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 June 30, 2019**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period fromto**

Commission file number: 1-14445

HAVERTY FURNITURE COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Maryland	**58-0281900**
(State of incorporation)	(I.R.S. Employer Identification No.)
780 Johnson Ferry Road, Suite 800	
Atlanta, Georgia	**30342**
(Address of principal executive office)	(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 July 31, 2019, were: Common Stock – 18,168,134; Class A Common Stock – 1,535,654.

HAVERTY FURNITURE COMPANIES, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HAVERTY FURNITURE COMPANIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	June 30, 2019 (Unaudited)	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 56,094	$ 71,537
Restricted cash and cash equivalents	6,591	8,272
Accounts receivable, net	1,578	1,833
Inventories	109,213	105,840
Prepaid expenses	9,876	8,106
Other current assets	10,489	6,262
Total current assets	193,841	201,850
Accounts receivable, long-term, net	221	226
Property and equipment, net	157,551	216,852
Right-of-use lease assets	187,178	—
Deferred income taxes	12,175	12,544
Other assets	9,810	8,707
Total assets	$ 560,776	$ 440,179
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 20,910	$ 19,840
Customer deposits	29,098	24,465
Accrued liabilities	33,318	39,903
Current lease liabilities	28,768	—
Current portion of lease obligations	—	4,018
Total current liabilities	112,094	88,226
Noncurrent lease liabilities	158,782	—
Lease obligations, less current portion	—	46,785
Other liabilities	22,640	30,539
Total liabilities	293,516	165,550
Stockholders' equity		
Capital Stock, par value $1 per share		
Preferred Stock, Authorized – 1,000 shares; Issued: None		
Common Stock, Authorized – 50,000 shares; Issued: 2019 – 29,418; 2018 - 29,079	29,418	29,079
Convertible Class A Common Stock, Authorized – 15,000 shares; Issued: 2019 – 2,058; 2018 – 2,280	2,058	2,280
Additional paid-in capital	91,847	91,394
Retained earnings	291,573	282,366
Accumulated other comprehensive loss	(1,448)	(1,465)
Less treasury stock at cost – Common Stock (2019 – 11,250; 2018 – 10,300 shares) and Convertible Class A Common Stock (2019 and 2018 – 522 shares)	(146,188)	(129,025)
Total stockholders' equity	267,260	274,629
Total liabilities and stockholders' equity	$ 560,776	$ 440,179

See notes to these condensed consolidated financial statements.

HAVERTY FURNITURE COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share data – Unaudited)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net sales	$ 191,893	$ 198,775	$ 379,134	$ 398,218
Cost of goods sold	88,336	90,978	172,494	181,514
Gross profit	103,557	107,797	206,640	216,704
Credit service charges	19	25	41	57
Gross profit and other revenue	103,576	107,822	206,681	216,761
Expenses:				
Selling, general and administrative	95,784	98,753	194,663	199,756
Provision for doubtful accounts	20	22	23	24
Other (income) expense, net	(126)	183	(280)	(811)
Total expenses	95,678	98,958	194,406	198,969
Income before interest and income taxes	7,898	8,864	12,275	17,792
Interest (income) expense, net	(339)	454	(688)	925
Income before income taxes	8,237	8,410	12,963	16,867
Income tax expense	2,191	2,196	3,295	4,340
Net income	$ 6,046	$ 6,214	$ 9,668	$ 12,527
Other comprehensive income				
Adjustments related to retirement plan; net of tax expense of $3 and $6 in 2019 and $9 and $18 in 2018	$ 8	$ 25	$ 17	$ 50
Comprehensive income	$ 6,054	$ 6,239	$ 9,685	$ 12,577
Basic earnings per share:				
Common Stock	$ 0.30	$ 0.30	$ 0.48	$ 0.60
Class A Common Stock	$ 0.28	$ 0.28	$ 0.44	$ 0.56
Diluted earnings per share:				
Common Stock	$ 0.29	$ 0.29	$ 0.47	$ 0.58
Class A Common Stock	$ 0.27	$ 0.28	$ 0.44	$ 0.56
Cash dividends per share:				
Common Stock	$ 0.18	$ 0.18	$ 0.36	$ 0.36
Class A Common Stock	$ 0.17	$ 0.17	$ 0.34	$ 0.34

See notes to these condensed consolidated financial statements.

