

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from ___ to ___

Commission file number: 1-14445



HAVERTY FURNITURE COMPANIES, INC.
(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

780 Johnson Ferry Road, Suite 800
Atlanta, Georgia

(Address of principal executive offices)

58-0281900

(I.R.S. Employer Identification No.)

30342

(Zip Code)

(404) 443-2900

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	HVT	NYSE
Class A Common Stock	HVTA	NYSE

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 (§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

The numbers of shares outstanding of the registrant's two classes of \$1 par value common stock as of November 1, 2023, were: Common Stock - 14,987,128; Class A Common Stock - 1,281,395.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**HAVERTY FURNITURE COMPANIES, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)**

<i>(In thousands)</i>	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 134,303	\$ 123,126
Restricted cash and cash equivalents	7,049	6,804
Inventories	102,334	118,333
Prepaid expenses	12,782	9,707
Other current assets	14,463	18,283
Total current assets	<u>270,931</u>	<u>276,253</u>
Property and equipment, net	170,263	137,475
Right-of-use lease assets	205,257	207,390
Deferred income taxes	17,886	15,501
Other assets	12,344	12,430
Total assets	<u>\$ 676,681</u>	<u>\$ 649,049</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 21,121	\$ 23,345
Customer deposits	46,308	47,969
Accrued liabilities	45,596	48,676
Current lease liabilities	38,381	34,442
Total current liabilities	<u>151,406</u>	<u>154,432</u>
Noncurrent lease liabilities	182,298	186,845
Other liabilities	26,561	18,373
Total liabilities	<u>360,265</u>	<u>359,650</u>
Stockholders' equity		
Capital Stock, par value \$1 per share		
Preferred Stock, Authorized - 1,000 shares; Issued: None		
Common Stock, Authorized - 50,000 shares; Issued: 2023 - 30,220; 2022 - 30,006	30,220	30,006
Convertible Class A Common Stock, Authorized - 15,000 shares; Issued: 2023 - 1,804; 2022 - 1,806	1,804	1,806
Additional paid-in capital	111,491	108,706
Retained earnings	425,410	398,393
Accumulated other comprehensive loss	(756)	(756)
Less treasury stock at cost - Common Stock (2023 - 15,233 and 2022 - 15,140 shares) and Convertible Class A Common Stock (2023 and 2022 - 522 shares)	(251,753)	(248,756)
Total stockholders' equity	<u>316,416</u>	<u>289,399</u>
Total liabilities and stockholders' equity	<u>\$ 676,681</u>	<u>\$ 649,049</u>

See notes to these condensed consolidated financial statements.

HAVERTY FURNITURE COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>(In thousands, except per share data)</i>				
Net sales	\$ 220,347	\$ 274,495	\$ 651,389	\$ 766,658
Cost of goods sold	86,349	117,775	259,712	322,368
Gross profit	133,998	156,720	391,677	444,290
Expenses:				
Selling, general and administrative	112,729	124,534	341,106	357,816
Other expense, net	55	58	64	176
Total expenses	112,784	124,592	341,170	357,992
Income before interest and income taxes	21,214	32,128	50,507	86,298
Interest income, net	1,719	481	3,701	699
Income before income taxes	22,933	32,609	54,208	86,997
Income tax expense	5,779	8,058	12,891	21,377
Net income	<u>\$ 17,154</u>	<u>\$ 24,551</u>	<u>\$ 41,317</u>	<u>\$ 65,620</u>
Other comprehensive income				
Adjustments related to retirement plans; net of tax expense of \$14 and \$41 in 2022	\$ —	\$ 41	\$ —	\$ 122
Comprehensive income	<u>\$ 17,154</u>	<u>\$ 24,592</u>	<u>\$ 41,317</u>	<u>\$ 65,742</u>
Basic earnings per share:				
Common Stock	\$ 1.05	\$ 1.51	\$ 2.55	\$ 3.96
Class A Common Stock	\$ 1.00	\$ 1.43	\$ 2.41	\$ 3.75
Diluted earnings per share:				
Common Stock	\$ 1.02	\$ 1.46	\$ 2.46	\$ 3.83
Class A Common Stock	\$ 0.98	\$ 1.40	\$ 2.36	\$ 3.66
Cash dividends per share:				
Common Stock	\$ 0.30	\$ 0.28	\$ 0.88	\$ 0.81
Class A Common Stock	\$ 0.28	\$ 0.26	\$ 0.82	\$ 0.75

See notes to these condensed consolidated financial statements.

