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 **May 3, 2020**

Commission file number **000-25349**

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

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

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

As of July 21, 2020, there were **11,889,968** shares of the registrant's common stock outstanding.

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EXPLANATORY NOTE

Reliance on SEC Relief from Filing Requirements

On March 25, 2020, the U.S. Securities and Exchange Commission (the “SEC”) issued an order under Section 36 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and certain rules thereunder (Release No. 34-88465) (the “Order”), which allows a registrant to delay the filing of certain reports under the Exchange Act by up to 45 days after the original due date of such report if a registrant is unable to meet the filing deadline due to circumstances related to the COVID-19 pandemic. The Order extends the deadlines for certain required filings under the Exchange Act, including Form 10-Q, by up to 45 days after the original filing deadline. Hooker Furniture Corporation (the “Company”) is relying on the Order and therefore delayed the filing of this Quarterly Report on Form 10-Q for the period ended May 3, 2020, which was originally due on June 12, 2020, due to circumstances related to the COVID-19 pandemic.

On June 12, 2020, the Company filed a Current Report on Form 8-K stating that the preparation of the Company’s Quarterly Report on Form 10-Q was delayed due to circumstances related to the COVID-19 pandemic. The adverse economic effects brought on by the COVID-19 pandemic, including reductions in the Company’s sales, earnings, and market value, as well as other changing market dynamics, triggered an interim impairment assessment and required the Company to perform a valuation of its intangible assets, such as goodwill and trade names. The Company required additional time to complete its analysis and valuation which it has now completed.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

As of	**May 3, 2020 (unaudited)**	February 2, 2020
Assets		
Current assets		
Cash and cash equivalents	**$ 51,240**	$ 36,031
Trade accounts receivable, net	**63,852**	87,653
Inventories	**82,050**	92,813
Income tax recoverable	**1,618**	751
Prepaid expenses and other current assets	**5,545**	4,719
Total current assets	**204,305**	221,967
Property, plant and equipment, net	**29,256**	29,907
Cash surrender value of life insurance policies	**25,603**	24,888
Deferred taxes	**12,905**	2,880
Operating leases right-of-use assets	**37,786**	39,512
Intangible assets, net	**28,025**	33,371
Goodwill	**490**	40,058
Other assets	**1,112**	1,125
Total non-current assets	**135,177**	171,741
Total assets	**$ 339,482**	$ 393,708
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of term loans	**$ 28,170**	$ 5,834
Trade accounts payable	**13,396**	25,493
Accrued salaries, wages and benefits	**3,271**	4,933
Customer deposits	**4,024**	3,351
Current portion of lease liabilities	**6,162**	6,307
Other accrued expenses	**2,490**	4,211
Total current liabilities	**57,513**	50,129
Long term debt	-	24,282
Deferred compensation	**11,310**	11,382
Lease liabilities	**32,581**	33,794
Total long-term liabilities	**43,891**	69,458
Total liabilities	**101,404**	119,587
Shareholders' equity		
Common stock, no par value, **20,000** shares authorized, **11,871** and 11,838 shares issued and outstanding on each date	**52,187**	51,582
Retained earnings	**186,540**	223,252
Accumulated other comprehensive loss	**(649)**	(713)
Total shareholders' equity	**238,078**	274,121
Total liabilities and shareholders' equity	**$ 339,482**	$ 393,708

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

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

	Thirteen Weeks Ended	
	May 3, 2020	May 5, 2019
Net sales	**$ 104,597**	$ 135,518
Cost of sales	**85,944**	110,001
Gross profit	**18,653**	25,517
Selling and administrative expenses	**19,177**	22,016
Goodwill impairment charges	**39,568**	-
Trade name impairment charges	**4,750**	-
Intangible asset amortization	**596**	596
Operating (loss)/income	**(45,438)**	2,905
Other expense, net	**(42)**	(62)
Interest expense, net	**208**	341
(Loss)/income before income taxes	**(45,688)**	2,502
Income tax (benefit)/expense	**(10,869)**	515
Net (loss)/income	**$ (34,819)**	$ 1,987
(Loss) / earnings per share		
Basic	**$ (2.95)**	$ 0.17
Diluted	**$ (2.95)**	$ 0.17
Weighted average shares outstanding:		
Basic	**11,798**	11,769
Diluted	**11,798**	11,805
Cash dividends declared per share	**$ 0.16**	$ 0.15

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

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

	Thirteen Weeks Ended	
	May 3, 2020	May 5, 2019
Net (loss)/Income	**$ (34,819)**	$ 1,987
Other comprehensive income (loss):		
Amortization of actuarial loss	**84**	37
Income tax effect on amortization	**(20)**	(9)
Adjustments to net periodic benefit cost	**64**	28
Total Comprehensive (Loss)/Income	**$ (34,755)**	$ 2,015

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

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

	For the Thirteen Weeks Ended	
	May 3, 2020	May 5, 2019
Operating Activities:		
Net (loss)/income	**$ (34,819)**	$ 1,987
Adjustments to reconcile net income to net cash provided by operating activities:		
Goodwill and intangible asset impairment charges	**44,318**	-
Depreciation and amortization	**1,685**	1,716
Gain on disposal of assets	**-**	(274)
Deferred income tax expense	**(10,045)**	2,344
Noncash restricted stock and performance awards	**605**	463
(Benefit from)/provision for doubtful accounts and sales allowances	**(328)**	862
Gain on life insurance policies	**(571)**	(555)
Changes in assets and liabilities:		
Trade accounts receivable	**24,129**	33,451
Inventories	**10,763**	(5,561)
Income tax recoverable	**(867)**	-
Prepaid expenses and other current assets	**(1,468)**	(3,186)
Trade accounts payable	**(12,149)**	(8,165)
Accrued salaries, wages, and benefits	**(1,661)**	(3,266)
Accrued income taxes	**-**	(1,867)
Customer deposits	**673**	3,117
Operating lease liabilities	**367**	(167)
Other accrued expenses	**(1,720)**	(664)
Deferred compensation	**12**	51
Net cash provided by operating activities	**$ 18,924**	$ 20,286
Investing Activities:		
Purchases of property and equipment	**(380)**	(1,527)
Proceeds received on notes from sale of assets	**-**	1,449
Premiums paid on life insurance policies	**(162)**	(157)
Proceeds received on life insurance policies	**673**	-
Net cash provided/(used in) by investing activities	**131**	(235)
Financing Activities:		
Payments for long-term debt	**(1,952)**	(1,464)
Cash dividends paid	**(1,894)**	(1,768)
Cash used in financing activities	**(3,846)**	(3,232)
Net increase in cash and cash equivalents	**15,209**	16,819
Cash and cash equivalents - beginning of year	**36,031**	11,435
Cash and cash equivalents - end of quarter	**$ 51,240**	$ 28,254
Supplemental disclosure of cash flow information:		
Cash paid for interest, net	**$ 240**	$ 329
Cash paid for income taxes	**43**	38
Non-cash transactions:		
Decrease in lease liabilities arising from obtaining right-of-use assets	**$ (3)**	$ -
Increase in property and equipment through accrued purchases	**51**	743

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

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

	Common Stock Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity
Balance at February 3, 2019	11,785	$ 49,549	$ 213,380	$ 247	$ 263,176
Net income			1,987		1,987
Unrealized loss on defined benefit plan, net of tax of $9				28	28
Cash dividends paid and accrued ($0.15 per share)			(1,768)		(1,768)
Restricted stock grants, net of forfeitures	31	344			344
Restricted stock compensation cost		174			174
Recognition of PSUs as equity-based awards		681			681
Balance at May 5, 2019	11,816	$ 50,748	$ 213,599	$ 275	$ 264,622
Balance at February 2, 2020	**11,838**	**$ 51,582**	**$ 223,252**	**$ (713)**	**$ 274,121**
Net loss			**(34,819)**		**(34,819)**
Unrealized loss on defined benefit plan, net of tax of $20				**64**	**64**
Cash dividends paid and accrued ($0.16 per share)			**(1,893)**		**(1,893)**
Restricted stock grants, net of forfeitures	**33**	**169**			**169**
Restricted stock compensation cost		**218**			**218**
Recognition of PSUs as equity-based awards		**218**			**218**
Balance at May 3, 2020	**11,871**	**$ 52,187**	**$ 186,540**	**$ (649)**	**$ 238,078**