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash Flows from Operating Activities:		
Net income	$ 9,668	$ 12,527
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,276	15,061
Share-based compensation expense	1,951	2,557
Deferred income taxes	(1,912)	(335)
Provision for doubtful accounts	23	24
Other	623	(23)
Changes in operating assets and liabilities:		
Accounts receivable	237	510
Inventories	(3,373)	(4,044)
Customer deposits	4,633	1,539
Other assets and liabilities	(2,805)	(484)
Accounts payable and accrued liabilities	(4,481)	1,525
Net cash provided by operating activities	14,840	28,857
Cash Flows from Investing Activities:		
Capital expenditures	(7,768)	(14,642)
Proceeds from sale of land, property and equipment	2,260	846
Other	—	55
Net cash used in investing activities	(5,508)	(13,741)
Cash Flows from Financing Activities:		
Payments on lease obligations	—	(1,872)
Taxes on vested restricted shares	(1,328)	(1,162)
Dividends paid	(7,285)	(7,585)
Common stock repurchased	(17,843)	(9,281)
Net cash used in financing activities	(26,456)	(19,900)
Decrease in cash, cash equivalents and restricted equivalents during the period	(17,124)	(4,784)
Cash, cash equivalents and restricted cash equivalents at beginning of period	79,809	87,606
Cash, cash equivalents and restricted cash equivalents at end of period	$ 62,685	$ 82,822

See notes to these condensed consolidated financial statements.

NOTE A – Business and Reporting Policies

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 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 - Recently Issued and Adopted Accounting Pronouncements

Recently Issued Accounting Pronouncements:
Changes to U.S. GAAP are established by the Financial Accounting Standards Board (“FASB”) in the form of accounting standards updates (“ASUs”) to the FASB’s Accounting Standards Codification (“ASC”). We considered the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

Leases. In February 2016, the FASB issued ASU 2016-02 which amended various aspects of existing guidance for leases. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The main difference between ASU 2016-02 and previous U.S. GAAP is the recognition of lease assets and lease liabilities by lessees on the balance sheet for those leases classified as operating leases under previous U.S. GAAP. As a result, we have recognized a liability representing our lease payments and a right-of-use asset representing our right to use the underlying asset for the lease term on the balance sheet. We adopted the requirements of the new lease standard effective January 1, 2019 using the modified retrospective method and have not restated comparative periods.

We elected the transition package of three practical expedients permitted within the standard, which eliminates the requirements to reassess prior conclusions about lease identification, lease classification, and initial direct costs. We did not elect the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of right-of-use assets. Further, we elected a short-term lease exception policy, permitting us to not apply the recognition requirements of this standard to short-term leases (i.e. leases with terms of 12 months or less). For our real property leases, we did not elect the accounting policy to account for lease and non-lease components as a single component.

As part of the adjustment for ASU 2016-02 effective January 1, 2019, we derecognized certain assets and liabilities associated with legacy build-to-suit arrangements and the deferred gain on previous sale leaseback transactions. Accordingly, $53.5 million of net property and equipment, $50.8 million of financing obligations, $9.3 of other net liabilities, and $2.3 million of deferred tax assets recorded on the balance sheet as of December 31, 2018 were removed as part of our transition adjustment. Effective January 1, 2019, we recognized right-of-use lease assets totaling $177.9 million and recorded lease liabilities totaling $175.4 million. The net adjustment recorded to equity as of January 1, 2019 was a credit of $6.8 million.

Since we are not restating prior periods as part of adopting this guidance, our results in 2019 will not be directly comparable to our results for periods before 2019. Specifically, for those leases that were previously recognized on our balance sheet prior to 2019, their associated depreciation and interest expense will be characterized as rent expense. The adoption of ASU 2016-02 had an immaterial impact on our consolidated statement of income and our consolidated statement of cash flows for the six-month period ended June 30, 2019.

