

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
March 31, 2021

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 April 27, 2021, were: Common Stock – 16,926,771; Class A Common Stock – 1,319,319.

HAVERTY FURNITURE COMPANIES, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**HAVERTY FURNITURE COMPANIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS**

<i>(In thousands)</i>	March 31, 2021 (Unaudited)	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 210,124	\$ 200,058
Restricted cash and cash equivalents	6,715	6,713
Inventories	103,569	89,908
Prepaid expenses	12,335	9,580
Other current assets	9,957	9,985
Total current assets	342,700	316,244
Property and equipment, net	108,836	108,366
Right-of-use lease assets	228,089	228,749
Deferred income taxes	16,713	15,814
Other assets	11,934	11,199
Total assets	\$ 708,272	\$ 680,372
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 25,031	\$ 31,429
Customer deposits	104,728	86,183
Accrued liabilities	51,409	52,963
Current lease liabilities	33,760	33,466
Total current liabilities	214,928	204,041
Noncurrent lease liabilities	199,344	200,200
Other liabilities	23,686	23,164
Total liabilities	437,958	427,405
Stockholders' equity		
Capital Stock, par value \$1 per share		
Preferred Stock, Authorized – 1,000 shares; Issued: None		
Common Stock, Authorized – 50,000 shares; Issued: 2021 – 29,789; 2020 – 29,600	29,789	29,600
Convertible Class A Common Stock, Authorized – 15,000 shares; Issued: 2021 – 1,842; 2020 – 1,996	1,842	1,996
Additional paid-in capital	98,694	96,850
Retained earnings	320,045	304,626
Accumulated other comprehensive loss	(2,511)	(2,560)
Less treasury stock at cost – Common Stock (2021 and 2020 – 12,862 shares) and Convertible Class A Common Stock (2021 and 2020 – 522 shares)	(177,545)	(177,545)
Total stockholders' equity	270,314	252,967
Total liabilities and stockholders' equity	\$ 708,272	\$ 680,372

See notes to these condensed consolidated financial statements.

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

	Three Months Ended	
	March 31,	
	2021	2020
<i>(In thousands, except per share data - unaudited)</i>		
Net sales	\$ 236,491	\$ 179,432
Cost of goods sold	101,457	79,879
Gross profit	135,034	99,553
Expenses:		
Selling, general and administrative	109,762	97,535
Other (income) expense, net	(36)	(68)
Total expenses	109,726	97,467
Income before interest and income taxes	25,308	2,086
Interest income, net	56	214
Income before income taxes	25,364	2,300
Income tax expense	5,958	481
Net income	\$ 19,406	\$ 1,819
Other comprehensive income		
Adjustments related to retirement plans; net of tax expense of \$16 in 2021 and \$10 in 2020	\$ 49	\$ 31
Comprehensive income	\$ 19,455	\$ 1,850
Basic earnings per share:		
Common Stock	\$ 1.07	\$ 0.10
Class A Common Stock	\$ 1.00	\$ 0.09
Diluted earnings per share:		
Common Stock	\$ 1.04	\$ 0.09
Class A Common Stock	\$ 0.98	\$ 0.09
Cash dividends per share:		
Common Stock	\$ 0.22	\$ 0.20
Class A Common Stock	\$ 0.20	\$ 0.19

See notes to these condensed consolidated financial statements.

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

(In thousands - unaudited)