HAVERTY FURNITURE COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)

	Nine Months Ended September 30,	
	2023	2022
Cash Flows from Operating Activities:		
Net income	\$ 41,317	\$ 65,620
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,827	12,744
Share-based compensation expense	6,199	6,032
Other	(1,337)	(450)
Changes in operating assets and liabilities:		
Inventories	15,999	(25,284)
Customer deposits	(1,661)	(19,151)
Other assets and liabilities	10,546	(7,318)
Accounts payable and accrued liabilities	(5,516)	6,007
Net cash provided by operating activities	<u>79,374</u>	<u>38,200</u>
Cash Flows from Investing Activities:		
Capital expenditures	(46,428)	(22,109)
Proceeds from sale of land, property and equipment	53	66
Net cash used in investing activities	<u>(46,375)</u>	<u>(22,043)</u>
Cash Flows from Financing Activities:		
Dividends paid	(14,301)	(13,366)
Common stock repurchased	(3,194)	(29,998)
Taxes on vested restricted shares	(4,082)	(1,676)
Net cash used in financing activities	<u>(21,577)</u>	<u>(45,040)</u>
Increase (decrease) in cash, cash equivalents and restricted cash equivalents during the period	11,422	(28,883)
Cash, cash equivalents and restricted cash equivalents at beginning of period	129,930	172,862
Cash, cash equivalents and restricted cash equivalents at end of period	<u>\$ 141,352</u>	<u>\$ 143,979</u>

See notes to these condensed consolidated financial statements.

**HAVERTY FURNITURE COMPANIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

NOTE A - Business and Basis of Presentation

Haverty Furniture Companies, Inc. ("Havertys," "the Company," "we," "our," or "us") is a retailer of a broad line of residential furniture in the middle to upper-middle price ranges. We operate all of our stores using the Havertys brand and do not franchise our concept. We operate within a single reportable segment. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes required by United States of America generally accepted accounting principles ("U.S. GAAP") for complete financial statements. The Company believes that the disclosures made are adequate to make the information not misleading. The financial statements include the accounts of the Company and its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation. We believe all adjustments, normal and recurring in nature, considered necessary for a fair presentation have been included. We suggest that these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in our latest Annual Report on Form 10-K.

The preparation of interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and reported amounts of revenue and expenses. Actual results could differ from those estimates.

The Company is subject to various claims and legal proceedings covering a wide range of matters, including with respect to product liability and personal injury claims, that arise in the ordinary course of its business activities. We currently have no pending claims or legal proceedings that we believe would be reasonably likely to have a material adverse effect on our financial condition, results of operations or cash flows. However, there can be no assurance that either future litigation or an unfavorable outcome in existing claims will not have a material impact on our business, reputation, financial position, cash flows or results of operations.

NOTE B – Stockholders' Equity

The following outlines the changes in each caption of stockholders' equity for the current and comparative periods and the dividends per share for each class of shares.

For the three months ended September 30, 2023:

<i>(in thousands)</i>	Common Stock	Class A Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balances at June 30, 2023	\$ 30,218	\$ 1,806	\$ 109,731	\$ 413,143	\$ (756)	\$ (248,559)	\$ 305,583
Net income				17,154			17,154
Dividends declared:							
Common Stock, \$0.30 per share				(4,527)			(4,527)
Class A Common Stock, \$0.28 per share				(360)			(360)
Class A conversion	2	(2)					—
Acquisition of treasury stock						(3,194)	(3,194)
Amortization of restricted stock			1,760				1,760
Balances at September 30, 2023	\$ 30,220	\$ 1,804	\$ 111,491	\$ 425,410	\$ (756)	\$ (251,753)	\$ 316,416

For the nine months ended September 30, 2023:

<i>(in thousands)</i>	Common Stock	Class A Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balances at December 31, 2022	\$ 30,006	\$ 1,806	\$ 108,706	\$ 398,393	\$ (756)	\$ (248,756)	\$ 289,399
Net income				41,317			41,317
Dividends declared:							
Common Stock, \$0.88 per share				(13,249)			(13,249)
Class A Common Stock, \$0.82 per share				(1,051)			(1,051)
Class A conversion	2	(2)					—
Acquisition of treasury stock						(3,194)	(3,194)
Restricted stock issuances	212		(4,294)				(4,082)
Amortization of restricted stock			6,199				6,199
Directors' Compensation Plan			880			197	1,077
Balances at September 30, 2023	\$ 30,220	\$ 1,804	\$ 111,491	\$ 425,410	\$ (756)	\$ (251,753)	\$ 316,416