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

HOOKER FURNITURE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar and share amounts in tables, except per share amounts, in thousands unless otherwise indicated)
(Unaudited)
For the Thirteen Weeks Ended May 3, 2020

1. Preparation of Interim Financial Statements

The condensed consolidated financial statements of Hooker Furniture Corporation and subsidiaries (referred to as “we,” “us,” “our,” “Hooker” or the “Company”) have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, these statements include all adjustments necessary for a fair statement of the results of all interim periods reported herein. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) are condensed or omitted pursuant to SEC rules and regulations. However, we believe that the disclosures made are adequate for a fair presentation of our results of operations and financial position. These financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our annual report on Form 10-K for the fiscal year ended February 2, 2020 (“2020 Annual Report”). The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect both the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from our estimates. Operating results for the interim periods reported herein may not be indicative of the results expected for the fiscal year.

The financial statements contained herein are being filed as part of a quarterly report on Form 10-Q covering the thirteen-week period (also referred to as “three months,” “three-month period,” “quarter,” “first quarter” or “quarterly period”) that began February 3, 2020 and ended May 3, 2020. This report discusses our results of operations for this period compared to the thirteen-week period that began February 4, 2019 and ended May 5, 2019; and our financial condition as of May 3, 2020 compared to February 2, 2020.

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

- the 2021 fiscal year and comparable terminology mean the fifty-two-week fiscal year that began February 3, 2020 and will end January 31, 2021; and

- the 2020 fiscal year and comparable terminology mean the fifty-two-week fiscal year that began February 4, 2019 and ended February 2, 2020.

We continually monitor our reportable segments for changes in facts and circumstances to determine whether changes in the identification or aggregation of operating segments are necessary. In the fourth quarter of fiscal 2020, we updated our reportable segments. Consequently, the segment disclosures in this filing have been recast to reflect these changes and therefore differ from prior quarterly filings. See Note 13 Segment Information for additional details.

2. Recently Adopted Accounting Policies

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326). This update seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, including trade receivables, and other commitments to extend credit held by a reporting entity at each reporting date. The amendments require an entity to replace the incurred loss impairment methodology in current GAAP with a methodology that reflects current expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. We adopted the provisions of Topic 326 on February 3, 2020, the first day of our 2021 fiscal year. The adoption of this standard did not have a material effect on our condensed consolidated financial statements or results of operations. We will continue to actively monitor the impact of the COVID-19 pandemic on expected credit losses.

In December 2019, the FASB issued ASU 2019-12, Income Tax (Topic 740) – Simplifying the Accounting for Income Taxes. The amendments in this Update simplify the accounting for income taxes by removing certain exceptions for intraperiod tax allocation, the recognition of deferred tax liabilities after an investment in a foreign entity transitions to or from the equity method, and the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The amendments also introduce new guidance on determining how to apply the income tax guidance to franchise taxes that are partially based on income, clarifying the accounting for transactions that result in a step-up in the tax basis of goodwill, and the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. We elected to adopt ASU 2019-12 on February 3, 2020, the first day of our 2021 fiscal year. The adoption of this standard impacted our condensed consolidated balance sheets and statements of operations by $4.0 million. See Note 12 Income Taxes for additional details.

3. Accounts Receivable

	May 3, 2020	February 2, 2020
Trade accounts receivable	**$ 68,204**	$ 91,261
Receivable from factor	**$ 5**	$ 788
Other accounts receivable allowances	**(2,881)**	(3,493)
Allowance for doubtful accounts	**(1,476)**	(903)
Accounts receivable	**$ 63,852**	$ 87,653

"Receivable from factor" represented amounts due with respect to factored accounts receivable. The agreement was discontinued in early fiscal 2021.

4. Inventories

	May 3, 2020	February 2, 2020
Finished furniture	**$ 95,628**	$ 106,495
Furniture in process	**1,323**	1,304
Materials and supplies	**8,495**	8,479
Inventories at FIFO	**105,446**	116,278
Reduction to LIFO basis	**(23,396)**	(23,465)
Inventories	**$ 82,050**	$ 92,813

5. Property, Plant and Equipment

	Depreciable Lives *(In years)*	**May 3, 2020**	February 2, 2020
Buildings and land improvements	15 - 30	**$ 31,316**	$ 31,316
Computer software and hardware	3 - 10	**19,219**	19,166
Machinery and equipment	10	**9,304**	9,271
Leasehold improvements	Term of lease	**9,737**	9,737
Furniture and fixtures	3 - 10	**2,599**	2,597
Other	5	**651**	651
Total depreciable property at cost		**72,826**	72,738
Less accumulated depreciation		**45,172**	44,089
Total depreciable property, net		**27,654**	28,649
Land		**1,077**	1,077
Construction-in-progress		**525**	181
Property, plant and equipment, net		**$ 29,256**	$ 29,907

6. Fair Value Measurements

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

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

As of May 3, 2020 and February 2, 2020, 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 May 3, 2020 and February 2, 2020, were as follows:

	Fair value at May 3, 2020				Fair value at February 2, 2020			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
				(In thousands)				
Assets measured at fair value								
Company-owned life insurance	**$ -**	**$ 25,603**	**$ -**	**$ 25,603**	$ -	$ 24,888	$ -	$ 24,888

7. Intangible Assets

The adverse economic effects brought on by the COVID-19 pandemic, including reductions in our sales, earnings, and market value, as well as other changing market dynamics, required that we perform a valuation of our intangible assets. We hired an external service provider to perform the valuation of our goodwill and intangible assets..

The calculation methodology for the fair value of our Home Meridian segment and the Shenandoah division of our Domestic Upholstery segment included three approaches: the Discounted Cash Flow Method (DCF) which was given the largest weighting, the Guideline Public Company Method (GPCM) based on the consideration of the facts of the Company’s peer competitors and the Guideline Transaction Method (GTM) based on consideration of transactions with varying risk profiles, geographies and market conditions.

The Discounted Cash Flow Method was used as the valuation methodology for our trade names and trademarks, based on cash flow projections and growth rates for each trade name for five years in the future provided by management, and a royalty rate benchmark for companies with similar activities.

As a result of our intangible asset valuation analysis, we recorded $44.3 million non-cash impartment charges including $23.2 million to Home Meridian goodwill, $16.4 million to Shenandoah goodwill, and $4.8 million to certain of Home Meridian segment's trade names.

		May 3, 2020			February 2, 2020		
Non-amortizable Intangible Assets	**Segment**	**Beginning Balance**	**Impairment Charges**	**Net Book Value**	Beginning Balance	Impairment Charges	Net Book Value
Goodwill	Home Meridian	**$ 23,187**	**$ (23,187)**	**$ -**	$ 23,187	$ -	$ 23,187
Goodwill	Domestic Upholstery	**16,871**	**(16,381)**	**490**	16,871	-	16,871
Total Goodwill		**40,058**	**(39,568)**	**490**	40,058	-	40,058
Trademarks and trade names - Home Meridian	Home Meridian	**11,400**	**(4,750)**	**6,650**	11,400	-	11,400
Trademarks and trade names - Bradington-Young	Domestic Upholstery	**861**	-	**861**	861	-	861
Trademarks and trade names - Sam Moore	Domestic Upholstery	**396**	-	**396**	396	-	396
Total Trademarks and trade names		**$ 12,657**	**$ (4,750)**	**$ 7,907**	$ 12,657	$ -	$ 12,657
Total non-amortizable assets		**$ 52,715**	**$ (44,318)**	**$ 8,397**	$ 52,715	$ -	$ 52,715

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 February 2, 2020	$ 19,996	$ 718	$ 20,714
Amortization	(581)	(15)	(596)
Balance at May 3, 2020	**$ 19,415**	**$ 703**	**$ 20,118**

For the remainder of fiscal 2021, amortization expense is expected to be approximately $1.8 million.

