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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2019**

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	**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 October 31, 2019, were: Common Stock – 18,090,513; Class A Common Stock – 1,535,054.

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)

	September 30, 2019 (Unaudited)	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 89,528	$ 71,537
Restricted cash and cash equivalents	6,632	8,272
Accounts receivable, net	1,570	1,833
Inventories	99,958	105,840
Prepaid expenses	10,476	8,106
Other current assets	6,449	6,262
Total current assets	214,613	201,850
Accounts receivable, long-term, net	204	226
Property and equipment, net	158,087	216,852
Right-of-use lease assets	183,524	—
Deferred income taxes	12,202	12,544
Other assets	9,873	8,707
Total assets	$ 578,503	$ 440,179
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 27,495	$ 19,840
Customer deposits	34,852	24,465
Accrued liabilities	41,163	39,903
Current lease liabilities	29,283	—
Current portion of lease obligations	—	4,018
Total current liabilities	132,793	88,226
Noncurrent lease liabilities	155,046	—
Lease obligations, less current portion	—	46,785
Other liabilities	21,942	30,539
Total liabilities	309,781	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	92,586	91,394
Retained earnings	293,761	282,366
Accumulated other comprehensive loss	(1,440)	(1,465)
Less treasury stock at cost – Common Stock (2019 – 11,333; 2018 – 10,300 shares) and Convertible Class A Common Stock (2019 and 2018 – 522 shares)	(147,661)	(129,025)
Total stockholders' equity	268,722	274,629
Total liabilities and stockholders' equity	$ 578,503	$ 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 September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net sales	$ 209,320	$ 210,547	$ 588,455	$ 608,765
Cost of goods sold	97,301	95,175	269,796	276,689
Gross profit	112,019	115,372	318,659	332,076
Credit service charges	19	24	60	81
Gross profit and other revenue	112,038	115,396	318,719	332,157
Expenses:				
Selling, general and administrative	104,161	103,185	298,824	302,942
Provision for doubtful accounts	42	34	66	58
Other (income) expense, net	(42)	713	(323)	(98)
Total expenses	104,161	103, 932	298,567	302,902
Income before interest and income taxes	7,877	11,464	20,152	29,255
Interest (income) expense, net	(292)	260	(980)	1,184
Income before income taxes	8,169	11,204	21,132	28,071
Income tax expense	2,072	2,852	5,367	7,192
Net income	$ 6,097	$ 8,352	$ 15,765	$ 20,879
Other comprehensive income				
Adjustments related to retirement plan; net of tax expense of $3 and $9 in 2019 and $9 and $27 in 2018	$ 8	$ 25	$ 25	$ 75
Comprehensive income	$ 6,105	$ 8,377	$ 15,790	$ 20,954
Basic earnings per share:				
Common Stock	$ 0.31	$ 0.40	$ 0.79	$ 1.00
Class A Common Stock	$ 0.30	$ 0.38	$ 0.74	$ 0.94
Diluted earnings per share:				
Common Stock	$ 0.31	$ 0.39	$ 0.77	$ 0.98
Class A Common Stock	$ 0.30	$ 0.38	$ 0.73	$ 0.94
Cash dividends per share:				
Common Stock	$ 0.20	$ 0.18	$ 0.56	$ 0.54
Class A Common Stock	$ 0.19	$ 0.17	$ 0.53	$ 0.51

See notes to these condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash Flows from Operating Activities:		
Net income	$ 15,765	$ 20,879
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,412	22,650
Share-based compensation expense	2,690	3,781
Deferred income taxes	(1,942)	(592)
Provision for doubtful accounts	66	58
Other	615	825
Changes in operating assets and liabilities:		
Accounts receivable	219	550
Inventories	5,882	(4,907)
Customer deposits	10,387	2,728
Other assets and liabilities	316	6,534
Accounts payable and accrued liabilities	8,957	9,988
Net cash provided by operating activities	58,367	62,494
Cash Flows from Investing Activities:		
Capital expenditures	(12,446)	(18,231)
Proceeds from sale of property and equipment	2,268	2,421
Other	—	55
Net cash used in investing activities	(10,178)	(15,755)
Cash Flows from Financing Activities:		
Payments on lease obligations	—	(2,824)
Taxes on vested restricted shares	(1,328)	(1,233)
Dividends paid	(11,194)	(11,337)
Common stock repurchased	(19,316)	(14,456)
Net cash used in financing activities	(31,838)	(29,850)
Increase in cash, cash equivalents and restricted cash equivalents during the period	16,351	16,889
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	$ 96,160	$ 104,495

