7%, compared to the prior year period due to decreased net sales in the Home Meridian and Hooker Branded segments, partially offset by increased net sales in the Domestic Upholstery segment and the addition of Sunset West results therein. Consolidated gross profit decreased while gross margin stayed about the same. Consolidated operating income was $11.2 million or 3.7% of net sales as compared to $21.9 million or 6.7% of net sales in the prior year first half. Consolidated net income was $8.7 million or $0.73 per diluted share for the fiscal 2023 first half, as compared to $16.9 million or $1.40 per diluted share in the prior year period.

Our fiscal 2023 second quarter and first-half performance are discussed in greater detail below under “Review” and “Results of Operations.”

Review

In the second quarter and first half of fiscal 2023, consolidated net sales and profitability both decreased as compared to the corresponding periods in the prior year. In the first half of the prior year, sales and profitability were favorably impacted by the demand surge that followed the initial Covid crisis and a return to more normal factory production, which benefitted home furnishings and other industries, before new Covid variants resulted in new lockdowns at many of our Asian suppliers in the second half of fiscal 2022. Effects of these lockdowns continued into the fiscal 2023 first quarter, however factory production improved substantially during the second quarter of fiscal 2023 and helped us exceed our internal expectations for the quarter.

The *Hooker Branded segment*'*s* net sales increased by $2.9 million, or 5.8%, as compared to the prior year quarter when sales were already elevated, due to sales increases at both Hooker Casegoods and Hooker Upholstery. The unexpected COVID-related lockdown at our suppliers in Vietnam last summer and their slow re-openings caused low inventory receipts in our U.S. warehouses and resulted in a sales decline in the second half of fiscal 2022 and the fiscal 2023 first quarter. As these suppliers resumed production and shipments after the Lunar New Year, inventory receipts at our U.S. warehouses have increased each month, allowing us to fulfill orders and reduce backlogs. At the end of fiscal 2023 second quarter, inventory levels for this segment increased by $33 million as compared to fiscal 2022 year-end and $15 million as compared to fiscal 2023 first quarter end, including $24 million of in-transit inventory. The majority of Hooker Branded sales are shipped out of U.S. warehouses, so we believe our investment in inventory is essential to keep our best sellers in stock, support our inventory positioning, help reduce impacts of the ongoing supply chain disruptions, flow imports from Asia, and prepare for the fall and holiday selling seasons. Additionally, a large percentage of this inventory is designated for sales orders in our backlog and carries the price increases we implemented last year and earlier this year to mitigate higher freight and product costs. This segment reported $6.1 million operating income and a 11.5% operating margin for the fiscal 2023 second quarter. Incoming orders decreased as compared to the prior year quarter and the quarter-end backlog was at a comparable level to the prior year second quarter end but was 21% lower than at fiscal 2022 year-end due to increased shipments during the quarter. Hooker Branded backlog was still about four times higher than pre-pandemic levels in fiscal 2020.

The *Home Meridian segment*'*s* net sales decreased by $28.3 million, or 32.4%, as compared to the prior year quarter. Sales with mass merchants and major furniture chains decreased due to retailers accelerating orders in the prior year and rationalizing their inventory levels in the current year. In addition, our exit of the unprofitable Clubs channel, which accounted for about 40% of the sales decline. E-commerce sales decreased as sales in this channel returned to pre-pandemic levels and growth rates. These decreases were partially offset by the continued recovery of hospitality business and the launch of the Pulaski Upholstery division. Despite significant sales declines, Home Meridian gross margin improved in fiscal 2023 second quarter due to the fact that most shipments carried price increases and freight surcharges to help mitigate higher freight costs and lower allowances as a result of our exit from the Clubs channel. Profitability was negatively impacted by a large quality-related chargeback and transition and start-up costs at the new Georgia warehouse. On a more positive note, during the quarter we completed the exit from all three older warehouses and leased additional space at our new Georgia warehouse to support HMI's expansion into higher-margin channels of distribution. This segment reported an operating loss of $991,000, as compared to breakeven in the prior year quarter; however, it improved from $3.1 million operating loss in the first quarter of fiscal 2023. Quarter-end backlog was lower than the prior year second quarter end and fiscal 2022 year-end due to decreased incoming orders with mass merchants, as these customers continue to rationalize their inventories to match current demand levels, and the absence of Clubs channel orders but was at about the same levels the segment experienced in fiscal 2020.