8. Leases

In fiscal 2020, we adopted Accounting Standards Codification Topic 842 *Leases*. We recognized $144,000 sub-lease income for the three-month period ended May 3, 2020. The components of lease cost and supplemental cash flow information for leases for the three-months ended May 3, 2020 were:

	13 Weeks Ended May 3, 2020	**13 Weeks Ended May 5, 2019**
Operating lease cost	**$ 2,100**	$ 2,076
Variable lease cost	**46**	-
Short-term lease cost	**116**	113
Total operating lease cost	**$ 2,262**	$ 2,189
Operating cash outflows	**$ 1,852**	$ 2,386

The right-of-use assets and lease liabilities recorded on our Condensed Consolidated Balance Sheets as of May 3, 2020 were:

	May 3, 2020	February 2, 2020
Real estate	**$ 36,585**	$ 38,175
Property and equipment	**1,201**	1,337
Total operating leases right-of-use assets	**$ 37,786**	$ 39,512
Current portion of operating lease liabilities	**$ 6,162**	$ 6,307
Long term operating lease liabilities	**32,581**	33,794
Total operating lease liabilities	**$ 38,743**	$ 40,101

The weighted-average remaining lease term is 7.3 years. We used our incremental borrowing rate which is LIBOR plus 1.5% at the adoption date. The weighted-average discount rate is 3.99%.

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 May 3, 2020:

	Undiscounted Future Operating Lease Payments
Remainder of 2020	$ 6,051
2021	7,182
2022	5,588
2023	5,333
2024	5,280
2025 and thereafter	15,205
Total lease payments	$ 44,639
Less: impact of discounting	(5,896)
Present value of lease payments	$ 38,743

Due to the COVID-19 pandemic, we received concessions on several of our leases, including changes in lease terms and deferred rent payments. We accounted for the concessions as lease modifications. None of the modifications had a material effect on our condensed consolidated financial statements or results of operations. As of May 3, 2020, we did not have any additional operating or finance leases that had not yet commenced.

9. Long-Term Debt

As of May 3, 2020, we had an aggregate $25.7 million available under the Existing Revolver to fund working capital needs. Standby letters of credit in the aggregate amount of $4.3 million, used to collateralize certain insurance arrangements and for imported product purchases, were outstanding under the revolving credit facility as of May 3, 2020. There were no additional borrowings outstanding under the Existing Revolver as of May 3, 2020.

We currently have one unsecured term loan and one secured term loan outstanding and a revolving credit facility. The term loans are related to the Home Meridian acquisition. The full remaining principal amounts of $28.2 million on our term loans are due on February 1, 2021. We expect to refinance the balance of our term loans and any balance due under our revolving credit facility (currently $0) during fiscal 2021.

10. Employee Benefit Plans

We maintain two “frozen” retirement plans, which are paying benefits and may include active employees among the participants. We do not expect to add participants to these plans in the future. The two plans include:

- a supplemental retirement income plan (“SRIP”) for certain former and current executives of Hooker Furniture Corporation; and
- the Pulaski Furniture Corporation Supplemental Executive Retirement Plan (“SERP”) for certain former executives.

	Thirteen Weeks Ended	
	May 3, 2020	May 5, 2019
Net periodic benefit costs		
Service cost	**32**	26
Interest cost	**74**	205
Actuarial loss	**84**	37
Expected return on pension plan assets	-	(101)
Expected administrative expenses	-	97
Consolidated net periodic benefit costs	**$ 190**	$ 264

The SRIP and SERP plans are unfunded plans. We paid $178,000 in the first quarter of fiscal 2021 and expect to pay a total of approximately $551,000 in benefit payments from our general assets during the remainder of fiscal 2021 to fund SRIP and SERP payments.

11. 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 2020 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:

	May 3, 2020	February 2, 2020
Restricted shares	**60**	46
RSUs and PSUs	**159**	76
	219	122

The number of outstanding restricted shares increased due primarily to grants of restricted shares to a larger population of our non-executive employees as an incentive for retention and alignment of individual performance to our values.

All restricted shares, RSUs and PSUs awarded that have not yet vested are considered when computing diluted earnings per share. The following table sets forth the computation of basic and diluted earnings per share:

	Thirteen Weeks Ended	
	May 3, 2020	May 5, 2019
Net (loss)/ income	**$ (34,819)**	$ 1,987
Less: Unvested participating restricted stock dividends	**8**	4
Net earnings allocated to unvested participating restricted stock	**-**	4
(Loss)/earnings available for common shareholders	**(34,827)**	1,979
Weighted average shares outstanding for basic earnings per share	**11,798**	11,769
Dilutive effect of unvested restricted stock, RSU and PSU awards*	**-**	36
Weighted average shares outstanding for diluted earnings per share	**11,798**	11,805
Basic (loss) / earnings per share	**$ (2.95)**	$ 0.17
Diluted (loss) / earnings per share	**$ (2.95)**	$ 0.17

*Due to the net loss recorded in the fiscal 2021 first quarter, approximately 36,000 potentially dilutive shares would have been antidilutive and are therefore excluded from the calculation above.

12. Income Taxes

We recorded income tax benefit of $10.9 million for the fiscal 2021 first quarter, of which income tax benefit of $10.6 million was recorded related to goodwill and trade name impairment charges, compared to $515,000 income tax expense for the comparable prior year period. The effective tax rates for the fiscal 2021 and 2020 first quarters were 23.8% and 20.6%, respectively.

An entity is required to make its best estimate of the annual effective tax rate for the full fiscal year at the end of each interim period and to use this rate to calculate its income taxes on a year-to-date basis. Under the current income tax guidance, there is an exception that when the year-to-date loss for an interim period exceeds the projected loss for the full fiscal year, the income tax benefit recognized year-to-date is limited to the amount of benefit that would be recognized if the year-to-date loss were the anticipated loss for the full fiscal year. ASU 2019-12 removes this exception and no longer limits the computed benefit. We elected to early adopt ASU 2019-12 in the first quarter of fiscal 2021 and recognized an additional $4.0 million of tax benefit that exceeds our anticipated annual income tax benefit.

The net unrecognized tax benefits as of May 3, 2020 and February 2, 2020, which, if recognized, would affect our effective tax rate are $3,000.

Tax years ending January 29, 2017 through February 2, 2020 remain subject to examination by federal and state taxing authorities.

13. Segment Information

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

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

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

We continually monitor our reportable segments for changes in facts and circumstances to determine whether changes in the identification or aggregation of operating segments are necessary. In the fourth quarter of fiscal 2020, we updated our reportable segments as follows: domestic upholstery producers Bradington-Young, Sam Moore and Shenandoah Furniture were moved from All Other and aggregated into a new reportable segment called "Domestic Upholstery." All Other now consists of H Contract and Lifestyle Brands. Lifestyle Brands is a business in its start-up phase targeted at the interior designer channel. The Hooker Branded and Home Meridian segments were unchanged. Therefore, 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 and Shenandoah Furniture; and
- **All Other**, consisting of H Contract and Lifestyle Brands, a new business started in late fiscal 2019. Neither of these operating segments were individually reportable; therefore, we combined them in "All Other" in accordance with ASC 280.