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 million 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 nine-month period ended September 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 September 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 June 30, 2019	$ 29,418	$ 2,058	$ 91,847	$ 291,573	$ (1,448)	$ (146,188)	$ 267,260
Net income				6,097			6,097
Dividends declared:							
Common Stock, $0.20 per share				(3,617)			(3,617)
Class A Common Stock, $0.19 per share				(292)			(292)
Acquisition of treasury stock						(1,473)	(1,473)
Amortization of restricted stock			739				739
Other comprehensive income					8		8
Balances at September 30, 2019	$ 29,418	$ 2,058	$ 92,586	$ 293,761	$ (1,440)	$ (147,661)	$ 268,722

For the nine months ended September 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				15,765			15,765
Dividends declared:							
Common Stock, $0.56 per share				(10,342)			(10,342)
Class A Common Stock, $0.53 per share				(852)			(852)
Acquisition of treasury stock						(19,316)	(19,316)
Restricted stock issuances	117		(1,445)				(1,328)
Class A conversion	222	(222)					—
Amortization of restricted stock			2,690				2,690
Director's compensation plan			(53)			680	627
Other comprehensive income					25		25
Cumulative effect adjustment				6,824			6,824
Balances at September 30, 2019	$ 29,418	$ 2,058	$ 92,586	$ 293,761	$ (1,440)	$ (147,661)	$ 268,722

For the three months ended September 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 June 30, 2018	$ 29,065	$ 2,289	$ 89,650	$ 292,465	$ (2,094)	$ (119,597)	$ 291,778
Net income				8,352			8,352
Dividends declared:							
Common Stock, $0.18 per share				(3,452)			(3,452)
Class A Common Stock, $0.17 per share				(300)			(300)
Acquisition of treasury stock						(5,175)	(5,175)
Restricted Stock issuances	5		(76)				(71)
Class A conversion	5	(5)					—
Amortization of restricted stock			1,224				1,224
Director's compensation plan			19			23	42
Other comprehensive income					25		25
Balances at September 30, 2018	$ 29,075	$ 2,284	$ 90,817	$ 297,065	$ (2,069)	$ (124,749)	$ 292,423

For the nine months ended September 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				20,879			20,879
Dividends declared:							
Common Stock, $0.54 per share				(10,436)			(10,436)
Class A Common Stock, $0.51 per share				(901)			(901)
Acquisition of treasury stock						(14,456)	(14,456)
Restricted Stock issuances	119		(1,352)				(1,233)
Class A conversion	6	(6)					—
Amortization of restricted stock			3,781				3,781
Director’s compensation plan			(590)			1,029	439
Other comprehensive income					75		75
Cumulative effect adjustment				133			133
Balances at September 30, 2018	$ 29,075	$ 2,284	$ 90,817	$ 297,065	$ (2,069)	$ (124,749)	$ 292,423

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 $7.1 million at September 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

In September 2019 we entered into the Second Amendment to Amended and Restated Credit Agreement (the “Credit Agreement”) with a bank. The Credit Agreement amends our credit facility to extend the maturity date to September 27, 2024 from March 31, 2021 and change certain collateral reporting requirements. We have not had any borrowings under the facility since its origination in 2008.

The Credit Agreement is 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. 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.

The borrowing base was $48.6 million at September 30, 2019, there were no outstanding letters of credit, and the net availability was $48.6 million.

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 September 30,				Nine Months Ended September 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	$ 33,564	16.0%	$ 34,251	16.3%	$ 95,501	16.2%	$ 98,915	16.2%
Dining Room Furniture	22,836	10.9	23,728	11.3	62,698	10.7	67,483	11.1
Occasional	16,125	7.7	18,809	8.9	47,070	8.0	54,312	8.9
	72,525	34.6	76,788	36.5	205,269	34.9	220,710	36.3
Upholstery	83,619	39.9	82,360	39.1	233,797	39.7	242,629	39.9
Mattresses	25,721	12.4	23,168	11.0	68,956	11.7	64,197	10.5
Accessories and Other(1)	27,455	13.1	28,231	13.4	80,433	13.7	81,229	13.3
	$ 209,320	100.0%	$ 210,547	100.0%	$ 588,455	100.0%	$ 608,765	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 lessors. 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 sheet as of September 30, 2019 (in thousands):

	September 30, 2019
Operating Lease Assets:	
Right-of use lease assets	$ 183,524
Operating Lease Liabilities:	
Current lease liabilities	$ 29,283
Non-current lease liabilities	155,046
Total operating lease liabilities	$ 184,329

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 September 30, 2019 are:

	September 30, 2019
Weighted Average Remaining Lease Term	
Operating leases	7.4 years
Weighted Average Discount Rate	
Operating leases	6.69%