The *Domestic Upholstery segment*'*s* net sales increased by $14.7 million, or 62.0%, as compared to the prior year quarter due to organic sales growth at Bradington Young, Sam Moore and Shenandoah, as well as the addition of Sunset West results. Despite strong sales, gross margins decreased in the fiscal 2023 second quarter due to significantly increased raw material costs, partially offset by overhead absorption on higher sales volume and higher gross margin at the Shenandoah division whose production was impacted by a foam shortage issue in the prior year period. This segment reported an operating income of $1.7 million and a 4.5% operating margin for the fiscal 2023 second quarter. Incoming orders decreased due to current lead times and high backlogs. Quarter-end backlog was at the same level as prior year quarter, but was 7.8% lower than at fiscal 2022 year-end as higher shipments reduced backlog. Domestic Upholstery backlog was almost five times pre-pandemic levels in fiscal 2020.

Cash and cash equivalents stood at $11.7 million at fiscal 2023 second quarter-end, down $57.7 million as compared to the balance at the fiscal 2022 year-end due principally to a $56.1 million increase in inventory. At fiscal 2023 second quarter end, inventory stood at $131.1 million, $27.5 million higher than prior year second quarter end and $38.3 million higher than pre-pandemic level at fiscal 2020 year-end. During the fiscal 2023 second quarter, we received $25 million in term loan proceeds to replenish cash used to make the Sunset West Acquisition. We also paid $4.8 million in cash dividends to our shareholders and spent $3 million for development of our new cloud-based ERP system. In addition to our cash balance, we had $27.9 million available under our existing revolver to fund working capital needs. With strategic inventory management and cautious capital expenditures, we believe we have the financial resources to support our business operations for the foreseeable future.

Results of Operations

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2022	August 1, 2021	**July 31, 2022**	August 1, 2021
Net sales	**100%**	100%	**100%**	100%
Cost of sales	**79.7**	80.5	**79.8**	79.9
Gross profit	**20.3**	19.5	**20.2**	20.1
Selling and administrative expenses	**15.0**	13.2	**15.8**	13.0
Intangible asset amortization	**0.6**	0.4	**0.6**	0.4
Operating income	**4.8**	5.9	**3.7**	6.7
Other (expense)/income, net	**(0.1)**	-	**0.1**	-
Income before income taxes	**4.7**	5.9	**3.8**	6.7
Income tax expense	**1.1**	1.3	**0.9**	1.5
Net income	**3.6**	4.6	**2.9**	5.2

Fiscal 2023 Second Quarter and First-Half Compared to Fiscal 2022 Second Quarter and First-Half

	Net Sales											
	Thirteen Weeks Ended						Twenty-Six Weeks Ended					
	July 31, 2022	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change	**July 31, 2022**	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change
Hooker Branded	**$ 52,817**	**34.5%**	$ 49,929	30.7%	$ 2,888	5.8%	**$ 95,047**	**31.7%**	$ 101,268	31.1%	$ (6,221)	-6.1%
Home Meridian	**59,048**	**38.6%**	87,323	53.7%	(28,275)	-32.4%	**121,133**	**40.3%**	171,732	52.8%	(50,599)	-29.5%
Domestic Upholstery	**38,326**	**25.1%**	23,665	14.6%	14,661	62.0%	**79,546**	**26.5%**	49,086	15.1%	30,460	62.1%
All Other	**2,717**	**1.8%**	1,602	1.0%	1,115	69.6%	**4,497**	**1.5%**	3,293	1.0%	1,204	36.6%
Consolidated	**$ 152,908**	**100%**	$ 162,519	100%	$ (9,611)	-5.9%	**$ 300,223**	**100%**	$ 325,379	100%	$ (25,156)	-7.7%

Unit Volume	**FY23 Q2 % Increase vs. FY22 Q2**	**FY23 YTD % Increase vs. FY22 YTD**	**Average Selling Price ("ASP")**	**FY23 Q2 % Increase vs. FY22 Q2**	**FY23 YTD % Increase vs. FY22 YTD**
Hooker Branded	**-7.7%**	**-18.5%**	Hooker Branded	**14.0%**	**14.8%**
Home Meridian	**-34.6%**	**-33.1%**	Home Meridian	**-0.9%**	**1.9%**
Domestic Upholstery *	**10.8%**	**7.5%**	Domestic Upholstery *	**22.1%**	**23.2%**
All Other	**56.2%**	**33.7%**	All Other	**7.0%**	**1.8%**
Consolidated	**-27.9%**	**-28.4%**	Consolidated	**22.5%**	**20.5%**