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

	Thirteen Weeks Ended			
	May 3, 2020	**% Net Sales**	May 5, 2019	% Net Sales
Net Sales				
Hooker Branded	**$ 27,162**	**26.0%**	$ 39,600	29.2%
Home Meridian	**57,665**	**55.1%**	67,630	49.9%
Domestic Upholstery	**16,783**	**16.0%**	25,324	18.7%
All Other	**2,987**	**2.9%**	2,964	2.2%
Consolidated	**$ 104,597**	**100.0%**	$ 135,518	100.0%
Gross Profit				
Hooker Branded	**$ 8,005**	**29.5%**	$ 12,556	31.7%
Home Meridian	**6,809**	**11.8%**	5,903	8.7%
Domestic Upholstery	**2,783**	**16.6%**	6,002	23.7%
All Other	**1,056**	**35.4%**	1,056	35.6%
Consolidated	**$ 18,653**	**17.8%**	$ 25,517	18.8%
Operating (loss)/Income				
Hooker Branded	**$ 1,333**	**4.9%**	$ 5,177	13.1%
Home Meridian	**(30,348)**	**-52.6%**	(4,993)	-7.4%
Domestic Upholstery	**(16,810)**	**-100.2%**	2,292	9.1%
All Other	**387**	**12.9%**	429	14.5%
Consolidated	**$ (45,438)**	**-43.4%**	$ 2,905	2.1%
Capital Expenditures				
Hooker Branded	**$ 53**		$ 125	
Home Meridian	**89**		117	
Domestic Upholstery	**238**		1,285	
All Other	**-**		-	
Consolidated	**$ 380**		$ 1,527	
Depreciation & Amortization				
Hooker Branded	**$ 455**		$ 492	
Home Meridian	**528**		531	
Domestic Upholstery	**699**		690	
All Other	**3**		3	
Consolidated	**$ 1,685**		$ 1,716	

Identifiable Assets	**As of May 3, 2020**	**%Total Assets**	As of February 2, 2020	%Total Assets
Hooker Branded	**$ 153,298**	**49.3%**	$ 144,112	45.0%
Home Meridian	**111,905**	**36.0%**	138,313	43.2%
Domestic Upholstery	**43,840**	**14.1%**	36,085	11.3%
All Other	**1,924**	**0.6%**	1,769	0.5%
Consolidated	**$ 310,967**	**100.0%**	$ 320,279	100.0%
Consolidated Goodwill and Intangibles	**28,515**		73,429	
Total Consolidated Assets	**$ 339,482**		$ 393,708	

Sales by product type are as follows:

	Net Sales (in thousands) Thirteen Weeks Ended			
	May 3, 2020	**%Total**	May 5, 2019	%Total
Casegoods	**$ 63,602**	**61%**	$ 84,464	62%
Upholstery	**40,995**	**39%**	51,054	38%
	$ 104,597	**100%**	$ 135,518	100%

14. Subsequent Events

Dividends

On June 2, 2020, our board of directors declared a quarterly cash dividend of $0.16 per share, which was paid on June 30, 2020 to shareholders of record at June 16, 2020.

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

All references to the "Company," "we," "us" and "our" in this document refer to Hooker Furniture Corporation and its consolidated subsidiaries, unless specifically referring to segment information. All references to the "Hooker", "Hooker Division", "Hooker Legacy Brands" or "traditional Hooker" divisions or companies refer to the current components of our Hooker Branded segment, the Domestic Upholstery Segment including Bradington-Young, Sam Moore, and Shenandoah Furniture, and All Other which includes H Contract and Lifestyle Brands.

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

Forward-Looking Statements

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

- The effect and consequences of the coronavirus (COVID-19) pandemic or future pandemics on a wide range of matters including U.S. and local economies; our business operations and continuity; the health and productivity of our employees; and the impact on our supply chain, 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 current U.S. administration imposing a 25% tariff on certain goods imported into the United States from China, including almost all furniture and furniture components manufactured in China, with the potential for additional or increased tariffs in the future;

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

- risks associated with our reliance on offshore sourcing and the cost of imported goods, including fluctuation in the prices of purchased finished goods, ocean freight costs and warehousing costs and the risk that a disruption in our offshore suppliers could adversely affect our ability to timely fill customer orders;

- 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;

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

- 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;

- disruptions and damage (including due to weather) affecting our Virginia, North Carolina or California warehouses, our Virginia or North Carolina administrative facilities or our representative offices or warehouses in Vietnam and China;
- 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 specifically related to the concentrations of a material part of our sales and accounts receivable in only a few 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;
- achieving and managing growth and change, and the risks associated with new business lines, acquisitions, restructurings, strategic alliances and international operations;
- higher than expected employee medical and workers' compensation costs that may increase the cost of our high-deductible healthcare and workers compensation plans;
- product liability claims;
- risks related to our other defined benefit plans;
- the impairment of our long-lived assets, which can result in reduced earnings and net worth;
- capital requirements and costs, including the servicing of our floating-rate term loans;
- 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 due to, among other things, fluctuating consumer confidence, amounts of discretionary income available for furniture purchases and the availability of consumer credit.

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

Also, our business is subject to a number of significant risks and uncertainties any of which can adversely affect our business, results of operations, financial condition or future prospects. For a discussion of risks and uncertainties that we face, see the Forward-Looking Statements detailed above and Item 1A, “Risk Factors” in our 2020 annual report on Form 10-K (the “2020 Annual Report”).

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

This quarterly report on Form 10-Q includes our unaudited condensed consolidated financial statements for the thirteen-week period (also referred to as “three months,” “three-month period,” “quarter,” “first quarter” or “quarterly period”) that began February 3, 2020 and ended May 3, 2020. This report discusses our results of operations for this period compared to the 2020 fiscal year thirteen-week period that began February 4, 2019 and ended May 5, 2019; and our financial condition as of May 3, 2020 compared to February 2, 2020.

References in this report to:

- the 2021 fiscal year and comparable terminology mean the fiscal year that began February 3, 2020 and will end January 31, 2021; and

- the 2020 fiscal year and comparable terminology mean the fiscal year that began February 4, 2019 and ended February 2, 2020.

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

The following discussion should be read in conjunction with the condensed consolidated financial statements, including the related notes, contained elsewhere in this quarterly report. We also encourage users of this report to familiarize themselves with all of our recent public filings made with the Securities and Exchange Commission (“SEC”), especially our 2020 Annual Report. Our 2020 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 2020 Annual Report and our other public filings made with the SEC are available, without charge, at www.sec.gov and at http://investors.hookerfurniture.com.

Overview

Hooker Furniture Corporation, incorporated in Virginia in 1924, is a designer, marketer and importer of casegoods (wooden and metal furniture), leather furniture and fabric-upholstered furniture for the residential, hospitality and contract markets. We also domestically manufacture premium residential custom leather and custom fabric-upholstered furniture. We are ranked among the nation’s top five largest publicly traded furniture sources, based on 2019 shipments to U.S. retailers, according to a 2020 survey by a leading trade publication.

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

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

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

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

COVID-19

During the fiscal 2021 first quarter, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the U.S and elsewhere have imposed restrictions on travel and business operations and are advising or requiring individuals to limit or eliminate time outside of their homes. Temporary closures of certain businesses were also ordered in certain jurisdictions and other businesses temporarily closed voluntarily. Consequently, the COVID-19 outbreak severely restricted the level of economic activity in the U.S. and around the world.

We monitor information on COVID-19 from the Centers for Disease Control and Prevention (“CDC”) and believe we are adhering to their recommendations regarding the health and safety of our personnel. To address the potential human impact of the virus, most of our administrative staff are telecommuting. For those administrative staff not telecommuting and our warehouse and domestic manufacturing employees, we have implemented social distancing and mask policies, instituted daily temperature checks and have stepped-up facility cleaning at each location. Non-essential domestic travel for our employees has ceased and international travel has been prohibited outright. Testing and treatment for COVID-19 is 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. In addition, we are offering temporary paid leave to employees diagnosed with the virus (and those associates with another diagnosed person or persons in their household) and are working to accommodate associates with child-care issues related to school or day-care closures and anticipated re-openings.