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 sheet as of September 30, 2019 (in thousands):

	Operating Leases
October 1, 2019 thru December 31, 2019	$ 10,273
2020	39,661
2021	37,238
2022	31,842
2023	25,292
Thereafter	92,229
Total undiscounted future minimum lease payments	236,535
Less: difference between undiscounted lease payments and discounted operating lease liabilities	(52,206)
Total operating lease liabilities	$ 184,329

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 September 30, 2019	Nine months ended September 30, 2019
Operating lease cost	$ 10,478	$ 31,171
Short-term lease cost	30	70
Variable lease cost	1,572	4,384
Total lease expense	$ 12,080	$ 35,625

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

	Nine months ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 30,130
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 25,664

NOTE I – Income Taxes

Our effective tax rate for the nine months ended September 30, 2019 and 2018 was 25.4% and 25.6%, 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 J – 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 nine months ended September 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	136,868	20.24	113,522	20.29	—	—
Awards vested or rights exercised[1]	(124,544)	22.32	(57,351)	18.93	—	—
Forfeited	(17,986)	21.28	(51,116)	22.45	—	—
Outstanding at September 30, 2019	243,480	$ 20.95	214,809	$ 21.38	57,000	$ 18.14
Exercisable at September 30, 2019	—	—	—	—	57,000	$ 18.14
Awards expected to vest	243,480	$ 20.95	144,561	$ 21.90	—	—

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

The aggregate intrinsic value of outstanding restricted stock awards was $4.9 million at September 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 nine months ended September 30, 2019 was $1.4 million. The aggregate intrinsic value of outstanding performance awards at September 30, 2019 expected to vest was $2.9 million. 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 September 30, 2019 was $0.1 million.

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 nine months ended September 30, 2019 and 2018 was approximately $2.7 million and $3.8 million, respectively. Forfeitures are recognized as they occur. As of September 30, 2019, the total compensation cost related to unvested equity awards was approximately $4.7 million and is expected to be recognized over a weighted-average period of 2.2 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Numerator:				
Common:				
Distributed earnings	$ 3,617	$ 3,451	$ 10,342	$ 10,436
Undistributed earnings	2,025	4,230	4,216	8,777
Basic	5,642	7,681	14,558	19,213
Class A Common earnings	455	671	1,207	1,666
Diluted	$ 6,097	$ 8,352	$ 15,765	$ 20,879
Class A Common:				
Distributed earnings	$ 292	$ 300	$ 852	$ 901
Undistributed earnings	163	371	355	765
	$ 455	$ 671	$ 1,207	$ 1,666
Denominator:				
Common:				
Weighted average shares outstanding - basic	18,116	19,138	18,514	19,288
Assumed conversion of Class A Common Stock	1,536	1,765	1,637	1,766
Dilutive options, awards and common stock equivalents	241	327	293	354
Total weighted-average diluted Common Stock	19,893	21,230	20,444	21,408
Class A Common:				
Weighted average shares outstanding	1,536	1,765	1,637	1,766
Basic earnings per share:				
Common Stock	$ 0.31	$ 0.40	$ 0.79	$ 1.00
Class A Common Stock	$ 0.30	$ 0.38	$ 0.74	$ 0.94
Diluted earnings per share:				
Common Stock	$ 0.31	$ 0.39	$ 0.77	$ 0.98
Class A Common Stock	$ 0.30	$ 0.38	$ 0.73	$ 0.94

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
Q3	209.3	(0.6)	(1.2)	(0.4)	(0.8)	210.5	1.4	2.9	2.6	5.2
Nine months ended September 30	$ 588.5	(3.3)%	$ (20.3)	(2.4)%	$ (14.5)	$ 608.8	0.6%	$ 3.9	0.9%	$ 5.5

Sales for the third quarter of 2019 were relatively flat compared to the 2018 period. We encountered some difficulties in production and consistent supply from vendors as we shifted sourcing certain products to alternative facilities. Our average written ticket was up 4.7% and our custom order upholstery business grew 13.9% for the third quarter compared to the 2018 period.

Gross Profit

Gross profit for the third quarter of 2019 was 53.5%, down 130 basis points compared to the prior year period. Approximately 50% of the reduction is a result of merchandise pricing and mix as we used slightly more aggressive promotions coupled with higher product and freight costs. Tariffs and increased product costs generated a negative impact to our LIFO reserve and merchandise markdowns contributed to the remainder of the margin reduction.