	Three Months Ended	
	March 31,	
	2021	2020
Cash Flows from Operating Activities:		
Net income	\$ 19,406	\$ 1,819
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,992	5,124
Share-based compensation expense	2,679	972
Other	(915)	1,241
Changes in operating assets and liabilities:		
Inventories	(13,661)	(5,731)
Customer deposits	18,545	(3,947)
Other assets and liabilities	(2,777)	(826)
Accounts payable and accrued liabilities	(7,668)	(20,231)
Net cash provided by (used in) operating activities	<u>19,601</u>	<u>(21,579)</u>
Cash Flows from Investing Activities:		
Capital expenditures	(4,745)	(2,480)
Proceeds from sale of land, property and equipment	—	4
Net cash used in investing activities	<u>(4,745)</u>	<u>(2,476)</u>
Cash Flows from Financing Activities:		
Proceeds from borrowings under revolving credit facility	—	43,800
Payments of borrowings under revolving credit facility	—	—
Net change in borrowings under revolving credit facility	<u>—</u>	<u>43,800</u>
Dividends paid	(3,987)	(3,750)
Common stock repurchased	—	(6,810)
Other	(801)	(318)
Net cash (used in) provided by financing activities	<u>(4,788)</u>	<u>32,922</u>
Increase in cash, cash equivalents and restricted cash equivalents during the period	10,068	8,867
Cash, cash equivalents and restricted cash equivalents at beginning of period	206,771	82,402
Cash, cash equivalents and restricted cash equivalents at end of period	<u>\$ 216,839</u>	<u>\$ 91,269</u>

See notes to these condensed consolidated financial statements.

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 that arise in the ordinary course of its business activities. We believe that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on our financial condition, results of operations or cash flows.

Note B – COVID-19

In December 2019, a novel strain of coronavirus, subsequently named COVID-19, emerged from China and spread worldwide. The World Health Organization declared COVID-19 a pandemic and a national health emergency was declared by the United States beginning on March 1, 2020. In response, many states and local governments began a series of restrictions on public gatherings, retail store closures, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. In an effort to mitigate the spread of COVID-19 and protect our team members, customers, and communities, Havertys closed all of its stores and halted deliveries in mid-March 2020, with the expectation at that time of reopening stores on April 2, 2020. Our stores remained closed during April and we reopened 103 locations on May 1, 2020 and the remaining 17 stores were reopened by June 20, 2020. We restarted our delivery operations on May 5, 2020.

The pandemic continues to disrupt several segments of the economy. Although our stores and other businesses are open, some businesses and industries remain closed or are operating on a reduced scale. Our business has been very strong since reopening. Consumers not negatively impacted financially are spending more on their homes as they spend more time at home. Manufacturers are challenged to meet demand resulting in product shortages and delays in a number of merchandise categories. We have encountered difficulties in increasing our distribution and delivery capacity due to staffing shortages.

The COVID-19 pandemic is complex and continues to evolve with sporadic resurgences, new virus variants, and the vaccine rollout. At this point, we cannot reasonably estimate the duration of the pandemic’s influence on consumers, the “nesting” economy, and our business. Accordingly, our estimates and assumptions could change in subsequent interim reports, and it is reasonably possible that such changes could be significant (although the potential effects cannot be estimated at this time).

NOTE C – 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 March 31, 2021:

<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, 2020	\$ 29,600	\$ 1,996	\$ 96,850	\$ 304,626	\$ (2,560)	\$ (177,545)	\$ 252,967
Net income				19,406			19,406
Dividends declared:							
Common Stock, \$0.22 per share				(3,717)			(3,717)
Class A Common Stock, \$0.20 per share				(270)			(270)
Class A conversion	154	(154)					—
Restricted stock issuances	35		(835)				(800)
Amortization of restricted stock			2,679				2,679
Other comprehensive income					49		49
Balances at March 31, 2021	<u>\$ 29,789</u>	<u>\$ 1,842</u>	<u>\$ 98,694</u>	<u>\$ 320,045</u>	<u>\$ (2,511)</u>	<u>\$ (177,545)</u>	<u>\$ 270,314</u>

For the three months ended March 31, 2020:

<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, 2019	\$ 29,431	\$ 2,054	\$ 93,208	\$ 295,999	\$ (2,087)	\$ (158,102)	\$ 260,503
Net income				1,819			1,819
Dividends declared:							
Common Stock, \$0.20 per share				(3,459)			(3,459)
Class A Common Stock, \$0.19 per share				(291)			(291)
Acquisition of treasury stock						(6,810)	(6,810)
Restricted stock issuances	27		(345)				(318)
Amortization of restricted stock			972				972
Other comprehensive income					31		31
Balances at March 31, 2020	<u>\$ 29,458</u>	<u>\$ 2,054</u>	<u>\$ 93,835</u>	<u>\$ 294,068</u>	<u>\$ (2,056)</u>	<u>\$ (164,912)</u>	<u>\$ 252,447</u>

NOTE D – Interim LIFO Calculations

We calculate the LIFO index annually. Accordingly, interim LIFO calculations must necessarily be based on management’s estimates of inventory levels and inflation rates. 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 valuations.