To address the financial impact of the virus, we have delayed non-essential capital spending and have implemented other cost-cutting measures, including abbreviated shifts, furloughs, the temporary closure of our domestic manufacturing plants, staff reductions, temporary fee reductions for our Board of Directors, temporary salary reductions for officers and other managers, rationalizing current import purchase orders and we are working with our vendors to cut costs and extend payment terms where we can.

Demand for home furnishings appears to be increasing as order rates in all divisions have increased. Orders plummeted over 70% year over year in March and approximately 65% year over year in April. Cancellations of stock orders by large customers and deferred orders from retailers who closed their stores during the shutdown partially drove the steep declines. Orders declined significantly during the first few weeks of May but then recovered resulting in an about a 5% overall reduction for the full month compared to the prior year. Fiscal June and July orders have continued this positive trend.

Executive Summary-Results of Operations

Consolidated net sales for the fiscal 2021 first quarter decreased by $30.9 million or 22.8% as compared to the prior year period, from $135.5 million to $104.6 million. Nearly 50% of the sales decrease occurred in April, the first full month we operated under COVID-19 crisis conditions, which caused greatly reduced demand for our products. We experienced significant sales decreases in all three reportable segments during the fiscal 2021 first quarter. Hooker Branded’s net sales decreased by $12.4 million or 31.4%, Home Meridian’s net sales decreased by $10.0 million or 14.7% and Domestic Upholstery’s net sales decreased by $8.5 million or 33.7%. All Other net sales stayed essentially flat, all as compared to the fiscal 2020 first quarter.

The adverse economic effects brought on by the COVID-19 pandemic triggered an interim intangible asset impairment analysis which required us to perform a valuation of our intangible assets. As a result of the valuation analysis, we recorded $44.3 million in non-cash impairment charges to write down goodwill and tradenames in our Home Meridian segment and goodwill in the Shenandoah division of our Domestic Upholstery segment. Our stock price was near a six-year low at the impairment measurement date at the end of the fiscal 2021 first quarter, which was near the zenith of the COVID-19 crisis to that point. Our deflated quarter-end market valuation was one of the primary inputs in the valuation analysis and the analysis indicated these assets were impaired and it was appropriate to write them down.

Primarily due to the impairment charge, but also due to lower sales, and despite cost cutting measures (described further on page 23), for the first time since the housing crisis over a decade ago, we reported quarterly operating and net losses in the fiscal 2021 first quarter. Consolidated net loss was $34.8 million compared to $2.0 million of net income reported in the fiscal 2020 first quarter. Loss per share was $2.95 as compared to earnings per share of $0.17 in the comparable prior year period.

As discussed in greater detail under "Results of Operations" below, the following are the primary factors that affected our consolidated fiscal 2021 first quarter results of operations:

- **Gross profit.** Consolidated gross profit decreased both in absolute terms and as a percentage of net sales, due to decreased gross profit at Hooker Branded and Domestic Upholstery, as a result of sales declines in both segments and unabsorbed costs in Domestic Upholstery due to the temporary idling of most of its domestic manufacturing operations in April. Home Meridian's gross profit increased in absolute terms and as a percentage of net sales due to the non-recurrence of several major prior-year costs including excess tariffs, higher returns and allowances, and increased product costs. All Other's gross profit stayed essentially flat in absolute terms and as a percentage of net sales.

- **Selling and administrative expenses.** Consolidated selling and administrative ("S&A") expenses for fiscal 2021 first quarter decreased in absolute terms due to decreased selling expenses on lower net sales and profitability, decreased compensation expenses, and other decreased operating expenses, partially offset by increased allowances for doubtful accounts and the absence of a deferred gain recognized in the prior year period related to the sale of a former distribution facility. S&A expenses increased as a percentage of net sales due to lower net sales.

- **Goodwill and trade name impairment charges.** We recorded $44.3 million in non-cash impairment charges during the quarter. $39.6 million goodwill impairment charges were recorded in the Home Meridian segment and the Domestic Upholstery segment. $4.8 million in trade name impairment charges were recorded in the Home Meridian segment. We recorded income tax benefit of $10.9 million for the fiscal 2021 first quarter, of which income tax benefit of $10.6 million was recorded related to these impairment charges.

- **Operating loss.** Consolidated operating loss was $45.4 million, a decrease of $48.3 million compared to $2.9 million operating income in the prior year first quarter, due to the factors discussed above and in greater detail in the analysis below.

Review

Fiscal 2021 started on a positive note with increased incoming orders in February as compared with the prior year; however, the COVID-19 pandemic significantly impacted our business in March and April. Consolidated net sales decreased by about 23% compared to prior year first quarter. Decreased demand for home furnishings driven by the temporary closure of many of our customers' stores and continuing deterioration in the retail environment were the primary drivers of the decline in orders and sales. We reported operating and net losses for the first time in over a decade. On a more positive note, our e-commerce sales continued to grow even in the current muted retail environment, which has proven the value of our strategy of pursuing multiple distribution channels at multiple price points.

The Hooker Branded segment's net sales decreased $12.4 million or 31.4% in the fiscal 2021 first quarter, driven by reduced demand. The majority of this segment's customers are traditional furniture stores and small or regional chains, most of which were closed since late March, leading to nearly 30% incoming order decline in the segment. Despite the sales decline, this segment was still highly profitable with a 29.5% gross margin and a 4.9% operating income margin during the quarter, which we believe to be excellent performance under current economic conditions.

The Home Meridian segment's net sales decreased $10.0 million or 14.7% in the fiscal 2021 first quarter due primarily to lower sales volume due to the COVID-19 pandemic. Current economic factors, such as high unemployment and low consumer confidence, have resulted in a weak retail environment for home furnishings and caused discretionary purchases of furniture to decline. Consequently, Home Meridian experienced a spike in order cancellations in March and April, which resulted in nearly 50% decrease in incoming orders and 25.3% decrease in backlog compared to the prior year first quarter. In addition to the aforementioned intangible asset impairment charges recorded in this segment of $27.9 million and sales decline, lower margin sales programs, promotion expenses and unexpected chargebacks also contributed to the $30.3 million operating loss. On a more positive note, we believe the cost-related issues which negatively impacted Home Meridian's sales and profitability in the prior year, such as excess tariffs and higher than expected quality allowances, are largely behind us. The resourcing transition to non-tariff countries is well along. Samuel Lawrence Furniture benefited from the Vietnam mixing warehouse program and reported a marginally profitable quarter. Home Meridian's emerging distribution channels, including ecommerce and hospitality, had solid performance during the quarter. Samuel Lawrence Hospitality's net sales increased by 22.6% as large projects were already in the pipeline at year-end. E-commerce sales, which were less impacted by retail shutdowns during the COVID-19 pandemic, continued to grow at a steady pace and accounted for 35% of Home Meridian's total sales in the quarter, while maintaining better margins compared to the other Home Meridian channels.

The Domestic Upholstery segment's net sales decreased by $8.5 million or 33.7% in the fiscal 2021 first quarter driven by decreased sales volume and lower average selling prices. The segment experienced a 40% decrease in incoming orders as compared to the same period from the prior year. In response to those reduced orders, we temporarily closed our manufacturing plants at Bradington-Young and Shenandoah for about a month during the quarter, and Sam Moore operated at about 50% capacity during that period. Reduced order volume and unabsorbed indirect costs contributed to operating inefficiencies and significantly impacted gross margin in this segment.

All Other's net sales were essentially flat; however, it reported $387,000 in operating income in the fiscal 2021 first quarter driven by solid H Contract performance, with a 16% increase in incoming orders and 68% higher backlog compared to the prior year first quarter. Despite unfavorable product mix having a modest adverse impact on gross margin, H Contract margins remained strong. Lifestyle Brands, a new business started in fiscal 2019, also reported a profit for the quarter.