Gross profit for the first nine months of 2019 was 54.2% compared to 54.6% for the same period of 2018. This reduction is due in part to merchandise pricing and mix. There was also a negative impact from the change in the LIFO reserve of approximately $1.2 million in 2019 versus $0.3 million in 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 product 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 49.8% for the third quarter and 49.0% for the same period in 2018. Total SG&A dollars increased $1.0 million for the three months ended September 30, 2019 compared to the prior year period.

Our SG&A costs as a percent of sales for the first nine months of the year were 50.8% and 49.8% for 2018. Total SG&A dollars decreased $4.1 million for the nine months ended September 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 September 30,				Nine Months ended September 30,			
	2019		2018		2019		2018	
(In thousands)		% of Net Sales		% of Net Sales		% of Net Sales		% of Net Sales
Variable	$ 38,104	18.2%	$ 37,642	17.9%	$ 108,410	18.4%	$ 111,716	18.4%
Fixed and discretionary	66,057	31.6	65,543	31.1	190,414	32.4	191,226	31.4
	$ 104,161	49.8%	$ 103,185	49.0%	$ 298,824	50.8%	$ 302,942	49.8%

Our normal fixed and discretionary type expenses within SG&A costs are expected to be approximately $257.0 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 higher employee compensation and benefits costs. The variable type costs within SG&A for the full year of 2019 are anticipated to be 18.4% as a percent of sales compared to 18.3% in 2018.

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.

In September 2019 we entered into the Second Amendment to Amended and Restated Credit Agreement (the "Credit Agreement") with a bank. The Credit Agreement amends our credit facility to extend the maturity date to September 27, 2024 from March 31, 2021 and change certain collateral reporting requirements. The Credit Agreement provides for 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 Agreement. The availability at September 30, 2019 was $48.6 million and there were no borrowed amounts outstanding.

Summary of Cash Activities

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in assets and liabilities. Our cash flows provided by operating activities totaled $58.4 million in the first nine months of 2019 compared to $62.5 million for the same period of 2018. This decrease was due to less net income and less depreciation expense in 2019 versus 2018 and larger increases in other assets and liabilities in 2018 versus 2019; partly offset by larger decreases in inventories in 2019 versus increases in 2018 and 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 $10.2 million in the first nine months of 2019 versus $15.8 million for the same period of 2018. This decrease was primarily due to smaller capital expenditures in 2019.

Financing activities used cash of $31.8 million in the first nine months of 2019 compared to $29.9 million for the same period of 2018. This increase was primarily due to $4.9 million in greater common stock purchases in 2019 partly offset by the $2.9 million in lease payments in 2018 prior to adoption of ASU 2016-02.

Balance Sheet Changes for the Nine Months Ended September 30, 2019

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

- decrease in inventories of $5.9 million as changes in supply chain has delayed receipt of certain goods;
- decrease in property and equipment, net of $58.8 million primarily due to transition adjustment for ASU 2016-02 of $53.5 million;
- increase in right-of-use lease assets of $183.5 million primarily due to transition adjustment of $177.9 million for ASU 2016-02;
- increase in accounts payable of $7.7 million due to timing of payments;
- increase in customer deposits of $10.4 million due to increase in undelivered sales;
- increase of $29.3 million of current and $155.0 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 due to adoption of ASU 2016-02; and
- decrease of $8.6 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	Open
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 $18.5 million in 2019 depending on the timing of spending for new projects.

Off-Balance Sheet Arrangements

As of September 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 September 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 August 9, 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 third 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
July 1 – July 31	—	—	—	$ 8,437,021
August 1 – August 30	82,848	$ 17.68	82,848	$ 16,972,674
September 1 – September 30	500	$ 18.53	500	$ 16,963,410
Total	83,348		83,348	

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	Second Amendment to Amended and Restated Credit Agreement by and among Haverty Furniture Companies, Inc. and Havertys Credit Services, Inc., as the Borrowers, and SunTrust Bank, as the Issuing Bank and Administrative Agent.
*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 September 30, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at September 30, 2019, and December 31, 2018, (ii) Condensed Consolidated Statements of Comprehensive Income for the three months ended September 30, 2019 and 2018, (iii) Condensed Consolidated Statements of Cash Flows for the three months ended September 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:	November 1, 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)

SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "***Amendment***"), is made and entered into as of September 27, 2019, by and among HAVERTY FURNITURE COMPANIES, INC., a Maryland corporation ("***HFC***"), HAVERTYS CREDIT SERVICES, INC., a Tennessee corporation ("***HCS***" and, together with HFC, each, a "***Borrower***" and, collectively, the "***Borrowers***"), the financial institutions party hereto as lenders (the "***Lend-ers***"), and SUNTRUST BANK, in its capacity as administrative agent for the Lenders (the "***Administrative Agent***") and as issuing bank (the "***Issuing Bank***").