For the three months ended September 30, 2022:

<i>(in thousands)</i>	Common Stock	Class A Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balances at June 30, 2022	\$ 30,006	\$ 1,806	\$ 105,674	\$ 375,234	\$ (2,212)	\$ (243,782)	\$ 266,726
Net income				24,551			24,551
Dividends declared:							
Common Stock, \$0.28 per share				(4,214)			(4,214)
Class A Common Stock, \$0.26 per share				(334)			(334)
Acquisition of treasury stock						(4,997)	(4,997)
Amortization of restricted stock			1,836				1,836
Other comprehensive income					41		41
Balances at September 30, 2022	<u>\$ 30,006</u>	<u>\$ 1,806</u>	<u>\$ 107,510</u>	<u>\$ 395,237</u>	<u>\$ (2,171)</u>	<u>\$ (248,779)</u>	<u>\$ 283,609</u>

For the nine months ended September 30, 2022:

<i>(in thousands)</i>	Common Stock	Class A Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balances at December 31, 2021	\$ 29,907	\$ 1,809	\$ 102,572	\$ 342,983	\$ (2,293)	\$ (219,008)	\$ 255,970
Net income				65,620			65,620
Dividends declared:							
Common Stock, \$0.81 per share				(12,403)			(12,403)
Class A Common Stock, \$0.75 per share				(963)			(963)
Class A conversion	3	(3)					—
Acquisition of treasury stock						(29,998)	(29,998)
Restricted stock issuances	96		(1,778)				(1,682)
Amortization of restricted stock			6,032				6,032
Directors' Compensation Plan			684			227	911
Other comprehensive income					122		122
Balances at September 30, 2022	<u>\$ 30,006</u>	<u>\$ 1,806</u>	<u>\$ 107,510</u>	<u>\$ 395,237</u>	<u>\$ (2,171)</u>	<u>\$ (248,779)</u>	<u>\$ 283,609</u>

NOTE C – Interim LIFO Calculations

Inventories are measured using the last-in, first-out (LIFO) method of valuation using an annual LIFO index. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of the components of the calculation including year-end inventory levels and the expected rate of inflation or

deflation for the year. Since these estimates may be affected by factors beyond management's control, interim results are subject to change based upon the final year-end LIFO inventory valuation.

NOTE D – Fair Value of Financial Instruments

The fair values of our cash and cash equivalents, restricted cash and cash equivalents, accounts payable and customer deposits approximate their carrying values due to their short-term nature. The assets related to our self-directed, non-qualified deferred compensation plans for certain executives and employees are valued using quoted market prices multiplied by the number of shares held, a Level 1 valuation technique.

NOTE E – Credit Agreement

We have an \$80.0 million revolving credit facility (the "Credit Agreement") secured primarily by our inventory and maturing on October 24, 2027. Availability fluctuates based on a borrowing base calculation reduced by outstanding letters of credit.

At September 30, 2023 and December 31, 2022, there were no outstanding borrowings under the Credit Agreement. The borrowing base was \$150.6 million at September 30, 2023 and there were no outstanding letters of credit and, accordingly, net availability was \$80.0 million.

NOTE F – Revenues

We recognize revenue from merchandise sales and related service fees, net of expected returns and sales tax, at the time the merchandise is delivered to the customer. We record customer deposits when payments are received in advance of the delivery of merchandise. Such deposits totaled \$46.3 million and \$48.0 million at September 30, 2023 and December 31, 2022, respectively. Of the customer deposit liabilities at December 31, 2022, approximately \$0.5 million have not been recognized through net sales in the nine months ended September 30, 2023.

