

2018

HAVERTYS
ANNUAL REPORT

OUR VISION

WE ASPIRE TO HELP
CUSTOMERS BRING
THE VISION OF
THEIR HOME TO LIFE.





CORPORATE PROFILE

Havertys is a prominent full-service home furnishings retailer with over 100 showrooms in over 80 cities across 16 states in the Southern and Midwestern regions.

Founded in 1885, Havertys is a true retailing institution. The Company provides its customers with a wide selection of quality merchandise in primarily middle to upper-middle price ranges.

Haverty Furniture Companies, Inc. has been a publicly held company since 1929. The Company's two classes of stock are traded on the NYSE under the symbols HVT and HVT.A.

HAVERTYS®

LIFE LOOKS GOOD • SINCE 1885

Dear fellow stockholders,

Our mission statement explicitly refers to three very important stakeholders: customers, team members, and stockholders. Our efforts use these as touchstones for our operations, and we believe our results were positive ones for each. Havertys completed several important undertakings during 2018 and responded to the imposition of tariffs affecting a significant portion of our business.

2018 Financial Highlights Compared to 2017

- ❖ Net sales totaled \$817.7 million, compared with \$819.9 million, a decrease of 0.3%. Comparable store sales were up 0.3%.
- ❖ Gross profit margin increased 30 basis points to 54.6% from 54.3%.
- ❖ Selling, general and administrative costs as a percent of sales increased 40 basis points to 49.5% from 49.1%.
 - Fixed and discretionary expenses increased \$1.8 million to \$255.0 million primarily from administrative costs driven by increased group medical charges.
 - Variable expenses increased to 18.3% as a percent of sales from 18.2% primarily due to higher delivery costs.
- ❖ Net income of \$30.3 million versus \$21.1 million in 2017.
- ❖ Capital investments of \$21.5 million.
- ❖ Record earnings per share of \$1.42.
- ❖ Returned \$54.2 million to stockholders through share repurchases and dividends.

Our sales results were up leading into the important fourth quarter, but traffic and sales were markedly down in the closing weeks of the year. The 4.4% increase in average ticket in 2018, a trend which has continued for 17 straight quarters, helped offset traffic declines. We are seeing success in more closely aligning our gross profit margins with the quality of our Havertys branded merchandise.

We are weathering the imposition of tariffs on goods imported from China. The uncertainty surrounding trade policy has disturbed almost all aspects of our business since mid-2018 when trade talks escalated. Working to determine the impact and develop strategies to overcome a change that reaches deep into the building blocks of our business — product selection, cost, availability, and retail pricing — has tested the entire team. Experience, technology, long-standing vendor relationships, and lots of coffee have all been brought to bear to tackle this challenge.

A comprehensive store network evaluation led us to exit two small markets and close three stores that can be served by other locations. We expanded into the Chattanooga market with a store late in 2018. These changes resulted in a 2.2% decrease in retail square footage and we ended the year with 120 stores. We also completed the significant expansion of our western distribution center. These store and distribution activities were disruptive, and in some cases painful, but necessary. I am proud of the way the Havertys team pulled together to complete this important work.

Havertys' board of directors gave approval for us to repurchase our common stock and we bought 890,225 shares for \$18.7 million. We also paid out \$20.5 million in special dividends, in addition to \$15.0 million for quarterly dividends.

Customers

We believe acquiring home furnishings should be more personal and less transactional, so our emphasis is on connecting with the customer. Our fully-integrated online and in-store shopping experiences have been forged into a single sales channel. Customers can use our website for inspiration and as a start to their shopping process to view products and prices. The next step in the buying journey is a visit to a store to touch, sit, and see merchandise in person. Recognizing that customers may want to return home before finalizing their decisions,

our sales consultants email them a link containing their selections, making it easy to complete their purchase online. We have received positive feedback from our customers concerning their shopping experience and our online sales increased 10.9% in 2018. Havertys' sales consultants and H Designers, working together, helped provide free in-home design services to more customers in 2018, accounting for 21.5% of our total sales. Customers working with H Designers often purchase more accessories and furniture pieces, and their \$4,466 average sales ticket is generally twice that of our other customers.

Havertys has long been known as a retailer with a wide array of quality furniture in a variety of styles with fast delivery. We achieve this in part by having our merchants work with some of the best designers and manufacturers around the globe and by having our own quality review team. We also offer an extensive number of custom order upholstery options. This business has grown steadily over the past years and in 2018 was up 8.7% and accounted for 10.5% of our total sales. The completion of the expansions of our western and Florida distribution centers has improved our ability to maintain inventory for delivery, reduced handling, and expanded our region-specific merchandise assortment. These improvements will help us better serve the customers that visit our current and future stores.

Team Members

We depend on our team members to perform their duties at a high level to help drive our business, serve their customers, and represent the Havertys brand. We provide our associates with training and opportunities for advancement in an honest and ethical environment. This year we continued our investment in the physical and financial health of our team members by absorbing increased costs associated with employee healthcare coverages, expanding our sick leave policy and wellness program, and making additional company contributions to employee 401(k) accounts. I deeply appreciate the efforts of our team members and truly believe we have assembled the best team in the retail furniture industry.

Stockholders

Havertys original charter in 1885 states, "The purpose of the Corporation is Pecuniary Gain." This statement is part of what guides us today. We worked hard during 2018 to achieve profitable and efficient operations. Our gross profit margins expanded, and we were able to control many of our fixed costs. Excluding other income, our pre-tax profit was generally equal to that of 2017 despite the \$2 million in lower sales. The benefit of a lower tax rate helped generate an \$9.2 million increase in net income, and a record earnings per share of \$1.42. We made \$21.5 million in important capital expenditure investments in our business and returned \$54.2 million to stockholders. Members of the management team met or spoke with many of our stockholders in 2018 to discuss our current business and strategic plans, and we encourage and appreciate the open dialogue and support.

Fred Schuermann joined our board in 2001 after two decades of experience in the furniture manufacturing industry. His insightfulness, knowledge, and sound business advice will be missed as he retires from the board this year. In contemplation of Fred's retirement, our directors were very pleased to elect Tom Hough to the board in August. His career with EY and experience in accounting and risk management make him an exceptional addition to our board.

Outlook

Our plans for store investments in 2019 include brick-and-mortar expansion into two new markets, a new store for the Atlanta market, a store relocation in Baton Rouge, and continued improvements in havertys.com. We are returning to St. Louis, after serving customers there from 1891 to 1908, with a new location scheduled to open in late 2019. These four planned store openings should increase retail square footage 2.0%. Our web presence is also being improved so we can better meet our customers' needs.

The focus of our team is serving our customers, driving profitable sales, and expanding our brand's reach. We understand that there is one constant in business — change — and we believe Havertys has the financial strength, flexibility, and people to meet the challenges of 2019 and the years ahead.



Clarence H. Smith
Chairman, President and CEO

HAVERTYS[®]

**Proxy Statement &
Meeting Notice**

HAVERTYS®

780 Johnson Ferry Road, Suite 800
Atlanta, GA 30342

NOTICE OF 2019 ANNUAL MEETING OF STOCKHOLDERS

DATE:

Monday, May 13, 2019

TIME:

10:00 a.m.

PLACE:

**Marriott SpringHill
120 East Redwood Street
Baltimore, Maryland**

RECORD DATE:

March 15, 2019

If you are a holder of record of Common or Class A Common Stock at the close of business on March 15, 2019, then you are entitled to receive notice of and to vote at the meeting.

ITEMS OF BUSINESS:

1. Election of directors:
Holders of Class A Common Stock to elect six directors.
Holders of Common Stock to elect two directors.
2. Ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for 2019.
3. Transact such other business as may properly come before the annual meeting or any adjournments.

PLEASE VOTE:

Please carefully review the proxy materials and follow the instructions to cast your vote in advance of the meeting.



Internet:
Visit - **www.proxyvote.com**.*



Telephone
Call - **1-800-690-6903***



Vote by mail. Sign, date and return your proxy card or voting instruction form.

*You will need the 11-digit control number included in your proxy card, voting instructions form or notice.

As a stockholder, your vote is very important, and the company's board of directors strongly encourages you to exercise your right to vote.

BY ORDER OF THE BOARD OF DIRECTORS

Jenny Hill Parker
Senior Vice President, Finance,
Secretary and Treasurer

April 1, 2019
Atlanta, Georgia

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on May 13, 2019:
The proxy statement and annual report for 2018 are available at www.proxyvote.com and on Havertys' Investor Relations website at havertys.com under "Investor Information" then "SEC Information."

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OUR BOARD OF DIRECTORS

The board of directors has a rigorous process to ensure that the composition of directors is diverse, balanced and aligned with the evolving needs of the company. Currently the board consists of nine members. However, one of our current directors, Fred Schuermann, has reached the mandatory retirement age for directors under our Corporate Governance Guidelines and will not stand for re-election. Accordingly, the number of directors on the board will be reduced to eight effective as of the 2019 annual meeting. The holders of Class A common stock will elect six directors and holders of common stock will elect two directors. Each elected director will hold office until the next annual meeting. The election of our directors requires a plurality of votes cast at the meeting by the holders of the respective classes of common stock.

Election of Havertys Board of Directors

What am I voting on?	<ul style="list-style-type: none"> ✓ Holders of Class A common stock are being asked to elect six directors for a one-year term. ✓ Holders of common stock are being asked to elect two directors for a one-year term.
Voting recommendation:	<ul style="list-style-type: none"> ✓ Our board of directors recommends a vote "For" each of the director nominees.

The nominees for election at the 2019 annual meeting were recommended by the Nominating and Governance Committee (the "NC&G Committee") of the board. All of the individuals are currently directors of Havertys, and seven of the eight current directors were elected at the 2018 annual meeting. Thomas Hough was appointed to the board in August 2018 upon recommendations by several Havertys directors. We expect that each of the nominees will be available for election, but if any of them is unable to serve at the time the election occurs, it is intended that the proxies will vote for the election of another nominee to be designated by the NC&G Committee and the board.

Our board is a diverse, highly engaged group of individuals that provides strong, effective oversight of Havertys. Both individually and collectively, our directors have the qualifications, skills and experience needed to inform and oversee the company's long-term strategic growth priorities. The board believes that certain experience, qualifications, attributes and skills should be possessed by Havertys' board members because of their relevance to the company's business and structure, and these were all considered by the board in connection with this year's director nomination process.

The biographies of each of the nominees contain information regarding the person's experience and director positions held currently or at any time during the last five years. The fact that an icon is not shown does not mean the individual does not possess the experience, qualification or skill.

	Class A Common Stock Nominees						Common Stock Nominees	
	Glover	Haverty	Mangum	Palmer	Smith	Trujillo	Dukes	Hough
Current/Former CEO 			✓		✓	✓		
Public Board Experience 	✓	✓	✓	✓	✓	✓	✓	✓
Finance 	✓		✓	✓	✓	✓	✓	✓
Risk Assessment 	✓	✓	✓	✓	✓	✓	✓	✓
Consumer Focused 		✓	✓	✓	✓	✓	✓	✓
Marketing/Brand Building 		✓	✓	✓	✓			
Sales 			✓		✓	✓	✓	✓

Experience and Skills Legend

						
Current/Former CEO	Public Board Experience	Finance	Risk Assessment	Consumer Focused	Marketing/Brand Building	Sales

Proposal 1: Nominees for Election by Holders of Class A Common Stock



John T. Glover
Age 72

Independent Director since 1996
Lead Director since 2017

Principal Occupation: Retired, Vice Chairman of Post Properties, Inc., a real estate investment trust that developed and operated upscale multifamily apartment communities, from March 2000 to February 2003; President of Post Properties, Inc. from 1994 to 2000. Post Properties, Inc. was acquired in 2016 by Mid-America Apartment Communities, Inc.

Directorships: Emory Healthcare Inc., Trustee Emeritus of Emory University, and Trustee Emeritus of The Lovett School.

Experience:   



Rawson Haverty, Jr.
Age 62

Management Director since 1992

Principal Occupation: Senior Vice President, Real Estate and Development of Havertys since 1998. Over 34 years with Havertys in various positions.

Directorships: Chick-Fil-A Foundation, Akola Project, StarPound Technologies, and a member of the Advisory Board of the Center for Ethics at Emory University.

Experience:    



Mylle H. Mangum
Age 70

Independent Director since 1999

Principal Occupation: Chief Executive Officer of IBT Holdings, LLC, a provider of design, construction and consultant services for the retail banking and specialty retail industries since 2003.

Directorships: Barnes Group, Inc., Express, Inc., PRGX Global, Inc., and The Shopping Center Group.

Experience:       

Proposal 1: Nominees for Election by Holders of Class A Common Stock



Vicki R. Palmer
Age 65

Independent Director since 2001

Principal Occupation: Retired, former Executive Vice President, Financial Services and Administration for Coca-Cola Enterprises Inc. from 2004 until 2009. Senior Vice President, Treasurer and Special Assistant to the CEO of Coca-Cola Enterprises Inc. from 1999 to 2004.

Directorships: First Horizon National Corporation and a member of the Governing Board of Woodward Academy.

Experience: 



Clarence H. Smith
Age 68

Management Director since 1989

Chairman of the board since 2012

Principal Occupation: President and Chief Executive Officer of Havertys since 2003. Over 44 years with Havertys in various positions.

Directorships: Oxford Industries, Inc. and member of the Board of Trustees of Marist School.

Experience: 



Al Trujillo
Age 59

Independent Director since 2003

Principal Occupation: President and Chief Operating Officer of the Georgia Tech Foundation since 2013. Investment Funds Advisor from 2007 to 2013. Former President and Chief Executive Officer of Recall Corporation, a global information management company until 2007. Various positions with Brambles Industries, Ltd, parent company of Recall Corporation from 1996 until 2007.

Directorships: Member of the Board of Trustees of Marist School and former director of SCANA Corporation. SCANA Corporation was acquired by Dominion Energy in 2018.

Experience: 

Clarence H. Smith and Rawson Haverty, Jr. are first cousins and officers of Havertys.

Proposal 1: Nominees for Election by Holders of Common Stock



L. Allison Dukes
Age 44

Independent Director since 2016

Principal Occupation: Chief Financial Officer for SunTrust Banks, Inc., March 2018. Head of Commercial Banking for SunTrust Banks, Inc. from 2017 until 2018. President, Chairman and CEO of the Atlanta Division of SunTrust Banks, Inc. from 2015 until 2017. Executive Vice President and Private Wealth Management Line of Business Executive from 2013 until 2014. Chief Financial Officer of Consumer Banking and Private Wealth Management in 2012. Balance Sheet Manager from 2010 until 2011 and Managing Director and Head of Syndicated Finance Originations at SunTrust Robinson Humphrey from 2008 until 2009.

Directorships: Member of the Executive Board of Junior Achievement of Georgia and a member of the Board of Trustees of Children's Healthcare of Atlanta, and the Atlanta History Center.

Experience:     



G. Thomas Hough
Age 64

Independent Director since 2018

Principal Occupation: Retired, Americas Vice Chair of Ernst & Young LLP ("EY"). Vice Chair of Assurance Services of EY in New York from 2009 to 2014.

Directorships: Equifax Inc., Publix Super Markets, Inc. and a director/trustee of the Federated Fund Family. Member of the University of Alabama and Wake Forest University Business School Board of Visitors.

Experience:     

Retiring Director



Fred L. Schuermann
Age 73

Independent Director since 2001

Principal Occupation: Retired, former President and Chief Executive Officer of LADD Furniture Inc. ("LADD") from 1996 until 2001. Chairman of LADD from 1998 until 2000. LADD was acquired by La-Z-Boy, Inc. in 2000.

Experience:       

CORPORATE GOVERNANCE

The following sections provide an overview of our corporate governance structure and processes as it relates specifically to our board of directors.

Board Leadership

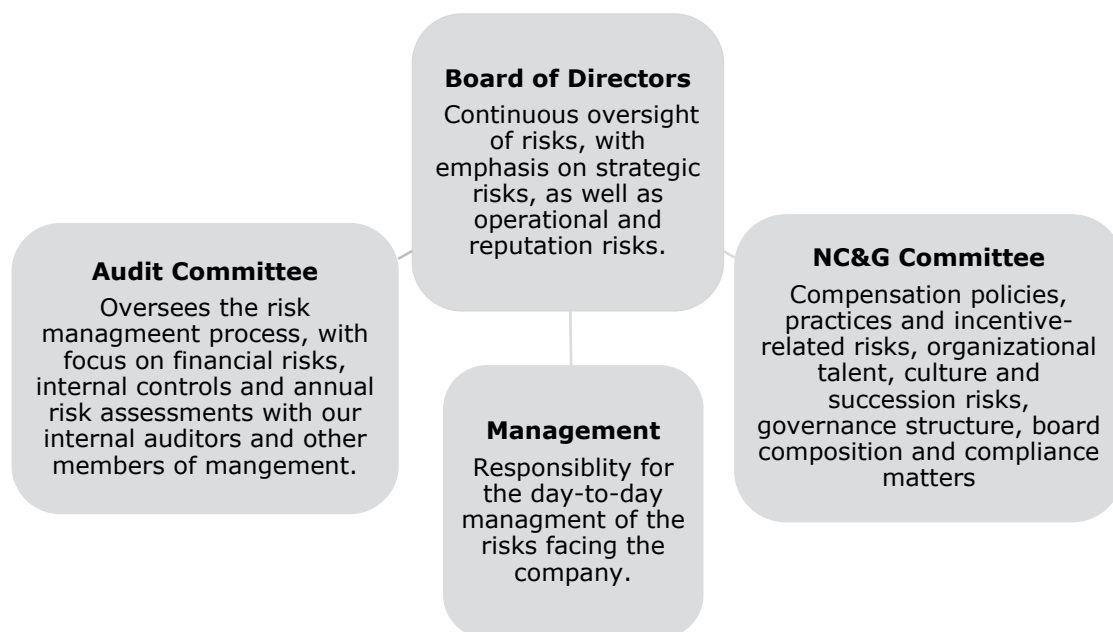
Our company is led by Clarence Smith, who has served as chief executive officer since 2003 and chairman of the board since August 2012. Our board nominees are composed of six independent directors and two management directors. Our independent directors meet in executive session at each board meeting.

Chairman/CEO: We believe that having a combined chairman/CEO, independent chairs for each of our board committees, and an independent lead director helps provide strong, unified leadership for our management team and board of directors and is currently the right structure for our company. We have one individual who is seen by employees, business partners, and stockholders as providing leadership for Havertys and we have experienced independent directors providing oversight of company operations. The board believes that it should have the flexibility to make these determinations at any given point based on what it considers is the appropriate leadership structure for Havertys at the time.

Lead Director: Consistent with industry best practices, our lead director helps Havertys maintain a corporate governance structure with appropriate independence and balance. The lead director chairs the executive sessions of independent directors and facilitates communications between the chairman/CEO and other directors. The lead director, currently John Glover, is elected by the independent directors annually.

Risk Oversight

Inherent in the board's responsibilities is an understanding and oversight of the various risks facing the company. Effective risk oversight is an important priority of the board. The board exercises its oversight responsibility for risk both directly and through its committees which have specific areas of focus for risk management. The board as a whole examines specific business risks, such as cybersecurity, in its regular meetings in addition to the reports from its committees.



CORPORATE GOVERNANCE

Committees of the Board

Our board has three standing committees: Audit Committee, NC&G Committee and Executive Committee. In 2018, the board combined the Compensation Committee with the Nominating and Corporate Governance Committee to create the NC&G Committee. The table below shows the current membership, the principal functions and the number of meetings held in 2018:

Name, Meetings and Members	Principal Functions
<p>Audit Committee <i>Meetings: 4</i></p> <p>Al Trujillo – Chair John Glover Tom Hough Vicki Palmer Fred Schuermann</p> <p>Each member has been designated as “an audit committee financial expert” as defined by the Securities and Exchange Commission (“SEC”) and meets the independence requirements of the New York Stock Exchange (“NYSE”), SEC, and our Governance Guidelines as well as the enhanced standards for Audit Committee members in Section 10A-3 of the Securities Exchange Act of 1934 (the “Exchange Act”).</p>	<ul style="list-style-type: none"> • Discusses the integrity of the company’s accounting policies, internal controls, financial reporting, practices and the financial statements with management, the independent auditors and internal audit. • Reviews and discusses with management the company’s risk assessment framework and management policies, including the framework with respect to significant financial risk exposures. • Monitors the qualifications, independence and performance of the company’s internal audit function and independent auditor and meets periodically with management, internal audit and the independent auditor in separate executive sessions. • Other matters as the board deems appropriate.
<p>NC&G Committee <i>Meetings: 2</i></p> <p>Mylle Mangum – Chair John Glover Allison Dukes Al Trujillo</p> <p>Each member meets the independence requirements of the NYSE, SEC and our Governance Guidelines as well as the enhanced standards for Compensation Committee members in Rule 16b-3 promulgated under the Exchange Act.</p>	<ul style="list-style-type: none"> • Translates our compensation objectives into a compensation strategy that reinforces alignment of the interests of our executives with that of our stockholders. • Approves and evaluates the company’s director and executive officer compensation plans, policies and programs. • Conducts an annual review and evaluation of the CEO’s performance in light of the company’s goals and objectives. • Reviews and makes recommendations for composition and structure of the board and policies relating to the recruitment of new board members and nomination and reelection of existing board members. • Oversees the compliance structure and programs with annual reviews of Havertys’ corporate governance documents. • Reviews and approves related person transactions in accordance with board practices.
<p>Executive Committee <i>Meetings: 0</i></p> <p>Independent Members: John Glover – Chair Mylle Mangum Al Trujillo</p> <p>Management Member: Clarence Smith</p>	<ul style="list-style-type: none"> • In accordance with bylaws, acts with the power and authority of the board in the management of our business and affairs in the interim between meetings of the board. • Generally, holds meetings to approve specific terms of financings or other transactions after these items have previously been presented to the board.

Attendance. During 2018, the board met four times and the committees met as indicated in the table outlining committee members and functions. Each director attended at least 90% of all of the board meetings and meetings of the committees on which they served during 2018.

We do not have a policy regarding director attendance at the annual meeting of stockholders. We have historically received proxies representing approximately 90% of eligible shares and had no stockholders in attendance at our annual meetings. No directors attended the 2018 annual meeting, and none are expected to attend the 2019 annual meeting.

CORPORATE GOVERNANCE

Director Compensation

Non-employee directors receive a combination of cash and stock-based compensation designed to attract and retain qualified candidates to serve on the board and further align their interest with that of our stockholders. Messrs. Haverty and Smith, as management directors, do not receive any compensation for serving on the board. In setting director compensation, the NC&G Committee, which is responsible for determining the type and amount of compensation for non-employee directors, considers among other things, the size and complexity of our operations and the time that directors spend fulfilling their duties to Havertys and our stockholders.

Retainer Fees. Non-employee directors receive an annual retainer, of which two-thirds is required to be paid in shares of common stock. The retainer is for the board year which begins in May of each year. We do not pay meeting fees for attendance at board and committee meetings, but attendance expenses are reimbursed. The following is a schedule of current annual retainers for non-employee directors:

Type of Fee	Amounts
Annual Board Retainer (1/3 cash - 2/3 stock)	\$ 81,000
Additional Annual Retainer to Lead Director	\$ 12,000
Additional Annual Retainer to Chair of Audit and NC&G Committee	\$ 10,000

In May 2018, the board retainer fees were increased from \$75,000 and the additional annual retainer to the lead director from \$10,000.

Directors' Deferred Compensation Plan. Non-employee directors may elect to defer receipt of the cash or common stock payment of their retainer and may elect to defer 100% of their annual retainer fee in shares of common stock under the Directors' Deferred Compensation Plan ("Deferred Plan"). Under the Deferred Plan, deferred fees, plus any accrued interest (at a rate determined annually in accordance with the Deferred Plan which is not above market), shall be distributed in the future to a director in one lump sum or in no more than ten equal annual installments, or in accordance with the terms of the Deferred Plan. Two directors participated in the Deferred Plan in 2018 and two will participate in 2019.

Equity Compensation. In February 2019, the board approved an award of restricted stock units with a grant date value of \$20,000 to be made on May 13, 2019 to all non-employee directors. The awards will vest on May 13, 2019.

Other Compensation. Directors receive the same discounts as employees on our products. We do not provide any pension or other benefits to our non-employee directors.

Director Stock Ownership Guidelines. The board has implemented stock ownership guidelines for non-employee directors. Each director is required to own or hold at least 20,000 shares of our stock. New directors are prohibited from disposing of any shares until the guideline amount is reached. Currently, all non-employee directors meet, or are on track to meet, the stock ownership guidelines.

Compensation Earned for 2018. The following table sets forth information concerning total non-employee director compensation earned during the calendar year 2018 by each director. See "Summary Compensation Table" regarding Messrs. Smith and Haverty since they are Named Executive Officers ("NEOs").

Name	Fees Earned or Paid in Cash (\$)	Fees Earned or Paid in Stock (\$)	Total (\$)
Allison Dukes	\$ 26,333	\$ 52,667	\$ 79,000
John Glover	37,666	52,667	90,333
Tom Hough ⁽¹⁾	11,250	22,500	33,750
Mylle Mangum	36,333	52,667	89,000
Vicki Palmer	26,333	52,667	79,000
Fred Schuermann	28,833	52,667	81,500
Al Trujillo	36,333	52,667	89,000
Phil Humann ⁽²⁾	—	16,667	16,667

(1) Mr. Hough was elected to the board in August 2018.

(2) Mr. Humann retired from the board effective as of the 2018 annual meeting.

CORPORATE GOVERNANCE

Governance Guidelines and Policies

Our board and management team are committed to achieving and maintaining high standards of corporate governance, as well as a culture of and reputation for the highest levels of ethics, integrity and reliability. We annually review our governance policies and practices against evolving standards. In considering possible modifications, our board and management focus on those changes that are appropriate for our company and our industry, rather than adopting a one-size-fits-all approach.

Our board recognizes that excellence in corporate governance is essential in carrying out its responsibilities to our stockholders, employees, customers, suppliers and communities. The board has adopted guidelines and a number of policies to support our values and good corporate governance and practices. These governance practices and policies include:

Director Independence. Our Corporate Governance Guidelines state that a majority of the directors must be non-management directors who meet the “independence” requirements of the NYSE. The NC&G Committee conducts an annual review to determine the independence of each director based on the standards contained in our Governance Guidelines and NYSE corporate governance requirements. The board, based on the recommendation of the NC&G Committee and its review, has affirmed that each of the following non-employee directors are independent and has no material relationship with the company that could impair their independence.