NOTE E – Fair Value of Financial Instruments

The fair values of our cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, 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. The assets related to our deferred compensation plans totaled approximately \$8.8 million at March 31, 2021 and \$7.9 million at December 31, 2020 and are included in other assets. Amounts for the related liabilities are included in other liabilities and totaled approximately \$8.9 million at March 31, 2021 and \$8.1 million at December 31, 2020.

NOTE F – Credit Agreement

On May 15, 2020 we entered into the Third Amendment to Amended and Restated Credit Agreement (as amended, the “Credit Agreement”) with a bank. Our first borrowings under the facility, since its origination in 2008, were in March 2020.

The Credit Agreement is a \$60.0 million revolving credit facility secured by our inventory, accounts receivable, cash, and certain other personal property, and matures on September 27, 2024. Availability fluctuates based on a borrowing base calculation reduced by outstanding letters of credit. Amounts available to borrow are based on the lesser of the borrowing base or the \$60.0 million-line amount. The credit facility contains covenants that, among other things, limit our ability to incur certain types of debt or liens, enter into mergers and consolidations or use proceeds of borrowing for other than permitted uses. The covenants also limit our ability to pay dividends if unused availability is less than \$12.5 million.

We borrowed \$43.8 million under the Credit Agreement in March 2020 and repaid the borrowings in June 2020. The interest rates on the outstanding balance were based on the three-month Euro dollar LIBOR rate plus 1.25% and on a weighted average basis was approximately 2.37% at March 31, 2020.

The borrowing base was \$15.5 million at March 31, 2021, there were no outstanding letters of credit, and the net availability was \$15.5 million.

Note G – 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, which totaled \$104.7 million and \$86.2 million at March 31, 2021 and December 31, 2020, respectively. Of the customer deposit liabilities at December 31, 2020, approximately \$9.5 million has not been recognized through net sales in the three months ended March 31, 2021.

The following table presents our revenues disaggregated by each major product category and service (dollars in thousands, amounts and percentages may not always add due to rounding):

<i>(In thousands)</i>	Three Months Ended March 31,			
	2021		2020	
	Net Sales	% of Net Sales	Net Sales	% of Net Sales
Merchandise:				
Case Goods				
Bedroom Furniture	\$ 39,178	16.6%	\$ 27,639	15.4%
Dining Room Furniture	27,599	11.7	18,219	10.2
Occasional	22,064	9.3	16,248	9.1
	<u>88,841</u>	<u>37.6</u>	<u>62,106</u>	<u>34.6</u>
Upholstery	95,626	40.4	73,629	41.0
Mattresses	20,481	8.7	18,821	10.5
Accessories and Other ⁽¹⁾	31,543	13.3	24,876	13.9
	<u>\$ 236,491</u>	<u>100.0%</u>	<u>\$ 179,432</u>	<u>100.0%</u>

(1) Includes delivery charges and product protection.

NOTE H – Leases

We have operating leases for retail stores, offices, warehouses, and certain equipment. Our leases have remaining lease terms of 1 year to 14 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 portion 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 portion 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.

As of March 31, 2021, we had entered into one lease for an additional retail location which had not yet commenced and was under construction.