The following table presents our revenues disaggregated by each major product category and service:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
<i>(In thousands)</i>	Net Sales	% of Net Sales	Net Sales	% of Net Sales	Net Sales	% of Net Sales	Net Sales	% of Net Sales
Merchandise:								
Case Goods								
Bedroom Furniture	\$ 33,702	15.3 %	\$ 46,068	16.8 %	\$ 102,184	15.7 %	\$ 118,953	15.5 %
Dining Room Furniture	25,272	11.5	31,793	11.6	73,809	11.3	82,971	10.8
Occasional	17,227	7.8	23,874	8.7	52,736	8.1	60,881	7.9
	76,201	34.6	101,735	37.1	228,729	35.1	262,805	34.3
Upholstery	93,559	42.5	112,682	41.1	275,978	42.4	333,507	43.5
Mattresses	20,407	9.3	22,646	8.3	57,805	8.9	64,389	8.4
Accessories and Other ⁽¹⁾	30,180	13.7	37,432	13.6	88,877	13.6	105,957	13.8
	<u>\$ 220,347</u>	<u>100.0 %</u>	<u>\$ 274,495</u>	<u>100.0 %</u>	<u>\$ 651,389</u>	<u>100.0 %</u>	<u>\$ 766,658</u>	<u>100.0 %</u>

(1) Includes delivery charges and product protection.

NOTE G – Leases

We have operating leases for retail stores, offices, warehouses, and certain equipment. Our leases have remaining lease terms of 1 year to 12 years, some of which include options to extend the leases for up to 20 years. We determine if an arrangement is or contains a lease at lease inception. Our leases do not have any residual value guarantees or any restrictions or covenants imposed by lessors. We have lease agreements for real estate with lease and non-lease components, which are accounted for separately.

Certain of our lease agreements for retail stores include variable lease payments, generally based on sales volume. The variable portions of payments are not included in the initial measurement of the right-of-use asset or lease liability due to uncertainty of the payment amount and are recorded as lease expense in the period incurred. Certain of our equipment lease agreements include variable lease costs, generally based on usage of the underlying asset (mileage, fuel, etc.). The variable portions of payments are not included in the initial measurement of the right-of-use asset or lease liability due to uncertainty of the payment amount and are recorded in the period incurred.

Lease expense is charged to selling, general and administrative expenses. Components of lease expense were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 12,404	\$ 11,517	\$ 36,506	\$ 35,230
Variable lease cost	1,443	1,706	4,562	5,183
Total lease expense	<u>\$ 13,847</u>	<u>\$ 13,223</u>	<u>\$ 41,068</u>	<u>\$ 40,413</u>

In May 2023, we purchased our Florida distribution center for approximately \$28.0 million and entered into an early termination agreement of a retail location lease in exchange for approximately \$3.0 million. This purchase and lease modification decreased our right of use assets and lease liabilities by approximately \$16.0 million.

Supplemental cash flow information related to leases is as follows (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 33,945	\$ 29,601
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 43,934	\$ 22,231

NOTE H – Income Taxes

Our effective tax rate for the nine months ended September 30, 2023 and 2022 was 23.8% and 24.6%, respectively. The primary difference in the effective rate and the statutory rate was due to state income taxes and the impact from vested stock awards.

NOTE I – Stock-Based Compensation Plans

As more fully discussed in Note 12 of the notes to the consolidated financial statements in our 2022 Annual Report on Form 10-K, we have awards outstanding for Common Stock under stock-based employee compensation plans.

The following table summarizes our award activity during the nine months ended September 30, 2023:

	Service-Based Restricted Stock Awards		Performance-Based Restricted Stock Awards	
	Shares or Units (#)	Weighted-Average Award Price (\$)	Shares or Units (#)	Weighted-Average Award Price (\$)
Outstanding at December 31, 2022	237,302	\$ 28.16	436,647	\$ 26.56
Granted/Issued	175,498	33.06	106,557	33.08
Awards vested or rights exercised ⁽¹⁾	(146,610)	27.07	(188,980)	20.42
Forfeited	(16,535)	30.84	(3,069)	32.75
Additional units earned due to performance	—	—	3,752	28.86
Outstanding at September 30, 2023	249,655	\$ 32.08	354,907	\$ 31.76
Restricted units expected to vest	249,655	\$ 32.08	330,826	\$ 31.66

(1) Includes shares repurchased from employees for employee's tax liability.

The total fair value of service-based restricted stock awards that vested during the nine months ended September 30, 2023 was approximately \$3.7 million. The aggregate intrinsic value of outstanding service-based restricted stock awards was approximately \$7.2 million at September 30, 2023. The restrictions on the service-based awards generally lapse or vest annually, primarily over one-year and three-year periods.

The total fair value of performance-based restricted stock awards that vested during the nine months ended September 30, 2023 was approximately \$7.1 million. The aggregate intrinsic value of outstanding performance awards at September 30, 2023 expected to vest was approximately \$9.5 million. The performance awards are based on one-year performance periods but cliff vest in approximately three years from grant date.