- | | |
|-----------------|-------------------|
| ✓ Allison Dukes | ✓ Vicki Palmer |
| ✓ John Glover | ✓ Fred Schuermann |
| ✓ Tom Hough | ✓ Al Trujillo |
| ✓ Mylle Mangum | |

For more information regarding our policy on Transactions with Related Persons, please see page 11 of this proxy statement.

Executive Sessions of Independent Directors. The board has a policy of scheduling an executive session of the independent directors as part of every regularly scheduled board meeting. These sessions are presided over by the lead director.

Long-Term Business Strategy. The board reviews management’s long-term business strategy including capital allocation priorities and business development opportunities each year and approves Havertys’ strategic plan. Updates on the key elements of the plan are reviewed by the board at each board meeting throughout the year.

Annual Evaluations. The board is committed to continuous improvement with respect to its ability to carry out its responsibilities. Each year the board and its independent committees, supervised by the NC&G Committee, conducts self-assessments related to their performance. These annual assessments are an important tool to ensure the board is well-positioned to provide effective oversight.

Mandatory Retirement and Resignation from Board. Our independent directors are subject to a mandatory retirement age and cannot stand for re-election in the calendar year following their 72nd birthday. On the recommendation of the NC&G Committee, the board may waive this requirement on an annual basis. A director is also required to submit his or her resignation from the board to the NC&G Committee in the event that a director retires from or otherwise leaves his or her principal occupation or employment. The NC&G Committee can choose to accept or reject the resignation.

For the 2019 Annual Meeting of Stockholders, the NC&G Committee waived the mandatory retirement policy with respect to John Glover. The NC&G Committee considered numerous factors including the following: Mr. Glover serves as the board’s lead director; served as audit chair for 20 years; two experienced directors, Messrs. Humann and Schuermann, retiring from the board; we added a new director during 2018; and we valued Mr. Glover’s ability to serve as a mentor to our new directors.

CORPORATE GOVERNANCE

Board Tenure and Refreshment. The average tenure of our non-management directors (following election of the nominees in this proxy statement) is 13.3 years. Given the current and future director retirements, the NC&G Committee has actively been engaged in a process to affect a smooth transition of the board and fill the gaps in experience that may result. The board added one new director, Tom Hough, in August 2018 following the retirement of one of our long-standing directors effective as of the 2018 annual meeting.

Director Nominations. When searching for new candidates, the NC&G Committee, who has the responsibility of reviewing qualifications of candidates for board membership, considers the evolving needs of the board and searches for candidates that fill any current or anticipated future need. Nominees may be suggested by directors, members of management, stockholders, or, in some cases, by a third-party search firm. The NC&G Committee will consider recommendations for directors submitted by stockholders.

Stockholders should submit their recommendations in writing to the NC&G Committee (See, "Communications with Directors"). The proponent should submit evidence that he or she is a stockholder of Havertys, together with a statement of the proposed nominee's qualifications to be a director. There is no difference in the manner in which the NC&G Committee evaluates proposed nominees based upon whether the proposed nominee is recommended by a stockholder.

The NC&G Committee seeks to maintain a board that is strong in its collective knowledge and has a diversity of skills and experience to oversee our business and a commitment to the goal of maximizing stockholder value. In its assessment of each potential nominee the NC&G Committee will review and consider, among other things, the nominee's relevant career and business operations experience, judgment, industry knowledge, independence, character, gender, race, ethnicity, age, demonstrated leadership skills, financial literacy, and experience in the context of the needs of the board at the time, given the then current mix of director attributes. The NC&G Committee does not have a formal policy with respect to diversity however, the board and the NC&G Committee believe that it is essential that the board members represent diverse viewpoints. In considering candidates for the board, the NC&G Committee considers the entirety of each candidate's credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual's contributions to the board are also considered. The NC&G Committee will also take into account the ability of a nominee to devote the time and effort necessary to fulfill his or her responsibilities.

Stockholder Engagement. We value stockholder views and insights and believe management has the primary responsibility for stockholder communications and engagement. The chairman and other members of Havertys' senior management team communicate regularly with stockholders on a variety of topics throughout the year to address their questions and to seek input concerning company policies and practices. The board receives regular updates concerning stockholder feedback which cover topics including our strategy and performance, capital allocations and corporate governance matters.

Communications with Directors. The board welcomes questions or comments about the company and its operations. Interested persons wishing to write any director, committee or the board should send correspondence to the Corporate Secretary, Haverty Furniture Companies, Inc., 780 Johnson Ferry Road, Suite 800, Atlanta, Georgia 30342. Please specify to whom your correspondence should be directed. The corporate secretary has been instructed by the board to review and promptly forward all correspondence (except advertising material) to the relevant director, committee or the full board, as indicated in the correspondence. These procedures may change from time to time and you are encouraged to visit our website at www.havertys.com for the most current means of contacting our directors along with the obtaining copies of the company's governance documents.

CORPORATE GOVERNANCE

Code of Conduct. All of our directors and employees, including our chief executive officer and executive officers, are required to comply with our Code to help ensure that our business is conducted in accordance with the highest standards of ethical behavior.

Hedging and Pledging Policies. We prohibit our directors, officers and employees from hedging their ownership of Havertys stock, including purchasing or selling derivative securities relating to Havertys stock and from purchasing financial instruments that are designed to hedge or offset any decrease in the market value of Havertys securities. Our directors and executive officers are prohibited from pledging Havertys securities as collateral for a loan and holding any Havertys securities in margin accounts. There are no outstanding pledges or margin accounts involving Havertys securities by any of our directors or executive officers.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, certain officers and beneficial owners of more than 10% of a registered class of our equity securities to file reports of ownership and reports of changes in ownership with the SEC. Directors, officers and beneficial owners of more than 10% of our equity securities are also required by the SEC regulations to furnish us with copies of all such reports that they file. To the company's knowledge based solely on our review of copies of such forms and amendments provided to us, we believe that all Section 16(a) filing requirements were timely complied with during the fiscal year ended December 31, 2018, except as follows: In May 2018, 123 shares were credited to Mr. Smith's account under the Directors Deferred Compensation plan. Mr. Smith no longer receives compensation for service as a director, but prior accumulated earnings are used to credit additional shares for Mr. Smith. Due to an administrative error by the company, the Form 4 reporting the transaction was filed one day late. In August 2018, Mr. Hough was elected to the board. The 1,883 shares awarded to him on the date of his election was reported on a Form 4 which due to an administrative error by the company was filed one day late.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transaction Policy. Our board has adopted a written policy for the review, approval or ratification of certain related party transactions. The term “related party transaction” is defined as any transaction, arrangement or relationship or any series of similar transactions arrangements or relationships in which (1) the aggregate amount involved will exceed \$120,000 in any calendar year, (2) we are a participant, and (3) any related party of Havertys (such as an executive officer, director, nominee for election as a director or greater than 5% beneficial owners of our stock, or their immediate family members) has or will have a direct or indirect interest.

The board has determined that the NC&G Committee is best suited to review and approve related party transactions. The NC&G Committee when reviewing the material facts of related party transactions must take into account whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party’s interest in the transaction. Certain categories of transactions have standing pre-approval under the policy including: (1) certain transactions with another company in which the related party’s only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that company’s stock; (2) certain transactions where the Related Person’s interest arises solely from the ownership of our common stock and all holders of our common stock receive the same benefit on a pro rata basis (e.g. dividends, stock repurchases, rights of offerings); (3) certain banking related services in which the terms of such transactions are generally the same or similar to accounts offered to others in the ordinary course of business; and (4) transactions made on the same or similar terms available to all of our employees.

During 2018, there were no related party transactions requiring approval under the policy or disclosure in this proxy statement.

Compensation Committee Interlocks and Insider Participation. The NC&G Committee consists of four independent directors, Mmes. Mangum and Dukes and Messrs. Glover and Trujillo. None of our executive officers currently serve, or in the past year have served, as a member of the board of directors or compensation committee of any entity that has one or more executive officer serving on our board or NC&G Committee. Therefore, there is no relationship that requires disclosure as a Compensation Committee interlock.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Ownership by our Directors and Management

The following table sets forth the amount of Havertys' common stock and Class A common stock beneficially owned by each director, each named executive officer included in the Summary Compensation Table, and all current directors and executive officers as a group as of February 21, 2019. Unless otherwise indicated, beneficial ownership is direct, and the person shown has sole voting and investment power. An asterisk indicates less than 1% of outstanding shares of that respective class.

	Common Stock				Class A Common Stock	
	Shares Beneficially Owned ⁽¹⁾	Acquirable Within 60 Days ⁽²⁾	Total Beneficial Ownership	Percent of Class ⁽³⁾	Shares Beneficially Owned	Percent of Class ⁽⁴⁾
Steven G. Burdette	4,124	5,615	9,739	*	28,530	1.62%
J. Edward Clary	60,889	8,083	68,972	*	—	—
L. Allison Dukes	7,498	—	7,498	*	—	—
John T. Glover	71,231	—	71,231	*	—	—
Richard B. Hare	600	—	600	*	—	—
Rawson Haverty, Jr.	6,257 ⁽⁵⁾	3,667	9,924	*	614,195 ⁽⁶⁾⁽⁷⁾⁽⁸⁾	34.95%
G. Thomas Hough	3,883	—	3,883	*	—	—
Mylle H. Mangum	46,505	—	46,505	*	—	—
Vicki R. Palmer	40,384	—	40,384	*	—	—
Clarence H. Smith	84,420 ⁽⁹⁾⁽¹⁰⁾	20,855	105,275	*	692,483 ⁽¹¹⁾⁽¹²⁾	39.41%
Fred L. Schuermann	35,484	—	35,484	*	—	—
Al Trujillo	53,053	—	53,053	*	—	—
Richard D. Gallagher ⁽¹³⁾	—	—	—	*	25,000	1.42%
Directors and Executive Officers as a group (17 persons)	500,761	59,940	560,701	2.98%	1,342,708	76.41%

- (1) This column also includes shares of common stock beneficially owned under our directors' Deferred Plan for the following individuals: Ms. Dukes – 4,790; Mr. Glover – 11,524; Ms. Mangum – 43,729; Mr. Smith – 4,085; Mr. Schuermann – 35,481; and Mr. Trujillo – 32,252.
- (2) Represents shares of common stock and shares vesting on February 28, 2019 that could be issued from the officers' vested SSARs with an exercise price of \$18.14.
- (3) Based on 18,779,507 shares of our common stock outstanding on February 21, 2019 plus 59,940 shares that are subject to SSARs exercising or stock vesting within 60 days.
- (4) Based on 1,757,157 shares of our Class A common stock outstanding on February 21, 2019.
- (5) This amount includes 2,000 shares of common stock held in trust for the benefit of Mr. Haverty's children for which he is co-trustee.
- (6) Mr. Haverty has direct ownership of 82,331 shares of Class A common stock. The beneficial ownership disclosed also includes 17,024 shares of Class A common stock held in trust for the benefit of Mr. Haverty's minor children for which he is co-trustee.
- (7) This amount also includes shares held by H5, L.P. According to a Schedule 13D/A filed on January 3, 2018, H5, L.P. holds shared voting and dispositive power over 441,323 shares of Class A common stock. Mr. Haverty is the co-manager of the Partnership's general partner, Pine Hill Associates, LLC. Mr. Haverty disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.
- (8) This amount also includes 73,517 shares of Class A common stock held by the Mary E. Haverty Foundation, a charitable organization, for which Mr. Haverty has sole voting power through a revocable proxy granted to him by the Foundation. Mr. Haverty has no pecuniary interest in the shares of the Foundation and disclaims any beneficial ownership in the Foundation's shares.
- (9) Mr. Smith has direct ownership of 42,796 shares of common stock. The beneficial ownership disclosed includes 29,689 shares of common stock held by Mr. Smith's wife.
- (10) This amount includes 7,850 shares of common stock held by a Georgia limited partnership in which Mr. Smith is a partner. Mr. Smith disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in the partnership.
- (11) Mr. Smith has direct ownership of 87,036 shares of Class A common stock. The beneficial ownership disclosed includes 1,950 shares of Class A common stock held by Mr. Smith's wife.
- (12) The amount also includes share held by a partnership. According to a Schedule 13D filed on January 3, 2018, Villa Clare Partners, L.P. holds shared voting and dispositive power over 603,497 shares of Class A common stock. Mr. Smith is the manager of the Partnership's general partner, West Wesley Associates, LLC. Mr. Smith disclaims beneficial ownership of these shares except to the extent of his partnership interest.
- (13) Mr. Gallagher retired from the company on September 30, 2018.

Ownership by Our Principal Stockholders

Set forth in the table below is information about the number of shares held by persons we know to be beneficial owners of more than 5% of the issued and outstanding of our common stock or Class A common stock.

Name and address of Beneficial Holder	Common Stock		Class A Common Stock	
	Shares Beneficially Owned	Percent of Class ⁽¹⁾	Shares Beneficially Owned	Percent of Class ⁽²⁾
BlackRock, Inc. 55 East 52 nd Street, New York, NY	2,818,902 ⁽³⁾	15.01 %	—	—
Dimensional Fund Advisors LP 6300 Bee Cave Road, Building One, Austin, TX	1,625,532 ⁽⁴⁾	8.66 %	—	—
Royce & Associates, LLC 745 Fifth Avenue, New York, NY	1,490,400 ⁽⁵⁾	7.94 %	—	—
Renaissance Technologies LLC 800 Third Avenue, New York, NY	1,444,100 ⁽⁶⁾	7.69 %	—	—
The Burton Partnership, LP 614 W. Bay Street, Tampa, FL	1,228,255 ⁽⁷⁾	6.55 %	—	—
The Vanguard Group 100 Vanguard Blvd., Malvern, PA	1,135,131 ⁽⁸⁾	6.05 %	—	—
LSV Asset Management, 155 N. Wacker Drive, Suite 4600, Chicago, IL	1,076,374 ⁽⁹⁾	5.74 %	—	—
Villa Clare Partners, L.P. 158 West Wesley Road, Atlanta, GA	*	*	603,497 ⁽¹⁰⁾	34.35 %
H5, L.P. 4414 Dunmore Road, NE, Marietta, GA	*	*	441,323 ⁽¹¹⁾	25.12 %
Rawson Haverty, Jr. 780 Johnson Ferry Road, NE, Atlanta, GA	*	*	172,872 ⁽¹²⁾⁽¹³⁾	9.84 %
Clarence H. Smith 780 Johnson Ferry Road, NE, Atlanta, GA	*	*	88,986 ⁽¹⁴⁾	5.06 %

- (1) Based on 18,779,507 shares of our common stock outstanding on December 31, 2018 plus 59,940 shares that are subject to SSARs exercising or stock vesting within 60 days.
- (2) Based on 1,757,157 shares of our Class A common stock outstanding on December 31, 2018.
- (3) According to a Schedule 13G filed on January 28, 2019, BlackRock, Inc. holds sole voting power over 2,770,465 shares and sole dispositive power over 2,818,902 shares of common stock.
- (4) According to a Schedule 13G filed on February 8, 2019, Dimensional Fund Advisors LP ("Dimensional") holds sole voting power over 1,569,380 shares and sole dispositive power over 1,625,532 shares of common stock. Dimensional is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940 and furnishes investment advice to four investment companies registered under the Investment Company Act of 1940 and serves as investment manager or sub-advisor to certain other commingled funds, group trusts and separate accounts (the "Funds"). The shares reported above are owned by the Funds. Dimensional possesses investment and/or voting power over the shares held by the Funds. Dimensional disclaims beneficial ownership of these securities.
- (5) According to a Schedule 13G filed on January 15, 2019, Royce & Associates, LP holds sole voting and dispositive power over 1,490,400 shares of common stock.
- (6) According to a Scheduled 13G filed on February 13, 2019, Renaissance Technologies LLC holds sole voting and dispositive power over 1,444,100 shares of common stock.
- (7) According to a Schedule 13G filed on June 1, 2016, The Burton Partnership, LP, The Burton Partnership (QP), LP and Donald W. Burton, General Partner holds sole voting and dispositive power over 1,228,255 shares of common stock.
- (8) According to a Schedule 13G filed on February 11, 2019, The Vanguard Group holds sole voting power over 17,708 shares and shared voting power over 2,000 shares and sole dispositive power over 1,116,711 shares and shared dispositive power over 18,420 shares of common stock.
- (9) According to a Schedule 13G filed on February 13, 2019, LSV Asset Management holds sole voting power over 607,150 shares and sole dispositive power over 1,076,374 shares of common stock.
- (10) According to a Schedule 13D/A filed on January 1, 2018, Villa Clare Partners, L.P. holds shared voting and dispositive power over 603,497 shares of Class A common stock. Clarence H. Smith is the manager of the Partnership's general partner, West Wesley Associates, LLC. Mr. Smith disclaims beneficial ownership of these shares except to the extent of his partnership interest.
- (11) According to a Schedule 13D/A filed on January 3, 2018, H5, L.P. holds shared voting and dispositive power over 441,323 shares of Class A common stock. Rawson Haverty, Jr. is the co-manager of the Partnership's general partner, Pine Hill Associates, LLC. Mr. Haverty disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.
- (12) Mr. Haverty has direct ownership of 82,331 shares of Class A common stock. The beneficial ownership disclosed also includes 17,024 shares of Class A common stock held in trust for the benefit of Mr. Haverty's children for which he is co-trustee.
- (13) This amount also includes 73,517 shares of Class A common stock held by the Mary E. Haverty Foundation, a charitable organization, for which Mr. Haverty has sole voting power through a revocable proxy granted to him by the Foundation. Mr. Haverty has no pecuniary interest in the shares of the Foundation and disclaims any beneficial ownership in the Foundation's shares.
- (14) Mr. Smith has direct ownership of 87,036 shares of Class A common stock. The beneficial ownership disclosed includes 1,950 shares of Class A common stock held by Mr. Smith's wife.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The purpose of this Compensation Discussion and Analysis (“CD&A”) is to provide stockholders with a description of our executive compensation philosophy, the material elements of the program and the policies and objectives which support the program. This CD&A provides information on the program for all Havertys’ executive officers but focuses on the compensation of our named executive officers for 2018. The individuals who were subject to the SEC Section 16 reporting requirements during 2018 are referred to as the “executive officers.” Our named executive officers (NEOs) for 2018 includes our CEO, our CFO, our next three most highly-compensation executive officers, and an EVP who retired during 2018.

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Role of the NC&G Committee

The NC&G Committee is composed of independent directors and is responsible for the approval and oversight of compensation programs for executive officers, equity plan awards and benefit programs for all of our employees. The NC&G Committee took the following steps to ensure that it effectively carried out its responsibilities:

- ✓ Conducted an annual review of our compensation philosophy to ensure that it remains appropriate given strategic objectives;
- ✓ Reviewed results from an annual review of compensation data related to our peers;
- ✓ Reviewed and approved all compensation components for our chief executive officer, chief financial officer, and other NEOs;
- ✓ Performed an annual evaluation of the execution of our pay-for-performance philosophy, to ensure that the actual award decisions resulted in alignment of relative pay and relative performance compared to the compensation peer group;
- ✓ Scheduled an executive session, without members of management, for the purpose of discussing decisions related to the chief executive officer’s performance, goal-setting, compensation level and other items deemed important by the NC&G Committee; and
- ✓ Reviewed succession planning with the CEO and in executive session of the board.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation Framework

The company's executive compensation framework includes the following, each of which the NC&G Committee believes reinforces its philosophy and objectives.

What We Do:

- ✓ **Pay-for-performance.** A significant percentage of targeted annual compensation is delivered in the form of variable compensation that is connected to actual performance. For 2018, variable compensation comprised approximately 66% of the targeted annual compensation for the chief executive officer and, on average, 56% of the targeted annual compensation for the other named executive officers.
- ✓ **Provide competitive target pay opportunities.** We annually evaluate our target and actual compensation levels and relative proportions of the types of compensation against our peer group. We use informed judgment in special cases in order to offer the compensation appropriate to motivate and attract highly talented individuals to enable our long-term growth.
- ✓ **Linkage between performance measures and strategic objectives.** Performance measures for incentive compensation are linked to both strategic and operating objectives designed to create long-term stockholder value and to hold executives accountable for their individual performance and the performance of the company.
- ✓ **Future pay opportunity important component.** In 2018, all of the long-term incentive awards delivered to our named executive officers were in the form of equity-based compensation. For 2018, long-term equity compensation comprised approximately 31% of the targeted annual compensation for the chief executive officer and 29% of the targeted annual compensation for the other named executive officers.
- ✓ **Mix of performance metrics.** The company utilizes a mix of performance metrics that emphasize links between incentive compensation and the company's strategic operating plan and financial results.
- ✓ **Outside compensation consultant.** The NC&G Committee retains an independent compensation consultant to review the company's executive compensation program and practices.
- ✓ **Maximum payout caps for annual cash incentive compensation and PSUs.**
- ✓ **"Clawback" Policy.** The company may recover incentive compensation paid to an executive officer that was calculated based upon any financial result or performance metric impacted by fraud or misconduct of the executive officer.
- ✓ **Stock ownership guidelines.** Our chief executive officer is required to have qualified holdings equal to the lesser of a multiple of three times his base salary or 85,000 shares. Our CEO's qualified holdings were 198,283 shares at December 31, 2018. The other named executive officers are also subject to ownership guidelines. Their qualified holdings ranged from 11,100 to 98,500 shares at December 31, 2018. New officers have three years to meet required ownership guidelines.
- ✓ **Mitigate undue risk-taking in compensation programs.** Our compensation programs for our executive officers contain features that are designed to mitigate undue risk-taking by our executives.
- ✓ **"Double trigger" in the event of a change-in-control.** In the event of a change-in-control, severance benefits are payable only upon a "double trigger."

What We Don't Do:

- × **No repricing or buyout of underwater stock options.** Our equity plan does not permit the repricing or buyout of underwater stock options or stock appreciation rights without stockholder approval, except in connection with certain corporate transactions involving the company.
- × **Prohibition against margins, pledging, and hedging or similar transactions of company securities by senior executives and directors.**
- × **No dividends or dividend equivalents are accrued or paid on unvested and/or unexercised awards.**
- × **No change-in-control tax gross ups.** We do not provide change-in-control tax gross ups.
- × **No significant perquisites.** We do not provide our employees, including our NEOs with significant perquisites.

COMPENSATION DISCUSSION AND ANALYSIS

How We Make Compensation Decisions

The Committee has overall responsibility for approving and evaluating the company’s executive officer’s compensation plans, policies and programs. The Committee is also responsible for providing a NC&G Committee report reviewing the company’s CD&A. The Committee uses several different tools and resources in reviewing elements of executive compensation and making compensation decisions. These decisions, however, are not purely formulaic and the Committee exercises judgment and discretion in making them.

Compensation Consultants. The Committee retained Meridian Compensation Partners, LLC (“Meridian”) as an independent consultant to provide advice on executive compensation matters. Meridian serves as a resource for market data on pay practices and trends and provides independent advice to the Committee for setting executive compensation. Meridian reports directly and exclusively to the Committee Chair. However, at the Committee’s direction, Meridian works with management to review or prepare materials for the Committee’s consideration. Meridian provided no additional services to Havertys outside of the scope of the agreement with the Committee.

During 2018, the Committee reviewed Meridian’s independence and determined that there were no conflicts of interest as a result of the Committee’s engagement of Meridian. The Committee did not engage any consultant other than Meridian during 2018 to provide compensation consulting services.

Compensation Analysis. In determining appropriate compensation opportunities for our named executive officers, the Committee received input from Meridian. The Committee reviewed and analyzed competitive market data to be used as background for 2018 pay decisions and to obtain a general understanding of current compensation practices. This data was referenced when targeting the positioning for compensation discussed below. Data sources included public company proxy statements, broad-based published compensation surveys and other sources. The Committee compared compensation opportunities for our named executive officers with pay opportunities available to executive officers in comparable positions at similar companies (our “peer group”). The peer group included companies from the retail furniture industry, retailers of big ticket postponable items, and specialty retailers. The peer group is re-evaluated annually to take into account changes in their operations and our own. Changes were made to the prior year peer group to more closely align it with Havertys’ business. Three companies were added to the peer group: At Home Group, Inc., Hooker Furniture, and Pier 1 Imports, Inc. Three companies were removed from the peer group: Dixie Group, Inc., a carpet manufacturer; Shoe Carnival, Inc., a shoe retailer; and Zumiez, Inc., an apparel retailer. The peer group companies used in setting 2018 compensation are shown below.

PEER GROUP		
American Woodmark Corporation	Ethan Allen Interiors Inc.	La-Z-Boy Incorporated
At Home Group Inc.	Flexsteel Industries, Inc.	Oxford Industries, Inc.
Bassett Furniture Industries Inc.	Hibbett Sports, Inc.	Pier 1 Imports, Inc.
Big 5 Sporting Goods Corporation	Hooker Furniture	Sleep Number Corporation
Conn’s, Inc.	Kirkland’s Inc.	West Marine, Inc.
Culp, Inc.	Knoll, Inc.	