W I T N E S S E T H:

WHEREAS, the Borrowers, the Guarantors, the Lenders and the Administrative Agent are parties to a certain Amended and Restated Credit Agreement, dated as of September 1, 2011 (as amended by that certain First Amendment to Amended and Restated Credit Agreement, dated as of March 31, 2016, and as further amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"; capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement), pursuant to which the Lenders have made certain financial accommodations available to the Borrowers;

WHEREAS, the Borrowers have requested that the Lenders and the Administrative Agent amend certain provisions of the Credit Agreement, and subject to the terms and conditions hereof, the Lenders are willing to do so;

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of all of which are acknowledged, the Borrowers, the Lenders and the Administrative Agent agree as follows:

1. Amendments.

a. Section 1.1 of the Credit Agreement is amended by deleting the definitions of "Exception Conditions", "Fixed Charge Coverage Ratio", and "Maturity Date" in their entirety and inserting the following definitions in lieu thereof:

> "Exception Conditions" shall mean, with respect to any event, that before and after giving *pro forma* effect to such event (i) no Default or Event of Default has occurred and is continuing or would result therefrom, (ii) either (a)(x) Availability (calculated based on a Borrowing Base Certificate received by Administrative Agent not more than thirty (30) days prior to the applicable event) would equal or exceed twelve and one-half percent (12.5%) of the Aggregate Revolving Loan Commitments and (y) the Fixed Charge Coverage Ratio for the twelve (12) month period most recently ended for which the Administrative Agent has received financial statements pursuant to Section 7.1 would not be less than 1.00:1.00, or (b) Availability (calculated based on a Borrowing Base Certificate received by Administrative Agent not more than thirty (30) days prior to the applicable event) would equal or exceed seventeen and one-half percent (17.5%) of the Aggregate Revolving Loan Commitments, and (iii) if requested by the Administrative Agent, the Administrative Borrower shall have delivered to the Administrative Agent its updated projected Availability and cash flow reports, prepared in good faith based on reasonable assumptions consistent with past practice, demonstrating that Availability over the immediately following twelve consecutive months will equal or exceed the greater of (A) $12,500,000 and (B) twenty percent (20%) of the Aggregate Revolving Loan Commitments.

"Fixed Charge Coverage Ratio" shall mean, with respect to the Borrowers and their Subsidiaries on a consolidated basis for any period, calculated on a Pro Forma Basis during such period, the ratio of (a) the greater of (i) (x) EBITDAR for such period minus (y) the sum of (A) Unfinanced Cash Capital Expenditures made during such period and (B) (1) income tax expense paid or payable in cash during such period, net of income tax refunds received or receivable in cash during such period, not to be less than zero, plus (2) the amount, if any, by which income tax refunds received or receivable in cash during such period exceeds the income tax expense paid or payable in cash during such period or (ii) zero, to (b) the sum of (i) scheduled payments of principal made with respect to Funded Debt during such period, (ii) Interest Expense paid or payable in cash during such period, (iii) Restricted Payments paid in cash during such period and (iv) Lease Expense paid or payable in cash during such period; provided that, solely for the purposes of measuring compliance with Section 8.8 (and not for any other purpose including measuring compliance with the Exception Conditions), Restricted Payments shall exclude share repurchases and dividends not paid on a regular periodic basis.

"Maturity Date" shall mean September 27, 2024, or such earlier date as payment of the Loans shall be due (whether by acceleration or otherwise).

b. Section 1.1 of the Credit Agreement is amended by adding the following definitions in appropriate alphabetical order:

"Second Amendment" shall mean that certain Second Amendment to the Credit Agreement, dated as of the Second Amendment Date, among the Borrowers, the Lenders, and Administrative Agent.

"Second Amendment Date" shall mean September 27, 2019.

c. Section 1.1 of the Credit Agreement is amended by deleting the definition of "Non-Funding Lender" in its entirety.

d. Section 2.4(b) of the Credit Agreement is amended by replacing all references to the term "Non-Funding Lender" with the term "Defaulting Lender".

e. Section 6.7 of the Credit Agreement is amended by replacing such Section in its entirety with the following:

"Section 6.7 Visits and Inspections. Each Credit Party will, and will cause each of its Subsidiaries to, permit representatives of the Administrative Agent to (a) visit and inspect the properties of the Credit Parties and their Subsidiaries during normal business hours, (b) inspect and make extracts from and copies of the Credit Parties' and their Subsidiaries' books and records, (c) conduct appraisals, field examinations and audits of Inventory and Accounts of the Credit Parties and their Subsidiaries and (d) discuss with the Credit Parties' and their Subsidiaries' respective principal officers the Credit Parties' or such Subsidiaries' businesses, assets, liabilities, financial positions, results of operations, and business prospects relating to the Credit Parties or such Subsidiaries; provided that (i) if Aggregate Revolving Credit Obligations are less than or equal to 10.0% of the Aggregate Revolving Loan Commitments and no Event of Default has occurred and is continuing, the Administrative Agent shall not be entitled to conduct a field audit or appraisal, (ii) if Aggregate Revolving Credit Obligations exceeds 10.0% but is less than or equal to 25.0% of the Aggregate Revolving Loan Commitments for five (5) consecutive Business Days and no Event of Default has occurred and is continuing, the Administrative Agent shall be permitted to conduct one field audit and one appraisal during the trailing twelve month period until the later of (x) ninety (90) days after such five (5) Business Day period and (y) the date that the Aggregate Revolving Credit Obligations are less than or equal to 10% of the Aggregate Revolving Loan Commitments for thirty (30) consecutive Business Days, (iii) if the Aggregate Revolving Credit Obligations exceeds 25.0% of the Aggregate Revolving Loan Commitments for five (5) consecutive Business Days and no Event of Default has occurred and is continuing, the Administrative Agent shall be permitted to conduct up to two (2) field audits and two (2) appraisals during the trailing twelve month period until the later of (x) ninety (90) days after such five (5) Business Day period and (y) the date that the Aggregate Revolving Credit Obligations are less than or equal to 25% of the Aggregate Revolving Loan Commitments for thirty (30) consecutive Business Days, and (iv) during the continuance of an Event of Default, the Administrative Agent shall be permitted to conduct as many field audits and appraisals that the Administrative Agent requests in its Permitted Discretion; provided, further, that the Borrowers shall not be obligated to pay more than $25,000 per field audit or more than $30,000 per appraisal. Any other member of the Lender Group may, at its expense, accompany the Administrative Agent on any regularly scheduled visit (or, at any time that a Default exists, any visit regardless of whether it is regularly scheduled) to the Credit Parties' and their Subsidiaries' properties."

f. Section 6.15 of the Credit Agreement is amended by replacing subsection (b) thereof in its entirety with the following:

"(b) Other than the Excluded Accounts, each Credit Party shall maintain, in its name, at a Cash Management Bank, one or more Deposit Accounts, Concentration Accounts and Disbursement Accounts that are subject to a Control Account Agreement in form and substance reasonably satisfactory to the Administrative Agent (individually, a "Blocked Account" and collectively, the "Blocked Accounts"). Each such Control Account Agreement shall provide, among other things, that the relevant Cash Management Bank agrees, from and after the receipt of a notice (an "Activation Notice") from the Administrative Agent (which Activation Notice may be given by the Administrative Agent at any time at which (i) an Event of Default has occurred and is continuing or (ii) Availability for five (5) consecutive Business Days is less than the greater of (A) $5,000,000 and (B) ten percent (10.0%) of the Aggregate Revolving Loan Commitments (the foregoing being referred to herein as an "Activation Event")), to forward immediately all amounts in each Blocked Account, as the case may be to the Administrative Agent per its instructions and to commence the process of daily sweeps from such account to the Administrative Agent. If at any time after an Activation Notice has been given, Availability for sixty (60) consecutive days equals or exceeds the greater of (A) $5,000,000 and (B) ten percent (10.0%) of the Aggregate Revolving Loan Commitments, then the Administrative Agent shall, promptly upon request of the Administrative Borrower, notify the Cash Management Bank that the daily sweeps from such account shall cease until further notice from the Administrative Agent that a subsequent Activation Event has occurred."

g. Section 7.1 of the Credit Agreement is amended by replacing all references to "$9,000,000" in such Section with "$15,000,000".

h. Section 7.5 of the Credit Agreement is amended by replacing subsection (a) thereof in its entirety with the following:

"(a) Administrative Borrower shall deliver to the Administrative Agent (i) a Borrowing Base Certificate as of the last day of the prior fiscal quarter, month or week, as the case may be, which shall be in such form as shall be satisfactory to the Administrative Agent, (ii) an Inventory status report, (iii) a Credit Card Receivables status report or statement as of such date, setting forth the balance of the Credit Card Receivables aged not more than five days from date of sale and (iv) an aging of Qualified Receivables as of such date, in each case with the supporting documentation and schedules in reasonable detail to confirm such calculations. The foregoing certificates and reports shall be delivered by the Administrative Borrower to the Administrative Agent quarterly within thirty (30) days after the end of each fiscal quarter, provided that if Availability is less than or equal to the greater of (x) fifty percent (50.0%) of the Aggregate Revolving Loan Commitments and (y) $30,000,000 (the "Quarterly Reporting Threshold"), then the foregoing certificates and reports shall be delivered by the Administrative Borrower to the Administrative Agent monthly within fifteen (15) days after the end of each fiscal month, provided further, that if Availability is less than or equal to the greater of (x) fifteen percent (15.0%) of the Aggregate Revolving Loan Commitments and (y) $9,000,000 (the "Monthly Reporting Threshold"), then the foregoing certificates and reports shall be delivered by the Administrative Borrower to the Administrative Agent weekly within three (3) Business Days after the end of each fiscal week; in each case, (A) until such time as Availability has exceeded the Monthly Reporting Threshold for sixty (60) consecutive days (at which time the foregoing certificates and reports shall thereafter be delivered by the Administrative Borrower to the Administrative Agent monthly within fifteen (15) days after the end of each fiscal month), or (B) until such time as Availability has exceeded the Quarterly Reporting Threshold for sixty (60) consecutive days (at which time the foregoing certificates and reports shall thereafter be delivered by the Administrative Borrower to the Administrative Agent quarterly within thirty (30) days after the end of each fiscal quarter)."

i. Section 8.8 of the Credit Agreement is amended by replacing such Section in its entirety with the following:

"Section 8.8 Fixed Charge Coverage Ratio. Solely to the extent that Availability is less than the greater of (a) $5,000,000 or (b) ten percent (10.0%) of the Aggregate Revolving Loan Commitments, the Credit Parties and their Subsidiaries shall maintain, on a consolidated basis, a Fixed Charge Coverage Ratio, as of the end of the fiscal month most recently ended for which the Administrative Agent has received financial statements, for the period of the immediately preceding twelve (12) months, of not less than 1.00:1.00."

j. All references to “First Amendment Date” contained in the following Sections of the Credit Agreement are hereby amended by replacing such references with “Second Amendment Date”: Section 5.1(c) (Partnerships; Joint Ventures; Subsidiaries), Section 5.1(d) (Capital Stock and Related Matters), Section 5.1(j) (Taxes), Section 5.1(n) (Liabilities; Litigation), Section 5.1(u) (Solvency), Section 5.1(aa) (Name of Credit Party), Section 5.1(dd) (OFAC), Section 6.15 (Cash Management System), Section 6.23 (Intellectual Property Pledge), Section 7.6(g) (Notice of Litigation and Other Matters), Section 8.1(d) (Purchase Money/Capital Leases), Section 8.1(f) (Permitted Real Estate Financing), Section 8.7(b) (Disposition of Assets) and Section 8.10 (Sales and Leasebacks).

k. Schedule 5.1(c)-1 (Subsidiaries), Schedule 5.1(c)-2 (Partnerships/Joint Ventures), Schedule 5.1(d) (Outstanding Capital Stock Ownership), Schedule 5.1(j) (Taxes), Schedule 5.1(n) (Liabilities; Litigation), and Schedule 6.15 (Bank and Investment Accounts) are each amended by replacing such schedule in its entirety with the corresponding schedule attached hereto as part of Exhibit A attached to this Amendment.

2. Conditions to Effectiveness of this Amendment. Notwithstanding any other provision of this Amendment and without affecting in any manner the rights of the Lenders hereunder, it is understood and agreed that this Amendment shall not become effective, and the Borrowers shall have no rights under this Amendment, until the Administrative Agent shall have received (i) reimbursement or payment of its costs and expenses incurred in connection with this Amendment or the Credit Agreement (including reasonable fees, charges and disbursements of King & Spalding LLP, counsel to the Administrative Agent), (ii) executed counterparts to this Amendment from the Borrowers, each of the Guarantors and the Lenders, and (iii) a certificate signed by an Authorized Signatory of each Credit Party, including a certificate of incumbency with respect to each Authorized Signatory of such Credit Party, together with appropriate attachments which shall include, without limitation, the following: (A) a copy of the certificate of incorporation of such Credit Party certified to be true, complete and correct by the Secretary of State of the State of such Credit Party’s incorporation or certification that such certificate of incorporation delivered in connection with the First Amendment has not been modified or amended in any manner, (B) a true, complete and correct copy of the by-laws of such Credit Party or certification that such by-laws delivered in connection with the First Amendment has not been modified or amended in any manner, and (C) a true, complete and correct copy of the resolutions of such Credit Party authorizing the execution, delivery and performance by such Credit Party of this Amendment, the other Loan Documents and the transactions contemplated herein.