*Sunset West is excluded from the Domestic Upholstery segment in the Unit Volume and ASP portions of the table above since it was not a part of our fiscal 2022 results. Consequently, we believe including their fiscal 2023 results would skew Domestic Upholstery results and reduce the usefulness of those portions of the table.

Consolidated net sales decreased in the fiscal 2023 second quarter due to sales declines in the Home Meridian segment, partially offset by increased net sales in the Domestic Upholstery and Hooker Branded segments. Consolidated net sales decreased in the fiscal 2023 first half due to sales declines in the Home Meridian and Hooker Branded segments, partially offset by increased net sales in the Domestic Upholstery segment.

- The Hooker Branded segment's net sales increased in the fiscal 2023 second quarter compared to the prior year quarter as both Hooker Casegoods and Hooker Upholstery divisions reported higher net sales. Unit volume was lower than prior year second quarter, but significantly improved from the fourth quarter of previous year and the first quarter of this year. ASP increased due to price increases we implemented in response to higher freight costs and product cost inflation. For the fiscal 2023 first half, net sales decreased driven by lower shipments at the Hooker Casegoods division in the first quarter due to inventory unavailability. The decrease was partially offset by continued higher sales at Hooker Upholstery due to quicker inventory turns at this division. However, it was not sufficient to offset the sales decreases driven by unit volume loss.

- The Home Meridian segment's net sales decreased in the fiscal 2023 second quarter and first half compared to the prior year periods due to lower sales in the mass merchants and furniture chains as customers rationalize their inventory levels, the absence of sales from the unprofitable Clubs channel, and lower sales in the e-commerce channel. These declines were partially offset by the recovery of hospitality business and the addition of Pulaski Upholstery division. In addition, the prior year quarter's sales were up over 20% as compared to the fiscal 2021 second quarter due to a demand surge after the initial COVID crisis. We implemented price increases to mitigate higher freight costs; however, ASP was negatively impacted by deeply discounted Ready-To-Assemble category sales, the category we determined to exit last year.

- The Domestic Upholstery segment reported strong net sales in the fiscal 2023 second quarter and first half due to double-digit sales growth at all three divisions as well as the addition of Sunset West's sales. Prior-year sales were negatively affected by a foam shortage which is no longer a significant issue. Although we experienced some disruptions of the delivery of raw materials for production, all three divisions were operating near full capacity with shipments exceeding prior year periods and our internal goals. Additionally, ASP increased at three divisions due to price increases we implemented in response to the inflation of raw material costs.

- All Other's net sales increased in the fiscal 2023 second quarter and first half due to increased unit volume at H Contract, as this division is gradually recovering from the impact of reduced capital spending by the senior living industry during the COVID pandemic.

Gross Profit and Margin

	Thirteen Weeks Ended						Twenty-Six Weeks Ended					
	July 31, 2022	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change	**July 31, 2022**	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change
Hooker Branded	**$ 15,598**	**29.5%**	$ 17,060	34.2%	$ (1,462)	-8.6%	**$ 28,837**	**30.3%**	$ 34,273	33.8%	$ (5,436)	-15.9%
Home Meridian	**7,321**	**12.4%**	9,607	11.0%	(2,286)	-23.8%	**13,626**	**11.2%**	19,742	11.5%	(6,116)	-31.0%
Domestic Upholstery	**7,128**	**18.6%**	4,517	19.1%	2,611	57.8%	**16,483**	**20.7%**	10,154	20.7%	6,329	62.3%
All Other	**1,008**	**37.1%**	533	33.3%	475	89.1%	**1,568**	**34.9%**	1,130	34.3%	438	38.8%
Consolidated	**$ 31,055**	**20.3%**	$ 31,717	19.5%	$ (662)	-2.1%	**$ 60,514**	**20.2%**	$ 65,299	20.1%	$ (4,785)	-7.3%

Consolidated gross profit decreased while margin increased in the fiscal 2023 second quarter. For the fiscal 2023 first half, consolidated gross profit decreased and margin stayed about the same as compared to prior year period.