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

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

	Three Months Ended March 31,	
	2021	2020
Operating lease cost	\$ 11,806	\$ 10,431
Variable lease cost	1,508	1,615
Total lease expense	<u>\$ 13,314</u>	<u>\$ 12,046</u>

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

	Three Months Ended March 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 13,093	\$ 9,996
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 4,125	\$ 12,043

NOTE I – Income Taxes

Our effective tax rate for the three months ended March 31, 2021 and 2020 was 23.5% and 20.9%, respectively. The primary difference in the effective rate and the statutory rate was due to state income taxes and additional tax expense from vested stock awards.

NOTE J – Stock Based Compensation Plan

As more fully discussed in Note 12 of the notes to the consolidated financial statements in our 2020 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 three months ended March 31, 2021:

	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, 2020	239,281	20.77	213,895	21.08
Granted/Issued	114,368	32.96	91,485	32.75
Awards vested or rights exercised ⁽¹⁾	—	—	(56,578)	22.95
Forfeited	(1,225)	23.94	—	—
Additional units earned due to performance	—	—	77,265	20.42
Outstanding at March 31, 2021	352,424	24.71	326,067	23.87
Restricted units expected to vest	352,424	24.71	383,882	25.26

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

The aggregate intrinsic value of outstanding service-based restricted stock awards was approximately \$13.1 million at March 31, 2021. The restrictions on the service-based awards generally lapse or vest annually, primarily over three-year and four-year periods.

The total fair value of performance-based restricted stock awards that vested during the three months ended March 31, 2021 was approximately \$2.0 million. The aggregate intrinsic value of outstanding performance awards at March 31, 2021 expected to vest was approximately \$14.3 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 expense over the respective grants' vesting periods, primarily on a straight-line basis. The amount charged was approximately \$2.7 million and \$1.0 million for the three months ended March 31, 2021 and 2020, respectively. Forfeitures are recognized as they occur. As of March 31, 2021, the total compensation cost related to unvested equity awards was approximately \$12.2 million and is expected to be recognized over a weighted-average period of 2.1 years.

NOTE K – 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 their contractual rights.

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. The Class A Common Stock, which has ten votes per share as opposed to one vote per share for the Common Stock (on all matters other than the election of directors), 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 March 31,	
	2021	2019
Numerator:		
Common:		
Distributed earnings	\$ 3,717	\$ 3,459
Undistributed earnings	14,262	(1,782)
Basic	17,979	1,677
Class A Common earnings	1,427	142
Diluted	<u>\$ 19,406</u>	<u>\$ 1,819</u>
Class A Common:		
Distributed earnings	\$ 270	\$ 291
Undistributed earnings	1,157	(149)
	<u>\$ 1,427</u>	<u>\$ 142</u>
Denominator:		
Common:		
Weighted average shares outstanding - basic	16,793	17,460
Assumed conversion of Class A Common Stock	1,431	1,532
Dilutive options, awards and common stock equivalents	507	274
Total weighted-average diluted Common Stock	<u>18,731</u>	<u>19,266</u>
Class A Common:		
Weighted average shares outstanding	<u>1,431</u>	<u>1,532</u>
Basic earnings per share:		
Common Stock	\$ 1.07	\$ 0.10
Class A Common Stock	\$ 1.00	\$ 0.09
Diluted earnings per share:		
Common Stock	\$ 1.04	\$ 0.09
Class A Common Stock	\$ 0.98	\$ 0.09

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, 2020 (“Form 10-K”).

Forward-Looking Statements

Statements in this Form 10-Q that are not historical facts, 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. Forward-looking statements 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 SEC. 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.

Impact of COVID-19 on Our Business

The COVID-19 pandemic has resulted in significant economic disruption and impacted our business. We closed our stores and ceased delivery operations in the second half of March 2020. Affected team members were paid during this period and most corporate personnel transitioned to working remotely. On April 1, 2020, we extended our store closure for another 30 days and furloughed 3,033 team members or approximately 87% of our workforce. Given the dramatic shock to the economy caused by the pandemic and uncertainty of the ongoing impact, we made a permanent reduction in our workforce of approximately 1,200 team members effective April 30, 2020 and extended the furlough of approximately 730 team members until June 1, 2020. We reopened 103 of our stores on May 1, 2020 and the remaining 17 were opened by June 20, 2020 and deliveries restarted on May 5, 2020.

