

HOOKER FURNITURE CORP  
Form 10-Q  
December 09, 2009

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

Form 10-Q

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

For the quarterly period ended November 1, 2009

Commission file number 000-25349

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

Virginia  
(State or other jurisdiction of incorporation or  
organization)

54-0251350  
(IRS employer identification no.)

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

(276) 632-0459  
(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 x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes " No "

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

Large accelerated Filer "

Accelerated filer x

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Non-accelerated Filer  (Do not check if a smaller reporting company)  
 (Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of December 9, 2009

Common stock, no par value	10,771,912
(Class of common stock)	(Number of shares)

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

HOOKER FURNITURE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, including share data)  
(Unaudited)

	November 1, 2009	February 1, 2009
Assets		
Current Assets		
Cash and cash equivalents	\$34,730	\$11,804
Accounts receivable, less allowance for doubtful accounts of \$1,688 and \$2,207 on each date	26,248	30,261
Inventories	33,545	60,248
Prepaid expenses and other current assets	6,103	4,736
Total current assets	100,626	107,049
Property, plant, and equipment, net	23,425	24,596
Intangible assets	4,129	4,805
Cash surrender value of life insurance policies	14,364	13,513
Other assets	3,145	3,504
Total assets	\$145,689	\$153,467
Liabilities and Shareholders' Equity		
Current Liabilities		
Trade accounts payable	\$8,116	\$8,392
Accrued salaries, wages and benefits	2,847	2,218
Other accrued expenses	2,713	2,279
Short-term borrowing	111	-
Current maturities of long-term debt	-	2,899
Total current liabilities	13,787	15,788
Long-term debt, excluding current maturities	-	2,319
Deferred compensation	6,346	5,606
Other long-term liabilities	16	44
Total liabilities	20,149	23,757
Shareholders' equity		
Common stock, no par value, 20,000 shares authorized, 10,772 shares issued and outstanding on each date	17,055	16,995
Retained earnings	108,180	112,450
Accumulated other comprehensive income	305	265
Total shareholders' equity	125,540	129,710
Total liabilities and shareholders' equity	\$145,689	\$153,467

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



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

	Thirteen Weeks Ended		Thirty-nine weeks ended	
	November 1, 2009	November 2, 2008	November 1, 2009	November 2, 2008
Net Sales	\$ 52,605	\$ 68,996	\$ 150,646	\$ 204,651
Cost of Sales	39,928	53,319	117,047	158,111
Gross Profit	12,677	15,677	33,599	46,540
Selling and administrative expenses	10,894	11,530	32,329	35,580
Restructuring and asset impairment (credit) charge	-	(561 )	613	(819 )
Operating income	1,783	4,708	657	11,779
Other (expense) income, net	(93 )	36	(122 )	391
Income before income taxes	1,690	4,744	535	12,170
Income tax expense	733	1,794	497	4,541
Net income	\$ 957	\$ 2,950	\$ 38	\$ 7,629
Earnings per share				
Basic	\$ 0.09	\$ 0.27	\$ 0.00	\$ 0.68
Diluted	\$ 0.09	\$ 0.27	\$ 0.00	\$ 0.68
Weighted average shares outstanding:				
Basic	10,752	10,761	10,752	11,176
Diluted	10,764	10,767	10,762	11,182
Cash dividends declared per share	\$ 0.10	\$ 0.10	\$ 0.30	\$ 0.30