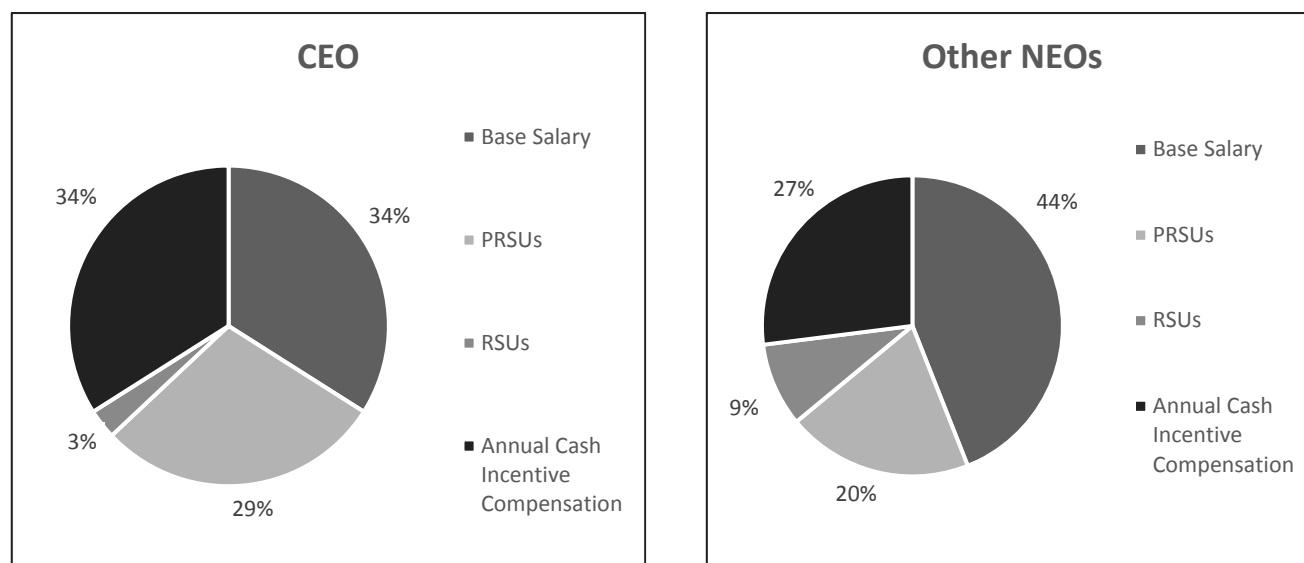
Role of CEO. The compensation of every Havertys employee, including each named executive officer, is influenced in large part by the responsibilities of the position and the need to ensure that employees having similar job responsibilities are paid equitably, with consideration for individual performance. During early 2018, Mr. Smith provided recommendations to the NC&G Committee with respect to the base salary amounts, performance targets for the annual and long-term incentive programs, and any equity awards for each executive officer (other than himself). These recommendations were based on the data reviewed by the Committee and Mr. Smith’s assessment of the executive’s relative experience, overall performance, and impact on the accomplishment of Havertys’ financial goals and strategic objectives during the prior year. While the NC&G Committee took Mr. Smith’s recommendations under advisement, it independently evaluated the pay recommendations for each executive and made all final compensation decisions in accordance with its formal responsibilities as defined in its Charter.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation Components

Although there is no pre-established policy or target for the allocation between specific compensation components, a significant portion of an executive officer's annual total target compensation is determined by company performance as compared to goals established for our annual cash incentive plan and the ultimate value of long-term incentive plans. We believe this approach reflects our executive compensation philosophy and objectives.

The graphs below illustrate how total compensation for our named executive officers at January 2018 was allocated between performance-based and fixed components, how performance-based compensation is allocated between annual and long-term incentive components and how total compensation is allocated between cash and equity components. The company strives to structure various elements of these program components so that a large portion of executive compensation is directly linked to advancing the company's financial performance and the interest of shareholders. These percentages are based on annualized total target compensation values and do not necessarily correspond to, and are not a substitute for, the values disclosed in the "Summary Compensation Table" and supplemental tables provided later in this Proxy Statement.



Base Salary. The base salary provides a fixed amount of competitive compensation to attract and retain executive talent by compensating executive officers for their level of responsibility, relative expertise and experience. The Committee reviews the information regarding executives' base salary levels compared to the base salaries of executives of companies in our peer group. The Committee also considers the chief executive officer's assessment of each executive's individual performance and responsibilities to determine appropriate compensation for each executive. The Committee has determined that, in order to enable the company to attract and retain the executive talent important to our long-term growth, the compensation strategy should generally aim to position base salaries between +/-10% of the median of the peer group data.

In determining base salaries for executives, as well as in determining incentive compensation opportunities, the Committee evaluates each executive's individual performance on both an objective and subjective basis. The Committee considers the chief executive officer's evaluation of an executive's performance along with the scope of responsibilities and individual seasonings and experience. Further, the Committee reviews the competitive compensation data and exercises its judgment regarding base salary decisions for each executive.

COMPENSATION DISCUSSION AND ANALYSIS

Management Incentive Plans Cash Award. Our compensation philosophy connects our executives' potential annual earnings to the achievement of performance. Our 2018 Long-Term Incentive Plan (the "2018 LTIP") provides for the payment of cash under two plans (the "MIPs"). MIP-I is based upon company performance in relation to predetermined financial goals established during the first month of the year and MIP-II is based on achieving individual goals. We established incentive targets so that total annual cash compensation at the target level would approximate the peer group median, with the opportunity for higher total annual cash compensation for correspondingly higher performance. The target amount for the combined MIPs as a percent of base salary for our named executive officers was 60% except for Mr. Haverty which was 50% and Mr. Smith which was 100%. The range of potential MIP-I payouts for 2018 ranged from zero to 175% of each executive officer's MIP-I incentive target amount, so that executives could earn above-target payouts when performance significantly exceeded our financial goals.

The Committee approved our executives' 2018 MIPs' designs and targets and financial and individual goals in January 2018 as part of the annual compensation setting process. The Committee approved the combined MIP total target amount for 2018 with MIP-I as 80% and MIP-II as 20% of the combined target, respectively.

The pre-tax earnings goals and the actual amounts achieved under the MIP-I plan for each measurement period are noted below:

	Pre-tax Earnings (in thousands)	
	2018 Goal	2018 Achieved
Q-1	\$ 8,100	\$ 8,457
Q-2	8,100	8,410
Q-3	9,500	11,204
Q-4	15,900	12,338
YTD	41,600	40,408

The earnings-based MIP-I structure provided for a 3% change in the incentive earned of the target for every 1% increase or decrease in pre-tax earnings versus the goal starting at a 40% payment of the target when pre-tax earnings is 80% of the goal, with a maximum of 175% payment of the target when pre-tax earnings is 125% of the goal.

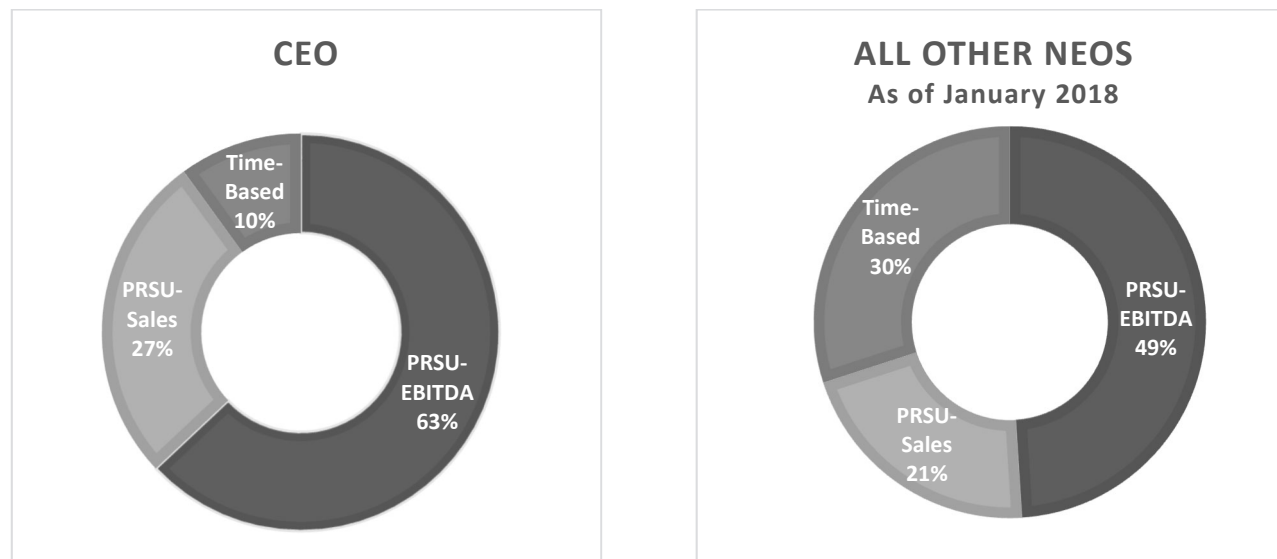
The earnings performance resulted in an 86.4% payment factor applied to the MIP-I, the 80% portion of the combined MIP target. The named executive officers achieved varying levels of their specific individual goals for the MIP-II, the 20% portion of the combined MIP total target. As a result, the aggregate MIP amount earned was between 67% and 78% of the NEOs' 2018 combined MIP target levels excluding Mr. Gallagher, who retired from the company in September 2018. Mr. Gallagher's MIP payout was based on his period of employment in 2018 and was 54% of his total target level. The Committee certified the level of actual performance versus goals and approved payment of the awards.

See the "Summary Compensation Table," which shows the actual non-equity incentive plan compensation paid to our named executive officers for our 2018 performance.

Long-Term Equity Incentive Compensation. Our executives receive long-term equity incentive compensation intended to link their compensation to the company's long-term financial success. All equity awards for our executives are approved by the Committee and the 2018 annual equity award grants were set at its meeting in January 2018. The 2018 grants were comprised of a mix of PRSUs based on EBITDA, PRSUs based on sales, and time-based restricted stock units. For the NEOs at January 2018 the target equity compensation was approximately 30% of total target compensation.

COMPENSATION DISCUSSION AND ANALYSIS

The chart below highlights the mix of the types of equity awards granted in 2018.



The EBITDA based PRSU grants use adjusted EBITDA as the performance measure to determine the number of shares that will vest. The 2018 EBITDA target was \$74.5 million, exclusive of adjustments to eliminate the effects of unusual or non-recurring items, with a range from a threshold of \$59.6 million and 40% of the target shares to \$93.1 million and 175% of the target shares. Adjusted EBITDA for 2018 is calculated as follows: income before interest and income taxes of \$41.8 million plus depreciation and amortization expense of \$29.8 million (amounts from pages F-3 and F-5 in the company's 2018 Form 10-K) for a total of \$71.6 million. Adjusted EBITDA for 2018 of \$71.6 million is 96.1% of the target \$74.5 million. Accordingly, the shares earned and subject to vesting are 88.3% of the target shares granted. The shares earned will cliff vest in February 2021.

The PRSUs linked to sales had historically only been granted to Mr. Smith and the company's former CFO. In 2018, PRSUs linked to sales were awarded to all executive officers and to certain key company employees. The sales target for 2018 was \$842.3 million, with a range from a threshold of \$824.0 million and 40% of the target shares to \$847.8 million and 120% of the target shares. Sales for 2018 were \$817.8 million so no shares were earned for these awards.

The legacy PRSUs awards to Mr. Smith linked to sales are based on exceeding sales targets in the grant year and the increasing amounts in each of the three succeeding years. The number of shares achieved is solely dependent on each individual year and earned shares cliff vest in May following the measurement year. The sales target for 2018 by grant year and if achieved are noted below.

Sales Based PRSUs		
Grant Year	2018 Sales Target	Target Achieved
2015	>\$816.0	✓
2016	>\$854.1	x
2017	>\$854.8	x

The time-based restricted stock units vest in four equal annual installments beginning in May 2020.

Dividend and voting rights are not applicable to stock awards until vested and/or exercised. Additional details regarding grants are provided in the "Grants of Plan Based Awards Table" and "Outstanding Equity Awards Value at Year-End Table."

COMPENSATION DISCUSSION AND ANALYSIS

RECAP OF 2018 NEO COMPENSATION PROGRAM

Base Salary (Fixed Pay)	
Key Features	<ul style="list-style-type: none"> Fixed annual cash amount. Base pay increases considered on a calendar year basis or at time of promotion to align with the median range of our peer group (as described on page 17 of this CD&A). Actual positioning varies to reflect each executive's skills, experience and contribution to our success.
Purpose	<ul style="list-style-type: none"> Provide a fixed amount of cash compensation to attract and retain talented executives. Differentiate scope and complexity of executives' positions as well as individual performance over time.
2018 Actions	<ul style="list-style-type: none"> Base salaries were increased between 2.2% and 2.8% for our named executive officers except Mr. Smith's which was 1.5%. Salaries for the NEOs at January 2018 had not been increased since 2014.
Cash Awards Under Management Incentive Plans (Variable "At Risk" Compensation)	
Key Features	<ul style="list-style-type: none"> Individual MIP opportunities are expressed as a percent of base salary and can vary for executives based on their positions. Target MIP award opportunities are generally established so that total annual cash compensation (base salary plus target MIPs) approximates the median of our peer group. Performance-based cash incentive pay is comprised of two plans: MIP-I is tied to the company achieving certain pre-tax earnings levels during the year (80% of total target cash incentive pay) and MIP-II is based on successfully meeting individual goals (20% of total target cash incentive pay). The pre-tax earnings goals for 2018 for MIP I were (in millions): <ul style="list-style-type: none"> ➢\$8.1 for Q-1 ➢\$8.1 for Q-2 ➢\$9.5 for Q-3 ➢\$15.9 for Q-4 ➢\$41.6 for 2018 year The range of potential payout for actual results relative to these goals is zero to 175 percent of target. MIP amounts are earned based on the results achieved as determined by the Committee after evaluating company and individual performance against pre-established goals.
Purpose	<ul style="list-style-type: none"> Motivate and reward achieving or exceeding company and individual performance objectives, reinforcing pay-for-performance. Align performance measures for NEOs on key business objectives to lead the organization to achieve short-term financial and operational goals. Ensure alignment of short-term and long-term strategies of the company.
2018 Actions	<ul style="list-style-type: none"> Actual performance in 2018 resulted in total MIP-I earned at 86.4% of its target and MIP-II earned at 13.9% to 83.3% of its target for the NEOs.
Long-Term Equity Incentive Compensation (Variable "At Risk" Compensation)	
Key Features	<ul style="list-style-type: none"> Awards granted annually based on competitive market grant levels. Awards to NEOs are in the form of performance restricted stock units (PRSU) based on EBITDA or sales and in the form of time-based restricted stock units. Vesting: The PRSUs granted in 2018 that are earned will cliff vest in February 2021 and are forfeitable upon termination of employment, except in the cases of death, disability or normal retirement. The restricted stock units vest in equal increments over a four-year period. These grants are forfeitable upon termination of employment, except in the cases of death or disability.
Purpose	<ul style="list-style-type: none"> Stock-based compensation links executive compensation directly to stockholder interests. PRSUs provide a direct connection to company performance and executives' goals. Multi-year vesting creates a retention mechanism and provides incentives for long-term creation of stockholder value.
2018 Actions	<ul style="list-style-type: none"> 2018 awards to NEOs as a percentage of total target compensation was slightly higher than in 2017 and shifted more of the value to performance-based awards tied to EBITDA and Sales.

COMPENSATION DISCUSSION AND ANALYSIS

Pension Benefits and Retirement Plans

Supplemental Retirement Plan. We have a non-qualified, non-contributory supplemental executive retirement plan (the "SERP"). The SERP was established in connection with a defined benefit plan which benefits were frozen in 2006 and its obligations settled in 2014. The SERP limits the total annual amount that may be paid to a participant in the SERP from all sources (the former pension plan, social security and the SERP) to \$125,000. Effective December 31, 2015, no new benefits can be earned under the SERP.

Additional details regarding accumulated benefits under the SERP plan is provided in the "Pension Benefits and Retirement Plans Table."

Tax Deductibility of Compensation

Together with the NC&G Committee, we carefully review and take into account current tax, accounting and securities regulations as they relate to the design of our compensation program and related decisions.

To maintain flexibility and the ability to pay competitive compensation, we do not require all compensation to be deductible. Prior to 2018, Section 162(m) of the Code generally limited to \$1.0 million the amount of non-performance-based remuneration that a company could deduct in any calendar year for certain executive officers. We structured our annual incentive awards and long-term incentive awards with the intention of meeting the exception to this limitation for "performance-based" compensation, as defined in Section 162(m) of the Code, so that these amounts could be fully deductible for income tax purposes.

Effective January 1, 2018, the exemption from the Section 162(m) deduction limit for performance-based compensation has been repealed, such that compensation paid to our named executive officers in excess of \$1.0 million generally will not be deductible. We will continue to maintain flexibility and the ability to pay competitive compensation by not requiring all compensation to be deductible in appropriate circumstances.

NC&G COMMITTEE REPORT ON 2018 EXECUTIVE COMPENSATION

The NC&G Committee oversees Havertys' compensation program on behalf of the board and operates under a written charter adopted by the board.

The NC&G Committee, the members of which are listed below, is responsible for establishing and administering the executive compensation programs of Havertys. The NC&G Committee, has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussions, the NC&G Committee recommended to the board that the Compensation Discussion and Analysis be included in this proxy statement.

The Nominating, Compensation and Governance Committee

Mylle H. Mangum, Chair
Allison Dukes
John T. Glover
Al Trujillo

EXECUTIVE COMPENSATION

Summary Compensation Table

The following tables and footnotes describe the compensation earned for the last three years by our named executive officers.

Name	Year	Salary	Non-Equity Incentive Plan Compensation (1)	Stock Awards (2)	Change in Pension Value (3)	All Other Compensation (4)	Total
Clarence H. Smith President and CEO	2018	\$660,000	\$474,434	\$592,110	\$(43,854)	\$ 49,009	\$1,731,699
	2017	650,000	495,820	479,600	12,992	48,880	1,687,292
	2016	650,000	622,388	409,708	—	48,632	1,730,728
Richard B. Hare ⁽⁵⁾ EVP and CFO	2018	380,000	193,162	259,335	—	118,788	951,285
	2017	242,644	172,228	221,998	—	31,089	667,959
Steven G. Burdette EVP, Operations	2018	380,000	180,355	259,335	(22,821)	27,409	824,278
	2017	370,000	153,802	228,900	38,281	27,953	818,936
	2016	370,000	211,237	199,919	17,670	27,281	826,107
J. Edward Clary EVP and CIO	2018	365,000	187,839	234,090	(33,248)	31,124	784,805
	2017	355,000	156,796	218,000	57,930	27,141	814,867
	2016	355,000	206,082	191,798	26,982	27,637	807,499
Rawson Haverty Jr. ⁽⁶⁾ SVP, Real Estate and Development	2018	325,000	134,383	172,125	(23,521)	24,970	632,957
Richard D. Gallagher ⁽⁷⁾ EVP, Merchandise	2018	277,500	120,607	786,194	(29,540)	16,792	1,171,553
	2017	360,000	144,461	228,900	51,424	29,879	814,664
	2016	360,000	205,528	194,505	23,971	29,705	813,709

Summary Compensation Table Footnotes

- (1) **Non-Equity Incentive Plan Compensation:** Amounts for the cash earned under the annual incentive plans. For a description of the plans see "Compensation Discussion and Analysis." The aggregate awards earned for 2018 were between 72% and 86% of the NEO's (excluding Mr. Gallagher's) combined MIP target levels. The table below includes the amount of the total award to each named executive officer and the portion of the award attributable to each component.

	Total Annual Incentive Award (\$)	Corporate Performance (\$)	Individual Performance (\$)
Smith	\$ 474,434	\$ 456,086	\$ 18,348
Hare	193,162	157,557	35,605
Burdette	180,355	157,557	22,798
Clary	187,839	151,338	36,501
Haverty	134,383	112,294	22,089
Gallagher	120,607	115,058	5,549

EXECUTIVE COMPENSATION

- (2) **Stock Awards:** These amounts reflect the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718. Please refer to Note 12 to our financial statements in our annual report for the year ended December 31, 2018 for a discussion on the assumptions related to the calculation of such values. Awards containing a performance-based vesting condition are included based on achieving target performance. The amounts reported for these awards may not represent the amounts the individuals will actually realize, as such amounts, if any, will depend on actual performance versus goals and the change in our stock price over time.

The table below sets forth the details of the components that make up the 2018 equity awards. The value of the performance shares shown as earned was calculated using the number of shares earned under the EBITDA grant multiplied by the share price on the date of grant. No shares were earned under the sales award.

	Components of Annual Stock Awards				Additional Information		
	Value of Time-based shares (\$)	Value of Performance Shares - Threshold (\$)		Total	Value of Performance Shares - at Maximum (\$)		Value of Performance Shares - Earned (\$)
		EBITDA	Sales		EBITDA	Sales	
Smith	\$ 59,211	\$373,029	\$159,870	\$592,110	\$652,801	\$191,844	\$329,385
Hare	77,801	127,074	54,460	259,335	222,380	65,352	112,206
Burdette	77,801	127,074	54,460	259,335	222,380	65,352	112,206
Clary	70,227	114,704	49,159	234,090	200,732	58,991	101,284
Haverty	68,850	72,293	30,983	172,126	126,512	37,179	63,834
Gallagher ^(a)	72,981	119,202	51,087	243,270	208,604	61,304	—
Gallagher ^(b)	542,924	—	—	542,924	—	—	—

(a) Mr. Gallagher was granted these awards on January 30, 2018. He resigned from the company effective September 30, 2018, and accordingly these awards were forfeited.

(b) In conjunction with Mr. Gallagher executing an employee agreement, he was granted an award of 24,962 shares on September 19, 2018.

- (3) **Change in Pension Value:** Represents the aggregate change in the actuarial present value of accumulated benefits under the SERP for the applicable year. These amounts were determined using interest rate and mortality rate assumptions consistent with those used in Note 10 *Benefit Plans* to our 2018 consolidated financial statements, which are included in our Form 10-K.
- (4) **All Other Compensation:** These amounts are comprised of items as noted in the following table:

	401(k) Plan Match ^(a)	Deferred Compensation Plan Contribution ^(b)	Relocation	Tax Gross-Up ^(c)	Other ^(d)	Total
Smith	\$9,625	\$26,425	—	—	\$12,959	\$ 49,009
Hare ⁽³⁾	9,625	—	\$74,655	\$31,995	2,513	118,788
Burdette	9,625	7,765	—	—	10,019	27,409
Clary	9,625	7,404	—	—	14,095	31,124
Haverty	9,625	—	—	—	15,345	24,970
Gallagher	9,625	—	—	—	7,167	16,792

(a) The maximum 401-K match for calendar year 2018 was \$9,625.

(b) Company contributions to the Deferred Compensation Plan are based on participants' compensation and contributions.

(c) Additional compensation for tax impact of receiving relocation expense reimbursement.

(d) Includes: premium costs for covering a portion of medical insurance coverage, additional life insurance, long-term disability coverage and health examinations.

- (5) Mr. Hare joined the company as executive vice president, chief financial officer in May 2017.
- (6) Mr. Haverty became a NEO in 2018.
- (7) Mr. Gallagher retired from the company on September 30, 2018.

EXECUTIVE COMPENSATION

Grants of Plan Based Awards Table

The following table and footnotes set forth certain information with respect to the estimated payouts which were possible under our non-equity incentive plan and the restricted stock awards granted during the year ended December 31, 2018 to our NEOs.

Name	Award Type(1)	Grant and NC&G Committee Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards \$(2)			Estimated Possible Payouts Under Equity Incentive Plan Awards #(3)(4)			All Other Stock Awards: Number of Shares of Stock (#)	Exercise or Base Price of Awards \$/Share(5)	Grant Date Fair Value of Stock Award \$(6)
			Threshold	Target	Maximum	Threshold	Target	Maximum			
Smith	ACMIP-I	1/30/2018	\$16,896	\$528,000	\$924,000	—	—	—	—	—	—
	ACMIP-II	1/30/2018	—	132,000	132,000	—	—	—	—	—	—
	PRSU	1/30/2018	—	—	—	6,502	16,254	28,445	—	\$22.95	\$373,029
	PRSU.1	1/30/2018	—	—	—	2,786	6,966	8,359	—	22.95	159,870
	RSU	1/30//2018	—	—	—	—	—	—	2,580	22.95	59,211
Hare	ACMIP-I	1/30/2018	5,837	182,400	319,200	—	—	—	—	—	—
	ACMIP-II	1/30/2018	—	45,600	45,600	—	—	—	—	—	—
	PRSU	1/30/2018	—	—	—	2,215	5,537	9,690	—	22.95	127,074
	PRSU.1	1/30/2018	—	—	—	949	2,373	2,848	—	22.95	54,460
	RSU	1/30/2018	—	—	—	—	—	—	3,390	22.95	77,801
Burdette	ACMIP-I	1/30/2018	5,837	182,400	319,200	—	—	—	—	—	—
	ACMIP-II	1/30/2018	—	45,600	45,600	—	—	—	—	—	—
	PRSU	1/30/2018	—	—	—	2,215	5,537	9,690	—	22.95	127,074
	PRSU.1	1/30/2018	—	—	—	949	2,373	2,848	—	22.95	54,460
	RSU	1/30/2018	—	—	—	—	—	—	3,390	22.95	77,801
Clary	ACMIP-I	1/30/2018	5,606	175,200	306,600	—	—	—	—	—	—
	ACMIP-II	1/30/2018	—	43,800	43,800	—	—	—	—	—	—
	PRSU	1/30/2018	—	—	—	1,999	4,998	8,747	—	22.95	114,704
	PRSU.1	1/30/2018	—	—	—	857	2,142	2,570	—	22.95	49,159
	RSU	1/30/2018	—	—	—	—	—	—	3,060	22.95	70,227
Haverty	ACMIP-I	1/30/2018	4,160	130,000	227,500	—	—	—	—	—	—
	ACMIP-II	1/30/2018	—	32,500	32,500	—	—	—	—	—	—
	PRSU	1/30/2018	—	—	—	1,260	3,150	5,513	—	22.95	72,293
	PRSU.1	1/30/2018	—	—	—	540	1,350	1,620	—	22.95	30,983
	RSU	1/30/2018	—	—	—	—	—	—	3,000	22.95	68,850
Gallagher	ACMIP-I	1/30/2018	5,683	177,600	310,800	—	—	—	—	—	—
	ACMIP-II	1/30/2018	—	44,400	44,400	—	—	—	—	—	—
	PRSU	1/30/2018	—	—	—	2,078	5,194	9,090	—	22.95	119,202
	PRSU.1	1/30/2018	—	—	—	890	2,226	2,671	—	22.95	51,087
	RSU	1/30/2018	—	—	—	—	—	—	3,180	22.95	72,981
	RSU	9/19/2018	—	—	—	—	—	—	24,962	21.75	542,924

(1) Award Type: ACMIP-I = Annual Cash Management Incentive Plan Compensation based on company performance
ACMIP-II = Annual Cash Management Incentive Plan Compensation based on individual performance
PRSU = Performance Restricted Stock Units contingent - EBITDA
PRSU.1 = Performance Restricted Stock Units contingent - Sales
RSU = Restricted Stock Unit

- (2) The 2018 Non-Equity Incentive Plans as discussed above provided for a target payout for 100% attainment of the goals and decreased to the payout threshold and increased to the maximum payout noted above.
- (3) The PRSU grant is based on 2018 adjusted EBITDA as discussed above. The number of shares actually achieved were 88.3% of the target and are shown as outstanding awards on page 26.
- (4) The PRSU.1 grant is based on a sales target for 2018. The 2018 target was not achieved, and no shares were earned.
- (5) The base price for the PRSUs and RSUs is the closing price of our stock on the date of grant.
- (6) The fair value for the PRSUs and RSUs was determined using the target number of shares granted multiplied by the closing stock price on the grant date.