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 June 30, 2019:

(in thousands)	Common Stock	Class A Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balances at March 31, 2019	$ 29,113	$ 2,280	$ 91,888	$ 289,126	$ (1,456)	$ (129,025)	$ 281,926
Net income				6,046			6,046
Dividends declared:							
Common Stock, $0.18 per share				(3,338)			(3,338)
Class A Common Stock, $0.17 per share				(261)			(261)
Acquisition of treasury stock						(17,843)	(17,843)
Restricted stock issuances	83		(878)				(795)
Class A conversion	222	(222)					—
Amortization of restricted stock			890				890
Director's compensation plan			(53)			680	627
Other comprehensive income					8		8
Balances at June 30, 2019	$ 29,418	$ 2,058	$ 91,847	$ 291,573	$ (1,448)	$ (146,188)	$ 267,260

For the six months ended June 30, 2019:

(in thousands)	Common Stock	Class A Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balances at December 31, 2018	$ 29,079	$ 2,280	$ 91,394	$ 282,366	$ (1,465)	$ (129,025)	$ 274,629
Net income				9,668			9,668
Dividends declared:							
Common Stock, $0.36 per share				(6,725)			(6,725)
Class A Common Stock, $0.34 per share				(560)			(560)
Acquisition of treasury stock						(17,843)	(17,843)
Restricted stock issuances	117		(1,445)				(1,328)
Class A conversion	222	(222)					—
Amortization of restricted stock			1,951				1,951
Director’s compensation plan			(53)			680	627
Other comprehensive income					17		17
Cumulative effect adjustment				6,824			6,824
Balances at June 30, 2019	$ 29,418	$ 2,058	$ 91,847	$ 291,573	$ (1,448)	$ (146,188)	$ 267,260

For the three months ended June 30, 2018:

(in thousands)	Common Stock	Class A Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balances at March 31, 2018	$ 28,979	$ 2,290	$ 90,174	$ 290,044	$ (2,119)	$ (114,846)	$ 294,522
Net income				6,214			6,214
Dividends declared:							
Common Stock, $0.18 per share				(3,493)			(3,493)
Class A Common Stock, $0.17 per share				(300)			(300)
Acquisition of treasury stock						(5,757)	(5,757)
Restricted Stock issuances	85		(901)				(816)
Class A conversion	1	(1)					—
Amortization of restricted stock			986				986
Director’s compensation plan			(609)			1,006	397
Other comprehensive income					25		25
Balances at June 30, 2018	$ 29,065	$ 2,289	$ 89,650	$ 292,465	$ (2,094)	$ (119,597)	$ 291,778

For the six months ended June 30, 2018:

(in thousands)	Common Stock	Class A Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balances at December 31, 2017	$ 28,950	$ 2,290	$ 88,978	$ 287,390	$ (2,144)	$ (111,322)	$ 294,142
Net income				12,527			12,527
Dividends declared:							
Common Stock, $0.36 per share				(6,984)			(6,984)
Class A Common Stock, $0.34 per share				(601)			(601)
Acquisition of treasury stock						(9,281)	(9,281)
Restricted Stock issuances	114		(1,276)				(1,162)
Class A conversion	1	(1)					—
Amortization of restricted stock			2,557				2,557
Director’s compensation plan			(609)			1,006	397
Other comprehensive income					50		50
Cumulative effect adjustment				133			133
Balances at June 30, 2018	$ 29,065	$ 2,289	$ 89,650	$ 292,465	$ (2,094)	$ (119,597)	$ 291,778

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 $7.2 million at June 30, 2019 and $6.0 million at December 31, 2018 and are included in other assets. The related liabilities of the same amounts are included in other liabilities.

NOTE F – Credit Arrangement

We have a $60.0 million revolving credit facility secured by our inventory, accounts receivable, cash, and certain other personal property. 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, reduced by $6.0 million if a fixed charge coverage ratio test for the immediately preceding 12 months is not met. 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 $16.5 million.

The borrowing base was $55.6 million at June 30, 2019, there were no outstanding letters of credit, and the net availability was $49.6 million. The facility, which has not been used since its origination, matures March 31, 2021.

Note G – Revenues

We recognize revenue at delivery. Havertys does not have a loyalty program or sell gift certificates. We also do not offer coupons for redemption for future purchases, such as those other retailers might issue for general marketing purposes or for those issued based in conjunction with prior purchases.