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

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HOOKER FURNITURE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Thirty-nine Weeks Ended	
	November 1, 2009	November 2, 2008
<b>Cash flows from operating activities</b>		
Cash received from customers	\$154,522	\$205,466
Cash paid to suppliers and employees	(119,671 )	(199,035 )
Income taxes paid, net	(1,728 )	(5,031 )
Interest (paid) received, net	(262 )	270
Net cash provided by operating activities	\$32,861	\$1,670
<b>Cash flows from investing activities</b>		
Additional payments related to the acquisition of Opus Designs	-	(181 )
Purchase of property, plant, and equipment	(1,264 )	(1,755 )
Proceeds received on notes issued for the sale of property	23	-
Proceeds from the sale of property and equipment	10	17
Premiums paid on officers' life insurance	(1,352 )	(1,284 )
Proceeds received on officers' life insurance	986	357
Net cash used in investing activities	(1,597 )	(2,846 )
<b>Cash flows from financing activities</b>		
Purchases and retirement of common stock	-	(14,097 )
Cash dividends paid	(3,231 )	(3,382 )
Proceeds from short-term borrowings	4,493	-
Payments on short-term borrowings	(4,382 )	-
Payments on long-term debt	(5,218 )	(2,002 )
Net cash used in financing activities	(8,338 )	(19,481 )
Net increase (decrease) in cash and cash equivalents	\$22,926	\$(20,657 )
Cash and cash equivalents at the beginning of the period	11,804	33,076
Cash and cash equivalents at the end of the period	\$34,730	\$12,419
<b>Reconciliation of net income to net cash provided by operating activities:</b>		
Net income	\$38	\$7,629
Depreciation	2,377	2,154
Non-cash restricted stock awards	61	54
Asset impairment charges	613	-
Restructuring (credit)	-	(819 )
Loss on disposal of property	115	122
Provision for doubtful accounts	850	1,475
Deferred income tax benefit	(107 )	(667 )
Changes in assets and liabilities, net of effect from acquisitions:		
Trade accounts receivable	3,163	(1,019 )
Inventories	26,703	(5,416 )

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Prepaid expenses and other current assets	(1,439 )	(122 )
Trade accounts payable	(276 )	(2,414 )
Accrued salaries, wages, and benefits	629	603
Accrued income taxes	-	177
Other accrued expenses	(644 )	(419 )
Deferred compensation	577	-
Other long-term liabilities	201	332
Net cash provided by operating activities	\$32,861	\$1,670

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

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HOOKER FURNITURE CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollar and share amounts in tables, except per share amounts, in thousands unless otherwise indicated)  
(Unaudited)

For the Thirty-nine Weeks Ended November 1, 2009

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. Operating results for the interim periods reported herein may not be indicative of the results expected for the year. 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 1, 2009.

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” or “quarterly period”) that began August 3, 2009 and the thirty-nine week period (also referred to as “nine months,” “nine-month period” or “first nine months”) that began February 2, 2009, both ending on November 1, 2009. These financial statements also include the thirteen-week period that began August 4, 2008 and the thirty-nine week period that began February 4, 2008, both ending on November 2, 2008.

References to the 2010 fiscal year and comparable terminology in the notes to the condensed consolidated financial statements mean the fiscal year that began February 2, 2009 and will end January 31, 2010. References to the 2009 fiscal year and comparable terminology in the notes to the condensed consolidated financial statements mean the fiscal year that began February 4, 2008 and ended February 1, 2009.

We made a change in accounting principle in fiscal 2009 to classify shipping and warehousing costs associated with the distribution of finished products to our customers, as well as certain supply chain and operations management expenses, as cost of sales (previously recorded in selling and administrative expenses). We believe this accounting principle is preferable because the classification of these shipping and warehousing costs in cost of sales better reflects the cost of producing, selling and distributing our products. The reclassification due to this change in accounting principle amounted to \$4.1 million for the 2009 third quarter and \$12.9 million for the 2009 nine-month period.

2. Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 165 Subsequent Events (“FAS 165”), which was subsequently codified in the subsequent events topic of the accounting standards codification (ASC 855.) FAS 165 addresses accounting and disclosure requirements related to subsequent events. It requires management to evaluate subsequent events through the date the financial statements are either issued or available to be issued, depending on the company’s expectation of whether it will widely distribute its financial statements to its shareholders and other financial statement users. Companies are required to disclose the date through which subsequent events have been evaluated. This disclosure requirement is effective for interim or annual financial periods ending after June 15, 2009 and should be applied prospectively. We adopted this disclosure requirement in the fiscal year 2010 second quarter.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166 (“FAS 166”), “Accounting for Transfers of Financial Assets”, the objective of which is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement, if any, in transferred financial assets. FAS 166 is effective for annual reporting periods that begin after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Early application is prohibited. This statement must be applied to transfers occurring on or after the effective date. We expect to adopt this standard during our fiscal 2011 first quarter. The adoption of this statement is not expected to have a material impact on our financial position or results of operations.