EXECUTIVE COMPENSATION

Outstanding Equity Awards at Fiscal Year-End Table

The following table includes certain information with respect to the value of all unexercised and unvested awards previously granted to the NEOs at December 31, 2018. The market value of shares of stock that have not vested is based on the closing market price of \$18.78 at December 31, 2018.

Name	Date Awarded	SSARs Awards				Stock Awards			
		Number of Securities Underlying Exercisable Awards (#)	Number of Securities Underlying Unexercisable Awards (#)	Exercise Price (\$)	Expiration Date	Number of Shares of Stock That Have Not Vested(#)	Market Value of Shares of Stock that Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, That Have Not Vested(#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, That Have Not Vested(\$)
Smith	1/24/13 ⁽¹⁾	22,000		\$18.14	1/24/20				
	1/23/15 ⁽³⁾					1,422	26,705		
	1/26/16 ⁽⁵⁾					16,109	302,527		
	1/26/16 ⁽³⁾					—	—	1,635	\$ 30,705
	1/30/17 ⁽⁶⁾					14,384	270,132		
	1/30/17 ⁽³⁾					—	—	3,300	61,974
	1/30/18 ⁽⁸⁾					14,352	269,531		
	1/30/18 ⁽⁹⁾					—	—		
	1/30/18 ⁽⁷⁾					2,580	48,452		
Hare	5/04/17 ⁽⁷⁾				3,297	61,918			
	5/04/17 ⁽⁶⁾				4,106	77,111			
	1/30/18 ⁽⁸⁾				4,889	91,815			
	1/30/18 ⁽⁹⁾				—	—			
	1/30/18 ⁽⁷⁾				3,390	63,664			
Burdette	1/23/15 ⁽²⁾				1,156	21,710			
	1/26/16 ⁽⁷⁾				2,658	49,917			
	1/26/16 ⁽⁵⁾				5,615	105,450			
	1/30/17 ⁽⁷⁾				3,937	73,937			
	1/30/17 ⁽⁶⁾				4,904	92,097			
	1/30/18 ⁽⁸⁾				4,889	91,815			
	1/30/18 ⁽⁹⁾				—	—			
	1/30/18 ⁽⁷⁾				3,390	63,664			
Clary	1/24/13 ⁽¹⁾	12,500		\$18.14	1/24/20				
	1/23/15 ⁽²⁾					1,078	20,245		
	1/26/16 ⁽⁷⁾					2,550	47,889		
	1/26/16 ⁽⁵⁾					5,387	101,168		
	1/30/17 ⁽⁷⁾					3,750	70,425		
	1/30/17 ⁽⁶⁾					4,670	87,703		
	1/30/18 ⁽⁸⁾					4,413	82,876		
	1/30/18 ⁽⁹⁾					—	—		
	1/30/18 ⁽⁷⁾					3,060	57,467		
Haverty	1/23/15 ⁽²⁾				755	14,179			
	1/26/16 ⁽⁷⁾				1,736	32,602			
	1/26/16 ⁽⁵⁾				3,667	68,866			
	1/30/17 ⁽⁷⁾				2,625	49,298			
	1/30/17 ⁽⁶⁾				3,269	61,392			
	1/30/18 ⁽⁸⁾				2,781	52,227			
	1/30/18 ⁽⁹⁾				—	—			
	1/30/18 ⁽⁷⁾				3,000	56,340			
Gallagher	9/19/18 ⁽¹⁰⁾				16,640	312,499			

EXECUTIVE COMPENSATION

Award Information	Vesting Rate	Vesting Dates	Conditions
(1) Stock-Settled Appreciation Rights (SSARs)	25% per year	May 8 each year beginning year following grant date	Continued employment or normal retirement through vesting date.
(2) Restricted Stock Units	25% per year	May 8 each year beginning year following grant date	Continued employment or normal retirement through vesting date.
(3) Performance Restricted Stock Units	25% per year	May 8 each year beginning year following grant date	Contingent upon achieving certain level of annual net sales in each of four years.
(4) Performance Restricted Stock Units	100%	February 28, 2018	Based on 2015 EBITDA, shares achieved at 99.1% of target.
(5) Performance Restricted Stock Units	100%	February 28, 2019	Based on 2016 EBITDA, shares achieved at 105.6% of target.
(6) Performance Restricted Stock Units	100%	February 28, 2020	Based on 2017 EBITDA shares achieved at 93.4% of target.
(7) Restricted Stock Units	25% per year	May 8 each year beginning year following grant date	Continued employment through vesting date.
(8) Performance Restricted Stock Units	100%	February 20, 2021	Based on 2018 EBITDA, shares achieved at 88.3% of target.
(9) Performance Restricted Stock Units	100%	February 20, 2021	Based on 2018 sales, no shares were earned.
(10) Restricted Stock Units	33% per year	Annual beginning October 1, 2018	Compliance with employee agreement.

Option Exercises and Stock Vested Table

The following table includes certain information with respect to the exercise of SSARs and the vesting of restricted stock awards of the NEOs for the year ended December 31, 2018.

Name	Option and SSARs Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)(1)	Value Realized on Exercise (\$)(2)	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting (\$)(2)
Clarence Smith	—	\$ —	15,544	\$313,928
Richard Hare	—	—	1,099	21,266
Steve Burdette	—	—	9,288	184,306
Ed Clary	—	—	8,784	174,244
Rawson Haverty	—	—	6,097	120,971
Richard Gallagher	—	—	17,419	364,402

- (1) The number of shares acquired on exercise or vesting is the gross number, including shares surrendered to us for the payment of the exercise and/or withholding taxes.
- (2) The value realized reflects the taxable value to the named executive officer as of the date of the exercise of the SSAR or vesting of restricted stock units. The actual value ultimately realized by the NEO may be more or less than the value realized calculated in the above table depending on whether and when the NEO held or sold the stock associated with the exercise or vesting occurrence.

EXECUTIVE COMPENSATION

Non-Qualified Deferred Compensation Plans

Top Hat Mutual Fund Option Plan. The Top Hat Mutual Fund Option Plan (the "Top Hat Plan") was designed to accumulate retirement funds for selected employees, including the executive officers. The Top Hat Plan allowed participants to defer up to 100% of their cash incentive compensation in exchange for an option to buy selected mutual funds at a discount equal to the bonus they would have otherwise received. Deferrals under the Top Hat Plan were suspended in 2005. Participants may withdraw any or all amounts at any time but not later than fifteen years from leaving our employment. The following table includes certain information for those NEOs in the Top Hat Plan.

Name	Aggregate Earnings (Loss) in 2018 (\$)	Aggregate Balance at Last FYE (\$)
Clarence Smith	\$(43,919)	\$909,758
Ed Clary	(4,153)	360,750

Deferred Compensation Plan. In January 2011, Havertys instituted a Deferred Compensation Plan for certain employees, including the NEOs. Under this plan participants may voluntarily defer receipt of up to 50% of their salary and 100% of their cash bonuses or non-equity plan compensation and allocate the deferred amounts among a group of investment options that mirrors the fund choices available in Havertys' 401(k) Plan. Havertys may also make a percentage contribution of excess compensation to each participant. "Excess compensation" refers to compensation above which a participant cannot receive an employer matching contribution under the existing 401(k) limits. The percentage company contribution was 3% for 2018. In general, deferred amounts are distributed to the participant upon termination or at a specified date as elected by the participant or as required by the plan. The following table includes information for those NEOs participating in the Deferred Compensation Plan.

Name	Executive Contributions in 2018 (\$)(1)	Company Contributions for 2018 (\$)(2)	Aggregate Earnings (Loss) in 2018 (\$)(3)	Aggregate Withdrawals/ Distributions in 2018 (\$)	Aggregate Balance at Last FYE (\$)(4)
Clarence Smith	\$ 256,418	\$ 26,425	\$ (128,449)	\$ —	\$ 2,265,913
Steve Burdette	34,360	7,765	(7,214)	66,456	118,502
Ed Clary	45,943	7,404	(12,722)	—	254,793
Rawson Haverty	—	—	3,665	—	134,839
Richard Gallagher	58,143	—	(30,687)	—	334,040

(1) Amounts included in this column have been included in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table on page 23.

(2) Amounts included in this column have been reported in the "All Other Compensation" column of the Summary Compensation Table on page 23.

(3) Amounts included in this column do not constitute above-market or preferential earnings and accordingly such amounts are not reported in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table on page 23.

(4) All amounts included in this column have been reported in the current or prior years as either salary, non-equity incentive compensation or all other compensation in the summary compensation tables or as earnings or withdrawals in the deferred compensation tables.

EXECUTIVE COMPENSATION

Pension Benefits and Retirement Plans

The retirement plans are described in the CD&A. The change in pension value can be impacted by changes in assumptions used to estimate present values. Please refer to Note 10 to our financial statements in our annual report for the year ended December 31, 2018 for information on the assumptions related to our retirement plan.

The Pension Plan was terminated in May 2014 and distributions of the participants' plan balance were made in December 2014. Distribution options included the purchase of an individual annuity, rollover to another qualified retirement account or cash out of the accumulated balance.

The following table provides certain information on the retirement benefits available under the SERP Plan for each eligible NEO at December 31, 2018.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments during last fiscal year (\$)
Clarence Smith	SERP	40	\$454,379	—
Steve Burdette	SERP	32	248,877	—
Ed Clary	SERP	25	393,906	—
Rawson Haverty	SERP	33	482,466	—
Richard Gallagher	SERP	27	349,256	—

The SERP plan permits participants with 15 or more years of service to retire as early as age 55 with a reduction in the amount of their monthly benefits ranging from 50% at age 55 to 93.3% at age 64. As of December 31, 2018, Clarence Smith was eligible for retirement with no reduction in benefits. Messrs. Burdette, Clary, Haverty and Gallagher are eligible for reduced benefits ranging from approximately 56.7% to 73.3%.

2018 Potential Payments upon Termination or Change in Control

The table on page 31 summarizes the estimated payments to be made under our agreements or plans which provide for payments to a NEO following or in connection with any termination of employment, including by resignation, retirement, death, disability, constructive termination, or termination following a change in control. Such amounts are estimates to be paid under hypothetical circumstances and under the terms of the plans as they now exist. As required by the SEC, we have assumed that employment terminated on December 31, 2018 and that the price per share of our common stock is the closing market price as of that date, which was \$18.78. Actual payments in such circumstances may differ for a variety of reasons. The amounts reported below do not include amounts to be provided to a NEO under any arrangement which does not discriminate in scope, terms or operation in favor of our executive officers and which is available generally to all salaried employees. Also, this table does not include amounts reported in the deferred compensation tables or the pension benefits table, except for those receiving retirement benefits.

Salary. None of our NEOs has an employment agreement which guarantees them employment for any period of time. Therefore, we would only make post-termination payments of salary or severance to a NEO under our change in control agreement.

EXECUTIVE COMPENSATION

Change in control agreements. Our executive officers and other team members have built Havertys into the successful enterprise that it is today, and we believe that it is important to protect them in the event of a change in control. In February 2018 the board approved new change in control agreements for our NEOs (the "Agreements"). The Agreement replaced and superseded the existing change in control agreements. The term of each Agreement automatically renews each January 1 unless notice is otherwise provided by Havertys.

The Agreements provide benefits under a qualifying termination of employment within 24 months following a change in control. The benefits the individuals would be entitled to receive include:

- Severance payments – calculated as equal to two times the sum of: (1) the higher of the individual's annual base salary or the average annual base salary for the three years immediately prior to the event upon which the notice of termination is based and (2) the higher of the amount paid as annual non-equity incentive compensation or the average amount paid in the three years preceding that in which the date of termination occurs.
- Final year bonus – a pro-rata amount for the annual incentive plan performance period in which the date of termination occurs, the calculation and payment of which depend on when the date of termination occurs.
- Reimbursement for medical and life insurance premiums – payments for a period of 24 months after the date of termination.
- Acceleration of vesting on then-outstanding stock options and restricted stock awards; then-outstanding performance shares would be governed by the plan under which they were awarded. See "Accelerated Vesting of Long-Term Incentives" below for additional details on the outstanding awards.

We do not have employment agreements with any of our executive officers and there are no other written agreements related to termination other than the change in control agreements.

Accelerated Vesting of Long-Term Incentives. We have provided long-term incentives to our NEOs through performance and time-vested restricted stock units and stock-settled appreciation rights. Terms of accelerated vesting for long-term incentives upon various termination scenarios are described below. Long-term incentive awards made in certain years to retirement-eligible individuals may continue to vest after retirement.

Time Vested Restricted Stock Units (RSUs). Time based RSUs generally vest annually pro rata over four years, provided the executive has remained an active team member from the grant date through the vesting date. Unvested RSU grants vest in full upon an NEO's termination of employment by reason of death or disability. RSUs granted prior to 2016 continue to vest into retirement and will be distributed on the specified dates as indicated in the grant agreements. Upon termination of employment under any other circumstances, the executive forfeits the RSUs. For RSUs granted in 2016 and later, upon termination of employment except for death or disability the RSUs are forfeited. We calculated the value of RSUs using our closing stock price on December 31, 2018 of \$18.78.

Performance RSUs based on EBITDA and Sales (PRSUs). Upon termination of employment by reason of death or disability, unvested PRSUs will vest based on actual performance through the date of death or disability. At December 31, 2018, the number of units earned for all PRSUs were known and we calculated their value using our closing stock price on December 31, 2018 of \$18.78.

Performance RSUs based on sales over four years (PRSUs-4S) are legacy awards made to Mr. Smith and the former CFO. Upon termination of employment by reason of death or disability, unvested PRSUs-4S will vest. The number of units earned for all PRSUs-4S, at December 31, 2018, were known and we calculated their value using our closing stock price on that date of \$18.78.

In the event of a change in control the restriction on the RSUs lapse and the PRSUs and PRSUs-4S convert to time-based restricted stock awards. If the change in control occurs prior to the end of the performance period, 100% of the target award converts, and if after the performance period the shares earned will

EXECUTIVE COMPENSATION

convert. The vesting of the RSUs and the converted time-based restricted stock awards is accelerated at the change in control. The NC&G Committee has the right to cancel the RSUs and converted time-based awards in exchange for consideration equal to the value of the shares immediately prior to the change in control.

Retirement Plans. Benefits under the Supplemental Executive Retirement Plan (SERP) were frozen in December 2015, and accordingly, Mr. Hare is not included in the Plan. The benefits under the plan are not enhanced upon any termination.

2018 Potential Payments Upon Termination or Change in Control

Name	Voluntary	Involuntary Not for Cause	For Cause	Change in Control No Termination	Involuntary for Good Reason/Not for Cause (CIC)	Death	Disability
Clarence Smith							
Severance	—	—	—	—	\$2,381,761	—	—
Healthcare and Other	—	—	—	—	36,923	—	—
Long-Term Incentive	— ⁽²⁾	—	—	\$1,086,499	1,086,499	\$1,086,499 ⁽³⁾	\$1,086,499 ⁽³⁾
Retirement Plans ⁽¹⁾	—	—	—	—	—	—	—
Richard Hare							
Severance	—	—	—	—	1,146,324	—	—
Healthcare and Other	—	—	—	—	30,904	—	—
Long-Term Incentive	—	—	—	294,508	294,508	294,508 ⁽³⁾	294,508 ⁽³⁾
Retirement Plans ⁽¹⁾	—	—	—	—	—	—	—
Steve Burdette							
Severance	—	—	—	—	1,123,596	—	—
Healthcare and Other	—	—	—	—	19,845	—	—
Long-Term Incentive	—	—	—	498,590	498,590	498,590 ⁽³⁾	498,590 ⁽³⁾
Retirement Plans ⁽¹⁾	—	—	—	—	—	—	—
Ed Clary							
Severance	—	—	—	—	1,105,678	—	—
Healthcare and Other	—	—	—	—	56,532	—	—
Long-Term Incentive	—	—	—	475,772	475,772	475,772 ⁽³⁾	475,772 ⁽³⁾
Retirement Plans ⁽¹⁾	—	—	—	—	—	—	—
Rawson Haverty							
Severance	—	—	—	—	918,766	—	—
Healthcare and Other	—	—	—	—	56,532	—	—
Long-Term Incentive	—	—	—	334,904	334,904	334,904	334,904
Retirement Plans ⁽¹⁾	—	—	—	—	—	—	—
Richard Gallagher							
Long-Term Incentive ⁽²⁾	\$312,499	—	—	312,499	—	312,499	312,499
Retirement Plans ⁽¹⁾	—	—	—	—	—	—	—

(1) We disclose the amounts related to the SERP plan and the plans in which each NEO participates in the Pension Benefits, the Top Hat Mutual Fund Option Plan and the Deferred Compensation Plan tables.

(2) Mr. Smith was at full retirement age at December 31, 2018. If he had retired on such date, his outstanding awards would not have automatically vested. Therefore, we report zero value in the table above. However, some of his awards would continue to vest following his retirement through the end of the respective vesting periods. The values of such awards at December 31, 2018 were \$905,442. Mr. Gallagher retired from the company in September 2018 and this is the calculated value at December 31, 2018 of his outstanding awards that will continue to vest in retirement.

(3) Time-based RSUs vest in full upon an NEO's termination of employment by reason of death or disability. Similarly, performance vested RSUs generally vest upon an NEO's termination of employment by reason of death or disability based on actual performance through the date of death or disability, which for purposes of this table is assumed to be December 31, 2018.

EXECUTIVE COMPENSATION

Stock Ownership Guidelines

In order to preserve the link between the interests of our executive officers and those of our stockholders, executive officers are expected to establish and maintain a significant level of direct stock ownership. Each executive officer is expected to have minimum qualified holdings based on the lesser of the fair market value of a multiple of his or her base salary or the number of shares as indicated below. We count unvested time-based and earned performance-based restricted stock units, reduced by 33% representing shares withheld for taxes, towards satisfying the guidelines. All of our executive officers, including our NEOs currently meet, or are on track to meet, the ownership levels. New officers have three years from the date they become subject to the guidelines to meet the required ownership level.

Position	Guidelines
Chief Executive Officer	3.0x salary or 85,000 shares
Executive Vice President	2.0x salary or 40,000 shares
Senior Vice President	1.0x salary or 25,000 shares

CEO Pay Ratio Information

As a result of the recently adopted rules under the Dodd-Frank Act, the SEC requires the disclosure of the CEO to median employee pay ratio. We identified the median team member by examining the 2017 total cash compensation for all individuals, excluding our CEO, who were employed by us on December 31, 2017. We included all individuals, whether employed on a full-time, part-time, or seasonal basis. We annualized the cash compensation for all permanent team members who were not employed for the entire period, such as a new hire. We did not make full-time adjustments for part-time team members, or annualizing adjustments for temporary or seasonal workers. We believe the use of total cash compensation for all team members is a consistently applied compensation measure because we do not widely distribute annual equity awards to team members.

The median-paid employee identified based on our 2017 analysis was not an employee at December 31, 2018. We used the information from our 2017 analysis and selected a new median-paid employee with similar compensation. There were no significant changes in our employee population or compensation that would result in a significant change.

After identifying the median team member based on total cash compensation, we calculated annual total compensation for such team member using the same methodology we use for our named executive officers as set forth in the 2018 Summary Compensation Table in this proxy statement. In 2018, our CEO, Mr. Smith, had a total annual compensation of \$1,731,699. Our median employee's annual total compensation for 2018 was \$43,340. As a result, we estimate that Mr. Smith's 2018 annual total compensation was approximately 40 times that of our median team member, or 40:1.

Given the different methodologies that various public companies are allowed to use to determine their pay ratio, the ratio we report may not be comparable to those reported by other companies.

EQUITY COMPENSATION PLAN INFORMATION

Information as of December 31, 2018 regarding our equity compensation plans is summarized as follows.

Plan Category	Number of Securities To be issued upon exercise of outstanding equity awards (a)	Weighted-average exercise price of outstanding options and stock-settled stock appreciation rights (SSARs) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a)) (c)
Equity compensation plans approved by stockholders:			
Long-Term Incentive Plans ⁽¹⁾	515,896 ⁽²⁾	\$ 18.14	691,219 ⁽³⁾
Director Compensation Plan	131,861 ⁽⁴⁾	—	216,682 ⁽⁵⁾
Equity compensation plans not approved by stockholders			
	—	—	—
Total	<u>647,757</u>	<u>\$ 18.14</u>	<u>907,901</u>

(1) Shares issuable pursuant to outstanding equity awards under our 2014 Long-Term Incentive Plan.

(2) This number includes 458,896 full value restricted stock or restricted units and 57,000 SSARs.

(3) Any shares which are forfeited, expired or cancelled are made available for use under the 2014 Long-Term Incentive Plan.

(4) Shares deferred under the Directors' Deferred Compensation Plan. Shares are issued from those held in the company's treasury.

(5) Shares remaining under the Directors Compensation Plan. Shares are issued from those held in the company's treasury.

The 2014 LTIP Plan is an omnibus incentive plan, approved by stockholders in May 2014, which provides cash and equity incentives to eligible employees. The NC&G Committee in consultation with our management designates which employees are eligible to participate, the amount of grant and the terms and conditions (not otherwise specified in the plan) of such grant. If a change in control of Havertys occurs, then at the NC&G Committee's discretion, any award may provide for the immediate vesting or lapse of all restrictions.

AUDIT COMMITTEE REPORT

We are responsible for providing independent, objective oversight of Havertys' accounting functions and internal controls and operate pursuant to a written charter approved by Havertys' board. We are comprised entirely of five independent directors who meet independence, experience and other qualification requirements of the NYSE listing standards and the SEC. Havertys' board has determined that each member of the Audit Committee is a "financial expert," as defined by SEC rules.

Management is responsible for Havertys' financial reporting process, including Havertys' system of internal control, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States. Havertys' independent registered public accounting firm, or "independent accountants," is responsible for auditing its consolidated financial statements and providing an opinion as to their conformity with accounting principles generally accepted in the United States as well as attesting and reporting on the effectiveness of its internal controls over financial reporting. Our responsibility is to monitor and review these processes. It is not our duty or responsibility to conduct auditing or accounting reviews or procedures. Consequently, in carrying out our oversight responsibilities, we shall not be charged with, and are not providing, any expert or special assurance as to Havertys' financial statements, or any professional certification as to the independent accountants' work. In addition, we have relied on management's representation that the financial statements have been prepared with integrity and objectively in conformity with accounting principles generally accepted in the United States and on the representations of independent accountants included in their report on Havertys' financial statements.

We schedule our meetings to ensure we have enough time to devote attention to all our tasks and during 2018 met four times. During 2018, and subsequent to the end of the year, we:

- met with management and the independent accountants, Grant Thornton LLP ("Grant Thornton") to review and discuss Havertys' critical accounting policies and significant estimates;
- met with management and Grant Thornton to review and approve the 2018 audit plan;
- met regularly with both Grant Thornton and the vice president internal audit outside the presence of management;
- reviewed and discussed the quarterly and annual reports prior to filing with the SEC;
- reviewed and discussed the quarterly earnings press releases;
- met with the vice president internal audit to review, among other things, the audit plan, test work, findings and recommendations, and staffing;
- met with management and Grant Thornton to review the audited financial statements for the year ended December 31, 2018, and internal controls over financial reporting as of December 31, 2018;
- reviewed with senior management significant risks and the processes by which risk is identified, assessed, and mitigated;
- selected for the stockholders' ratification, Grant Thornton as the independent registered public accounting firm for 2019;
- reviewed and reassessed the adequacy of the Audit Committee charter and recommended no changes; and
- completed all other responsibilities under the Audit Committee charter which is available on the company's website, havertys.com.

AUDIT COMMITTEE REPORT (continued)

We have discussed with Grant Thornton the matters required by AS 1301 (Communications with Audit Committees), as adopted by the Public Company Accounting Oversight Board and SEC Rule 2-07 of Regulation S-X, which includes a review of critical accounting practices. In addition, we have received written disclosures and the letter from the independent accountants required by PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, and discussed with the independent accountants their firm's independence.

Based upon our discussion with management and Grant Thornton, and our review of the representations of management and Grant Thornton, we recommended to the board that the audited consolidated financial statements be included in Havertys' annual report on Form 10-K for the year ended December 31, 2018.

The Audit Committee

Al Trujillo, Chair
John T. Glover
G. Thomas Hough
Vicki R. Palmer
Fred L. Schuermann

This report shall not be deemed to be "soliciting material" or to be "filed" with the SEC nor shall this report be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and shall not otherwise be deemed filed under such acts.

AUDIT MATTERS

Fees Paid to the Independent Registered Public Accounting Firm. The following table presents fees for professional services rendered by Grant Thornton for the audit of our annual consolidated financial statements for the years ended December 31, 2018 and 2017 and fees billed by the firm during 2018 and 2017.

	December 31,	
	2018	2017
Audit Fees	\$ 541,417	\$ 529,643
All other	7,086	7,022
Total	<u>\$ 548,503</u>	<u>\$ 536,665</u>

Audit Fees. These represent professional services fees for the audit of our annual financial statements, audit of our internal controls over financial reporting, review of the quarterly financial statements included in Forms 10-Q, accounting consultations and out-of-pocket expenses.

All Other Fees. These are subscription fees to on-line information, accounting and research tools.

As noted in the information about our meeting, we have historically received proxies representing approximately 90% of eligible shares and had no stockholders in attendance at our annual meeting. Accordingly, this is a very brief meeting conducted by our corporate secretary. Our directors, other members of senior management, and representatives of Grant Thornton will not be present at the annual meeting.