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):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
(In thousands)	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	$ 31,417	16.4%	$ 33,550	16.9%	61,937	16.3%	$ 64,665	16.2%
Dining Room Furniture	20,265	10.6	22,121	11.1	39,862	10.5	43,755	11.0
Occasional	14,568	7.6	17,044	8.6	30,945	8.2	35,502	8.9
	66,251	34.5	72,715	36.6	132,744	35.0	143,922	36.1
Upholstery	77,146	40.2	78,472	39.5	150,178	39.6	160,269	40.3
Mattresses	21,976	11.5	21,350	10.7	43,234	11.4	41,029	10.3
Accessories and Other(1)	26,520	13.8	26,238	13.2	52,978	14.1	52,998	13.3
	$ 191,893	100.0%	$ 198,775	100.0%	379,134	100.0%	$ 398,218	100.0%

(1) Includes delivery charges and product protection.

NOTE H – Leases

We have operating leases for 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 leases. We have lease agreements for real estate with lease and non-lease components, which are accounted for separately.

The table below presents the operating lease assets and liabilities recognized on the condensed consolidated balance sheets as of June 30, 2019 (in thousands):

	June 30, 2019
Operating Lease Assets:	
Right-of use lease assets	$ 187,178
Operating Lease Liabilities:	
Current lease liabilities	28,768
Non-current lease liabilities	158,782
Total operating lease liabilities	$ 187,550

Our leases generally do not provide an implicit rate, and therefore we used our incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate we would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease. We used incremental borrowing rates as of January 1, 2019 for operating leases that commenced prior to that date.

The weighted average remaining lease term and weighted average discount rate for operating leases as of June 30, 2019 are:

	June 30, 2019
Weighted Average Remaining Lease Term	
Operating leases	7.5 years
Weighted Average Discount Rate	
Operating leases	6.71%

The table below reconciles the undiscounted future minimum lease payments (displayed by year and in the aggregate) under noncancelable leases with terms of more than one year to the total lease liabilities recognized on the condensed consolidated balance sheets as of June 30, 2019 (in thousands):

	Operating Leases
July 1, 2019 thru December 31, 2019	20,205
2020	39,095
2021	36,696
2022	31,300
2023	24,749
Thereafter	89,818
Total undiscounted future minimum lease payments	241,863
Less: difference between undiscounted lease payments and discounted operating lease liabilities	(54,313)
Total operating lease liabilities	187,550

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 as lease expense in the period incurred.

Components of lease expense were as follows (in thousands):

	Three months ended June 30, 2019	Six months ended June 30, 2019
Operating lease cost	$ 10,465	$ 20,693
Short-term lease cost	30	40
Variable lease cost	1,281	2,812
Total lease expense	$ 11,776	$ 23,545

During the first quarter of 2019, we entered into a non-cancellable lease for real property that had not commenced as of June 30, 2019. The initial terms are approximately 10 years, with options to extend for up to an additional 20 years. Upon lease commencement, the right-of-use asset and lease liability will be determined and recorded.

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

	Six months ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 20,085
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 22,519

NOTE I – Other Income, net

Other income, net includes gains and losses related to fixed assets. We had gains from real estate sales and insurance recoveries on stores damaged or destroyed of approximately $0.7 million for the six months ended June 30, 2018.

NOTE J – Income Taxes

Our effective tax rate for the six months ended June 30, 2019 and 2018 was 25.4% and 25.7%, respectively. The primary difference in the effective rate and the statutory rate is due to state income taxes and additional tax expense from vested stock awards.

NOTE K – Stock Based Compensation Plan

As more fully discussed in Note 12 of the notes to the consolidated financial statements in our 2018 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 six months ended June 30, 2019:

	Service-Based Restricted Stock Awards		Performance-Based Restricted Stock Awards		Stock-Settled Appreciation Rights	
	Shares or Units	Weighted-Average Award Price	Shares or Units	Weighted-Average Award Price	Rights	Weighted-Average Award Price
Outstanding at December 31, 2018	249,142	$ 22.05	209,754	$ 21.56	57,000	$ 18.14
Granted/Issued	133,770	20.30	111,780	20.33	—	—
Awards vested or rights exercised(1)	(124,544)	22.32	(57,351)	18.93	—	—
Forfeited	(11,368)	21.37	(51,116)	22.45	—	—
Outstanding at June 30, 2019	247,000	$ 21.00	213,067	$ 21.41	57,000	$ 18.14
Exercisable at June 30, 2019	—	—	—	—	57,000	$ 18.14
Awards expected to vest	247,000	$ 21.00	159,551	$ 21.76	—	—

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

The aggregate intrinsic value of outstanding restricted stock awards was $4,206,000 at June 30, 2019. The restrictions on the service-based awards generally lapse or vest annually, primarily over four-year periods.