- The Hooker Branded segment's gross profit and margin both decreased in the fiscal 2023 second quarter, despite increased net sales, due primarily to higher freight and product costs, and to a lesser extent higher warehousing labor costs due to increased shipping and receiving activity, higher wage levels, and higher demurrage and drayage expenses as more containers were delivered to the U.S and continued to experience supply chain interruptions. Hooker Branded gross profit and margin decreased in the fiscal 2023 first half also due to sales declines in the first quarter and increased costs.

- The Home Meridian segment's gross profit decreased in the fiscal 2023 second quarter and first half driven by sales volume loss, higher product costs, higher warehousing labor costs, transition and start-up costs at the new Georgia warehouse, and margin loss on a quality-related issue. Gross margin increased in the fiscal 2023 second quarter but decreased slightly in the first half. Freight costs still negatively impacted margin in this segment but improved as compared to prior year periods due to price increases and surcharges to offset the increased freight and product costs.

- The Domestic Upholstery segment's gross profit increased in the fiscal 2023 second quarter and first half due to strong sales across all divisions and the addition of Sunset West gross profit. Despite significant sales increases, gross margin decreased in the fiscal 2023 second quarter and stayed the same in the first half due to increased raw material costs, partially offset by overhead absorption which benefitted from higher sales volume and production efficiencies. Prior-year gross profit was negatively affected by production inefficiencies from a foam shortage which is no longer a significant issue.

- All Other's gross profit and margin both increased in the fiscal 2023 second quarter and first half driven by stronger net sales.

Selling and Administrative Expenses (S&A)

	Thirteen Weeks Ended						Twenty-Six Weeks Ended					
	July 31, 2022	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change	**July 31, 2022**	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change
Hooker Branded	**$ 9,526**	**18.0%**	$ 8,132	16.3%	$ 1,394	17.1%	**$ 18,624**	**19.6%**	$ 15,902	15.7%	$ 2,722	17.1%
Home Meridian	**7,978**	**13.5%**	9,230	10.6%	(1,252)	-13.6%	**17,043**	**14.1%**	18,167	10.6%	(1,124)	-6.2%
Domestic Upholstery	**4,871**	**12.7%**	3,685	15.6%	1,186	32.2%	**10,929**	**13.7%**	7,329	14.9%	3,600	49.1%
All Other	**511**	**18.8%**	413	25.8%	98	23.7%	**947**	**21.1%**	806	24.5%	141	17.5%
Consolidated	**$ 22,886**	**15.0%**	$ 21,460	13.2%	$ 1,426	6.6%	**$ 47,543**	**15.8%**	$ 42,204	13.0%	$ 5,339	12.7%

Consolidated selling and administrative ("S&A") expenses increased in absolute terms and as a percentage of net sales in the fiscal 2023 second quarter and first half.

- The Hooker Branded segment's S&A expenses increased in absolute terms and as a percentage of net sales in the fiscal 2023 second quarter and first half driven by increased salaries and wages due to salary inflation, higher professional service fees, higher commissions on undiscounted sales, higher bonus accruals due to the reversal of unearned executive bonuses in the prior year first quarter, and higher travel expenses and other operating expenditures as business continued to resume to normal.

- The Home Meridian segment's S&A expenses decreased in absolute terms in the fiscal 2023 second quarter and first half due to decreased salaries and wages because of personnel changes and lower selling costs on decreased net sales, partially offset by higher depreciation expenses on additions of property and equipment at the new Georgia warehouse, higher designing fees on a new licensing arrangement, and higher international travel expenses as normal travel schedules resumed. S&A expenses increased as a percentage of net sales in the fiscal 2023 second quarter and first half due to decreased net sales.

- The Domestic Upholstery segment's S&A expenses increased in absolute terms in the fiscal 2023 second quarter and first half driven by the addition of Sunset West's S&A expenses, higher selling costs on increased net sales across all divisions, and higher salaries and wages. Domestic Upholstery S&A expenses decreased as a percentage of net sales in the fiscal 2023 second quarter and first half due principally to higher net sales.

- All Other S&A expenses increased in absolute terms while decreased as a percentage of net sales in the fiscal 2023 second quarter and first half.