The compensation for all awards is charged to selling, general and administrative expenses over the respective grants' vesting periods, primarily on a straight-line basis. The amount charged was approximately \$6.2 million and \$6.0 million for the nine months ended September 30, 2023 and 2022, respectively. Forfeitures are recognized as they occur. As of September 30, 2023, the total compensation cost related to unvested equity awards was approximately \$7.9 million and is expected to be recognized over a weighted-average period of two years.

NOTE J – Earnings Per Share

We report our earnings per share using the two-class method. The income per share for each class of common stock is calculated assuming 100% of our earnings are distributed as dividends to each class of common stock based on the contractual rights of the classes.

The Common Stock of the Company has a preferential dividend rate of at least 105% of the dividend paid on the Class A Common Stock. Holders of the Class A Common Stock have greater voting rights which include voting as a separate class for the election of up to 75% of the total number of directors whereas holders of the Common Stock vote as a separate class for the election of at least 25% of the total number of directors. On all other matters subject to shareholder vote, holders of the Class A Common Stock have ten votes per share as opposed to holders of the Common Stock receiving one vote per share. Class A Common Stock may be converted at any time on a one-for-one basis into Common Stock at the option of the holder of the Class A Common Stock.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Common:				
Distributed earnings	\$ 4,527	\$ 4,214	\$ 13,249	\$ 12,403
Undistributed earnings	11,349	18,498	24,982	48,398
Basic	15,876	22,712	38,231	60,801
Class A Common earnings	1,278	1,839	3,086	4,819
Diluted	\$ 17,154	\$ 24,551	\$ 41,317	\$ 65,620
Class A Common:				
Distributed earnings	\$ 360	\$ 334	\$ 1,051	\$ 963
Undistributed earnings	918	1,505	2,035	3,856
	\$ 1,278	\$ 1,839	\$ 3,086	\$ 4,819
Denominator:				
Common:				
Weighted average shares outstanding - basic	15,071	15,015	15,008	15,347
Assumed conversion of Class A Common Stock	1,282	1,283	1,283	1,284
Dilutive options, awards and common stock equivalents	483	518	498	507
Total weighted-average diluted Common Stock	16,836	16,816	16,789	17,138
Class A Common:				
Weighted average shares outstanding	1,282	1,283	1,283	1,284
Basic earnings per share:				
Common Stock	\$ 1.05	\$ 1.51	\$ 2.55	\$ 3.96
Class A Common Stock	\$ 1.00	\$ 1.43	\$ 2.41	\$ 3.75
Diluted earnings per share:				
Common Stock	\$ 1.02	\$ 1.46	\$ 2.46	\$ 3.83
Class A Common Stock	\$ 0.98	\$ 1.40	\$ 2.36	\$ 3.66

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

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes contained herein and with the audited consolidated financial statements, accompanying notes, related information and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2022 ("Form 10-K").

Forward-Looking Statements

Statements in this Quarterly Report on Form 10-Q (the "Form 10-Q") and the schedules hereto that are not purely historical facts or that necessarily depend on future events, including statements about our estimates, expectations, beliefs, intentions, projections or strategies for the future, may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on forward-looking statements. In addition, oral statements made by our directors, officers, and employees to the investor and analyst communities, media representatives and others, depending upon their nature, may also constitute forward-looking statements. All forward-looking statements are based upon currently available information and the Company's current assumptions, expectations, and projections about future events. Forward-looking statements are by nature inherently uncertain and involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. Known material risk factors applicable to us that could cause our actual results to differ from these forward-looking statements are described in "Item 1A. Risk Factors" of our Form 10-K and in the subsequent reports we file with the Securities and Exchange Commission. Consequently, all forward-looking statements in this report are qualified by the factors, risks and uncertainties contained therein. All forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report except as required by law.

Net Sales

Our sales are generated by customer purchases of home furnishings. Revenue is recognized upon delivery to the customer. Comparable-store or "comp-store" sales is a measure which indicates the performance of our existing stores and website by comparing the growth in sales in store and online for a particular month over the corresponding month in the prior year. Stores are considered non-comparable if they were not open during the corresponding month in the prior year or if the selling square footage has been changed significantly. The method we use to compute comp-store sales may not be the same method used by other retailers. We record our sales when the merchandise is delivered to the customer. We also track "written sales" and "written comp-store sales," which represent customer orders prior to delivery. As a retailer, comp-store sales and written comp-store sales are an indicator of relative customer spending and store performance. Comp-store sales, total written sales and written comp-store sales are intended only as supplemental information and none are substitutes for net sales presented in accordance with U.S. GAAP.