The total fair value of performance-based restricted stock awards that vested during the six months ended June 30, 2019 was approximately $1,389,000. The aggregate intrinsic value of outstanding performance awards at June 30, 2019 expected to vest was $2,717,000. The performance awards are based on one-year performance periods but cliff vest in approximately three years from grant date.

The fair value for stock-settled appreciation rights were estimated at the date of grant using a BlackScholes pricing model. The aggregate intrinsic value of vested and outstanding stock-settled appreciation rights at June 30, 2019 was approximately $36,000.

The compensation for all awards is being charged to selling, general and administrative expense over the respective grants' vesting periods, primarily on a straight-line basis, and for the six months ended June 30, 2019 and 2018 was approximately $1,951,000 and $2,557,000, respectively. Forfeitures are recognized as they occur. As of June 30, 2019, the total compensation cost related to unvested equity awards was approximately $5,783,000 and is expected to be recognized over a weighted-average period of 2.3 years.

NOTE L – 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Common:				
Distributed earnings	$ 3,338	$ 3,494	$ 6,725	$ 6,984
Undistributed earnings	2,260	2,226	2,194	4,547
Basic	5,598	5,720	8,919	11,531
Class A Common earnings	448	494	749	996
Diluted	$ 6,046	$ 6,214	$ 9,668	$ 12,527
Class A Common:				
Distributed earnings	$ 261	$ 300	$ 560	$ 601
Undistributed earnings	187	194	189	395
	$ 448	$ 494	$ 749	$ 996
Denominator:				
Common:				
Weighted average shares outstanding - basic	18,642	19,312	18,716	19,364
Assumed conversion of Class A Common Stock	1,621	1,766	1,689	1,767
Dilutive options, awards and common stock equivalents	279	313	318	367
Total weighted-average diluted Common Stock	20,542	21,391	20,723	21,498
Class A Common:				
Weighted average shares outstanding	1,621	1,766	1,689	1,767
Basic earnings per share:				
Common Stock	$ 0.30	$ 0.30	$ 0.48	$ 0.60
Class A Common Stock	$ 0.28	$ 0.28	$ 0.44	$ 0.56
Diluted earnings per share:				
Common Stock	$ 0.29	$ 0.29	$ 0.47	$ 0.58
Class A Common Stock	$ 0.27	$ 0.28	$ 0.44	$ 0.56

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 for the periods presented are sales made on our website and from stores open throughout the period and the corresponding prior year period. If a store expansion results in a 10% or greater increase in selling square footage, its sales are removed from the comparable store sales base until it has been open a full 12 months. Accordingly, our comp-store sales may not be comparable to other entities.

The following outlines our sales and comp-store sales increases and decreases for the periods indicated (dollars in millions, amounts and percentages may not always add to totals due to rounding):

	2019					2018				
	Net Sales			Comp-Store Sales		Net Sales			Comp-Store Sales	
Period	Total Dollars	% Change	$ Change	% Change	$ Change	Total Dollars	% Change	$ Change	% Change	$ Change
Q1	$ 187.2	(6.1)%	$ (12.2)	(4.7)%	$ (9.2)	$ 199.4	(0.5)%	$ (1.0)	(1.1)%	$ (2.1)
Q2	191.9	(3.5)	(6.9)	(2.3)	(4.5)	198.8	1.0	1.9	1.3	2.4
First Half	$ 379.1	(4.8)%	$ (19.1)	(3.5)%	$ 13.7	$ 398.2	0.2%	$ 1.0	0.1%	$ 0.4

Sales for the second quarter of 2019 increased over the first quarter of 2019 as our supply chain began to recover from the disruption caused by tariffs. Our average written ticket was up 5.3% and our custom order upholstery business grew 7.6% for the second quarter compared to the 2018 period.