We took several steps to strengthen our financial position and maintain financial flexibility by reviewing operating expenses, evaluating merchandise purchases, reducing capital expenditures, temporarily borrowing \$43.8 million on our credit facility (which has since been repaid), and completing a \$70.0 million sale-leaseback transaction in May 2020.

Our business has been very strong since reopening. Consumers not negatively impacted financially are spending more on their homes as they spend more time at home. Demand is outpacing product availability in certain categories. Manufacturers are challenged to ensure safe work environments and have encountered some raw material shortages and transportation capacity issues, resulting in product shortages and delays in a number of product categories. We are continuing to assess our staffing needs and have encountered difficulties in increasing our distribution and delivery capacity.

The COVID-19 pandemic is complex and continues to evolve with sporadic resurgences, new virus variants, and the vaccine rollout. At this point, we cannot reasonably estimate the duration of the pandemic’s influence on consumers, the “nesting” economy, and our business.

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

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. Stores closed due to COVID-19 were excluded from comp-store sales. 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. The lag time between customers placing orders and delivery has grown in 2021 due to demand outpacing merchandise supply. 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 is not a substitute for net sales presented in accordance with US GAAP.

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

Period	2021					2020				
	Net Sales			Comp-Store Sales		Net Sales			Comp-Store Sales	
	Total Dollars	% Change	\$ Change	% Change	\$ Change	Total Dollars	% Change	\$ Change	% Change	\$ Change
Q1	\$ 236.5	31.8%	\$ 57.1	11.5%	\$ 15.4	\$ 179.4	(4.2)%	\$ (7.8)	11.6%	\$ 13.8

Our sales in the first quarter of 2020 were good until the first weeks of March as information and news coverage concerning the pandemic increased. We closed our stores and paused operations in mid-March. Our business has been strong since reopening in May 2020. Our stores are operating with a smaller staff and are open fewer hours. Our delivery capacity remains slightly behind our prior year pre-pandemic level due to labor shortages and supply chain disruptions. Manufacturers remain challenged by raw material shortages, production changes to meet safety needs, and transportation logistics.

Total sales for the first quarter of 2021 increased \$57.1 million or 31.8% compared to 2020. Our comp-store sales, which exclude March, increased 11.5% or \$15.4 million in 2021 compared to 2020. The remaining \$41.7 million of the change was primarily from stores closed in March 2020 and therefore considered non-comparable. Written business for the first two months of 2021 compared to the same period of 2020 was up 24.9%.

Store and website traffic continue to be strong. Revenues by product category as a percentage of net sales in 2021 increased over 2020 by 120 basis points in bedroom furniture sales and our mattress business declined 180 basis points due to supply-chain disruption. Our in-home designer sales are beginning to rebound and were 23.6% of our total written business for the first two months of 2021 compared to 24.9% for 2020 and custom order upholstery written business grew 18.1% for the first two months of 2021 compared to the 2020 level.

Gross Profit

Gross profit for the first quarter of 2021 was 57.1%, up 160 basis points compared to the prior year period of 55.5%. The increase is primarily due to merchandise pricing and mix, partially offset by a larger negative LIFO impact.

We expect annual gross profit margins for 2021 will be 56.5% to 57.0%.

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

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 first three months of 2021 were 46.4% versus 54.4% for 2020. SG&A dollars increased \$12.2 million for the first quarter of 2021 compared to the same prior year period. The increase is driven by the costs associated with our sales growth, primarily higher selling expense of \$3.7 million, delivery costs of \$1.4 million, and incentive compensation of \$4.9 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 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:

<i>(In thousands)</i>	Three Months Ended March 31,			
	2021		2020	
		% of Net Sales		% of Net Sales
Variable	\$ 40,707	17.2%	\$ 35,337	19.7%
Fixed and discretionary	69,055	29.2%	62,198	34.7%
	<u>\$ 109,762</u>	<u>46.4%</u>	<u>\$ 97,535</u>	<u>54.4%</u>

The variable expenses in dollars were higher in the first quarter of 2021 compared to 2020 due to the increase in sales.