The following table outlines our sales and comp-store sales increases and decreases for the periods indicated:

Period	2023					2022				
	Net Sales			Comp-Store Sales		Net Sales			Comp-Store Sales	
	Total Dollars	% Change	\$ Change	% Change	\$ Change	Total Dollars	% Change	\$ Change	% Change	\$ Change
Q1	\$ 224.8	(5.9)%	\$ (14.2)	(6.7)%	\$ (16.0)	\$ 238.9	1.0 %	\$ 2.5	0.2 %	\$ 0.4
Q2	\$ 206.3	(18.5)%	\$ (46.9)	(19.1)%	\$ (48.0)	\$ 253.2	1.3 %	\$ 3.2	1.1 %	\$ 2.7
Q3	\$ 220.3	(19.7)%	\$ (54.1)	(20.7)%	\$ (56.5)	\$ 274.5	5.4 %	\$ 14.1	6.3 %	\$ 16.2
YTD Q3	\$ 651.4	(15.0)%	\$ (115.2)	(15.8)%	\$ (120.5)	\$ 766.7	2.7 %	\$ 19.8	2.6 %	\$ 19.3

Total sales for the third quarter of 2023 decreased \$54.1 million, or 19.7%, compared to the same period in 2022. Our comp-store sales decreased 20.7% or \$56.5 million, in the third quarter of 2023 compared to the same period in 2022.

Continued inflationary pressures, stock market volatility, and rising interest rates, all of which had a negative effect on discretionary spending, impacted sales during the third quarter of 2023. Written business

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

for the third quarter of 2023 compared to the third quarter of 2022 was down 11.5% and written comp-store sales were down 12.6%.

Our free in-home design service is being used by more customers and accordingly, our average ticket has increased. Designers helped drive 29.0% of our total written business for the third quarter of 2023 compared to 25.2% for the same period in 2022, and average ticket increased 4.3% for the respective periods.

Gross Profit

Gross profit for the third quarter of 2023 was 60.8%, up 370 basis points compared to the prior year period of 57.1%. The increase is primarily due to reductions in freight and product costs. The change in the LIFO reserve generated a positive impact on gross profit of \$2.3 million for the third quarter of 2023 compared to a negative impact of \$2.5 million for the same period in 2022.

We expect annual gross profit margins for 2023 will be 60.0% to 60.2%. Gross profit margins fluctuate quarter to quarter in relation to our promotional cadence. Our estimated gross profit margins are based on anticipated changes in product and freight costs and their impact on our LIFO reserve.

Substantially all of our occupancy and home delivery costs are included in selling, general and administrative expenses ("SG&A"), as are a portion of our warehousing expenses. Accordingly, our gross profit may not be comparable to those entities that include these costs in cost of goods sold.

Selling, General and Administrative Expenses

Our SG&A costs as a percent of sales for the third quarter of 2023 were 51.1% versus 45.4% for the same period in 2022. SG&A dollars decreased \$11.8 million, or 9.5%, for the third quarter of 2023 compared to the same prior year period. The change is driven by lower costs in selling expense of \$4.8 million, warehouse and delivery costs of \$3.2 million, advertising expense of \$2.1 million, and a decrease in administrative costs of \$1.6 million.

We classify our SG&A expenses as either variable or fixed and discretionary. Our variable expenses include the costs in the selling and delivery categories and certain warehouse and distribution expenses, as these amounts will generally move in tandem with our level of sales. The remaining categories and expenses for occupancy, advertising, and administrative costs are classified as fixed and discretionary because these costs do not fluctuate with sales.

The following table outlines our SG&A expenses by classification:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	\$	% of Net Sales	\$	% of Net Sales	\$	% of Net Sales	\$	% of Net Sales
<i>(In thousands)</i>								
Variable	\$ 42,344	19.2 %	\$ 50,228	18.3 %	\$ 128,208	19.7 %	\$ 140,566	18.3 %
Fixed and discretionary	70,385	31.9 %	74,306	27.1 %	212,898	32.7 %	217,250	28.3 %
	<u>\$ 112,729</u>	<u>51.1 %</u>	<u>\$ 124,534</u>	<u>45.4 %</u>	<u>\$ 341,106</u>	<u>52.4 %</u>	<u>\$ 357,816</u>	<u>46.6 %</u>

The variable expenses in dollars were higher in the third quarter of 2023 compared to the same period in 2022, primarily due to the increase in third-party credit costs partly offset by a reduction in warehouse labor.