Gross Profit

Gross profit for the second quarter of 2019 was 54.0%, down 20 basis points compared to the prior year period. The reduction is a result of merchandise pricing and mix as we used slightly more aggressive promotions and higher product, freight, and warehouse and handling costs. These increased costs also have a negative impact on the changes to our LIFO reserve. Gross profit for the first half of 2019 was 54.5% compared to 54.4% for the same period of 2018.

Our expectation for annual gross profit margins for 2019 is approximately 54.1%, down from 54.6% in 2018. This reduction is primarily due to increased costs, the impact of LIFO, and increased promotions.

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 was 49.9% for the second quarter and 49.7% for the same period in 2018. Total SG&A dollars decreased $3.0 million for the three months ended June 30, 2019 compared to the prior year period.

Our SG&A costs as a percent of sales for the first half of the year were 51.3% and 50.2% for 2018. Total SG&A dollars decreased $5.1 million for the six months ended June 30, 2019 compared to the prior year period.

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 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 June 30,				Six Months ended June 30,			
	2019		2018		2019		2018	
(In thousands)		% of Net Sales		% of Net Sales		% of Net Sales		% of Net Sales
Variable	$ 35,224	18.4%	$ 37,279	18.8%	$ 70,306	18.5%	$ 74,073	18.6%
Fixed and discretionary	60,560	31.6	61,474	30.9	124,357	32.8	125,683	31.6
	$ 95,784	49.9%	$ 98,753	49.7%	194,663	51.3%	$ 199,756	50.2%

The fixed and discretionary expenses declined slightly for the second quarter and first six months of 2019 versus 2018. Our normal fixed and discretionary type expenses within SG&A costs are expected to be approximately $256.0 to $258.0 million for the full year 2019 versus $254.9 million for the same costs in 2018. The increase is largely due to inflation and higher employee compensation and benefits costs. The variable type costs within SG&A for the full year of 2019 are anticipated to be 18.0% compared to 18.3% in 2018 as a percent of sales.

Liquidity and Capital Resources

Our primary cash requirements include working capital needs, contractual obligations, income tax obligations and capital expenditures. We have funded these requirements primarily through cash generated from operations. We have no funded debt and our lease obligations are primarily due to arrangements that are not considered capital leases but must be recorded on our balance sheets. We believe funds generated from our expected results of operations and available cash and cash equivalents will be sufficient to fund our primary obligations, dividends, stock repurchases and complete capital projects that we have underway or currently contemplate.

We also have a $60.0 million revolving credit facility. Refer to Note F to the Notes to the Condensed Consolidated Financial Statements for additional information on our credit facility. The availability at June 30, 2019 was $49.6 million and there were no borrowed amounts outstanding.

Summary of Cash Activities

Our cash flows provided by operating activities totaled $14.8 million in the first six months of 2019 compared to $28.9 million for the same period of 2018. This decrease was due to less net income and decreases in accounts payable and accrued liabilities in 2019 versus 2018 and larger increases in other assets and liabilities in 2019 versus 2018; partly offset by larger increases in customer deposits in 2019 compared to 2018. For additional information about the changes in our assets and liabilities, refer to our Balance Sheet Changes discussion.

Our cash flows used in investing activities totaled $5.5 million in the first six months of 2019 versus $13.7 million for the same period of 2018. This decrease was primarily due to smaller capital expenditures in 2019.

Financing activities used cash of $26.5 million in the first six months of 2019 compared to $19.9 million for the same period of 2018. This increase was primarily due to $8.5 million in greater common stock purchases in 2019.

Balance Sheet Changes for the Six Months Ended June 30, 2019

Our balance sheet as of June 30, 2019, as compared to our balance sheet as of December 31, 2018, changed as follows:

- increase in inventories of $3.4 million to meet demand for holiday sales event at the end of quarter;
- increase in other current assets of $4.2 million from increase in receivables from third party financing of $2.2 million and from tenant incentive receivables of $2.2 million;
- decrease in property and equipment, net of $59.3 million primarily due to transition adjustment for ASU 2016-02 of $53.5 million;
- increase in right-of-use lease assets of $187.2 million primarily due to transition adjustment of $177.9 million for ASU 2016-02;
- increase in customer deposits of $4.6 million due to increase in undelivered sales;
- decrease in accrued liabilities of $6.6 million due to typical payments for year-end accruals and reduction in reserves;
- increase of $28.8 million of current and $158.8 million of noncurrent lease liabilities primarily due to adoption of ASU 2016-02;
- decrease of $4.0 million of current and $46.8 million of noncurrent lease obligations primarily due to adoption of ASU 2016-02; and
- decrease of $7.9 million of other liabilities primarily due to transition adjustment of $9.5 million for ASU 2016-02.