Pre-Approval Policies and Procedures. The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services, and other services performed by the independent auditor. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it. All of the fees detailed above were pre-approved. The Audit Committee has delegated to its chairman the authority to approve permitted services provided. The chairman reports any decisions at the next scheduled Audit Committee meeting.

Proposal 2: Ratification of the Appointment of our Independent Registered Public Accounting Firm for 2019

What am I voting on?	✓ Ratification of the appointment of our independent registered public accounting firm for 2019
Voting recommendation:	✓ Our board of directors recommends a vote "For" the appointment of Grant Thornton LLP as our independent registered public accounting firm for 2019.

The Audit Committee has selected Grant Thornton as our independent registered public accounting firm for the fiscal year ending December 31, 2019 and we are asking our stockholders to ratify this appointment. Although ratification is not required by our bylaws or otherwise, the board is submitting the appointment of Grant Thornton to our stockholders for ratification because we value our stockholders' views and as a matter of good corporate practice.

In the event that our stockholders fail to ratify the appointment, the Audit Committee will consider it as a direction to evaluate the appointment of a different firm. Even if the appointment is ratified, the Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time during the fiscal year if it determines that such a change would be in the best interests of our company and our stockholders.

INFORMATION ABOUT OUR ANNUAL MEETING

Our board of directors is furnishing you this proxy statement to solicit proxies on its behalf in connection with the 2019 annual meeting of stockholders of Haverty Furniture Companies, Inc. The meeting will be held on May 13, 2019 at the Marriott SpringHill, 120 East Redwood Street, Baltimore, Maryland, beginning promptly at 10:00 a.m. Eastern Time.

Who may vote?

You may vote if you were a holder of record of Haverty Furniture Companies, Inc. as of the close of business on March 15, 2019.

Why did I receive a Notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

We are providing access to our proxy materials over the Internet. As a result, we have sent to most of our stockholders a Notice instead of a paper copy of the proxy materials. The Notice contains instructions on how to access the proxy materials over the Internet and how to request a paper copy. In addition, stockholders may request to receive future proxy materials in printed form by mail or electronically by email. A stockholder's election to receive proxy materials by mail or email will remain in effect until the stockholder terminates it.

Why should I vote?

Your vote is very important regardless of the amount of stock you hold. The board strongly encourages you to exercise your right to vote as a stockholder of the company.

If I vote using the Internet, telephone or mail, may I still attend the annual meeting?

Yes. The board recommends that you vote using one of the methods previously outlined since it is not practical for most stockholders to attend and vote at the annual meeting. However, if your shares are held in street name you must obtain a proxy, executed in your favor, from your bank, broker or other holder of record to be able to vote at the annual meeting.

We have historically received proxies representing approximately 90% of eligible shares and had no stockholders in attendance at our annual meetings. Accordingly, this is a very brief meeting conducted by our corporate secretary and not attended by our directors or other members of senior management.

Can I change my mind after I vote?

You may change your vote at any time before the polls close at the meeting. You may do this by: (1) signing another proxy with a later date and returning it to us prior to the meeting, or (2) voting again by telephone or over the Internet prior to 11:59 p.m. (ET) on May 12, 2019, or (3) voting again at the meeting.

How do I vote shares that are held by my broker?

If you have shares held by a broker or other nominee, you may instruct your broker or other nominee to vote your shares by following instructions that the broker or nominee provides to you. Most brokers offer voting by mail, by telephone and the Internet.

How will a quorum be determined?

A majority of the outstanding shares of the combined classes of common stock present or represented by proxy constitutes a quorum for the annual meeting. As of the record date, March 15, 2019, we had 18,813,551 shares of common stock and 1,757,157 shares of Class A common stock outstanding.

INFORMATION ABOUT OUR ANNUAL MEETING

What am I voting on, what is the vote required for each proposal to pass and what is the effect of abstentions and uninstructed shares on the proposal?

Proposals	Board Voting Recommendation	Votes Required For Approval	Abstentions	Uninstructed shares
Election of Directors – Class A Common Stockholders	FOR	Plurality – the most affirmative votes	No effect	No effect
Common Stockholders	FOR			
Ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for 2019	FOR	Combined majority of votes cast in person or by proxy	Counts as a vote against	Discretionary voting by broker permitted

The owners of Class A common stock and common stock vote as separate classes in the election of directors. Holders of Class A common stock will elect six directors and holders of common stock will elect two directors. On all other matters the owners of common stock are entitled to one vote for each share held and the owners of Class A common stock are entitled to ten votes per share held.

The election of directors requires a plurality or the most affirmative votes for approval. A “withhold vote” or “abstention” will have no effect on the vote’s outcome, because the candidates who receive the highest number of “for” votes are elected. The remaining proposal requires a combined majority of votes cast in person or by proxy for approval.

Abstentions are counted for purposes of quorum and have the effect of a vote “against” any matter as to which they are specified.

Proxies submitted by brokers that do not indicate a vote for some or all of the proposals because they do not have discretionary voting authority and have not received instructions as to how to vote on those proposals (so-called “broker non-votes”) are not considered “shares present” and will not affect the outcome of the vote.

Who tabulates the votes?

Broadridge Financial Solutions, Inc., an independent third party, will count the votes.

Where can I find the voting results of the annual meeting?

We will announce voting results at the annual meeting, and we will publish the final results in a Form 8-K to be filed with the SEC on or before May 17, 2019. You may access or obtain a copy of this and other reports free of charge on our website at havertys.com, or by contacting our corporate secretary.

What if I want to receive a paper copy of the annual report and proxy statement?

If you wish to receive a paper copy of the 2018 annual report and 2019 proxy statement, or future annual reports and proxy statements, please call 1-800-241-4599, send an email to investor.relations@havertys.com or write to: Corporate Secretary, Havertys, 780 Johnson Ferry Road, Suite 800, Atlanta, GA 30342. We will deliver the requested documents to you promptly upon your request.

Stockholders Sharing the Same Address

The SEC has adopted rules that allow a company to deliver a single proxy statement or annual report to an address shared by two or more of its stockholders. This method of delivery, known as "householding," permits us to realize significant cost savings, reduces the amount of duplicate information stockholders receive, and reduces the environmental impact of printing and mailing documents to our stockholders. Under this process, certain stockholders will receive only one copy of our proxy materials and any additional proxy materials that are delivered until such time as one or more of these stockholders notifies us that they want to receive separate copies. Any stockholders who object to, or wish to begin householding, may contact the Corporate Secretary at 1-800-241-4599 or Corporate Secretary, Havertys, 780 Johnson Ferry Road, Suite 800, Atlanta, GA 30342. We will send an individual copy of the proxy statement to any stockholder who revokes their consent to householding within 30 days of our receipt of such revocation.

Stockholder Proposals for 2020 Meeting

If you wish to submit a proposal for possible inclusion in our proxy statement relating to our 2020 Annual Stockholders' Meeting, send the proposal to: Haverty Furniture Companies, Inc., Corporate Secretary, 780 Johnson Ferry Road, Suite 800, Atlanta, GA 30342.

Stockholder proposals intended for inclusion in our proxy statement for the 2020 Annual Stockholders' Meeting in accordance with the SEC's Rule 14a-8 under the Exchange Act must be received by our company no later than the close of business on December 5, 2020. Any stockholder proposal received by the company after that date will not be included in the company's proxy statement relating to the 2020 Annual Stockholders' Meeting. Further, all proposals submitted for inclusion in the company's proxy statement relating to the 2019 Annual Stockholders' Meeting must comply with all of the requirements of SEC Rule 14a-8.

Stockholders who wish to bring business before Havertys' 2020 Annual Stockholders' Meeting other than through a stockholder proposal pursuant to SEC Rule 14a-8 must notify the Corporate Secretary of our company in writing and provide the information required by our bylaws. Under the bylaws, the notice must be received by the Corporate Secretary at the address noted above not less than 60 nor more than 90 days prior to the one-year anniversary of the date of the mailing of the notice for the 2020 Annual Stockholders' Meeting, or between January 2, 2020 and February 1, 2020. However, if the date of the 2020 Annual Stockholders' Meeting is more than 30 days before or after such anniversary date, the notice must be received by the Corporate Secretary at the address noted above not earlier than the 120th day prior to the date of the 2020 Annual Shareholders' Meeting and not later than the later of the 90th day prior to the date of the 2020 Annual Stockholders' Meeting and the tenth day following the day on which a public announcement of the date of the 2020 Annual Stockholders' Meeting is first made. The bylaws can be found on our corporate website at www.havertys.com/furniture/bylaws.

Available Information

All of our corporate governance policies, including our board committee charters, Code, Governance Guidelines, Director Communication Policy and other governance documents are available on our website at havertys.com.

A copy of our Annual Report on Form 10-K, as filed with the SEC, is available free of charge, upon written request to: Stockholder Relations, Havertys, 780 Johnson Ferry Road, Suite 800, Atlanta, Georgia 30342 or by calling 1-800-241-4599. Our Form 10-K is also available at our website at www.havertys.com.

Other Business

As of the date of this proxy statement, we do not know of any business, other than that described in this proxy statement that may come before the meeting. The persons named on your Notice of Internet Availability of Proxy Materials, proxy card or their substitutes will vote with respect to any such matters in accordance with their best judgment.

By Order of the board of directors

A handwritten signature in black ink that reads "Jenny Hill Parker". The signature is written in a cursive, flowing style.

Jenny Hill Parker
*Senior Vice President, Finance,
Secretary and Treasurer*

April 1, 2019
Atlanta, Georgia

HAVERTYS®

2018 Form 10-K

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
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: 1-1445

HAVERTY FURNITURE COMPANIES, INC.

Maryland
(State of Incorporation)

58-0281900
(IRS Employer Identification Number)

780 Johnson Ferry Road, Suite 800, Atlanta, Georgia 30342
(Address of principal executive offices)

(404) 443-2900
(Registrant's telephone number, including area code)

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

<u>Title of each Class</u>	<u>Name of each exchange on which registered</u>
Common Stock (\$1.00 Par Value)	New York Stock Exchange, Inc.
Class A Common Stock (\$1.00 Par Value)	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or 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

As of June 30, 2018, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$417,443,226 (based on the closing sale prices of the registrant's two classes of common stock as reported by the New York Stock Exchange).

There were 18,813,551 shares of common stock and 1,757,157 shares of Class A common stock, each with a par value of \$1.00 per share outstanding at February 28, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Stockholders to be held May 13, 2019 are incorporated by reference in Part III.

HAVERTY FURNITURE COMPANIES, INC.
Annual Report on Form 10-K for the year ended December 31, 2018

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FORWARD-LOOKING STATEMENTS

This document contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition. These statements are within the meaning of Section 27A of the Securities Act of 1933 and Section 21F of the Securities Exchange Act of 1934.

Forward-looking statements include, but are not limited to:

- projections of sales or comparable store sales, gross profit, SG&A expenses, capital expenditures or other financial measures;
- descriptions of anticipated plans or objectives of our management for operations or products;
- forecasts of performance; and
- assumptions regarding any of the foregoing.

Because these statements involve anticipated events or conditions, forward-looking statements often include words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “target,” “can,” “could,” “may,” “should,” “will,” “would,” or similar expressions.

These forward-looking statements are based upon assessments and assumptions of management in light of historical results and trends, current conditions and potential future developments that often involve judgment, estimates, assumptions and projections. Forward-looking statements reflect current views about our plans, strategies and prospects, which are based on information currently available.

Although we believe that our plans, intentions and expectations as reflected in or suggested by any forward-looking statements are reasonable, they are not guarantees. Actual results may differ materially from our anticipated results described or implied in our forward-looking statements, and such differences may be due to a variety of factors. Our business could also be affected by additional factors that are presently unknown to us or that we currently believe to be immaterial to our business.

Discussed elsewhere in further detail in this report are some important risks, uncertainties and contingencies which could cause our actual results, performance or achievements to be materially different from any forward-looking statements made or implied in this report.

Forward-looking statements are only as of the date they are made and they might not be updated to reflect changes as they occur after the forward-looking statements are made. We assume no obligations to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In evaluating forward-looking statements, you should consider these risks and uncertainties, together with the other risks described from time to time in our other reports and documents filed with the Securities and Exchange Commission, or SEC, and you should not place undue reliance on those statements.

We intend for any forward-looking statements to be covered by, and we claim the protection under, the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

ITEM 1. BUSINESS

Unless otherwise indicated by the context, we use the terms "Havertys," "we," "our," or "us" when referring to the consolidated operations of Haverty Furniture Companies, Inc.

Overview

Havertys is a specialty retailer of residential furniture and accessories. Our founder, J.J. Haverty began the business in 1885 in Atlanta, Georgia with one store and made deliveries using horse-drawn wagons. The Company grew to 18 stores and was incorporated in September 1929. Anticipating further growth, the Company accessed additional capital through its initial public offering in October 1929.

Havertys has grown to 120 stores in 16 states in the Southern and Midwest regions. All of our retail locations are operated using the Havertys name and we do not franchise our stores. Our customers are generally college educated women in middle to upper-middle income households. Our brand recognition is very high in the markets we serve, and consumer surveys indicate Havertys is associated with a high level of quality, fashion, value and service.

Merchandise and Revenues

We develop our merchandise selection with the tastes of the diverse "on trend" consumer in mind. A wide range of styles from traditional to contemporary are in our core assortment and most of the furniture merchandise we carry bears the Havertys brand. We also tailor our product offerings to the needs and tastes of the local markets we serve emphasizing more "coastal," "western" or "urban" looks as appropriate. Our custom upholstery programs and eclectic looks are an important part of our product mix and allow the on-trend consumer more self-expression.

We have avoided offering lower quality, promotional price-driven merchandise favored by many regional and national chains, which we believe would devalue the Havertys brand with the consumer. We carry nationally well-known mattress product lines such as Sealy®, Tempur-Pedic®, Serta®, Stearns & Foster®, and Beautyrest Black® in addition to our private label Skye™.

Our customers use varying methods to purchase or finance their sales. As an added convenience to our customers, we offer financing by third-party finance companies or through an internal revolving charge credit plan. Sales financed by the third-party providers are not Havertys' receivables; accordingly, we do not have any credit risk or servicing responsibility for these accounts, and there is no credit or collection recourse to Havertys. The most popular programs offered through the third-party providers for 2018 were no interest offers requiring monthly payments over periods of 18 to 36 months. The fees we pay to the third-party are included in SG&A as a selling expense. We also maintain a small in-house financing program for our customers with the offer most frequently chosen carrying no interest for 12 months and requiring equal monthly payments. This program generates very minor credit revenue and is for credit worthy customers who prefer financing with the retailer directly or who are not able to quickly establish sufficient credit with other providers on comparable terms.

The following summarizes the different purchasing methods used as a percent of amount due from customers including sales tax:

	Year Ended December 31,		
	2018	2017	2016
Cash or check	8.1%	8.8%	8.5%
Credit or debit cards	59.8	59.8	58.0
Third-party financed	31.6	30.8	32.5
Havertys financed	0.5	0.6	1.0
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Stores

As of December 31, 2018, we operated 120 stores serving 83 cities in 16 states with approximately 4.4 million retail square feet. Our stores range in size from 19,000 to 66,000 selling square feet with the average being approximately 35,000 square feet. We strive to have our stores reflect the distinctive style and comfort consumers expect to find when purchasing their home furnishings. The store's curb appeal is important to the type of middle to upper-middle income consumer that we target and our use of classical facades and attractive landscaping complements the quality and style of our merchandise. Interior details are also important for a pleasant and inviting shopping experience. We are very intentional in having open shopping spaces and our disciplined merchandise display ensures uniformity of presentations in-store, online and in our advertising.

We currently have no plans to expand outside our distribution footprint and there are a limited number of markets that we do not currently serve that are expansion candidates. We are evaluating certain existing stores for relocation. We expect a slight increase of approximately 2.0% in our retail square footage in 2019.

Internet

We consider our website an extension of our brick-and-mortar locations and not a separate segment of our business. Most customers will use the internet for inspiration and as a start to their shopping process to view products and prices. Our website features a variety of helpful tools including a design center with 3D room planners, upholstery customization, and inspired accessories to create shareable "Idea Boards." A large number of product reviews written by our customers is also provided which some consumers find important in the decision-making process.

The next stop in the purchase journey for most consumers is a visit to a store to touch, sit, and see merchandise in person. Our sales consultants also use havertys.com as a tool to further engage our customers while they are in the store. They may make their purchase in the store or opt to return home and finalize their decisions, place their orders online and set delivery. We limit online sales of our furniture to within our delivery network, and accessories to the continental United States. Our online sales for 2018 were approximately 2% of our total sales and the level of online sales increased 10.9%.

We believe that a direct-to-customer business complements our retail store operations by building brand awareness.

Suppliers

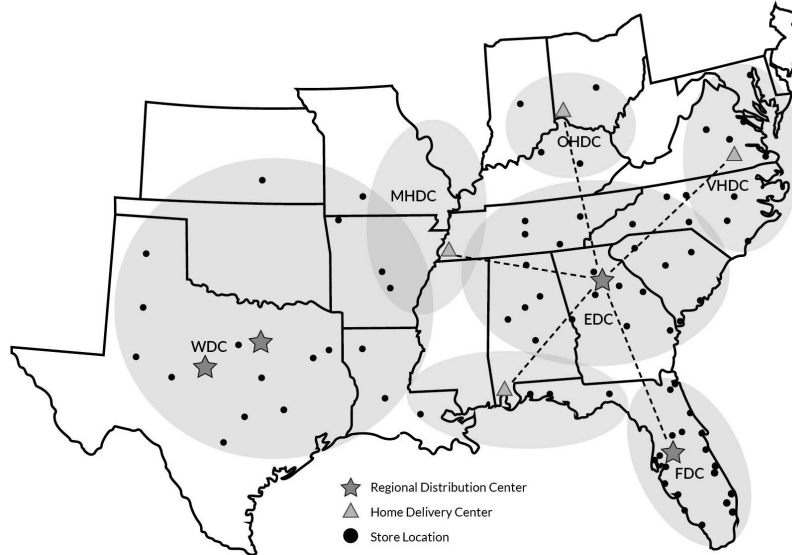
We buy our merchandise from numerous foreign and domestic manufacturers and importers, the largest ten of which accounted for approximately 51% of our product purchases during 2018. Most of our wood products, or "case goods," are imported from Asia. Upholstered items are largely produced domestically, with the exception of our leather products which are primarily imported from Asia or Mexico.

We purchase our furniture merchandise produced in Asia through sourcing companies and also buy direct from manufacturers. Our direct import team works with industry designers and manufacturers in some of the best factories throughout Asia. We have dedicated quality control specialists on-site during production to ensure the items meet our specifications. Approximately 30% of our case goods sales in 2018 were generated by our direct imports.

Supply Chain and Distribution

The longer lead times required for deliveries from overseas factories and the production of merchandise exclusively for Havertys makes it imperative for us to have both warehousing capabilities and end-to-end supply chain visibility. Our merchandising team provides input to the automated procurement process in an effort to maintain overall inventory levels within an appropriate range and reduce the amount of written sales awaiting product delivery. We use real-time information to closely follow our import orders from the manufacturing plant through each stage of transit and using this data can more accurately set customer delivery dates prior to receipt of product.

Our distribution system uses a combination of three distribution centers (DCs) and four home delivery centers (HDCs). The DCs receive both domestic product and containers of imported merchandise. A warehousing management system using radio frequency scanners tracks each piece of inventory in real time and allows for random storage in the warehouse and efficient scheduling and changing of the workflow. The DCs are also designed to shuttle prepped merchandise up to 250 miles for next day home deliveries and serve HDCs within a 500-mile radius. The HDCs provide service to markets within an additional 200 miles. We use a third-party to handle over-the-road delivery of product from the DCs to the HDCs and market areas. We use Havertys employees for executing home delivery, and branded this service “Top Drawer Delivery,” an important function serving as the last contact with our customers in the purchase process. Operating standards in our warehouse and delivery functions provide measurements for determining staffing needs and increasing productivity. We believe that our distribution and delivery system is one of the best in the retail furniture industry and provides us with a significant competitive advantage.



Competition

The retail sale of home furnishings is a highly fragmented and competitive business. The degree and sources of competition vary by geographic area. We compete with numerous individual retail furniture stores as well as chains. Retail stores opened by furniture manufacturers in an effort to control and protect the distribution prospects of their branded merchandise compete with us in certain markets. Mass merchants, certain department stores, and some electronics and appliance retailers also have limited furniture product offerings. There has been growth in the e-commerce channel both from internet only retailers and those with a brick-and-mortar presence.

We believe Havertys is uniquely positioned in the marketplace, with a targeted mix of merchandise that appeals to customers who are somewhat more affluent than those of promotional price-oriented furniture stores. Our online presence provides most elements of a seamless omni-channel approach that many of our competitors do not have or cannot replicate. We consider the expansion of our custom order capabilities, free in-home design service, the tailoring of merchandise on a local market basis, and the ability to make prompt delivery of orders through maintenance of inventory, significant competitive advantages.

Employees

Our employees are among our best investments and are critical for our success. As of December 31, 2018, we had 3,418 employees: 2,102 in individual retail store operations, 196 in our corporate and credit operations, 70 in our customer-service call centers, and 1,050 in our warehouse and delivery points. None of our employees is a party to any union contract.

Seasonality

Our business is affected by traditional retail seasonality, advertising and promotion programs, and general economic trends. We typically achieve our smallest quarter by revenues in the second quarter and the largest in the fourth quarter. In 2018, our fourth quarter sales did not match historical patterns as business surrounding the traditional holiday shopping periods around Thanksgiving and Christmas was significantly lower than in the prior years.

Trademarks and Domain Names

We have registered our various logos, trademarks and service marks. We believe that our trademark position is adequately protected in all markets in which we do business. In addition, we have registered and maintain numerous internet domain names including "havertys.com." Collectively, the logos, trademarks, service marks and domain names that we hold are of material importance to us.

Available Information Filings with the SEC

As a public company, we regularly file proxy statements, reports and amendments thereto with the Securities and Exchange Commission ("SEC"). These documents are available on our website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. Our website is www.havertys.com and contains, among other things, our annual report on Form 10-K, annual meeting proxy statement, quarterly reports on Form 10-Q and current reports on Form 8-K, which may be accessed free of charge. These reports are accessible by clicking on the "Investors" tab on our home page and then click on "SEC filings." This annual report on Form 10-K and other SEC filings made by Havertys are also accessible through the SEC's website at www.sec.gov.

The information on our website listed above is not and should not be considered part of this annual report on Form 10-K and is not incorporated by reference in this document.

ITEM 1A. RISK FACTORS

The following discussion of risk factors contains forward-looking statements. These risk factors may be important to understanding any statement in this annual report on Form 10-K or elsewhere. The following information should be read in conjunction with Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A), and the consolidated financial statements and related notes in Part II, Item 8. "Financial Statements and Supplementary Data" of this annual report on Form 10-K.

We routinely encounter and address risks, some of which may cause our future results to be different – sometimes materially different – than we presently anticipate. The following factors, as well as others described elsewhere in this report or in our other filings with the SEC, that could materially affect our business, financial condition or operating results should be carefully considered. Below, we describe certain important operational and strategic risks and uncertainties, but they are not the only risks we face. Our reactions to material future developments, as well as our competitors' reactions to those developments, may also impact our business operations or financial results. If any of the following risks actually occur, our business, financial condition or operating results may be adversely affected.

Changes in economic conditions could adversely affect demand for our products.

A large portion of our sales represent discretionary spending by our customers. Demand for our products is generally affected by a number of economic factors including, but not limited to: interest rates, housing starts, sales of new and existing homes, housing values, the level of mortgage refinancing, consumer confidence, debt levels and retail trends. Declining stock market values, rising food and energy costs, and higher personal taxes adversely affect demand. A decline in economic activity and conditions in the markets in which we operate would adversely affect our financial condition and results of operations.

We face significant competition from national, regional and local retailers of home furnishings.

The retail market for home furnishings is highly fragmented and intensely competitive. We currently compete against a diverse group of retailers, including regional or independent specialty stores, dedicated franchises of furniture manufacturers and national department stores. National mass merchants and electronics and appliance retailers also have limited product offerings. We also compete with retailers that market products through store catalogs and the internet. In addition, there are few barriers to entry into our current and contemplated markets, and new competitors may enter our current or future markets at any time. Our existing competitors or new entrants into our industry may use a number of different strategies to compete against us, including aggressive advertising, pricing and marketing, and extension of credit to customers on terms more favorable than we offer.

Competition from any of these sources could cause us to lose market share, revenues and customers, increase expenditures or reduce prices, any of which could have a material adverse effect on our results of operations.

If we fail to anticipate changes in consumer preferences, our sales may decline.

Our products must appeal to our target consumers whose preferences cannot be predicted with certainty and are subject to change. Our success depends upon our ability to anticipate and respond in a timely manner to fashion trends relating to home furnishings. If we fail to identify and respond to these changes, our sales of these products may decline.

We import a substantial portion of our merchandise from foreign sources. This exposes us to certain risks that include political and economic conditions. Recently, political discourse in the United States has increasingly focused on ways to discourage U.S. corporations from outsourcing manufacturing and production activities to foreign jurisdictions and curb what are considered to be unfair trade practices. To address these concerns, tariffs were imposed on goods manufactured in China in an attempt to discourage these practices. The tariffs began in September 2018 at 10% of product costs and were scheduled to increase to 25% on March 4, 2019. The increase to 25% has been postponed as part of ongoing discussions between the governments of the United States and China. If ultimately enacted, a 25% tariff could negatively impact our ability to source products from foreign jurisdictions and could adversely affect our results of operations or profitability.

Based on product costs, approximately 70% of our total furniture purchases (which exclude mattresses) in 2018 were for goods not produced domestically and approximately 35% were produced in China. All our purchases are denominated in U.S. dollars. As exchange rates between the U.S. dollar and certain other currencies become unfavorable, the likelihood of price increases from our vendors increases. Some of the products we purchase are also subject to tariffs. If tariffs are imposed on additional products or the tariff rates are increased our vendors may increase their prices. Such changes, if they occur, could have one or more of the following impacts:

- we could be forced to raise retail prices so high that we are unable to sell the products at current unit volumes;
- if we are unable to raise retail prices commensurately with the cost increases, gross profit as recognized under our LIFO inventory accounting method could be negatively impacted; or
- we may be forced to find alternative sources of comparable product, which may be more expensive than the current product, of lower quality, or the vendor may be unable to meet our requirements for quality, quantities, delivery schedules or other key terms.