Fixed and discretionary expenses were impacted in the third quarter of 2023 primarily by decreases in advertising expenses and administrative costs compared to the prior year quarter.

Our variable expenses within SG&A for the full year of 2023 are anticipated to be 19.6% to 19.8%. Fixed and discretionary expenses are expected to be approximately \$286.0 to \$288.0 million for the full year of 2023, a decrease from our previous guidance based on changes in our marketing spend and warehouse and delivery costs.

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

Liquidity and Capital Resources

Cash and Cash Equivalents at End of Year

At September 30, 2023, we had \$134.3 million in cash and cash equivalents, and \$7.0 million in restricted cash equivalents. We believe that our current cash position, cash flow generated from operations, funds available from our credit agreement, and access to the long-term debt capital markets should be sufficient for our operating requirements and to enable us to fund our capital expenditures, dividend payments, and lease obligations through the next several years. In addition, we believe we have the ability to obtain alternative sources of financing.

Long-Term Debt

In October 2022, we entered into the Fourth Amendment to our Amended and Restated Credit Agreement (as amended, the "Credit Agreement") with Truist Bank. The Credit Agreement, which matures October 24, 2027, provides for a \$80.0 million revolving credit facility. The borrowing base at September 30, 2023 was \$150.6 million and the net availability was \$80.0 million.

Leases

We lease a portion of our real estate, including our stores, distribution centers, and store support space, pursuant to operating leases.

Share Repurchases

In August 2022, our board of directors authorized \$25.0 million under a share repurchase program. During the three months ended September 30, 2023, we purchased 104,221 shares of common stock for approximately \$3.2 million. The balance on the current authorization for purchases was approximately \$16.8 million at September 30, 2023.

The timing, manner and number of shares repurchased in future periods will depend on a variety of factors, including, but not limited to, the level of cash balances, credit availability, financial performance, general business conditions, the market price of the Company's stock and the availability of alternative investment opportunities.

Cash Flows Summary

Operating Activities. Cash flow generated from operations provides us with a significant source of liquidity. Our operating cash flows result primarily from cash received from our customers, offset by cash payments we make for products and services, employee compensation, operations, and occupancy costs.

Cash provided by or used in operating activities is also subject to changes in working capital. Working capital at any specific point in time is subject to many variables, including seasonality, inventory selection, the timing of cash receipts and payments, and vendor payment terms.

Net cash provided by operating activities was \$79.4 million in the first nine months of 2023 compared to \$38.2 million during the same period in 2022. This difference resulted primarily from changes in working capital and a decrease in net income. Working capital was impacted by a reduction in customer deposits as the backlog was reduced in 2023 and the timing of vendor payments, compared against higher inventories in 2022.

Investing Activities. Cash used in investing activities increased by \$24.3 million in the first nine months of 2023 compared to the first nine months of 2022, due to higher capital expenditure spend, including the purchase of our Lakeland, Florida distribution facility.

Financing Activities. Cash used in financing activities decreased by \$23.5 million in the first nine months of 2023 compared to the first nine months of 2022, primarily due to \$30.0 million of share repurchases in 2022 and \$3.2 million in 2023.

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

Store Plans and Capital Expenditures

Location or Market	Opening Quarter Actual or Planned	Category
Durham, NC	Q-1-23	Open
Atlanta, GA	Q-3-23	Closure - Outlet
Charlotte, NC	Q-4-23	Open
Dayton, OH	Q-4-23	Open
Dallas, TX	Q-4-23	Closure
Richmond, VA	Q-4-23	Open - Outlet
Memphis, TN	Q-1-24	Open
Destin, FL	Q-2-24	Open
Tampa, FL	Q-2-24	Open
Miami, FL	Q-2-24	Open

Assuming the new stores open and existing stores close as planned, the above activity and other changes should increase net selling space in 2023 approximately 0.6% over net selling space in 2022. In July 2023, we secured the leases for four locations from the bankruptcy of Bed Bath & Beyond and we expect these stores will open in the first half of 2024.