	Intangible Asset Amortization											
	Thirteen Weeks Ended						Twenty-Six Weeks Ended					
	July 31, 2022	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change	**July 31, 2022**	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change
Intangible asset amortization	**$ 878**	**0.6%**	$ 596	0.4%	$ 282	47.3%	**$ 1,756**	**0.6%**	$ 1,192	0.4%	$ 564	47.3%

Intangible asset amortization expense was higher in fiscal 2023 second quarter and first half due to Acquisition-related amortization expense.

	Operating Profit/(Loss) and Margin											
	Thirteen Weeks Ended						Twenty-Six Weeks Ended					
	July 31, 2022	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change	**July 31, 2022**	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change
Hooker Branded	**$ 6,072**	**11.5%**	$ 8,929	17.9%	$ (2,857)	-32.0%	**$ 10,214**	**10.7%**	$ 18,371	18.1%	$ (8,157)	-44.4%
Home Meridian	**(991)**	**-1.7%**	43	0.0%	(1,034)	-2404.7%	**(4,085)**	**-3.4%**	908	0.5%	(4,993)	-549.9%
Domestic Upholstery	**1,713**	**4.5%**	569	2.4%	1,144	201.1%	**4,465**	**5.6%**	2,300	4.7%	2,165	94.1%
All Other	**497**	**18.3%**	120	7.5%	377	314.2%	**621**	**13.8%**	324	9.8%	297	91.7%
Consolidated	**$ 7,291**	**4.8%**	$ 9,661	5.9%	$ (2,370)	-24.5%	**$ 11,215**	**3.7%**	$ 21,903	6.7%	$ (10,688)	-48.8%

Operating profit and margin decreased as compared to the prior year quarter due to the factors discussed above. Sunset West operating profit of $150,000 and $1.0 million for the fiscal 2023 second quarter and first half, respectively, net of $282,000 and $564,000 in intangible asset amortization expense on Acquisition-related intangibles, is included in the Domestic Upholstery segment's results.

	Interest Expense, net											
	Thirteen Weeks Ended						Twenty-Six Weeks Ended					
	July 31, 2022	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change	**July 31, 2022**	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change
Consolidated interest expense, net	**$ 83**	**0.1%**	$ 23	0.0%	$ 60	260.9%	**$ 111**	**0.0%**	$ 54	0.0%	$ 57	105.6%

Consolidated interest expense was higher in fiscal 2023 second quarter and first half due to interest on the amounts drawn on the revolving credit facility in the second quarter.

	Income taxes											
	Thirteen Weeks Ended						Twenty-Six Weeks Ended					
	July 31, 2022	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change	**July 31, 2022**	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change
Consolidated income tax expense	**$ 1,621**	**1.1%**	$ 2,192	1.3%	$ (571)	-26.0%	**$ 2,612**	**0.9%**	$ 4,966	1.5%	$ (2,354)	-47.4%
Effective Tax Rate	**22.6%**		22.7%				**23.0%**		22.7%			

Consolidated income tax expense was $1.6 million for the fiscal 2023 second quarter compared to $2.2 million for the prior year quarter. The effective tax rates for the fiscal 2023 and 2022 second quarters were 22.6% and 22.7%, respectively. For the fiscal 2023 first half, consolidated income tax expense was $2.6 million, compared to $5.0 million for the prior year period. The effective tax rates for the fiscal 2023 and 2022 first half periods were 23.0% and 22.7%, respectively.

Net Income

	Thirteen Weeks Ended						Twenty-Six Weeks Ended					
	July 31, 2022	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change	**July 31, 2022**	% Net Sales	August 1, 2021	% Net Sales	$ Change	% Change
Consolidated Net Income	**$ 5,543**	**3.6%**	$ 7,467	4.6%	$ (1,924)	-25.8%	**$ 8,726**	**2.9%**	$ 16,910	5.2%	$ (8,184)	-48.4%
Diluted earnings per share	**$ 0.46**		$ 0.62				**$ 0.73**		$ 1.40			

COVID-19

We continue to monitor information on COVID-19 from the CDC and believe we are adhering to their recommendations regarding the health and safety of our personnel. We have adjusted social distancing and masking protocols to recently updated CDC guidelines. Testing, treatment, and vaccinations for COVID-19 are covered 100% under our medical plan and counseling is available through our employee assistance plan to assist employees with financial, mental, and emotional stress related to the virus and other issues.