3. Representations and Warranties. To induce the Lenders and the Administrative Agent to enter into this Amendment, each Credit Party hereby represents and warrants to the Lenders and the Administrative Agent:

(a) Each of the Borrowers and each of its Subsidiaries (i) is duly orga-nized, validly existing and in good standing as a corporation, partnership or limited liability company under the laws of the jurisdiction of its organization, (ii) -has all requisite power and authority to carry on its business as now conducted, and (iii) is duly qualified to do business, and is in good standing, in each jurisdiction where such qualification is required, except where a failure to be so qualified would not reasonably be expected to result in a Material Adverse Effect;

(b) The execution, delivery and performance by each Credit Party of this Amendment, the Credit Agreement, as amended hereby, and the other Loan Documents to which it is a party are within such Credit Party’s organizational powers and have been duly authorized by all necessary organizational, and if required, shareholder, partner or member action;

(c) The execution, delivery and performance by the Borrowers of this Amendment, and by each Credit Party of the other Loan Documents to which it is a party (i) do not require any consent or approval of, registration or filing with, or any action by, any Governmental Authority, except those as have been obtained or made and are in full force and effect, (ii) will not violate any Requirements of Law applicable to either of the Borrowers or any of such Borrower’s Subsidiaries or any judgment, order or ruling of any Governmental Authority, (iii) will give rise to a right thereunder to require any payment to be made by either of the Borrowers or any of such Borrower’s Subsidiaries;

(d) This Amendment has been duly executed and delivered for the benefit of or on behalf of each Credit Party and constitutes a legal, valid and binding obligation of each Credit Party, enforceable against such Credit Party in accordance with its terms except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights and remedies in general; and

(e) After giving effect to this Amendment, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects, and no Default or Event of Default has occurred and is continuing as of the date hereof.

4. Effect of Amendment. Except as set forth expressly herein, all terms of the Credit Agreement, as amended hereby, and the other Loan Documents shall be and remain in full force and effect and shall constitute the legal, valid, binding and enforceable obligations of the Borrowers to the Lenders and the Administrative Agent. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement. This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement.

5. Governing Law. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of Georgia and all applicable federal laws of the United States of America.

6. No Novation. This Amendment is not intended by the parties to be, and shall not be construed to be, a novation of the Credit Agreement or an accord and satisfaction in regard thereto.

7. Costs and Expenses. The Borrowers agree to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of outside counsel for the Administrative Agent with respect thereto.

8. Counterparts. This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, each of which shall be deemed an original and all of which, taken together, shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in pdf form shall be as effective as delivery of a manually executed counterpart hereof.

9. Binding Nature. This Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective successors, successors-in-titles, and assigns.

10. Entire Understanding. This Amendment sets forth the entire understanding of the parties with respect to the matters set forth herein, and shall supersede any prior negotia-tions or agreements, whether written or oral, with respect thereto.

11. Reaffirmations and Acknowledgments.

(a) Reaffirmation. Each Borrower ratifies and confirms the terms of the Credit Agreement as amended hereby and all promissory notes issued thereunder. Each Borrower acknowledges that, notwithstanding anything to the contrary contained herein or in any other document evidencing any indebtedness of the Borrowers to the Lenders or any other obligation of the Borrowers, or any actions now or hereafter taken by the Lenders with respect to any obligation of the Borrowers, the Credit Agreement (i) is and shall continue to be a primary obligation of the Borrowers, and (ii) is and shall continue to be in full force and effect in accordance with its terms.

(b) Acknowledgment of Perfection of Security Interest. Each Borrower hereby acknowledges that, as of the date hereof, the security interests and liens granted to the Administrative Agent and the Lenders under the Credit Agreement and the other Loan Documents are in full force and effect, are properly perfected and are enforceable in accordance with the terms of the Credit Agreement and the other Loan Documents.

[*Signature Pages To Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed, under seal in the case of the Borrowers, by their respective authorized officers as of the day and year first above written.

BORROWERS:

HAVERTY FURNITURE COMPANIES, INC.

By: /s/ Richard Hare
Name: Richard Hare
Title: Executive Vice President and
Chief Financial Officer

HAVERTYS CREDIT SERVICES, INC.

By: /s/ Richard Hare
Name: Richard Hare
Title: President

SUNTRUST BANK, as Administrative Agent, as Issuing Bank and as Lender

By: /s/ Stephen D. Metts
Name: Stephen D. Metts
Title: Director

Exhibit 31.1

I, Clarence H. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 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: November 1, 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 September 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: November 1, 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 September 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 November 1, 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.