To address the financial impact of COVID-19 pandemic, during the fiscal 2021 first quarter we implemented certain measures to reduce operating expenses and preserve cash which included temporary fee reductions for our Board of Directors, temporary salary reductions for officers and certain other managers, strategic staff reductions, the temporary closure of our domestic manufacturing plants and the furlough of manufacturing, warehouse and administrative associates, delaying all non-critical capital spending, rationalizing current import purchase orders, working with our vendors to cut costs and extend payment terms where we could.

Despite the operating loss for the quarter, we generated $18.9 million in cash from operating activities, received $673,000 life insurance proceeds, paid $2.2 million in principal and interest on our term loans, and distributed $1.9 million in cash dividends to our shareholders. Cash and cash equivalents stood at $51.2 million at fiscal 2021 first quarter-end, an increase of $15.2 million compared to the balance at fiscal 2020 year-end.

Along with an aggregate $25.7 million available under our existing revolver to fund working capital, we are confident in our financial condition and we believe we have financial resources to weather the expected short-term impacts of COVID-19; however, an extended impact may continue to materially and adversely affect our sales, earnings and liquidity.

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	
	May 3, 2020	May 5, 2019
Net sales	**100.0%**	100.0%
Cost of sales	**82.2**	81.2
Gross profit	**17.8**	18.8
Selling and administrative expenses	**18.3**	16.2
Goodwill impairment charges	**37.8**	-
Trade name impairment charges	**4.6**	-
Intangible asset amortization	**0.6**	0.4
Operating (loss)/income	**(43.4)**	2.1
Interest expense, net	**0.2**	0.3
(Loss)/income before income taxes	**(43.7)**	1.8
Income tax expense	**(10.4)**	0.4
Net (loss)/income	**(33.3)**	1.5

Fiscal 2021 First Quarter Compared to Fiscal 2020 First Quarter

Fiscal 2020 results have been recast based on the re-composition of our reportable segments during the fiscal 2020 fourth quarter. See Note 13 Segment Information for additional details regarding the re-composition of our operating segments.

	Net Sales Thirteen Weeks Ended					
	May 3, 2020	% Net Sales	May 5, 2019	% Net Sales	$ Change	% Change
Hooker Branded	**$ 27,162**	**26.0%**	$ 39,600	29.2%	$ (12,438)	-31.4%
Home Meridian	**57,665**	**55.1%**	67,630	49.9%	(9,965)	-14.7%
Domestic Upholstery	**16,783**	**16.0%**	25,324	18.7%	(8,541)	-33.7%
All Other	**2,987**	**2.9%**	2,964	2.2%	23	0.8%
Consolidated	**$ 104,597**	**100%**	$ 135,518	100%	$ (30,921)	-22.8%

Unit Volume	**FY21 Q1 % Increase vs. FY20 Q1**	**Average Selling Price (ASP)**	**FY21 Q1 % Increase vs. FY20 Q1**
Hooker Branded	**-35.3%**	Hooker Branded	**5.6%**
Home Meridian	**-18.3%**	Home Meridian	**3.3%**
Domestic Upholstery	**-31.0%**	Domestic Upholstery	**-4.4%**
All Other	**-5.1%**	All Other	**1.8%**
Consolidated	**-21.6%**	Consolidated	**-2.1%**

Consolidated net sales decreased due to significantly reduced sales volume in all three reportable segments versus the prior year period.

- The net sales decrease in the Hooker Branded segment was attributable to decreased unit volume in both Hooker Casegoods and Hooker Upholstery divisions. ASP increased in Hooker Branded segment due to increased ASP in Hooker Casegoods, partially offset by decreased ASP in Hooker Upholstery driven by higher discounting and advertising allowances on e-commerce sales. However, increased ASP was not sufficient to recover the steep volume loss.

- Net sales decreased in Home Meridian segment driven by decreased unit volume with major furniture chains and mega accounts due to significantly reduced orders, partially offset by increased sales in the Samuel Lawrence Hospitality ("SLH") business and to a lesser extent club and e-commerce sales at Accentrics Home. ASP increase was attributable to increased ASP in SLH due to the nature of its projects.

- Domestic Upholstery segment net sales decreased due to volume loss and decreased ASP. In April, we temporarily shut down Bradington-Young and Shenandoah manufacturing plants and kept the Sam Moore division operating at 50% capacity in response to COVID-19 pandemic restrictions as well as decreased incoming orders. Thus, Bradington-Young and Shenandoah essentially did not report sales in April, while Sam Moore's April net sales were only 37% of the prior year amount. Domestic Upholstery segment ASP decreased due to a smaller mix of higher-priced Bradington-Young leather products.

- All Other net sales increased slightly due to the addition of Lifestyle Brands sales and increased H Contract ASP, partially offset by H Contract decreased unit volume.

	Gross Income and Margin Thirteen Weeks Ended							
	May 3, 2020			May 5, 2019			$ Change	% Change
			% Net Sales			% Net Sales		
Hooker Branded	**$**	**8,005**	**29.5%**	$	12,556	31.7%	$ (4,551)	-36.2%
Home Meridian		**6,809**	**11.8%**		5,903	8.7%	906	15.3%
Domestic Upholstery		**2,783**	**16.6%**		6,002	23.7%	(3,219)	-53.6%
All Other		**1,056**	**35.4%**		1,056	35.6%	-	0.0%
Consolidated	**$**	**18,653**	**17.8%**	$	25,517	18.8%	$ (6,864)	-26.9%

Consolidated gross profit decreased in absolute terms and as a percentage of net sales in the fiscal 2021 first quarter versus the prior year period.

- The Hooker Branded segment's gross profit decreased $4.6 million due primarily to the net sales decline. Gross margin decreased from 31.7% to 29.5% due to the increase of fixed expenses as a percentage of net sales on lower net sales. Product costs were negatively impacted in Hooker Upholstery due to a higher mix of product sourced from China which carry higher costs.

- Home Meridian segment gross margin increased in absolute terms and as a percentage of net sales despite a net sales decline. In the prior year period, this segment was heavily impacted by increased product costs due to excess tariffs, unexpected quality allowances, and increased warehousing and distribution costs to handle excess inventory. These issues did not re-occur in the fiscal 2021 first quarter, which we believe is the result of the resourcing transition to Vietnam which has helped to reduce product costs, and the exit of temporary warehouses, which has reduced warehousing and handling costs. Home Meridian gross margins were, however, negatively impacted by some lower-margin sales programs.

- Domestic Upholstery segment's gross profit decreased significantly in absolute terms and as a percentage of net sales due to the net sales decline and inefficiencies of operating at reduced production volume. Unabsorbed indirect and fixed costs adversely impacted gross margin by 6.5% in this segment.

- All Other's gross profit and margin stayed flat in absolute terms and as a percentage of net sales.

	Selling and Administrative Expenses (S&A) Thirteen Weeks Ended							
	May 3, 2020			May 5, 2019			$ Change	% Change
			% Net Sales			% Net Sales		
Hooker Branded	**$**	**6,672**	**24.6%**	$	7,379	18.6%	$ (707)	-9.6%
Home Meridian		**8,886**	**15.4%**		10,562	15.6%	(1,676)	-15.9%
Domestic Upholstery		**2,949**	**17.6%**		3,447	13.6%	(498)	-14.4%
All Other		**670**	**22.4%**		628	21.2%	42	6.7%
Consolidated	**$**	**19,177**	**18.3%**	$	22,016	16.2%	$ (2,839)	-12.9%

Consolidated selling and administrative ("S&A") expenses decreased in absolute terms while increased as a percentage of net sales in the fiscal 2021 first quarter versus the prior year period.