The variable expenses for the three months ended March 31, 2021 as a percent of sales reflect additional leveraging of our selling and delivery expenses. The variable expenses for the three months ended March 31, 2020 include payment of approximately \$4.3 million in wages during the last weeks of March when stores were closed and deliveries were halted.

Fixed and discretionary expenses were impacted in the first quarter of 2021 primarily by increases in incentive compensation of \$4.9 million as incentive compensation in the first quarter of 2020 was reduced to its lowest level given the store closures and outlook for the year. We also had increases in the first quarter of 2021 in health insurance costs of \$2.3 million and advertising spending of \$1.0 million compared to the prior year quarter, partially offset by reduced travel and occupancy costs.

Our variable type expenses within SG&A for the full year of 2021 are anticipated to be 17.5% to 17.8%. Fixed and discretionary expenses are expected to be approximately \$265.0 to \$269.0 million for the full year of 2021.

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 March 31, 2021, we had \$210.1 million in cash and cash equivalents, and \$6.7 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. We expect capital expenditures of approximately \$23.0 million for the full year of 2021.

Long-Term Debt

In May 2020, we entered into the Third Amendment to our Amended and Restated Credit Agreement (as amended, the "Credit Agreement") with a bank. The Credit Agreement, which matures September 27, 2024, provides for a \$60.0 million revolving credit facility. Amounts available to borrow fluctuate and availability at March 31, 2021 was \$15.5 million and we had no amounts outstanding.

Leases

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

Share Repurchases

In February 2020, our Board of Directors authorized an additional \$30.0 million to the \$5.4 million remaining under a share repurchase program. We suspended the program between March and August of 2020. There is approximately \$16.8 million at March 31, 2021 that may yet be purchased under the existing authorization.

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 \$19.6 million in the first three months of 2021 compared to a use of cash of \$21.6 million during the same period in 2020. This difference was primarily driven by an increase in net income and changes associated with customer deposits, accounts payable, and inventories.

Investing Activities. Cash used in investing activities increased by \$2.3 million in the first three months of 2021 compared to the first three months of 2020, primarily as the result of capital expenditures.

Financing Activities. Cash used in financing activities of \$4.8 million in the first three months of 2021 primarily reflected \$4.0 million of cash dividends paid.

Cash provided by financing activities in the first three months of 2020 primarily reflected \$43.8 million of proceeds from revolving credit facility, partially offset by \$6.8 million of share repurchases, and \$3.8 million of cash dividends paid.

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

Store Plans and Capital Expenditures

Location	Opening Quarter Actual or Planned	Category
Myrtle Beach, SC	Q-1-21	Open-New Market
The Villages, FL	Q-3-21	Open
Dallas, TX	Q-3-21	Closure
Austin, TX	Q-4-21	Open

Net selling space in 2021 is expected to be slightly up compared to 2020. Total capital expenditures are estimated to be \$23.0 million in 2021 depending on the timing of spending for new projects.

Off-Balance Sheet Arrangements

As of March 31, 2021, we had no off-balance sheet arrangements or obligations.

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, 2020.

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 to 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 March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting. As a result of the COVID-19 pandemic, team members have shifted to a rotating work from home and office environment. 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 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 May 8, 2018 (Exhibit 3.1 to our Current Report on form 8-K dated May 10, 2018).
*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 March 31, 2021, 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: April 30, 2021

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 March 31, 2021 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 fiscal fourth 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: April 30, 2021

/s/ Clarence H. Smith

Clarence H. Smith
Chairman of the Board, President
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 March 31, 2021 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 fiscal fourth 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: April 30, 2021

/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 March 31, 2021 (the "Report"), I, Clarence H. Smith, Chairman of the Board, President 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: April 30, 2021

/s/ Clarence H. Smith

Clarence H. Smith
Chairman of the Board, President
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.