Significant fluctuations and volatility in the cost of raw materials and components could adversely affect our profits.

The primary materials our vendors use to produce and manufacture our products are various woods and wood products, resin, steel, leather, cotton, and certain oil-based products. On a global and regional basis, the sources and prices of those materials and components are susceptible to significant price fluctuations due to supply/demand trends, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, the economic and political climate, and other unforeseen circumstances.

Significant increases in these and other costs in the future could materially affect our vendors' costs and our profits as discussed above.

We are dependent upon the ability of our third-party producers, many of whom are located in foreign countries, to meet our requirements; any failures by these producers to meet our requirements, or the unavailability of suitable producers at reasonable prices or limitations on our ability to source from certain third-party producers may negatively impact our ability to deliver quality products to our customers on a timely basis or result in higher costs or reduced net sales.

We source substantially all of our products from non-exclusive, third-party producers, many of which are located in foreign countries. Although we have long-term relationships with many of our suppliers, we must compete with other companies for the production capacity of these independent manufacturers. We regularly depend upon the ability of third-party producers to secure a sufficient supply of raw materials, a skilled workforce, adequately finance the production of goods ordered and maintain sufficient manufacturing and shipping capacity. Although we monitor production and quality in many third-party manufacturing locations, we cannot be certain that we will not experience operational difficulties with our manufacturers, such as the reduction of availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines or increases in manufacturing costs. Such difficulties may negatively impact our ability to deliver quality products to our customers on a timely basis, which may, in turn, have a negative impact on our customer relationships and result in lower net sales.

We also require third-party producers to meet certain standards in terms of working conditions, environmental protection and other matters before placing business with them. As a result of costs relating to compliance with these standards, we may pay higher prices than some of our competitors for products. In addition, failure by our independent manufacturers to adhere to labor or other laws or business practices accepted as ethical, and the potential litigation, negative publicity and political pressure relating to any of these events, could disrupt our operations or harm our reputation.

Our vendors might fail in meeting our quality control standards or reacting to changes to the legislative or regulatory framework regarding product safety.

All of our vendors must comply with applicable product safety laws and regulations, and we are dependent on them to ensure that the products we buy comply with all safety standards. Any actual, potential or perceived product safety concerns could expose us to government enforcement action or private litigation and result in recalls and other liabilities. These could harm our brand's image and negatively affect our business and operating results.

Our revenue could be adversely affected by risks in our supply chain.

Optimal product flow is dependent on demand planning and forecasting, production to plan by suppliers, and timely transportation. We often make commitments to purchase products from our vendors in advance of proposed production dates. Significant deviation from the projected demand for products that we sell may have an adverse effect on our results of operations and financial condition, either from lost sales or lower margins due to the need to reduce prices to dispose of excess inventory. Disruptions to our supply chain could result in late arrivals of product. This could negatively affect sales due to increased levels of out-of-stock merchandise and loss of confidence by customers in our ability to deliver goods as promised.

In addition, there is a risk that compliance lapses by our foreign manufacturers could occur which could lead to investigations by U.S. government agencies responsible for international trade compliance. Resulting penalties or enforcement actions could delay future imports or otherwise negatively impact our business. There also remains a risk that one or more of our foreign manufacturers will not adhere to applicable legal requirements or our compliance standards such as fair labor standards, the prohibition on child labor and other product safety or manufacturing safety standards. The violation of applicable legal requirements, including labor, manufacturing and safety laws, by any of our manufacturers, the failure of any of our manufacturers to adhere to our global compliance standards or the divergence of the labor practices followed by any of our manufacturers from those generally accepted in the U.S., could disrupt our supply of products

from our manufacturers, result in potential liability to us and harm our reputation and brand, any of which could negatively affect our business and operating results.

The rise of oil and gasoline prices could affect our profitability.

A significant increase in oil and gasoline prices could adversely affect our profitability. We deliver substantially all of our customers' purchases to their homes. Our distribution system, which utilizes three DCs and multiple home delivery centers is very transportation dependent to reach the 21 states we deliver to from our stores across 16 Southern and Midwestern states.

If transportation costs exceed amounts we are able to effectively pass on to the consumer, either by higher prices and/or higher delivery charges, then our profitability will suffer.

Because of our limited number of distribution centers, should one become damaged, our operating results could suffer.

We utilize three large distribution centers to flow our merchandise from the vendor to the consumer. This system is very efficient for reducing inventory requirements but makes us operationally vulnerable should one of these facilities become damaged.

Our information technology infrastructure is vulnerable to damage that could harm our business.

Our ability to operate our business from day to day, in particular our ability to manage our point-of-sale, distribution system and credit operations, largely depends on the efficient operation of our computer hardware and software systems. We use management information systems to communicate customer information, provide real-time inventory information, manage our credit portfolio and to handle all facets of our distribution system from receipt of goods in the DCs to delivery to our customers' homes.

The failure of these systems to operate effectively, problems with integrating various data sources, challenges in transitioning to upgraded or replacement systems, difficulty in integrating new systems, or a breach in security of these systems could adversely impact the operations of our business.

Cyber threats are rapidly evolving and those threats and the means for obtaining access to information in digital and other storage media are becoming increasingly sophisticated. Cyber threats and cyber-attackers can be sponsored by countries or sophisticated criminal organizations or be the work of single "hackers" or small groups of "hackers."

We invest in industry standard security technology to protect the Company's data and business processes against risk of data security breach and cyber-attack. Our data security management program includes identity, trust, vulnerability and threat management business processes as well as adoption of standard data protection policies. We measure our data security effectiveness through industry accepted methods. We are continuously installing new and upgrading existing information technology systems. We use employee awareness training around phishing, malware, and other cyber risks to ensure that the Company is protected, to the greatest extent possible, against cyber risks and security breaches. We are regularly the target of attempted cyber and other security threats and must continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. Insider or employee cyber and security threats are increasingly a concern for all companies, including ours. Additionally, we certify our major technology suppliers and any outsourced services through accepted security certification standards.

Nevertheless, as cyber threats evolve, change and become more difficult to detect and successfully defend against, one or more cyber-attacks might defeat our or a third-party service provider's security measures in the future and obtain the personal information of customers or employees. Employee error or other irregularities may also result in a failure of security measures and a breach of information systems. Moreover, hardware, software or applications we use may have inherent defects of design, manufacture or operations or could be inadvertently or intentionally implemented or used in a manner that could compromise information security. A security breach and loss of information may not be discovered for a significant period of time after

it occurs. While we have no knowledge of a material security breach to date, any compromise of data security could result in a violation of applicable privacy and other laws or standards, the loss of valuable business data, or a disruption of our business. A security breach involving the misappropriation, loss or other unauthorized disclosure of sensitive or confidential information could give rise to unwanted media attention, materially damage our customer relationships and reputation, and result in fines, fees, or liabilities, which may not be covered by our insurance policies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Stores

Our retail store space at December 31, 2018 totaled approximately 4.4 million square feet for 120 stores. The following table sets forth the number of stores we operated at December 31, 2018 by state:

State	Number of Stores	State	Number of Stores
Florida	29	Maryland	4
Texas	22	Arkansas	3
Georgia	18	Louisiana	3
North Carolina	8	Kentucky	2
Virginia	8	Ohio	2
South Carolina	6	Indiana	1
Alabama	6	Kansas	1
Tennessee	6	Missouri	1

The 40 retail locations which we owned at December 31, 2018 had a net book value for land and buildings of \$80.5 million. Additionally, we had 19 leased locations open whose properties have a net book value of \$50.9 million which, due to financial accounting rules, are included on our balance sheets. The remaining 61 locations are leased by us with various termination dates through 2032 plus renewal options.

Distribution Facilities

We lease or own regional distribution facilities in the following locations:

Location	Owned or Leased	Approximate Square Footage
Braselton, Georgia	Leased	808,000
Coppell, Texas	Owned	394,000
Lakeland, Florida	Owned	335,000
Colonial Heights, Virginia	Owned	129,000
Fairfield, Ohio	Leased	50,000
Theodore, Alabama	Leased	42,000
Memphis, Tennessee	Leased	30,000

Corporate Facilities

We lease approximately 48,000 square feet on two floors of a suburban mid-rise office building located at 780 Johnson Ferry Road, Suite 800, Atlanta, Georgia.

For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report under Item 7 of Part II.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which we are a party or of which any of our properties is the subject.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following are the names, ages and current positions of our executive officers and, if they have not held those positions for the past five years, their former positions during that period with Havertys or other companies.

Name, age and office (at December 31, 2018) and year elected to office				Principal occupation during last five years other than office of the Company currently held
Clarence H. Smith	68	Chairman of the Board President and Chief Executive Officer Director	2012 2002 1989	President and Chief Executive Officer
Steven G. Burdette	57	Executive Vice President, Operations	2017	Executive Vice President, Stores, 2008-2017
J. Edward Clary	58	Executive Vice President, and Chief Information Officer	2015	Senior Vice President, Distribution and Chief Information Officer 2008-2015
Kathleen M. Daly	56	Senior Vice President, Marketing	2014	Head of Industry, Retail/Vertical with Google, 2007-2014
Allan J. DeNiro	65	Senior Vice President, Chief People Officer	2010	Has held this position for the last five years
John L. Gill	55	Senior Vice President, Merchandising	2018	Vice President, Merchandising 2017-2018; Eastern Regional Manager 2016-2018; Vice President, Operations 2015-2017; Western Regional Manager 2005-2015
Richard B. Hare	52	Executive Vice President and Chief Financial Officer	2017	Senior Vice President, Finance, Treasurer and Chief Financial Officer of Carmike Cinemas, Inc., 2006-2016
Rawson Haverty, Jr.	62	Senior Vice President, Real Estate and Development Director	1988 1992	Has held this position for the last five years
Jenny Hill Parker	60	Senior Vice President, Finance, Secretary and Treasurer	2010	Has held this position for the last five years
Janet E. Taylor	57	Senior Vice President, General Counsel	2010	Has held this position for the last five years

Rawson Haverty, Jr. and Clarence H. Smith are first cousins.

Our executive officers are elected or appointed annually by the Board of Directors for terms of one year or until their successors are elected and qualified, subject to removal by the Board at any time.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our two classes of common stock trade on The New York Stock Exchange ("NYSE"). The trading symbol for the common stock is HVT and for Class A common stock is HVT.A.

Stockholders

Based on the number of individual participants represented by security position listings, there are approximately 3,940 holders of our common stock and 160 holders of our Class A common stock as of February 26, 2019.

Dividends

We have historically paid and expect to continue to pay for the foreseeable future, quarterly cash dividends on our Common Stock and Class A Common Stock. The payment of dividends and the amount are determined by the Board of Directors and depend upon, among other factors, our earnings, operations, financial condition, capital requirements and general business outlook at the time such dividend is considered. We have paid a cash dividend in each year since 1935. Our credit agreement includes covenants that may restrict our ability to pay dividends. For more information, see Note 5, "Credit Arrangements," and Note 9, "Stockholders Equity," in the Notes to Consolidated Financial Statements.

Equity Compensation Plans

For information regarding securities authorized for issuance under our equity compensation plans, see Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Stock Repurchase Program

The board of directors has authorized management, at its discretion, to purchase and retire limited amounts of our common stock and Class A common stock. A program was initially approved by the board on November 3, 1986 with subsequent authorizations made as to the number of shares to be purchased or amount to be purchased in total dollars. On November 16, 2018, the board authorized the Company to purchase up to \$15.0 million of its common and Class A common stock after the balance of approximately \$1.3 million from a previous authorization is utilized. In addition to using cash flow for profitable growth and the payment of dividends, opportunistic repurchases during periods of favorable market conditions is another way to enhance stockholder value.

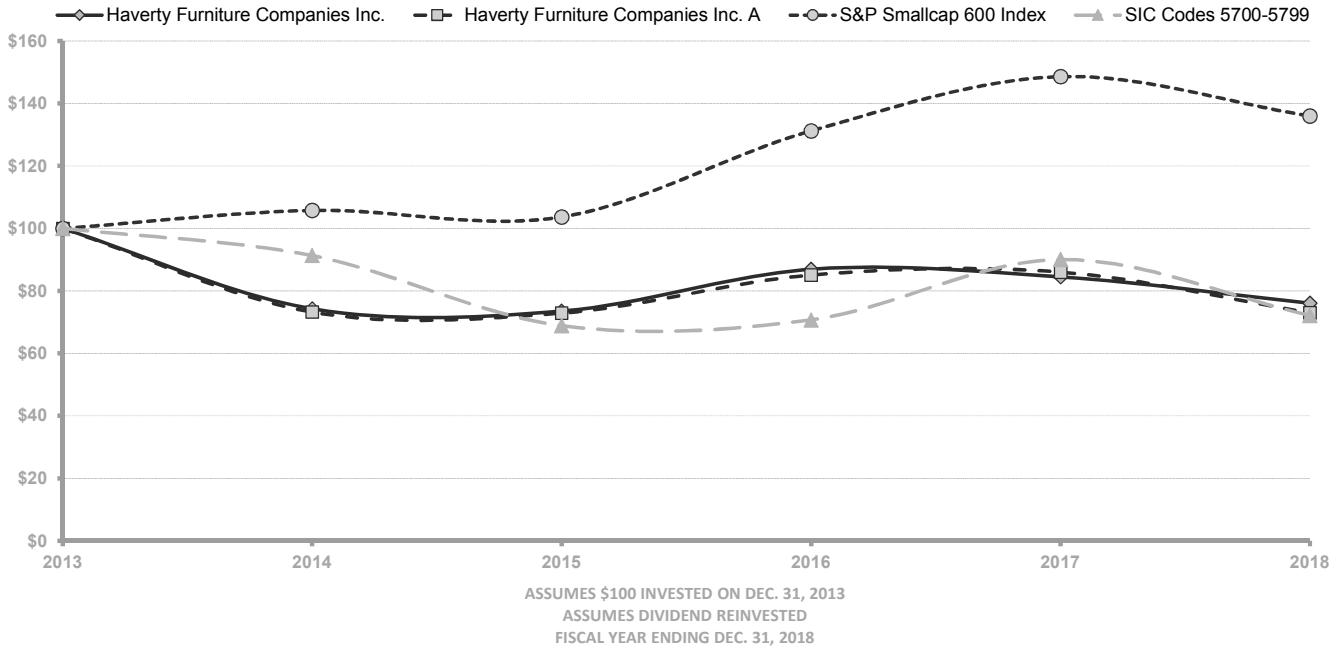
The following table presents information with respect to our repurchase of Havertys' common stock during the fourth quarter of 2018.

	(a)	(b)	(c)	(d)
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs
October 1 – October 31	—	—	—	\$ 5,555,961
November 1 – November 30	202,663	\$ 21.10	202,663	\$16,279,813
December 1 – December 31	—	—	—	\$16,279,813

Stock Performance Graph

The following graph compares the performance of Havertys' common stock and Class A common stock against the cumulative return of the NYSE/AMEX/Nasdaq Home Furnishings & Equipment Stores Index (SIC Codes 5700 - 5799) and the S&P Smallcap 600 Index for the period of five years commencing December 31, 2013 and ended December 31, 2018. The graph assumes an initial investment of \$100 on January 1, 2013 and reinvestment of dividends.

COMPARISON OF CUMULATIVE TOTAL RETURN



	2013	2014	2015	2016	2017	2018
HVT	\$100.00	\$ 74.29	\$ 73.52	\$ 86.94	\$ 84.49	\$ 76.04
HVT-A	\$100.00	\$ 73.21	\$ 72.89	\$ 85.07	\$ 86.01	\$ 72.98
S&P Smallcap 600 Index	\$100.00	\$105.76	\$103.67	\$131.20	\$148.56	\$135.96
SIC Codes 5700-5799	\$100.00	\$ 91.28	\$ 68.88	\$ 70.74	\$ 90.04	\$ 72.17

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data and non-GAAP financial measures should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 below and the "Consolidated Financial Statements and the Notes to Consolidated Financial Statements" included in Item 8 below.

	Year ended December 31,				
<i>(Dollars in thousands, except per share data)</i>	2018	2017	2016	2015	2014
Results of Operations					
Net sales	\$ 817,733	\$ 819,866	\$ 821,571	\$ 804,870	\$ 768,409
<i>Net sales change over prior year</i>	(0.3)%	(0.2)%	2.1%	4.7%	3.0%
<i>Comp-store sales change over prior year</i>	0.3%	(1.3)%	2.1%	2.5%	3.6%
Gross profit	446,542	444,923	443,337	430,776	412,366
<i>Percent of net sales</i>	54.6%	54.3%	54.0%	53.5%	53.7%
Selling, general and administrative expenses	404,856	402,884	399,236	384,801	364,654
<i>Percent of net sales</i>	49.5%	49.1%	48.6%	47.8%	47.5%
Income before income taxes ⁽¹⁾	40,408	43,223	45,821	45,275	25,257
Net income ⁽¹⁾	30,307	21,075	28,356	27,789	8,589
Share Data					
Diluted earnings per share					
Common Stock	\$ 1.42	\$ 0.98	\$ 1.30	\$ 1.22	\$ 0.37 ⁽¹⁾
Class A Common Stock	1.39	0.94	1.27	1.17	0.33
Cash dividends – amount per share:					
Common Stock ⁽²⁾	\$ 1.720	\$ 0.540	\$ 1.440	\$ 0.360	\$ 1.320
Class A Common Stock ⁽²⁾	\$ 1.630	\$ 0.510	\$ 1.365	\$ 0.340	\$ 1.250
Shares outstanding (in thousands):					
Common Stock	18,780	19,452	19,287	20,124	20,568
Class A Common Stock	1,757	1,767	1,818	2,032	2,081
Total shares	20,537	21,219	21,104	22,156	22,649
Financial Position					
Inventories	\$ 105,840	\$ 103,437	\$ 102,020	\$ 108,896	\$ 107,139
Capital expenditures	\$ 21,473	\$ 24,465	\$ 29,838	\$ 27,143	\$ 30,882
Depreciation/amortization expense	29,806	30,516	29,045	25,756	22,613
Total assets	\$ 440,179	\$ 461,329	\$ 454,505	\$ 471,251	\$ 460,987
Total debt ⁽³⁾	50,803	54,591	55,474	53,125	49,065
Stockholders' equity	274,629	294,142	281,871	301,739	292,083
Debt to total capital	15.6%	15.7%	16.4%	15.0%	14.4%
Net cash provided by operating activities	70,392	52,457	60,054	52,232	55,454
Other Supplemental Data:					
Employees	3,418	3,551	3,656	3,596	3,388
Retail sq. ft. (in thousands) at year end	4,417	4,517	4,494	4,380	4,283
Annual sales per weighted average sq. ft.	\$ 185	\$ 185	\$ 188	\$ 185	\$ 183
Average sale per written ticket	\$ 2,184	\$ 2,091	\$ 2,048	\$ 2,002	\$ 1,912

Due to rounding amounts may not add to totals.

- (1) Includes for 2014 the impact of the settlement of the pension plan of a \$21.6 million increase in expense and a tax benefit of \$0.9 million, for a total impact of \$20.7 million after tax or \$0.90 per share.
- (2) Includes special dividends of \$1.00 for Common Stock and \$0.95 for Class A Common Stock paid in the third quarter of 2014 and in the fourth quarter of 2016 and 2018.
- (3) Debt is comprised completely of lease obligations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Industry

The retail residential furniture industry's results are influenced by the overall strength of the economy, new and existing housing sales, consumer confidence, spending on large ticket items, interest rates, and availability of credit. These factors remain tempered by rising consumer debt, home inventory constraints, and tight access to home mortgage credit, all of which provide impediments to industry growth.

Our Business

We sell home furnishings in our retail stores and via our website and record revenue when the products are delivered to our customer. Our products are selected to appeal to a middle to upper-middle income consumer across a variety of styles. Our commissioned sales associates receive a high level of product training and are provided a number of tools with which to serve our customers. We also have over 120 in-home designers serving most of our stores. These individuals work with our sales associates to provide customers additional confidence and inspiration in their furniture purchase journey. We do not outsource the delivery function, something common in the industry, but instead ensure that the "last contact" is handled by a customer-oriented Havertys delivery team. We are recognized as a provider of high-quality fashionable products and exceptional service in the markets we serve.

2018

Sales were slightly lower in 2018 than in 2017, falling 0.3% or \$2.2 million. Our average ticket increased 4.4% but store traffic was down mid-single digits. Gross profit as a percent of net sales increased 30 basis points. SG&A costs increased less than 1% but with less leverage increased 40 basis points as a percent of sales. Our pre-tax income was \$40.4 million, a decrease of 6.5% or \$2.8 million. Our fourth quarter results were pre-tax income of \$12.3 million, down from \$14.1 million in the prior year period. We made \$21.5 million in important capital expenditure investments in our business and returned \$54.2 million to shareholders with \$15.0 million in dividends, \$20.5 million in special cash dividends, and \$18.7 million in purchases of common stock.

Management Objectives

Management is focused on capturing more market share and increasing sales per square foot of showroom space. This organic growth will be driven by concentrating our efforts on our customers with improved interactions highlighted by new products, services, enhanced stores and better technology. The Company's strategies for profitability include targeted marketing initiatives, productivity and process improvements, and efficiency and cost-saving measures. Our focus is to serve our customers better and distinguish ourselves in the marketplace.

Key Performance Indicators

We evaluate our performance based on several key metrics which include net sales, comparable store sales, sales per square foot, gross profit, operating costs as a percentage of sales, EBITDA, cash flow, total debt to total capital, and earnings per share. The goal of utilizing these measurements is to provide tools in economic decision-making such as store growth, capital allocation and product pricing. We also employ metrics that are customer focused (customer satisfaction score, on-time-delivery and quality), and internal effectiveness and efficiency metrics (sales per employee, average sale per ticket, closing ratios per customer store visit, inventory out-of-stock, exceptions per deliveries, and lost time incident rate). These measurements aid us in determining areas of our operations that are in need of additional attention but are not evaluated in isolation from others, so as not to conflict with our company goals.

Net Sales

Comparable-store or "comp-store" sales is a measure which indicates the performance of our existing stores and website by comparing the growth in sales in store and online for a particular period over the corresponding period in the prior year. Stores are considered non-comparable if open for less than 12 full calendar months or if the selling square footage has been changed significantly during the past 12 full

calendar months. Large clearance sales events from warehouses or temporary locations are also excluded from comparable store sales, as are periods when stores are closed or being remodeled. As a retailer, comp-store sales is an indicator of relative customer spending and store performance.

Total sales decreased \$2.2 million or 0.3% in 2018 and \$1.7 million or 0.2% in 2017. Comparable store sales, which includes online sales, increased 0.3% or \$2.2 million in 2018 and decreased 1.3% or \$10.9 million in 2017. The remaining \$4.4 million in 2018 and \$9.2 million in 2017 of the changes were from closed, new and otherwise non-comparable stores.

The following outlines our sales and comp-store sales increases and decreases for the periods indicated. (Amounts and percentages may not always add to totals due to rounding.)

Period Ended	December 31,								
	2018			2017			2016		
	Net Sales		Comp-Store Sales	Net Sales		Comp-Store Sales	Net Sales		Comp-Store Sales
	Dollars in millions	% Increase (decrease) over prior period	% Increase (decrease) over prior period	Dollars in millions	% Increase (decrease) over prior period	% Increase (decrease) over prior period	Dollars in millions	% Increase (decrease) over prior period	% Increase (decrease) over prior period
Q1	\$ 199.4	(0.5)%	(1.1)%	\$ 200.4	3.0%	1.6%	\$ 194.5	1.7%	0.9%
Q2	198.8	1.0	1.3	196.8	1.1	(0.2)	194.8	3.8	3.8
Q3	210.5	1.4	2.6	207.6	(1.9)	(2.9)	211.7	0.8	1.2
Q4	209.0	(2.8)	(1.6)	215.0	(2.6)	(3.5)	220.6	2.2	2.5
Year	\$ 817.7	(0.3)%	0.3%	\$ 819.9	(0.2)%	(1.3)%	\$ 821.6	2.1%	2.1%

Sales in 2018 declined for the year as business slowed markedly in the last half of the fourth quarter. Our revenues by category remained relatively consistent with prior years with increases in our accessories sales and delivery revenue. Our average ticket increased 4.4% to \$2,184 which helped offset the decline in the number of transactions. Our in-home designers were part of 21.5% of our sales and their average ticket was \$4,466.

Sales in 2017 declined slightly as the level of our store traffic weakened throughout the year. Our average ticket increased 2.1% allowing our sales results to not moderate at the same pace as traffic. Our in-home designers were part of 20.6% of our sales, with their average ticket twice the overall average.

Sales in 2016 began slowly as first quarter consumer spending remained at its sluggish end of 2015 pace. Throughout 2016 our business became more concentrated around holidays and we adjusted our advertising cadence accordingly. Our average ticket increased 2.3% and our in-home designers were part of 19.7% of our sales.

2019 Outlook

We believe as the general economic outlook stabilizes, and consumer spending and the housing market strengthens, our business will benefit. We have an appealing online presence and upgraded stores, and we offer on-trend merchandise, knowledgeable salespeople, and expanded special order capabilities which will be important drivers for our 2019 sales results. We expect our retail square footage to increase 2.0% in the second half of 2019.

Gross Profit

Our cost of goods sold consists primarily of the purchase price of the merchandise together with inbound freight, handling within our distribution centers and transportation costs to the local markets we serve. Our gross profit is primarily dependent upon vendor pricing, the mix of products sold and promotional pricing activity. Substantially all of our occupancy and home delivery costs are included in selling, general and administrative expenses as is a portion of our warehousing expenses. Accordingly, our gross profit may not be comparable to those entities that include some of these expenses in cost of goods sold.

Year-to-Year Comparisons

Gross profit as a percentage of net sales was 54.6% in 2018 compared to 54.3% in 2017. This improvement was predominately driven by our execution on product mix and pricing. Our Havertys branded merchandise provides a strong value and fashion statement to consumers. The increasing sales generated by our in-home designers have boosted higher margin mix opportunities through custom upholstery and accessories sales. The imposition of tariffs of 10% on products imported in China began in late September. We raised the selling prices on some impacted products and worked with our suppliers to minimize cost increases.