In June 2009, the FASB issued FAS 167, “Amendments to FASB Interpretation No. 46(R)”, the objective of which is to improve financial reporting by enterprises involved with variable interest entities. FAS 167 is effective for annual reporting periods that begin after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Early application is not permitted. We expect to adopt this statement during our fiscal 2011 first quarter. The adoption of this statement is not expected to have a material impact on our financial position or results of operations.

In June 2009, the FASB issued FAS 162, “The Hierarchy of Generally Accepted Accounting Principles”, which is commonly referred to as the “Accounting Standards Codification” or “ASC”, and subsequently codified as ASC 105. The ASC has become the sole source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. It supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification has become non-authoritative. This update is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Accordingly, we adopted this update during our fiscal 2010 third quarter.

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## 3. Inventories

	November 1, 2009	February 1, 2009
Finished furniture	\$ 38,821	\$ 64,865
Furniture in process	899	900
Materials and supplies	6,995	8,207
Inventories at FIFO	46,715	73,972
Reduction to LIFO basis	13,170	13,724
Inventories	\$ 33,545	\$ 60,248

## 4. Property, Plant and Equipment

	November 1, 2009	February 1, 2009
Buildings and land improvements	\$ 23,708	\$ 23,676
Machinery and equipment	4,312	3,665
Furniture and fixtures	27,605	26,656
Other	4,050	3,886
Total depreciable property at cost	59,675	57,883
Less accumulated depreciation	37,728	35,695
Total depreciable property, net	21,947	22,188
Land	1,357	1,357
Construction in progress	121	1,051
Property, plant and equipment, net	\$ 23,425	\$ 24,596

During our fiscal 2010 second quarter, we decided to transition production from our Bradington-Young Woodleaf, North Carolina frame manufacturing plant (a leased facility) to Bradington-Young's Cherryville, North Carolina facility by the end of December 2009. On July 17, 2009, we met with the Woodleaf employees and announced our plans to sell the frame production operation, including the associated machinery and equipment, as an on-going business. However, at November 1, 2009 we had not found and do not anticipate finding a buyer for this operation. Consequently, during the 2010 fiscal third quarter, we recorded \$132,000 for severance, the majority of which we expect to pay during our fiscal 2010 fourth quarter and \$48,000 in accelerated depreciation for the write-down of fixed assets utilized at this location. We anticipate recording an additional \$32,000 in accelerated depreciation during our fiscal 2010 fourth quarter.

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## 5. Intangible Assets

	November 1, 2009	February 1, 2009
Non-amortizable Intangible Assets		
Trademarks and trade names - Bradington-Young	\$ 2,676	\$ 3,289
Trademarks and trade names - Sam Moore	396	396
Trademarks and trade names - Opus Designs	1,057	1,057
Total trademarks and tradenames	4,129	4,742
Amortizable Intangible Assets		
Non-compete agreements	-	700
Furniture designs	100	100
Total amortizable intangible assets	100	800
Less accumulated amortization	100	737
Net carrying value	-	63
Intangible assets	\$ 4,129	\$ 4,805

## 6. Accounts Receivable and Short-term Borrowing

	November 1, 2009	February 1, 2009
Trade accounts receivable	\$ 19,069	\$ 24,408
Receivable from factor	8,867	8,060
Allowance for doubtful accounts	(1,688 )	(2,207 )
Accounts receivable	\$ 26,248	\$ 30,261
Short-term borrowing	\$ 4,493	\$ -
Repayments	4,382	-
Short-term borrowing	\$ 111	