- The Hooker Branded segment's S&A expenses decreased in absolute terms in the fiscal 2021 first quarter due primarily to decreased selling costs as the result of lower net sales, decreased employee compensation expenses related to temporary salary reductions, furloughs and the elimination of positions due to the COVID-19 pandemic and decreased travel and market expenses due also to COVID-19. The decreases were partially offset by higher bad debt expenses due to a customer write-off during the quarter unrelated to COVID-19 and an increase in reserves to recognize expected future credit losses under the aforementioned ASC 326 requirements effective for us during the current quarter, increased advertising supply expenses for new product introductions, and the absence of a deferred gain related to the sale of a former distribution facility recorded in the prior year period. Hooker Branded segment S&A expenses increased as a percentage of net sales due to lower net sales.

- The Home Meridian segment's S&A expenses decreased in absolute terms while staying relatively flat as a percentage of net sales. The decrease was principally attributable to lower selling expenses due to net sales, and to a lesser extent spending reductions, decreased travel and professional service expenses which were higher in the prior year period due to the resourcing transition. These expenses decreased in the current period as the resourcing transition was in its final stages and business travel was also limited due to COVID-19 pandemic.

- The Domestic Upholstery segment's S&A expenses decreased in absolute terms due to decreased selling expenses on lower net sales, partially offset by higher medical claim costs.

- All Other S&A expenses increased slightly in absolute terms and as a percentage of net sales due to internal personnel changes.

	Goodwill impairment charges Thirteen Weeks Ended					
	May 3, 2020		May 5, 2019		$ Change	% Change
		% Net Sales		% Net Sales		
Home Meridian	**$ 23,187**	**40.2%**	$ -	0.0%	$ 23,187	
Domestic Upholstery	**16,381**	**97.6%**	-	0.0%	16,381	
Consolidated	**39,568**	**37.8%**	-		39,568	

	Trade name impairment charges Thirteen Weeks Ended					
	May 3, 2020		May 5, 2019		$ Change	% Change
		% Net Sales		% Net Sales		
Home Meridian	**$ 4,750**	**8.2%**	$ -		$ 4,750	
Consolidated	**$ 4,750**	**4.6%**	$ -		4,750	

We recorded $23.2 million and $16.4 million in non-cash impairment charges to write down goodwill in Home Meridian segment and the Shenandoah division under Domestic Upholstery segment, respectively. We also recorded $4.8 million non-cash impairment charges to write down tradenames in the Home Meridian segment.

	Intangible Asset Amortization Thirteen Weeks Ended					
	May 3, 2020		May 5, 2019		$ Change	% Change
		% Net Sales		% Net Sales		
Intangible asset amortization	**$ 596**	**0.6%**	$ 596	0.4%	$ -	0.0%

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

	Operating (Loss)/Profit and Margin Thirteen Weeks Ended					
	May 3, 2020	% Net Sales	May 5, 2019	% Net Sales	$ Change	% Change
Hooker Branded	**$ 1,333**	**4.9%**	$ 5,177	13.1%	$ (3,844)	-74.3%
Home Meridian	**(30,348)**	**-52.6%**	(4,993)	-7.4%	(25,355)	-507.8%
Domestic Upholstery	**(16,810)**	**-100.2%**	2,292	9.1%	(19,102)	833.4%
All Other	**387**	**12.9%**	429	14.5%	(42)	-9.8%
Consolidated	**$ (45,438)**	**-43.4%**	$ 2,905	2.1%	$ (48,343)	-1664.1%

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

	Interest Expense, net Thirteen Weeks Ended					
	May 3, 2020	% Net Sales	May 5, 2019	% Net Sales	$ Change	% Change
Consolidated interest expense, net	**$ 208**	**0.2%**	$ 341	0.3%	$ (133)	-39.0%

Consolidated interest expense decreased in fiscal 2021 first quarter primarily due to lower interest rates on our variable-rate term loans, as well as lower principal balances.

	Income taxes Thirteen Weeks Ended					
	May 3, 2020	% Net Sales	May 5, 2019	% Net Sales	$ Change	% Change
Consolidated income tax (benefit)/expense	**$ (10,869)**	**-10.4%**	$ 515	0.4%	$ (11,384)	-2210.5%
Effective Tax Rate	**23.8%**		20.6%			

We recorded income tax benefit of $10.9 million for the fiscal 2021 first quarter, of which income tax benefit of $10.6 million was recorded related to goodwill and trade name impairment charges, compared to $515,000 income tax expense for the comparable prior year period. The effective tax rates for the fiscal 2021 and 2020 first quarters were 23.8% and 20.6%, respectively.

	Net (Loss)/Income Thirteen Weeks Ended					
	May 3, 2020	% Net Sales	May 5, 2019	% Net Sales	$ Change	% Change
Net (loss) / income						
Consolidated	**$ (34,819)**	**-33.3%**	$ 1,987	1.5%	$ (36,806)	-1852.3%
Diluted (loss) / earnings per share	**$ (2.95)**		$ 0.17			

Outlook

The COVID-19 crisis drove the most significant downturn in our business in over 50 years. However, the disruption has not been as severe as we initially projected. Based on the improvement in orders and retail sales we've seen since the end of the fiscal 2021 first quarter, as stores and the economy continue to reopen, we are cautiously optimistic that the worst is behind us and that business will steadily improve through the summer and fall. We believe the Company remains in exceptional financial condition with a strong balance sheet and barring a second nationwide or large-scale lock-down, we expect business to improve each quarter as we go through the year. However, we have limited visibility of how the economic and health crises may fluctuate in the coming months and face headwinds of significant levels of unemployment, recent social unrest and general uncertainty.

After beginning the current fiscal year on an upturn with an 8.3% year-over-year increase in consolidated incoming orders in February, orders plummeted over 70% year-over-year in March and approximately 65% year-over-year in April partially driven by cancellations of stock orders by large customers and deferred orders from retailers who closed their stores during the shutdown. Orders declined significantly during the first few weeks of May but then recovered resulting in about a 5% overall reduction for the full month of May compared to the prior year. Fiscal June and to-date July orders have continued this positive trend with fiscal June orders and orders thus far in July at higher rate than the comparable month a year ago. We believe there are several positive factors in play such as pent-up demand, more focus on home environments and less competition for discretionary consumer spending from travel, dining out, sporting events, concerts and other activities.

In addition, Hooker's domestic upholstery manufacturing facilities for Bradington-Young, Sam Moore and Shenandoah began ramping up production in early May and are currently operating near capacity on a consolidated basis, which is a significant increase over the fiscal 2021 first quarter, which will improve efficiencies and cost absorption.

As of the end of our fiscal 2021 first quarter of May 3, 2020, our cash position was $51.2 million, an increase of $15.2 million over the end of the 2020 fiscal year on February 2, 2020. Since the end of the fiscal 2021 first quarter on May 3, 2020, we added an additional $31.0 million in cash to the quarter-end balance as of the date of July 23, 2020. Additionally, we have access to about $26 million under our existing revolver to fund working capital requirements and have access to an additional $25.6 million in cash surrender value of Company-owned life insurance policies. While we expect our cash balances to decline somewhat as we rebuild inventories and trade receivables increase- both to accommodate increased sales- we expect our liquidity to be sufficient. Discussions with our lender to refinance our credit facility which expires in February 2021 have begun and we expect to be successful in refinancing our debt; however, we believe we have sufficient financial resources to continue to operate even without refinancing our debt. We expect to continue managing cash and spending cautiously as we move through the coming months.

We face a number of significant risks and uncertainties, as more fully discussed in Item 1A, "Risk Factors" in our 2020 Annual Report.

Financial Condition, Liquidity and Capital Resources

Cash Flows – Operating, Investing and Financing Activities

	Thirteen Weeks Ended	
	May 3, 2020	May 5, 2019
Net cash provided by operating activities	**$ 18,924**	$ 20,286
Net cash provided by/(used in) investing activities	**131**	(235)
Cash used in financing activities	**(3,846)**	(3,232)
Net increase in cash and cash equivalents	**$ 15,209**	$ 16,819

During the three months ended May 3, 2020, we used a portion of the $18.9 million cash generated from operations and $673,000 life insurance proceeds to pay $2.2 million in principal and interest payments on our term loans, $1.9 million in cash dividends, and $162,000 in life insurance premiums on Company-owned life insurance policies.