Outlook

We are closely monitoring economic disrupters like inflation, rising interest rates, and a slowing housing market. At the same time, we see many reasons for optimism as the U.S. enjoys strong levels of employment, rising household incomes, continuing strength in consumer spending and watching as yet another sizeable generation enters into their prime furniture purchasing years.

While incoming orders are down from pandemic highs, we have substantial backlogs to ship and we believe the reduction of incoming orders from retailers may be temporary, and more a result of right-sizing their inventories than a significant decline in normalized consumer demand.

We expect that the fall and holiday season sales activity will align more closely with the pre-pandemic ordering environment that we have become accustomed to. We are preparing for a strong second half of the year, and based on our backlogs and solid inventory position, we are on track to increase sales in all three segments as compared to the prior fiscal year.

We believe organic growth will be buoyed by several new strategic initiatives including our recent entry into outdoor furniture, expansion of our presence in the interior design channel in all segments along with the post pandemic recovery within the hospitality and contract businesses. HMI's portfolio program launches at the upcoming October High Point market which we believe will accelerate the expansion of HMI's customer base.

Financial Condition, Liquidity and Capital Resources

Cash Flows – Operating, Investing and Financing Activities

	Twenty-Six Weeks Ended	
	July 31, 2022	August 1, 2021
Net cash used in operating activities	**$ (48,481)**	$ (20,207)
Net cash used in investing activities	**(28,263)**	(3,938)
Cash provided by/(used in) financing activities	**19,031**	(4,285)
Net decrease in cash and cash equivalents	**$ (57,713)**	$ (28,430)

During the six months ended July 31, 2022, we used a portion of the $25 million term-loan proceeds and existing cash and cash equivalents on hand to build up inventory levels, fund the Acquisition, pay $4.8 million in cash dividends, $1.9 million capital expenditures to enhance our business systems and facilities, $1.1 million in purchases and retirement of common stock, and $404,000 in life insurance premiums on Company-owned life insurance policies.

In comparison, during the six months ended August 1, 2021, we used a portion of the existing cash and cash equivalent on hand to pay $3.5 million of capital expenditures to enhance our business systems and facilities, $4.3 million in cash dividends, and $473,000 in life insurance premiums on Company-owned life insurance policies.

Liquidity, Financial Resources and Capital Expenditures

Our financial resources include:

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

We believe these resources are sufficient to meet our business requirements and the payment of dividends through fiscal 2023 and for the foreseeable future, including expected capital expenditures and working capital needs.

Loan Agreements and Revolving Credit Facility

On July 26, 2022, we entered into a Fourth Amendment to the Second Amended and Restated Loan Agreement (the "Amendment") with Bank of America, N.A. ("BofA") in order to replenish cash for all or a portion of the purchase price and other costs associated with the acquisition of substantially all of the assets of Sunset West. The Second Amended and Restated Loan Agreement dated as of September 29, 2017, had previously been amended by a First Amendment to Second Amended and Restated Loan Agreement dated as of January 31, 2019, a Second Amendment to Second Amended and Restated Loan Agreement dated as of November 4, 2020, and a Third Amendment to Second Amended and Restated Loan Agreement dated as of January 27, 2021 (as so amended, the "Existing Loan Agreement").

Details of the individual credit facilities provided for in the Amendment are as follows:

- **Unsecured Revolving Credit Facility.** Under this Amendment, the expiration date of the existing $35 million Unsecured Revolving Credit Facility (the "Existing Revolver") was extended to July 26, 2027. Any amounts outstanding will bear interest at a rate per annum, equal to the then current BSBY (adjusted periodically) plus 1.00%. The interest rate will be adjusted monthly. The actual daily amount of undrawn letters of credit is subject to a quarterly fee equal to a per annum rate of 1%. We must also pay a quarterly unused commitment fee that is based on the average daily amount of the facility utilized during the applicable quarter;

- **2022 Secured Term Loan.** The Amendment provided us with a $18 million term loan (the "Secured Term Loan"), which was disbursed to us on July 26, 2022. We are required to pay monthly interest only payments at a rate per annum equal to the then current BSBY rate (adjusted periodically) plus 0.90% on the outstanding balance until the principal is paid in full. The interest rate will be adjusted monthly. On July 26, 2027, the entire outstanding indebtedness is due in full, including all principal and interest. The Secured Term Loan is secured by life insurance policies under a Security Agreement (Assignment of Life Insurance Policy as Collateral) dated July 26, 2022, by and between the Company and BofA; and

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

We may prepay any outstanding principal amounts borrowed under either the Secured Term Loan or the Unsecured Term Loan at any time, without penalty provided that any payment is accompanied by all accrued interest owed.