Gross profit as a percentage of net sales was 54.3% in 2017 compared to 54.0% in 2016. The use of the LIFO method generated a \$2.7 million or 33 basis points positive impact in 2017 over 2016.

2019 Outlook

Our expectations for 2019 are for annual gross profit margins of approximately 54.6%. This assumes no additional increases in tariffs for goods imported from China. We are shifting some product to other countries and have factored this into our 2019 gross profit margin expectations. The impact of a further increase in tariffs is difficult to quantify given the variables of product cost, replacement merchandise, and changing retail prices. We do not plan to increase the level of our promotional pricing.

Selling, General and Administrative Expenses

SG&A expenses are comprised of five categories: selling, occupancy, delivery and certain warehousing costs, advertising, and administrative. Selling expenses primarily are comprised of compensation of sales associates and sales support staff, and fees paid to credit card and third-party finance companies. Occupancy costs include rents, depreciation charges, insurance and property taxes, repairs and maintenance expense and utility costs. Delivery costs include personnel, fuel costs, and depreciation and rental charges for rolling stock. Warehouse costs include supplies, depreciation, and rental charges for equipment. Advertising expenses are primarily media production and space, direct mail costs, market research expenses and agency fees. Administrative expenses are comprised of compensation costs for store personnel exclusive of sales associates, information systems, executive, accounting, merchandising, advertising, supply chain, real estate and human resource departments.

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:

<i>(In thousands)</i>	2018		2017		2016	
		% of Net Sales		% of Net Sales		% of Net Sales
Variable	\$ 149,973	18.3%	\$ 149,694	18.2%	\$ 149,299	18.2%
Fixed and discretionary	254,883	31.2	253,190	30.9	249,937	30.4
	<u>\$ 404,856</u>	<u>49.5%</u>	<u>\$ 402,884</u>	<u>49.1%</u>	<u>\$ 399,236</u>	<u>48.6%</u>

Year-to-Year Comparisons

Our SG&A as a percent of sales increased 40 basis points to 49.5% in 2018 from 49.1% in 2017. Our fixed and discretionary expenses increased \$1.7 million or 0.7% in 2018 over 2017. This change was primarily due to increases in administrative costs of \$1.5 million which included a \$2.0 million increase in group medical expenses. We also had increases in our advertising and marketing expenses, warehouse costs and other occupancy costs totaling \$1.4 million. These increases were partly offset by \$0.7 million in lower depreciation expense and rent expense. Our variable expenses increased slightly due to higher transportation and delivery costs.

Our SG&A costs as a percent of sales increased 50 basis points to 49.1% in 2017 from 48.6% in 2016. Our fixed and discretionary expenses increased \$3.3 million or 1.3% in 2017 over 2016. This change was primarily due to increases in advertising and marketing expenses of \$2.9 million and higher depreciation, rent, and other occupancy costs totaling \$3.7 million. These increases were partly offset by \$3.0 million in lower

administrative costs driven by lower medical costs. Our variable expenses increased slightly due to continued growth generated by our in-home designers and increases in delivery costs.

2019 Outlook

Fixed and discretionary type expenses within SG&A are expected to be in the \$260.0 to \$262.0 million range for 2019. Approximately \$2.0 million of the increase is due to amounts previously charged to interest expense that will be classified as lease expense. This change is the result of the implementation on January 1, 2019 of the lease accounting standard update ASU 2016-02 ("ASU"). We also anticipate in 2019 higher occupancy costs from new and relocated stores, increases in employee group medical costs and increases from inflation. Fixed and discretionary type expenses in total should average approximately \$66.0 million per quarter excluding the second quarter which is expected to be \$3.0 million lower. For 2018 these expenses averaged \$64.5 million per quarter in all but the second quarter which was \$61.5 million.

Variable costs within SG&A for 2019 are expected to be 18.2% as a percent of sales.

Interest Expense

Our interest expense for the years 2016 to 2018 is primarily driven by amounts related to our lease obligations. For leases accounted for as capital and financing lease obligations, we record straight-line rent expense for the land portion in occupancy costs in SG&A along with amortization on the additional asset recorded. Rental payments are recognized as a reduction of the obligations and as interest expense.

Provision for Income Taxes

The Tax Cuts and Jobs Act (the "Tax Act") was signed into law on December 22, 2017. The Tax Act significantly revised the U.S. corporate income tax by lowering the statutory corporate tax rate from 35% to 21%. It also eliminated certain deductions and enhanced and extended through 2026 the option to claim accelerated depreciation deductions on qualified property. We estimated the effects of the Tax Act and recorded in our financial statements as of December 31, 2017 approximately \$5.9 million in additional tax expense for the remeasurement of net deferred tax assets and liabilities. We completed our analysis in 2018 and no additional adjustments were made for the impact of the Tax Act.

Our effective tax rate was 25.0% in 2018, 51.2% in 2017 and 38.1% in 2016. The 2018 and 2016 rate varies from the U.S. federal statutory rate primarily due to state income taxes. The 2017 rate is impacted by the negative effect of \$5.9 million for the Tax Act.

Liquidity and Capital Resources

Overview of Liquidity

Our primary cash requirements include working capital needs, contractual obligations, benefit plan contributions, income tax obligations and capital expenditures. We have funded these requirements exclusively through cash generated from operations and have not used our credit facility since 2008. We believe funds generated from our expected results of operations and available cash and cash equivalents will be sufficient to fund our primary obligations and complete projects that we have underway or currently contemplate for the next fiscal and foreseeable future years.

At December 31, 2018, our cash, cash equivalents and restricted cash equivalents balance was \$79.8 million, a decrease of \$7.8 million compared to December 31, 2017. This change primarily resulted from strong operating results offset by purchases of property and equipment and dividends paid to stockholders, including a special dividend, and repurchases of common stock. Additional discussion of our cash flow results, including the comparison of 2018 activity to 2017, is set forth in the *Analysis of Cash Flows* section.

At December 31, 2018, our outstanding indebtedness was \$50.8 million in lease obligations required to be recorded on our balance sheet. We had no amounts outstanding and \$51.5 million available under our revolving credit facility.

Capital Expenditures

Our primary capital requirements have been focused on our stores, distribution centers, and the development of both proprietary and purchased information systems. We have successfully concluded our store remodeling program and in 2018 we completed the expansion of our Western Distribution Center. Our capital expenditures were \$21.5 million in 2018, \$3.0 million less than 2017.

Our future capital requirements will depend in large part on the number of and timing for new stores we open within a given year, the investments we make for the maintenance of our existing stores, and our investment in new information systems to support our key strategies. In 2019, we anticipate that our capital expenditures will be approximately \$18.5 million, refer to our *Store Expansion and Capital Expenditures* discussion below.

Analysis of Cash Flows

The following table illustrates the main components of our cash flows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Net cash provided by operating activities	\$ 70,392	\$ 52,457	\$ 60,054
Capital expenditures	(21,473)	(24,465)	(29,838)
Free cash flow	\$ 48,919	\$ 27,992	\$ 30,216
Net cash used in investing activities	\$ (18,972)	\$ (21,527)	\$ (13,158)
Net cash used in financing activities	\$ (59,217)	\$ (14,839)	\$ (54,045)

Cash flows from operating activities. During 2018, net cash provided by operating activities was \$70.4 million. The primary components of the changes in operating assets and liabilities are listed below:

- Increase in inventories of \$2.4 million as we increased stock in advance of Chinese New Year when suppliers are closed and before the imposition of tariffs on goods imported from China.
- Decrease in prepaid expenses of \$3.2 million primarily associated with income taxes.
- Decrease in customer deposits of \$3.3 million.
- Increase in other liabilities of \$3.8 million primarily due to receipt of incentives that will amortize over six years.

During 2017, net cash provided by operating activities was \$52.5 million. The primary components of the changes in operating assets and liabilities are listed below:

- Increase in inventories of \$2.1 million as we increased stocking levels in the distribution centers in advance of Chinese New Year and added a new store.
- Increase in prepaid expenses of \$2.5 million primarily from the timing of the payment of taxes and computer maintenance agreements.
- Increase in customer deposits of \$2.9 million.
- Decrease in accounts payable of \$5.2 million.
- Decrease in accrued liabilities of \$4.3 million primarily from the timing of payments for compensation and real estate and property taxes.

During 2016, net cash provided by operating activities was \$60.1 million. The primary components of the changes in operating assets and liabilities are listed below:

- Decrease in inventories of \$6.9 million as we operated with leaner quantities in our distribution centers.
- Increase in other assets of \$2.5 million, resulting from increased prepaid maintenance contracts and assets held under a non-qualified deferred compensation plan.
- Increase in prepaid expenses of \$2.7 million primarily from the timing of the payment of payroll taxes and computer maintenance agreements.
- Decrease in accounts payable of \$2.2 million.
- Increase in customer deposits of \$3.9 million.

Cash flows used in investing activities. Net cash used in investing activities was \$19.0 million, \$21.5 million, and \$13.2 million for 2018, 2017 and 2016, respectively. In each of these years, the amounts of cash used in investing activities consisted principally of capital expenditures related to store construction and improvements, distribution, and information technology projects, refer to our *Store Expansion and Capital Expenditures* discussion below. During 2018, we received \$2.4 million in proceeds from sales of property and equipment. During 2017, we received approximately \$2.0 million in insurance proceeds to offset costs of rebuilding and repairing two stores. During 2016, partly offsetting the expenditures for new stores and the expansion of the Florida distribution center we had \$12.7 million of investments which matured and received \$3.0 million in insurance proceeds for the destroyed Lubbock store.

Cash flows used in financing activities. Net cash used in financing activities was \$59.2 million for 2018, \$14.8 million for 2017 and \$54.0 million for 2016. During 2018, we purchased \$18.7 million in treasury stock, paid \$15.0 million in dividends, and paid \$20.4 million as a special dividend. During 2017, we paid \$11.4 million in dividends. During 2016, we purchased \$21.3 million in treasury stock, paid \$9.4 million in dividends, and paid \$21.0 million as a special dividend.

Long-Term Debt

In March 2016 Havertys entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with a bank. Refer to Note 5, "Credit Arrangement" of the Notes to Consolidated Financial Statements for information about our Credit Agreement.

Off-Balance Sheet Arrangements

We have not entered into agreements which meet the SEC's definition of an off-balance sheet arrangement other than operating leases and have made no financial commitments to or guarantees with respect to any unconsolidated entities or financial partnerships or special purpose entities.

Contractual Obligations

The following summarizes our contractual obligations and commercial commitments as of December 31, 2018 (in thousands):

	Payments Due or Expected by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Lease obligations ⁽¹⁾	\$ 63,798	\$ 6,130	\$ 11,529	\$ 10,755	\$ 35,384
Operating leases	168,123	29,912	54,046	35,224	48,941
Purchase orders	78,294	78,294	—	—	—
Total contractual obligations ⁽²⁾	<u>\$ 310,215</u>	<u>\$ 114,336</u>	<u>\$ 65,575</u>	<u>\$ 45,979</u>	<u>\$ 84,325</u>

(1) These amounts are for our lease obligations recorded in our consolidated balance sheets, including interest amounts. For additional information about our leases, refer to Note 8, "Long-Term Debt and Lease Obligations" of the Notes to the Consolidated Financial Statements.

(2) The contractual obligations do not include any amounts related to retirement benefits. For additional information about our plans, refer to Note 10, "Benefit Plans" of the Notes to the Consolidated Financial Statements.

Store Expansion and Capital Expenditures

We have entered new markets and made continued improvements and relocations of our store base. The following outlines the change in our selling square footage for each of the three years ended December 31 (square footage in thousands):

Store Activity:	2018		2017		2016	
	# of Stores	Square Footage	# of Stores	Square Footage	# of Stores	Square Footage
Opened	1	29	3	100	4	146
Closed	5	143	3	85	1	33
Year-end balances	120	4,418	124	4,517	124	4,494

The following table summarizes our store activity in 2018 and plans for 2019.

Location	Opening (Closing) Quarter Actual or Planned	Category
Columbia, SC	(Q-1-18)	Closure
Sherman, TX	(Q-2-18)	Closure
North Richland Hills, TX	(Q-2-18)	Closure
Raleigh, NC	(Q-4-18)	Closure
Monroe, LA	(Q-4-18)	Closure
Chattanooga, TN	Q-4-18	New Market
To be announced	Q-3-19	New Market
Newnan, GA	Q-3-19	Opening
To be announced	Q-4-19	New Market
Baton Rouge, LA	Q-4-19	Relocation

These plans and other changes should increase net selling space in 2019 by approximately 2.0% assuming the new stores open and existing store closes as planned.

Our investing activities in stores and operations in 2018, 2017 and 2016 and planned outlays for 2019 are categorized in the table below. Capital expenditures for stores in the years noted do not necessarily coincide with the years in which the stores open.

(Approximate in thousands)	Proposed 2019	2018	2017	2016
Stores:				
New or replacement stores	\$ 6,400	\$ 600	\$ 6,300	\$ 6,800
Remodels/expansions	1,000	2,300	5,300	3,900
Other improvements	3,800	3,300	3,600	4,200
Total stores	11,200	6,200	15,200	14,900
Distribution	3,300	12,800	6,500	9,200
Information technology	4,000	2,500	2,800	5,700
Total	<u>\$ 18,500</u>	<u>\$ 21,500</u>	<u>\$ 24,500</u>	<u>\$ 29,800</u>

Critical Accounting Estimates and Assumptions

Our discussion and analysis is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. On an on-going basis, we evaluate our estimates, including those related to self-insurance and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used or changes in the accounting estimate that are reasonably likely to occur could materially change the financial statements.

We believe the following critical accounting policy reflects our more significant estimates and assumptions used in the preparation of our consolidated financial statements:

Self-Insurance. We are self-insured for certain losses related to worker's compensation, general liability and vehicle claims for amounts up to a deductible per occurrence. Our reserve is developed based on historical claims data and contains an actuarially developed incurred but not reported component. The resulting estimate is discounted and recorded as a liability. Our actuarial assumptions and discount rates are reviewed periodically and compared with actual claims experience and external benchmarks to ensure appropriateness.

A one-percentage-point change in the actuarial assumption for the discount rate would impact 2018 expense for insurance by approximately \$80,000, a 1.1% change.

We are primarily self-insured for employee group health care claims. We have purchased insurance coverage in order to establish certain limits to our exposure on a per claim basis. We record an accrual for the estimated amount of self-insured health care claims incurred by all participants but not yet reported (IBNR) using an actuarial method of applying a development factor to the reported monthly claims amounts. The Company's risk management and accounting management utilize a consistent methodology which involves various assumptions, judgment and other factors. The most significant factors which impact the determination of a required accrual are the historical pattern of the timeliness of claims processing, any changes in the nature or types of benefit plans, changes in the plan benefit designs, and medical trends and inflation. Historical experience is continually monitored, and accruals are adjusted when warranted by changes in facts and circumstances. The Company believes that the total health care cost accruals are reasonable and adequate to cover future payments on incurred claims.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the potential loss arising from adverse changes in the value of financial instruments. The risk of loss is assessed based on the likelihood of adverse changes in fair values, cash flows or future earnings.

In the ordinary course of business, we are exposed to various market risks, including fluctuations in interest rates. To manage the exposure related to this risk, we may use various derivative transactions. As a matter of policy, we do not engage in derivatives trading or other speculative activities. Moreover, we enter into financial instruments transactions with either major financial institutions or high credit-rated counterparties, thereby limiting exposure to credit and performance-related risks.

We have exposure to floating interest rates through our Credit Agreement. Therefore, interest expense will fluctuate with changes in LIBOR and other benchmark rates. We have never had any borrowings under the Credit Agreement. We do not believe a 100-basis point change in interest rates would have a significant adverse impact on our operating results or financial position.

LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressure may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments cannot be entirely predicted but, as noted above, could impact the interest earned on our investments and our interest expense. If LIBOR is no longer widely available, or otherwise at our option, we will pursue alternative interest rate calculations in our Credit Agreement and other financial instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of our independent registered public accounting firm, the Consolidated Financial Statements of Havertys and the Notes to Consolidated Financial Statements, and the supplementary financial information called for by this Item 8, are set forth on pages F-1 to F-24 of this report. Specific financial statements and supplementary data can be found at the pages listed in the following index:

Index	Page
Financial Statements	
Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements	F-1
Consolidated Balance Sheets	F-2
Consolidated Statements of Comprehensive Income	F-3
Consolidated Statements of Stockholders' Equity	F-4
Consolidated Statements of Cash Flows	F-5
Notes to Consolidated Financial Statements	F-6
Schedule II – Valuation and Qualifying Accounts	F-23

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Our management has evaluated, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), the effectiveness of the design and operation of the Company’s “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective for the purpose of providing reasonable assurance that the information we must disclose in reports that we file or submit under the Securities Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) is accumulated and communicated to the Company’s management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

(b) Management’s Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that evaluation, our management concluded that our internal control over financial reporting is effective as of December 31, 2018.

Attestation Report of the Independent Registered Public Accounting Firm. Grant Thornton LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this annual report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

(c) Changes in Internal Control over Financial Reporting. During the fourth quarter of 2018, there were no changes in our internal control over financial reporting that have affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Haverty Furniture Companies, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Haverty Furniture Companies, Inc. (a Maryland corporation) and subsidiary (the "Company") as of December 31, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2018, and our report dated March 4, 2019 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Atlanta, Georgia
March 4, 2019

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have adopted a Code of Conduct (the "Code") for our directors, officers (including our principal executive officer, and principal financial and accounting officer) and employees. The Code is available on our website at www.havertys.com. In the event we amend or waive any provisions of the Code applicable to our principal executive officer or principal financial and accounting officer, we will disclose the same by filing a Form 8-K. The information contained on or connected to our Internet website is not incorporated by reference into this annual report on Form 10-K and should not be considered part of this or any other report that we file or furnish to the SEC.

We provide some information about our executive officers in Part I of this report under the heading "Executive Officers and Certain Significant Employees of the Registrant." The remaining information called for by this item is incorporated by reference to "Election of Directors," "Corporate Governance," "Board and Committees" and "Other Information – Section 16(a) Beneficial Ownership Reporting Compliance" in our 2019 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in our 2019 Proxy Statement with respect to executive compensation and transactions under the heading "Compensation Discussion and Analysis" is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained in our 2019 Proxy Statement with respect to the ownership of common stock and Class A common stock by certain beneficial owners and management, and with respect to our compensation plans under which equity securities are authorized for issuance under the headings "Ownership of Company Stock by Directors and Management" and "Equity Compensation Plan Information," is incorporated herein by reference in response to this item.

For purposes of determining the aggregate market value of our common stock and Class A common stock held by non-affiliates, shares held by all directors and executive officers have been excluded. The exclusion of such shares is not intended to, and shall not, constitute a determination as to which persons or entities may be "affiliates" as defined under the Securities Exchange Act of 1934.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information contained in our 2019 Proxy Statement with respect to certain relationships, related party transactions and director independence under the headings "Certain Relationships and Related Transactions" and "Corporate Governance – Director Independence" is incorporated herein by reference in response to this item.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information under the heading "Audit Fees and Related Matters" in our 2019 Proxy Statement is incorporated herein by reference to this item.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) *Financial Statements.* The following documents are filed as part of this report:

Consolidated Balance Sheets – December 31, 2018 and 2017
Consolidated Statements of Comprehensive Income – Years ended December 31, 2018, 2017 and 2016
Consolidated Statements of Stockholders' Equity – Years ended December 31, 2018, 2017 and 2016
Consolidated Statements of Cash Flows – Years ended December 31, 2018, 2017 and 2016
Notes to Consolidated Financial Statements

(2) *Financial Statement Schedule.*

The following financial statement schedule of Haverty Furniture Companies, Inc. is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements:

Schedule II – Valuation and Qualifying Accounts

All other schedules have been omitted because they are inapplicable, or the required information is included in the Consolidated Financial Statements or notes thereto.

(3) *Exhibits:*

Reference is made to Item 15(b) of this Report.

Each exhibit identified below is filed as part of this report. Exhibits not incorporated by reference to a prior filing are designated by an “*”; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. Exhibits designated with a “+” constitute a management contract or compensatory plan or arrangement. Our SEC File Number is 1-14445 for all exhibits filed with the Securities Exchange Act reports.

Exhibit No.	Exhibit
3.1	Articles of Amendment and Restatement of the Charter of Haverty Furniture Companies, Inc. effective May 2006 (Exhibit 3.1 to our 2006 Second Quarter Form 10-Q).
3.2	By-Laws of Haverty Furniture Companies, Inc., as amended and restated effective May 8, 2018 (Exhibit 3.1 to our Current Report on Form 8-K dated May 10, 2018).
10.1	Amended and Restated Credit Agreement by and among Haverty Furniture Companies, Inc. and Havertys Credit Services, Inc., as the Borrowers, SunTrust Bank, as the Issuing Bank and Administrative Agent and SunTrust Robinson Humphrey, Inc. as Lead Arranger, dated September 1, 2011 (Exhibit 10.1 to our 2011 Third Quarter Form 10-Q). First Amendment to Amended and Restated Credit Agreement, dated March 31, 2016 (Exhibit 10.1 to our 2016 First Quarter Form 10-Q).
10.2	Haverty Furniture Companies, Inc., Class A Shareholders Agreement (the “Agreement”), made as of June 5, 2012, by and among, Haverty Furniture Companies, Inc., Villa Clare Partners, L.P., Clarence H. Smith, H5, L.P., Rawson Haverty, Jr., Ridge Partners, L.P. and Frank S. McGaughey (Exhibit 10.1 to our Form 8-K filed June 8, 2012); Parties added to the Agreement and Revised Annex I as of November 1, 2012 – Marital Trust FOB Margaret M. Haverty and Marital Trust B FOB Margaret M. Haverty; Parties added to the Agreement as of December 11, 2012 – Margaret Munnerlyn Haverty Revocable Trust (Exhibit 10.1 to our First Quarter 2013 Form 10-Q); Parties added to the Agreement as of July 5, 2013 – Richard McGaughey (Exhibit 10.1 to our Second Quarter 2013 Form 10-Q). Amendment to Class A Shareholders Agreement, as of December 30, 2016 (Exhibit 10.2.1 to our 2016 Form 10-K).

Exhibit No.	Exhibit
+10.3	2004 Long-Term Incentive Plan effective as of May 10, 2004 (Exhibit 10.1 to our Registration Statement on Form S-8, File No. 333-120352); Amendment No. One to our 2004 Long-Term Incentive Plan effective as of May 9, 2011 (Exhibit 4.1 to our Registration Statement on Form S-8, File No. 333-176100).
+10.4	2014 Long-Term Incentive Plan effective as of May 12, 2014 (Exhibit 10.1 to our Registration Statement on Form S-8, File No. 333-197969); Amendment No. One to our 2014 Long-Term Incentive Plan effective June 1, 2018 (Exhibit 10.1 to our Current Report on Form 8-K dated April 10, 2018).
+10.5	Amended and Restated Directors' Compensation Plan, effective as of May 16, 2016 (Appendix A of our 2017 Annual Proxy Statement).
+10.6	Directors Deferred Compensation Plan, as Amended and Restated, January 1, 2006 (Exhibit 10.6.1 to our 2016 Form 10-K). Amendment Number One to the Directors Deferred Compensation Plan as of February 16, 2011 (Exhibit 10.6.2 to our 2016 Form 10-K).
+10.7	Amended and Restated Supplemental Executive Retirement Plan, effective January 1, 2009 (Exhibit 10.9 to our 2008 Form 10-K). Amendment Number One to the Amended and Restated Supplemental Executive Retirement Plan, effective as of January 1, 2009 and Amendment Number two effective as of December 31, 2015 (Exhibit 10.7 to our 2015 Form 10-K). Amendment Number Three to the Amended and Restated Supplemental Executive Retirement Plan, effective December 21, 2016 (Exhibit 10.7.1 to our 2016 Form 10-K).
+10.8	Form of Agreement dated February 27, 2018 regarding Change in Control with the Named Executive Officers and a Management Director (Exhibit 10.1 to our Current Report on Form 8-K dated March 5, 2018).
+10.8.1	Form of Agreement dated February 27, 2018, regarding Change in Control with Executive Officers who are not Named Executive Officers or Management Directors (Exhibit 10.2 to our Current Report on Form 8-K dated March 5, 2018).
+10.9	Amended and Restated Non-Qualified Deferred Compensation Plan, effective as of August 9, 2016 (Exhibit 10.9 to our 2016 Form 10-K).
+10.10	Top Hat Mutual Fund Option Plan, effective as of January 15, 1999 (Exhibit 10.15 to our 1999 Form 10-K).
+10.11	Form of Stock Settled Appreciation Rights Award Notice in connection with the 2004 Long-Term Incentive Compensation Plan (Exhibit 10.2 to our Current Report on Form 8-K dated January 30, 2013).
+10.12	Form of Restricted Stock Units Award Notice, Form of Performance Restricted Stock Units (EBITDA) Award Notice and Form of Performance Restricted Units (Sales) Award Notice in connection with the 2014 Long-Term Incentive Compensation Plan. (Exhibits 10.1, 10.2 and 10.3 to our Current Report on Form 8-K dated January 28, 2015).
+10.13	Form of Restricted Stock Units Award Notice, Form of Performance Restricted Stock Units (EBITDA) Award Notice and Form of Performance Restricted Units (Sales) Award Notice in connection with the 2014 Long-Term Incentive Compensation Plan. (Exhibits 10.1, 10.2 and 10.3 to our Current Report on Form 8-K dated January 28, 2016).
+10.14	Form of Restricted Stock Units Award Notice, Form of Performance Restricted Stock Units (EBITDA) Award Notice and Form of Performance Restricted Units (Sales) Award Notice in connection with the 2014 Long-Term Incentive Compensation Plan. (Exhibits 10.1, 10.2 and 10.3 to our Current Report on Form 8-K dated February 3, 2017).
+10.15	Form of Restricted Stock Units Award Notice, Form of Performance Restricted Stock Units (EBITDA) Award Notice and Form of Performance Restricted Units (Sales) Award Notice in connection with the 2014 Long-Term Incentive Compensation Plan. (Exhibits 10.1, 10.2 and 10.3 to our Current Report on Form 8-K dated February 2, 2018).