In comparison, during the three months ended May 5, 2019, cash generated from operations of $20.3 million and $1.4 million proceeds on a note receivable helped to pay $1.8 million in cash dividends, $1.5 million in long-term debt payments, $1.5 million of capital expenditures to expand our domestic manufacturing capacities and to enhance our business systems and facilities, and $157,000 in life insurance premiums.

Liquidity, Financial Resources and Capital Expenditures

Our financial resources include:

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

We believe these resources are sufficient to meet our business requirements through fiscal 2021 and for the foreseeable future, including:

- limited capital expenditures;
- working capital; and
- the servicing of our acquisition-related debt.

Loan Agreements and Revolving Credit Facility

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

Original Loan Agreement

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

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

- **Unsecured revolving credit facility.** The Original Loan Agreement increased the amount available under our existing unsecured revolving credit facility from $15 million to $30 million and increased the sublimit of the facility available for the issuance of letters of credit from $3 million to $4 million. Amounts outstanding under the revolving facility bear interest at a rate, adjusted monthly, equal to the then-current LIBOR monthly rate plus 1.50%. We must also pay a quarterly unused commitment fee that is based on the average daily amount of the facility utilized during the applicable quarter;

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

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

New Loan Agreement

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

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

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

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

Maintain a ratio of funded debt to EBITDA not exceeding:
- 2.50:1.0 through August 31, 2018;
- 2.25:1.0 through August 31, 2019; and
- 2.00:1.00 thereafter.
- A basic fixed charge coverage ratio of at least 1.25:1.00; and
- Limit capital expenditures to no more than $15.0 million during any fiscal year beginning in fiscal 2020.

The New Loan Agreement also limits our right to incur other indebtedness, make certain investments and create liens upon our assets, subject to certain exceptions, among other restrictions. The New Loan Agreement does not restrict our ability to pay cash dividends on, or repurchase shares of our common stock, subject to our compliance with the financial covenants discussed above, if we are not otherwise in default under the New Loan Agreement. We paid off the New Unsecured Term Loan in fiscal 2019.

We were in compliance with each of these financial covenants at May 3, 2020 and expect to remain in compliance with existing covenants for the foreseeable future. We believe we have the financial resources to weather the expected short-term impacts of COVID-19; however, an extended impact may materially and adversely affect our sales, earnings and liquidity.

As of May 3, 2020, $11.1 million was outstanding under the Unsecured Term Loan, $17.1 million was outstanding under the Secured Term Loan.

Revolving Credit Facility Availability

As of May 3, 2020, we had an aggregate $25.7 million available under our revolving credit facility to fund working capital needs. Standby letters of credit in the aggregate amount of $4.3 million, used to collateralize certain insurance arrangements and for imported product purchases, were outstanding under the revolving credit facility as of May 3, 2020. There were no additional borrowings outstanding under the revolving credit facility as of May 3, 2020.

Expected Refinancing in Fiscal 2021

All amounts outstanding on our term loans and revolving credit facility are due and payable on the first day of fiscal 2022, February 1, 2021 and discussions with our lender about refinancing have begun. We expect to refinance any amounts outstanding under these loans and credit facility during fiscal 2021. However, if the negative economic effects of COVID-19 persist, it would likely have a material adverse effect on our sales, earnings and liquidity. Consequently, our credit rating may decrease or the availability of loans may be limited and refinancing our debt may be more difficult and loans more costly.

Capital Expenditures

Prior to the COVID-19 crisis, we expected to spend between $2.5 million to $4.5 million in capital expenditures in fiscal 2021 to maintain and enhance our operating systems and facilities. However, due to the negative economic effects of COVID-19, we have delayed indefinitely about $3 million in non-critical capital spending. We expect to spend between $1.0 to $2.0 million in the remainder of the 2021 fiscal year to maintain and continue to enhance our operating systems and facilities.

COVID-19 Cost Cutting and Cash Preservation Measures

During the fiscal 2021 first quarter, we initiated certain measures to reduce operating expenses and preserve cash which include temporary fee reductions for our Board of Directors, temporary salary reductions for officers and certain other managers, strategic staff reductions, the temporary closure of our domestic manufacturing plants and the furlough of manufacturing, warehouse and administrative associates, delaying all non-critical capital spending, rationalizing current import purchase orders, working with our vendors to cut costs and extend payment terms where we can.

As of the end of our fiscal 2021 first quarter of May 3, 2020, our cash position had increased by $15.2 million over the end of the 2020 fiscal year on February 2, 2020. Since the end of the fiscal 2021 first quarter on May 3, 2020, we added an additional $31 million in cash as of July 23, 2020.

Dividends

Subsequent to the end of the fiscal 2021 first quarter on June 2, 2020, our board of directors declared a quarterly cash dividend of $0.16 per share, which was paid on June 30, 2020 to shareholders of record at June 16, 2020. We have seen steady improvement in orders and shipments since the end of our fiscal 2021 first quarter on May 3, 2020. We expect our low fixed cost business model, which served us well during the Great Recession, to help us navigate the current disruption. Our cash position has remained strong and has continued to improve since our fiscal year-end in early February, with additional availability under our revolving credit facility if needed. Consequently, while we are confident in our future and are proud of our fifty-plus year history of consistently paying dividends, we have limited visibility into future economic conditions. The Board will continue to evaluate the appropriateness of the current dividend rate considering our performance and economic conditions in future quarters.

Critical Accounting Policies

Except as discussed below, there have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our 2020 Annual Report.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

Borrowings under our revolving credit facility and the Unsecured Term Loan bear interest based on LIBOR plus 1.5% and borrowings under the Secured Term Loan bear interest based on LIBOR plus 0.5%. As such, these debt instruments expose us to market risk for changes in interest rates. There was no outstanding balance under our revolving credit facility as of May 3, 2020, other than standby letters of credit in the amount of $4.3 million; however, as of May 3, 2020, $28.2 million was outstanding under our term loans. A 1% increase in the LIBOR rate would result in an annual increase in interest expenses on our terms loans of approximately $197,000.

Raw Materials Price Risk

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

Currency Risk

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

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended May 3, 2020. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective as of May 3, 2020 to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Company's management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended May 3, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 6. Exhibits

3.1	Amended and Restated Articles of Incorporation of the Company, as amended March 28, 2003 (incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q (SEC File No. 000-25349) for the quarter ended February 28, 2003)
3.2	Amended and Restated Bylaws of the Company, as amended December 10, 2013 (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K (SEC File No. 000-25349) for the year ended February 2, 2014)
4.1	Amended and Restated Articles of Incorporation of the Company, as amended (See Exhibit 3.1)
4.2	Amended and Restated Bylaws of the Company, as amended (See Exhibit 3.2)
31.1	Rule 13a-14(a) Certification of the Company's principal executive officer
31.2*	Rule 13a-14(a) Certification of the Company's principal financial officer
32.1**	Rule 13a-14(b) Certification of the Company's principal executive officer and principal financial officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended May 3, 2020, formatted in Extensible Business Reporting Language ("XBRL"): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of income, (iii) condensed consolidated statements of comprehensive income, (iv) condensed consolidated statements of cash flows, and (v) the notes to the condensed consolidated financial statements

*Filed herewith
** Furnished herewith

SIGNATURE

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

HOOKER FURNITURE CORPORATION

Date: July 27, 2020

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 May 3, 2020
SECTION 13a-14(a) CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

Date: July 27, 2020

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

Exhibit 31.2

Form 10-Q for the Quarterly Period Ended May 3, 2020
SECTION 13a-14(a) CERTIFICATION

I, Paul A. Huckfeldt, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 27, 2020

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

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Hooker Furniture Corporation (the “Company”) Quarterly Report on Form 10-Q for the quarterly period ended May 3, 2020 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: July 27, 2020

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

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