We incurred $37,500 in debt issuance costs in connection with our term loans. As of July 31, 2022, unamortized loan costs of $37,500 were netted against the carrying value of our term loans on our condensed consolidated balance sheets.

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

- Maintain a ratio of funded debt to EBITDA not exceeding:
    - 2.50:1.0 through July 30, 2023;
    - 2.25:1.0 through July 30, 2024; and
    - 2.00:1.00 thereafter.

The other financial covenants under the Existing Loan Agreement continue to apply to us, including a basic fixed charge coverage ratio of at least 1.25:1.00 and limit capital expenditures to no more than $15.0 million during any fiscal year. The Existing Loan Agreement also limits our right to incur other indebtedness, make certain investments and create liens upon our assets, subject to certain exceptions, among other restrictions. The Existing Loan Agreement does not restrict our ability to pay cash dividends on, or repurchase, shares of our common stock, subject to our compliance with the financial covenants discussed above, if we are not otherwise in default under the Existing Loan Agreement.

We were in compliance with each of these financial covenants at July 31, 2022 and expect to remain in compliance with existing covenants through fiscal 2023 and for the foreseeable future.

As of July 31, 2022, we had $27.9 million available under our $35 million Existing Revolver to fund working capital needs. Standby letters of credit in the aggregate amount of $7.1 million, used to collateralize certain insurance arrangements and for imported product purchases, were outstanding under the Existing Revolver as of July 31, 2022. There were no additional borrowings outstanding under the Existing Revolver as of July 31, 2022.

Share Repurchase Authorization

On June 6, 2022, our Board of Directors authorized the repurchase of up to $20 million of the Company's common shares. 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 for our revolving credit facility and other factors we deem relevant.

During the second quarter of fiscal 2023, we had used approximately $1.1 million of the authorization to purchase 68,400 of our common shares (at an average price of $16.59 per share), with approximately $18.9 million remaining available for future purchases under the authorization as of the end of the fiscal 2023 second quarter. Through September 7, 2022, we have purchased a total of 362,000 shares at a total cost of $5.9 million.

Capital Expenditures

We expect to spend approximately $4 million in capital expenditures over the remainder of fiscal 2023 to maintain and enhance our operating systems and facilities. We expect about $2.5 million of this amount will be spent on the High Point showroom renovations for both legacy Hooker divisions and the Home Meridian segment. The showroom for the Hooker legacy will be moved to a location to maximize interior design traffic and to showcase Sunset West products in an outdoor setting. The Home Meridian renovation will support new initiatives including the new 'Portfolio' sales program aimed at retailers who prefer to buy from our warehouse rather than container direct. The majority of current Home Meridian sales are container direct, proprietary products which are typically at lower margins than are warehouse sales, since sales from our warehouse require less inventory investment and risk by customers and, therefore, command higher margins. The Portfolio program is designed to broaden and strengthen Home Meridian's customer base and improve average margins over time.

Enterprise Resource Planning Project

During calendar 2021, our Board of Directors approved an upgrade to our current ERP system and implementation efforts began shortly thereafter. We expect to implement the ERP upgrade in our legacy Hooker divisions in the first quarter of fiscal 2024, with the Home Meridian segment following afterwards. To complete the ERP system implementation as anticipated, we will be required to expend significant financial and human resources. In addition to the capital expenditures discussed in the section immediately above, we anticipate spending approximately $3 million over the remainder of the year, with a significant amount of time invested by our associates.

Dividends

On September 7, 2022, our board of directors declared a quarterly cash dividend of $0.20 per share which will be paid on September 30, 2022 to shareholders of record at September 19, 2022.