Store Plans and Capital Expenditures

Location	Opening (Closing) Quarter Actual or Planned	Category
Newnan, GA	Q-3-19	Opening
St. Louis, MO	Q-3-19	New Market
Baton Rouge, LA	Q-4-19	Relocation

These plans combined with other changes should increase net selling space in 2019 by approximately 1.4%. Total capital expenditures are estimated to be $19.0 million in 2019 depending on the timing of spending for new projects.

Off-Balance Sheet Arrangements

As of June 30, 2019, 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. Our critical accounting estimates are identified and described in our annual report on Form 10-K for the year ended December 31, 2018. We had no significant changes in those critical accounting estimates since our last annual report.

Forward-Looking Information

Certain of the statements in this Form 10-Q, particularly those anticipating future performance, business prospects, growth and operating strategies and similar matters, and those that include the words "believes," "anticipates," "estimates" or similar expressions constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. For those statements, Havertys claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. There can be no assurance that the forward-looking statements will be accurate because they are based on many assumptions, which involve risks and uncertainties. The following important factors could cause future results to differ: changes in the economic environment; changes in the housing market; changes in industry conditions; competition; changes in consumer preferences and spending patterns; merchandise costs; energy costs; management of relationships with our suppliers and vendors and disruptions in their operations; the imposition of tariffs and the effect of retaliatory trade measures; timing and level of capital expenditures; introduction of new products; rationalization of operations; and other risks identified in Havertys' SEC reports and public announcements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes with respect to our financial instruments and their related market risks since the date of the Company's most recent annual report.

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 were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, 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 Reporting Policies” in Note A to the unaudited condensed consolidated financial statements set forth in this Form 10-Q.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

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

The board of directors has authorized management, at its discretion, to repurchase limited amounts of our common stock and Class A common stock. A program was initially approved by the board on November 3, 1986 with subsequent authorizations made as to the number of shares to be repurchased or amount to be repurchased in total dollars. On May 17, 2019, the board authorized management to repurchase up to $10.0 million of common and Class A common stock in addition to the amount remaining from a previous authorization.

The following table presents information with respect to our repurchase of Havertys’ common stock during the second quarter of 2019:

	(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
April 1 – April 30	—	—	—	$ 16,279,813
May 1 – May 31	626,366	$ 18.28	626,366	$ 14,830,694
June 1 – June 30	378,860	$ 16.88	378,860	$ 8,437,021

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 effective May 8, 2018 (Exhibit 3.1 to our Current Report on Form 8-K dated May 10, 2018).
10.1	Amended and Restated Non-Employee Director Compensation Plan, effective as of May 17, 2019 (Exhibit 10.1 to our Current Report on Form 8-K dated May 17, 2019).
10.2	Amended and Restated Directors' Deferred Compensation Plan, effective as of May 17, 2019 (Exhibit 10.2 to our Current Report on Form 8-K dated May 17, 2019).
*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 pursuant to 18 U.S.C. Section 1350.
*101	The following financial information from Haverty Furniture Companies, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at June 30, 2019, and December 31, 2018, (ii) Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2019 and 2018, (iii) Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 2019 and 2018, and (iv) the Notes to Condensed Consolidated Financial Statements.

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:	August 2, 2019	By:	/s/ Clarence H. Smith Clarence H. Smith Chairman of the Board, President 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)

Exhibit 31.1

I, Clarence H. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2019 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: August 2, 2019

/s/ Clarence H. Smith

Clarence H. Smith
Chairman of the Board, President
and Chief Executive Officer

Exhibit 31.2

I, Richard B. Hare, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2019 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: August 2, 2019

/s/ Richard B. Hare

Richard B. Hare
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Haverty Furniture Companies, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2019 (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: August 2, 2019

/s/ Clarence H. Smith
Clarence H. Smith
Chairman of the Board, President
and Chief Executive Officer

/s/ Richard B. Hare
Richard B. Hare
Executive Vice President and
Chief 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.