We acquired our Lakeland, Florida distribution facility for approximately \$28.2 million in May 2023. We previously owned the facility prior to selling it to the landlord in May 2020 in a sale leaseback transaction. Total capital expenditures for the full year of 2023 are estimated to be \$55.0 million depending on the timing of spending for our capital projects.

Critical Accounting Estimates

Critical accounting estimates are those that we believe are both significant and that require us to make difficult, subjective or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experiences and various other factors that we believe to be appropriate under the circumstances. Actual results may differ from these estimates, and we might obtain different estimates if we used different assumptions or conditions. We reviewed our accounting estimates, and none were deemed to be considered critical for the accounting periods presented in our Form 10-K. We had no significant changes in those accounting estimates since our last annual report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk, see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk," of our Form 10-K. Our exposure to market risk has not changed materially since December 31, 2022.

Item 4. Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, our management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report and provide reasonable assurance that information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate, to allow timely decisions regarding disclosure.

There have been no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15 that occurred during the Company's fiscal quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. We have reviewed our financial reporting process to provide reasonable assurance that we could report our financial results accurately and timely, and we will continue to evaluate the impact of any related changes to our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding legal proceedings is described under the subheading "Business and Basis of Presentation" in Note A of the Notes to the Condensed Consolidated Financial Statements set forth in this Form 10-Q.

Item 1A. Risk Factors

"Item 1A. Risk Factors" in our Form 10-K includes a discussion of our known material risk factors. There have been no material changes from the risk factors described in our Form 10-K.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

The board of directors has authorized management, at its discretion, to purchase and retire limited amounts of our Common Stock and Class A Common Stock. A program was initially approved by the board on November 3, 1986. On August 5, 2022, the board authorized additional amounts under such stock repurchase program. The stock repurchase program has no expiration date but may be terminated by our board at any time.

The following table presents information with respect to our repurchase of Haverty's common stock during the third quarter of 2023:

	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs
July 1 - July 31	—	\$ —	—	\$ 20,008,000
August 1 - August 31	—	\$ —	—	\$ 20,008,000
September 1 - September 30	104,221	\$ 30.64	104,221	\$ 16,814,000
Total	<u>104,221</u>		<u>104,221</u>	

Item 5. Other Information

During the three months ended September 30, 2023, none of our directors or officers adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

(a) Exhibits

The exhibits listed below are filed with or incorporated by reference into this report (those filed with this report are denoted by an asterisk). Unless otherwise indicated, the exhibit number of documents incorporated by reference corresponds to the exhibit number in the referenced documents.

Exhibit Number	Description of Exhibit (Commission File No. 1-14445)
3.1	Articles of Amendment and Restatement of the Charter of Haverty Furniture Companies, Inc. effective May 26, 2006 (Exhibit 3.1 to our Second Quarter 2006 Form 10-Q).
3.2	By-laws of Haverty Furniture Companies, Inc. as amended and restated effective February 24, 2023 (Exhibit 3.2 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2022).
* 31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
* 31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
** 32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101	The following financial statements from Haverty Furniture Companies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in inline XBRL, include: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Statements of Cash Flows and (iv) the Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

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.

HAVERTY FURNITURE COMPANIES, INC.
(Registrant)

Date: November 3, 2023

By: _____
/s/ Clarence H. Smith
Clarence H. Smith
Chairman of the Board
and Chief Executive Officer
(principal executive officer)

By: _____
/s/ Richard B. Hare
Richard B. Hare
Executive Vice President and
Chief Financial Officer
(principal financial and accounting officer)

I, Clarence H. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2023 of Haverty Furniture Companies, Inc.;
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: November 3, 2023

/s/ Clarence H. Smith

Clarence H. Smith
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

I, Richard B. Hare, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2023 of Haverty Furniture Companies, Inc.;
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: November 3, 2023

/s/ Richard B. Hare

Richard B. Hare
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

**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 Quarterly Report of Haverty Furniture Companies, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 (the "Report"), I, Clarence H. Smith, Chairman of the Board and Chief Executive Officer of the Company, and I, Richard B. Hare, Executive Vice President and Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2023

/s/ Clarence H. Smith

Clarence H. Smith
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

/s/ Richard B. Hare

Richard B. Hare
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Haverty Furniture Companies, Inc. and will be retained by Haverty Furniture Companies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.