Critical Accounting Policies

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” included in our 2022 Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

Borrowings under our revolving credit facility, the Secured Term Loan and the Unsecured Term loan bear interest based on BSBY plus 1.00%, BSBY plus 0.90% and BSBY plus 1.40%, respectively. As such, these debt instruments expose us to market risk for changes in interest rates. There was no outstanding balance under our revolving credit facility as of July 31, 2022 other than standby letters of credit in the amount of $7.1 million. However, as of July 31, 2022, $25 million was outstanding under our term loans. A 1% increase in the BSBY rate would result in an annual increase in interest expenses on our terms loans of approximately $244,000.

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. Due to the Russian Invasion of Ukraine, there is a shortage of Russian Birch which was the third largest source of US hardwood plywood imports in 2021. A large portion of the plywood used at one division of our Domestic Upholstery segment is Russian Birch. We have been able to find an alternative plywood source at a higher cost.

Currency Risk

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

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended July 31, 2022. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective as of July 31, 2022 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

On January 31, 2022, we closed on the acquisition of substantially all of the assets of Sunset HWM, LLC (“Sunset West"). As permitted by SEC guidance for newly acquired businesses, we intend to exclude Sunset West’s operations from the scope of our Sarbanes-Oxley Section 404 report on internal controls over financial reporting for the year ending January 29, 2023. We are in the process of implementing our internal control structure at Sunset West and expect that this effort will be completed in fiscal 2023.

There have been no changes in our internal control over financial reporting during the fiscal quarter ended July 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Program	Maximum Dollar Value of Shares That May Yet Be Purchased Under The Program
May 2, 2022 - June 5, 2022	-	$ -		$ -
June 6, 2022 - July 3, 2022	-	-		-
July 4, 2022 - July 31, 2022	68,409	16.59	68,409	18,865,161
Total	68,409	$ 16.59	68,409	

Item 6. Exhibits

3.1	Articles of Incorporation of the Company, as amended as of September 16, 2021 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (SEC File No. 000-25349) for the quarter ended October 31, 2021)
3.2	Amended and Restated Bylaws of the Company, as amended 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	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	Employment Agreement, dated July 13, 2022, by and between Hooker Furnishings Corporation and Jeremy R. Hoff (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (SEC File No. 000-25349) filed on July 18, 2022).
10.2	Employment Agreement, dated July 13, 2022, by and between Hooker Furnishings Corporation and Paul A. Huckfeldt (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (SEC File No. 000-25349) filed on July 18, 2022).
10.3	Employment Agreement, dated July 13, 2022, by and between Hooker Furnishings Corporation and Anne J. Smith (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (SEC File No. 000-25349) filed on July 18, 2022).
10.4	Employment Agreement, dated July 13, 2022, by and between Hooker Furnishings Corporation and Tod R. Phelps (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (SEC File No. 000-25349) filed on July 18, 2022).
10.5	Fourth Amendment to Second Amended and Restated Loan Agreement, dated as of July 26, 2022, between Bank of America, N.A. and Hooker Furnishings Corporation, Bradington-Young, LLC, Sam Moore Furniture LLC and Home Meridian Group, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (SEC File No. 000-25349) filed on July 28, 2022).
10.6	Security Agreement (Assignment of Life Insurance Policy as Collateral), dated July 26, 2022, by and between Hooker Furnishings Corporation and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (SEC File No. 000-25349) filed on July 28, 2022)
31.1*	Rule 13a-14(a) Certification of the Company's principal executive officer
31.2*	Rule 13a-14(a) Certification of the Company's principal financial officer
32.1**	Rule 13a-14(b) Certification of the Company's principal executive officer and principal financial officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	Interactive Data Files (formatted as Inline XBRL)
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

*Filed herewith
** Furnished herewith

SIGNATURE

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

HOOKER FURNISHINGS CORPORATION

Date: September 8, 2022

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

Exhibit 31.1

Form 10-Q for the Quarterly Period Ended July 31, 2022
SECTION 13a-14(a) CERTIFICATION

I, Jeremy R. Hoff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hooker Furnishings Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2022

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

Exhibit 31.2

Form 10-Q for the Quarterly Period Ended July 31, 2022
SECTION 13a-14(a) CERTIFICATION

I, Paul A. Huckfeldt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hooker Furnishings Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2022

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 Furnishings Corporation (the "Company") Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

a. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

b. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 8, 2022

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

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