Exhibit No.	Exhibit
+10.16	Form of Employee Agreement dated September 19, 2018 (Exhibit 10.1 to our 2018 Third Quarter Form 10-Q).
+10.17	Restricted Stock Agreement dated September 19, 2018 (Exhibit 10.1 to our Current Report on Form 8-K dated September 18, 2018).
*+10.18	Form of Restricted Stock Units Award Notice in connection with the 2014 Long-Term Incentive Compensation Plan.
*+10.19	Form of Performance Restricted Stock Units (EBITDA) Award Notice in connection with the 2014 Long-Term Incentive Compensation Plan.
*+10.20	Form of Performance Restricted Units (Sales) Award Notice in connection with the 2014 Long-Term Incentive Compensation Plan.
10.21	Lease Agreement dated July 26, 2001; Amendment No. 1 dated November 2001 and Amendment No. 2 dated July 29, 2002 between Haverty Furniture Companies, Inc. as Tenant and John W. Rooker, LLC as Landlord (Exhibit 10.1 to our 2002 Third Quarter Form 10-Q). Amendment No. 3 dated July 29, 2005 and Amendment No. 4 dated January 22, 2006 between Haverty Furniture Companies, Inc. as Tenant and ELFP Jackson, LLC as successor in interest to John W. Rooker, LLC as Landlord (Exhibit 10.15.1 to our 2006 Form 10-K).
*10.21.1	Fifth Amendment entered into as of December 3, 2018 to Lease Agreement dated July 26, 2001, as amended by and between 1090 Broadway Avenue Distribution Investors, LLC, as successor in interest to ELFP Jackson, LLC as Landlord and Haverty Furniture Companies, Inc., as Tenant.
10.22	Contract of Sale dated August 6, 2002, between Haverty Furniture Companies, Inc. as Seller and HAVERTACQII LLC, as Landlord (Exhibit 10.2 to our 2002 Third Quarter Form 10-Q).
10.23	Lease Agreement dated August 6, 2002, between Haverty Furniture Companies, Inc. as Tenant and HAVERTACQII LLC, as Landlord (Exhibit 10.3 to our 2002 Third Quarter Form 10-Q).
10.24	Amended and Restated Retailer Program Agreement dated November 5, 2013, between Haverty Furniture companies, Inc. and GE Capital Retail Bank (formerly known as GE Money Bank). Portions of this document have been redacted pursuant to a request for confidential treatment filed pursuant to the Freedom of Information Act. (Exhibit 10.13 to our 2013 Form 10-K/A); First Amendment to the Amended and Restated Retailer Program Agreement between Haverty Furniture Companies, Inc. and Synchrony Bank (formerly GE Capital Retail Bank). Portions of this document have been redacted pursuant to a request for confidential treatment filed pursuant to the Freedom of Information Act. (Exhibit 10.1 to our 2018 Second Quarter Form 10-Q).
*21	Subsidiaries of Haverty Furniture Companies, Inc.
*23.1	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm.
*31.1	Certification pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
*31.2	Certification 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 our Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets for the years ended December 31, 2018 and 2017, (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016, (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2018, 2017 and 2016, (iv) Consolidated Statements of Cash Flow for the years ended December 31, 2018, 2017 and 2016, and (v) the Notes to Consolidated Financial Statements.

Item 16. Form 10-K Summary

Not Applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 4, 2019.

HAVERTY FURNITURE COMPANIES, INC.

By: /s/ CLARENCE H. SMITH

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on March 4, 2019.

/s/ CLARENCE H. SMITH

Clarence H. Smith
Chairman of the Board, President and
Chief Executive Officer
(principal executive officer)

/s/ RICHARD B. HARE

Richard B. Hare
Executive Vice President and
Chief Financial Officer
(principal financial and accounting officer)

/s/ L. ALLISON DUKES

L. Allison Dukes
Director

/s/ MYLLE H. MANGUM

Mylle H. Mangum
Director

/s/ JOHN T. GLOVER

John T. Glover
Lead Director

/s/ VICKI R. PALMER

Vicki R. Palmer
Director

/s/ RAWSON HAVERTY, JR.

Rawson Haverty, Jr.
Director

/s/ FRED L. SCHUERMANN

Fred L. Schuermann
Director

/s/ G. THOMAS HOUGH

G. Thomas Hough
Director

/s/ AL TRUJILLO

Al Trujillo
Director

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Haverty Furniture Companies, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Haverty Furniture Companies, Inc. (a Maryland corporation) and subsidiary (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule included under Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 4, 2019 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2016.

Atlanta, Georgia
March 4, 2019

HAVERTY FURNITURE COMPANIES, INC. CONSOLIDATED BALANCE SHEETS

	December 31,	
	2018	2017
<i>(In thousands, except per share data)</i>		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 71,537	\$ 79,491
Restricted cash equivalents	8,272	8,115
Accounts receivable, net	1,833	2,408
Inventories	105,840	103,437
Prepaid expenses	8,106	11,314
Other current assets	6,262	5,922
Total current assets	201,850	210,687
Accounts receivable, long-term, net	226	254
Property and equipment, net	216,852	229,215
Deferred income taxes	12,544	12,375
Other assets	8,707	8,798
Total assets	<u>\$ 440,179</u>	<u>\$ 461,329</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 19,840	\$ 20,501
Customer deposits	24,465	27,813
Accrued liabilities	39,903	37,582
Current portion of lease obligations	4,018	3,788
Total current liabilities	88,226	89,684
Lease obligations, less current portion	46,785	50,803
Other liabilities	30,539	26,700
Total liabilities	165,550	167,187
Stockholders' equity		
Capital Stock, par value \$1 per share		
Preferred Stock, Authorized – 1,000 shares; Issued: None		
Common Stock, Authorized – 50,000 shares; Issued: 2018 – 29,079; 2017 – 28,950	29,079	28,950
Convertible Class A Common Stock, Authorized – 15,000 shares; Issued: 2018 – 2,280; 2017 – 2,290	2,280	2,290
Additional paid-in capital	91,394	88,978
Retained earnings	282,366	287,390
Accumulated other comprehensive income (loss)	(1,465)	(2,144)
Less treasury stock at cost – Common Stock (2018 – 10,300; 2017 – 9,498) and Convertible Class A Common Stock (2018 and 2017 – 522)	(129,025)	(111,322)
Total stockholders' equity	274,629	294,142
Total liabilities and stockholders' equity	<u>\$ 440,179</u>	<u>\$ 461,329</u>

The accompanying notes are an integral part of these consolidated financial statements.

HAVERTY FURNITURE COMPANIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2018	2017	2016
<i>(In thousands, except per share data)</i>			
Net sales	\$ 817,733	\$ 819,866	\$ 821,571
Cost of goods sold	371,191	374,943	378,234
Gross profit	446,542	444,923	443,337
Credit service charges	103	161	229
Gross profit and other revenue	446,645	445,084	443,566
Expenses:			
Selling, general and administrative	404,856	402,884	399,236
Provision for doubtful accounts	68	224	383
Other income, net	(110)	(3,358)	(4,107)
Total expenses	404,814	399,750	395,512
Income before interest and income taxes	41,831	45,334	48,054
Interest expense, net	1,423	2,111	2,233
Income before income taxes	40,408	43,223	45,821
Income tax expense	10,101	22,148	17,465
Net income	<u>\$ 30,307</u>	<u>\$ 21,075</u>	<u>\$ 28,356</u>
Other comprehensive income (loss), net of tax:			
Defined benefit pension plan adjustments; net of tax expense (benefit) of \$226, \$(105) and \$66	<u>\$ 679</u>	<u>\$ (314)</u>	<u>\$ 108</u>
Comprehensive income	<u>\$ 30,986</u>	<u>\$ 20,761</u>	<u>\$ 28,464</u>
Basic earnings per share:			
Common Stock	\$ 1.45	\$ 1.00	\$ 1.32
Class A Common Stock	\$ 1.39	\$ 0.95	\$ 1.27
Diluted earnings per share:			
Common Stock	\$ 1.42	\$ 0.98	\$ 1.30
Class A Common Stock	\$ 1.39	\$ 0.94	\$ 1.27

The accompanying notes are an integral part of these consolidated financial statements.

HAVERTY FURNITURE COMPANIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Year Ended December 31,					
	2018		2017		2016	
	Shares	Dollars	Shares	Dollars	Shares	Dollars
<i>(In thousands, except per share data)</i>						
COMMON STOCK:						
Beginning balance	28,950	\$ 28,950	28,793	\$ 28,793	28,486	\$ 28,486
Conversion of Class A Common Stock	10	10	50	50	214	214
Stock compensation transactions, net	119	119	107	107	93	93
Ending balance	<u>29,079</u>	<u>29,079</u>	<u>28,950</u>	<u>28,950</u>	<u>28,793</u>	<u>28,793</u>
CLASS A COMMON STOCK:						
Beginning balance	2,290	2,290	2,340	2,340	2,554	2,554
Conversion to Common Stock	(10)	(10)	(50)	(50)	(214)	(214)
Ending balance	<u>2,280</u>	<u>2,280</u>	<u>2,290</u>	<u>2,290</u>	<u>2,340</u>	<u>2,340</u>
TREASURY STOCK:						
Beginning balance (includes 522,410 shares Class A Stock for each of the years presented; remainder are Common Stock)	(10,020)	(111,322)	(10,028)	(111,412)	(8,884)	(90,302)
Directors' Compensation Plan	88	1,029	8	90	16	172
Purchases	(890)	(18,732)	—	—	(1,160)	(21,282)
Ending balance	<u>(10,822)</u>	<u>(129,025)</u>	<u>(10,020)</u>	<u>(111,322)</u>	<u>(10,028)</u>	<u>(111,412)</u>
ADDITIONAL PAID-IN CAPITAL:						
Beginning balance		88,978		86,273		83,179
Stock option and restricted stock issuances		(1,352)		(1,662)		(975)
Tax (cost) benefit related to stock-based plans		—		—		(121)
Directors' Compensation Plan		(590)		549		318
Amortization of restricted stock		4,358		3,818		3,872
Ending balance		<u>91,394</u>		<u>88,978</u>		<u>86,273</u>
RETAINED EARNINGS:						
Beginning balance		287,390		277,707		279,760
Impact of adoption of new accounting pronouncement		133		—		—
Net income		30,307		21,075		28,356
Cash dividends (Common Stock: 2018 - \$1.72; 2017 - \$ 0.54; and 2016 - \$1.44 per share Class A Common Stock: 2018 - \$1.63; 2017- \$0.51 and 2016 - \$1.365 per share)		(35,464)		(11,392)		(30,409)
Ending balance		<u>282,366</u>		<u>287,390</u>		<u>277,707</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):						
Beginning balance		(2,144)		(1,830)		(1,938)
Pension liabilities adjustment, net of taxes		679		(314)		108
Ending balance		<u>(1,465)</u>		<u>(2,144)</u>		<u>(1,830)</u>
TOTAL STOCKHOLDERS' EQUITY		<u>\$ 274,629</u>		<u>\$ 294,142</u>		<u>\$ 281,871</u>

The accompanying notes are an integral part of these consolidated financial statements

HAVERTY FURNITURE COMPANIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year ended December 31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 30,307	\$ 21,075	\$ 28,356
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	29,806	30,516	29,045
Gain on insurance recovery	(307)	(2,848)	(3,338)
Proceeds from insurance recovery received for business interruption and destroyed inventory	266	2,867	2,599
Stock-based compensation expense	4,358	3,818	3,872
Deferred income taxes	(439)	5,559	(1,120)
Provision for doubtful accounts	68	224	383
Other	863	82	(480)
Changes in operating assets and liabilities:			
Accounts receivable	535	1,820	1,514
Inventories	(2,403)	(2,112)	6,876
Customer deposits	(3,348)	2,890	3,887
Other assets and liabilities	9,196	(932)	(9,508)
Accounts payable and accrued liabilities	1,490	(10,502)	(2,032)
Net Cash Provided by Operating Activities	<u>70,392</u>	<u>52,457</u>	<u>60,054</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(21,473)	(24,465)	(29,838)
Maturities of investments	—	—	12,725
Proceeds from sale of property and equipment	2,446	951	944
Proceeds from insurance for destroyed property and equipment	55	1,987	3,011
Net Cash Used in Investing Activities	<u>(18,972)</u>	<u>(21,527)</u>	<u>(13,158)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings under revolving credit facilities	—	—	—
Payments of borrowings under revolving credit facilities	—	—	—
Net change in borrowings under revolving credit facilities	<u>—</u>	<u>—</u>	<u>—</u>
Construction allowance receipts	—	1,590	1,574
Payments on lease obligations	(3,788)	(3,482)	(3,125)
Excess tax benefit from stock-based plans	—	—	80
Dividends paid	(35,464)	(11,392)	(30,409)
Common stock repurchased	(18,732)	—	(21,282)
Taxes on vested restricted shares	(1,233)	(1,555)	(883)
Net Cash Used in Financing Activities	<u>(59,217)</u>	<u>(14,839)</u>	<u>(54,045)</u>
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash Equivalents	(7,797)	16,091	(7,149)
Cash, Cash Equivalents and Restricted Cash Equivalents at Beginning of Year	<u>87,606</u>	<u>71,515</u>	<u>78,664</u>
Cash and Cash Equivalents and Restricted Cash Equivalents at End of Year	<u>\$ 79,809</u>	<u>\$ 87,606</u>	<u>\$ 71,515</u>

The accompanying notes are an integral part of these consolidated financial statements

Notes to Consolidated Financial Statements

Note 1, Description of Business and Summary of Significant Accounting Policies:

Business:

Haverty Furniture Companies, Inc. (“Havertys,” “we,” “our,” or “us”) is a retailer of a broad line of residential furniture in the middle to upper-middle price ranges. We have 120 showrooms in 16 states at December 31, 2018. All of our stores are operated using the Havertys name and we do not franchise our stores. We offer financing through a third-party finance company as well as an internal revolving charge credit plan.

Basis of Presentation:

The consolidated financial statements include the accounts of Havertys and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates:

The preparation of financial statements in conformity with United States of America generally accepted accounting principles (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents includes all liquid investments with a maturity date of less than three months when purchased. Cash equivalents also include amounts due from third-party financial institutions for credit and debit card transactions which typically settle within five days.

Restricted Cash Equivalents:

Our insurance carrier requires us to collateralize a portion of our workers’ compensation obligations. These funds are investments in money market funds held by an agent. The agreement with our carrier governing these funds is on an annual basis expiring on December 31.

Inventories:

Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method.

Property and Equipment:

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Leasehold improvements and buildings under lease are amortized over the shorter of the estimated useful life or the lease term of the related asset. Amortization of buildings under lease is included in depreciation expense.

Estimated useful lives for financial reporting purposes are as follows:

Buildings	25 – 33 years
Improvements	5 – 15 years
Furniture and Fixtures	3 – 15 years
Equipment	3 – 15 years
Buildings under lease	15 years

Customer Deposits:

Customer deposits consist of cash collections on sales of undelivered merchandise, customer advance payments, and deposits on credit sales for undelivered merchandise.

Revenue Recognition:

We recognize revenue from merchandise sales and related service fees, net of sales taxes, upon delivery to the customer. A reserve for merchandise returns and customer allowances is estimated based on our historical returns and allowance experience and current sales levels.

We typically offer our customers an opportunity for us to deliver their purchases and most choose this service. Delivery fees of approximately \$34,405,000, \$25,728,000 and \$25,467,000 were charged to customers in 2018, 2017 and 2016, respectively, and are included in net sales. The costs associated with deliveries are included in selling, general and administrative expenses and were approximately \$40,236,000, \$39,582,000 and \$39,222,000 in 2018, 2017 and 2016, respectively.

Credit service charges are recognized as revenue as assessed to customers according to contract terms. The costs associated with credit approval, account servicing and collections are included in selling, general and administrative expenses.

Cost of Goods Sold:

Our cost of goods sold includes the direct costs of products sold, warehouse handling and transportation costs.

Selling, General and Administrative Expenses:

Our selling, general and administrative ("SG&A") expenses are comprised of advertising, selling, occupancy, delivery and administrative costs as well as certain warehouse expenses. The costs associated with our purchasing, warehousing, delivery and other distribution costs included in SG&A expense were approximately \$80,383,000, \$77,368,000 and \$77,266,000 in 2018, 2017 and 2016, respectively.

Leases:

In the case of certain leased stores, we may be extensively involved in the construction or major structural modifications of the leased properties. As a result of this involvement, we are deemed the "owner" for accounting purposes during the construction period, and are required to capitalize the total fair market value of the portion of the leased property we use, excluding land, on our consolidated balance sheet. Following construction completion, we perform an analysis under ASC 840, "Leases," to determine if we can apply sale-leaseback accounting. We have determined that each of the leases remaining on our consolidated balance sheet did not qualify for such accounting treatment. In conjunction with these leases, we also record financing obligations equal to the landlord reimbursements and fair market value of the assets. We do not report rent expense for the properties which are owned for accounting purposes. Rather, rental payments under the lease are recognized as a reduction of the financing obligation and interest expense. Depreciation expense is also recognized on the leased asset.

Deferred Escalating Minimum Rent and Lease Incentives:

Certain of our operating leases contain predetermined fixed escalations of the minimum rentals during the term of the lease. For these leases, we recognize the related rental expense on a straight-line basis over the life of the lease, beginning with the point at which we obtain control and possession of the leased properties, and record the difference between the amounts charged to operations and amounts paid as accrued liabilities. The liability for deferred escalating minimum rent approximated \$7,608,000 and \$8,565,000 at December 31, 2018 and 2017, respectively. Any operating lease incentives we receive are deferred and subsequently amortized on a straight-line basis over the life of the lease as a reduction of rent expense. The liability for lease incentives approximated \$1,209,000 and \$1,139,000 at December 31, 2018 and 2017, respectively.

Advertising Expense:

Advertising costs, which include television, radio, newspaper, digital, and other media advertising, are expensed upon first showing. The total amount of prepaid advertising costs included in other current assets was approximately \$746,000 and \$602,000 at December 31, 2018 and 2017, respectively. We incurred approximately \$48,315,000, \$47,921,000 and \$45,132,000 in advertising expense during 2018, 2017 and 2016, respectively.

Interest Expense, net:

Interest expense is comprised of amounts incurred related to our debt and lease obligations recorded on our balance sheet, net of interest income. The total amount of interest expense was approximately \$2,451,000, \$2,512,000 and \$2,568,000 during 2018, 2017 and 2016, respectively.

Other Income, net:

Other income, net includes any gains or losses on sales of property and equipment and miscellaneous income or expense items outside of core operations. We had a store receive significant damage on December 27, 2015 from a blizzard. We reduced the value of the property and its contents at December 31, 2015 to zero and recorded an insurance recovery receivable. During 2016, we recorded \$2,228,000 in gains for the insurance recovery on the building and \$1,110,000 for inventory, business interruption and other expenses. We received additional amounts in 2017 for the remaining full replacement value of the building as construction was completed and recognized a gain of \$1,351,000. During 2017 we also recorded \$1,500,000 in gains from insured losses related to a store damaged by a faulty underground sprinkler line and losses from Hurricane Irma. The sale of former retail locations and other operating assets generated losses of \$425,000 in 2018 and gains of \$525,000 in 2017 and \$700,000 in 2016.

Self-Insurance:

We are self-insured, for amounts up to a deductible per occurrence, for losses related to general liability, workers' compensation and vehicle claims. We are primarily self-insured for employee group health care claims. We have purchased insurance coverage in order to establish certain limits to our exposure on a per claim basis. We maintain an accrual for these costs based on claims filed and an estimate of claims incurred but not reported or paid, based on historical data and actuarial estimates. The current portion of these self-insurance reserves is included in accrued liabilities and the non-current portion is included in other liabilities. These reserves totaled \$8,933,000 and \$8,975,000 at December 31, 2018 and 2017, respectively.

Fair Values 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 amounts due to their short-term nature. The assets that are related to our self-directed, non-qualified deferred compensation plans for certain executives and employees are valued using quoted market prices, a Level 1 valuation technique. The assets totaled approximately \$5,995,000 and \$5,986,000 at December 31, 2018 and 2017, respectively, and are included in other assets. The related liability of the same amount is included in other liabilities.

Impairment of Long-Lived Assets:

We review long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. If an indicator of impairment is identified, we evaluate the long-lived assets at the individual property or store level, which is the lowest level at which individual cash flows can be identified. When evaluating these assets for potential impairment, we first compare the carrying amount of the asset to the store's estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows are less than the carrying amount of the asset, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset to the store's assets' estimated fair value, which is determined on the basis of fair value for similar assets or future cash flows (discounted and with interest charges). If required, an impairment loss is recorded in SG&A expense for the difference in the asset's carrying value and the asset's estimated fair value. No such losses were recorded in 2018, 2017 or 2016.

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. See Note 13 for the computational components of basic and diluted earnings per share.

Accumulated Other Comprehensive Income (Loss):

Accumulated other comprehensive income (loss) ("AOCI"), net of income taxes, was comprised of unrecognized retirement liabilities totaling approximately \$1,465,000 and \$2,144,000 at December 31, 2018 and 2017, respectively. See Note 11 for the amounts reclassified out of AOCI to SG&A expense related to our supplemental executive retirement plan.

Segment Information

We operate within a single reportable segment. We use a market area approach for both financial and operational decision making. Each of these market areas are considered individual operating segments. The individual operating segments all have similar economic characteristics. The retail stores within the market areas are similar in size and carry substantially identical products selected for the same target customer. We also use the same distribution methods chain-wide. The net sales of each major product category and service for the last three years is disclosed below in Recently Adopted Accounting Pronouncements, Revenue Recognition.

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 amends 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 previous U.S. GAAP and the amended standard 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 will have to recognize 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 have adopted the requirements of the new lease standard effective January 1, 2019 using the modified retrospective method. Results for reporting periods beginning after January 1, 2019 will be presented under ASU 2016-2, while prior period amounts will not be adjusted. We are finalizing the changes to processes and internal controls to meet the standard's reporting and disclosure requirements.

As of January 1, 2019, we will recognize a cumulative-effect adjustment to increase retained earnings approximately \$7,000,000 due to the derecognition of assets and liabilities associated with legacy build-to-suit arrangements and the deferred gain on previous sale-leaseback transactions. We will elect 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 will 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 will elect 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). We will not elect for real properties the accounting policy to account for lease and non-lease components as a single component.

The adoption of ASU 2016-02 will have a significant impact on our consolidated balance sheet as we will record material assets and obligations primarily related to approximately 84 retail leases and corporate office and warehouse leases. We expect to record lease liabilities of approximately \$176,000,000 based on the present value of the remaining minimum rental payments using discount rates as of the effective date. We expect to record corresponding right-of-use assets of approximately \$178,000,000, based upon the lease liabilities adjusted for prepaid and deferred rent and unamortized tenant improvement allowances as of January 1, 2019. We do not expect a material impact on our consolidated statement of income or our consolidated statement of cash flows.

Recently Adopted Accounting Pronouncements:

Share-based Payments. On January 1, 2017 we adopted ASU 2016-09. This new standard changed the accounting for certain aspects of share-based payments to employees. The new guidance requires excess tax benefits and tax deficiencies be recorded in the income statement when the awards vest or are settled. In addition, cash flows related to excess tax benefits are no longer separately classified as a financing activity apart from the other income tax cash flows. The standard also allows the Company to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting, clarifies that all cash payments made on an employee's behalf for withheld shares should be presented as a financing activity on our cash flow statements, and provides an accounting policy election to account for forfeitures as they occur. When we adopted ASU 2016-09 we applied it prospectively or retrospectively, depending on the area covered by this standard. Excess tax costs of \$121,000 in 2016 were recorded to additional paid-in capital that would have increased income tax expense in 2016 if this new guidance had been adopted as of 2016. We chose to adopt the provisions related to the cash flow presentation of excess benefits prospectively and prior periods have not been adjusted. We have elected to recognize forfeitures as they occur. The new standard did not have a significant impact on our financial statements except as described above.

Revenue Recognition. On January 1, 2018, we adopted ASU 2014-09, Revenue - Revenue from Contracts with Customers (ASC Topic 606 or the "new standard"). The new standard requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those goods or services.

We sell home furnishings and 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 that other retailers might issue for general marketing purposes or for those issued in conjunction with prior purchases.

The product protection plan we offer is handled by a third-party and we have no performance obligation or inventory risk associated with this service. Havertys is acting as an agent for these sales and records this revenue, net of related costs, at the time the covered products are delivered to the customer.

Estimated refunds for returns and allowances are recorded based on estimated margin using our historical return patterns. Under the new standard, we record estimated refunds for sales returns on a gross basis rather than on a net basis. The standard requires the carrying value of the return asset to be presented separately from inventory and subject to impairment testing on its own, separately from inventory on hand. At December 31, 2018, the estimated return inventory was \$730,000 and is included in the line item "Other current assets" and the estimated refund liability was \$1,950,000 million and is included in the line item "Accrued liabilities" on the Consolidated Balance Sheets.

We record customer deposits when payments are received in advance of the delivery of merchandise, which totaled \$24,465,000 and \$27,813,000 at December 31, 2018 and December 31, 2017, respectively. Of the customer deposit liabilities at December 31, 2017, approximately \$27,730,000 has been recognized through net sales in the twelve months ended December 31, 2018.

We adopted ASC Topic 606 using the modified retrospective method. Results for reporting periods beginning after January 1, 2018 are presented under the new standard, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting. The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of the new standard were as follows:

<i>(in thousands)</i>	Balance at December 31, 2017	Adjustments Due to ASU 2014-09	Balance at January 1, 2018
Balance Sheet			
Assets			
Estimated to be returned inventory	\$ —	\$ 786	\$ 786
Deferred income taxes	12,375	(45)	12,330
Liabilities			
Refund on estimated returns and allowances	—	2,072	2,072
Reserve for cancelled sales and allowances	1,464	(1,464)	—
Equity			
Retained earnings	287,390	133	287,523

Upon adoption of ASC Topic 606, we adopted the following policy elections and practical expedients:

- Our contracts are similar as to customer types, deliverables, timing of transfer of goods and other characteristics and we elected to use the portfolio method in accounting for our contracts.
- We exclude from revenue amounts collected from customers for sales tax.
- We finance less than 1% of sales. We do not adjust the promised amount of consideration for the effects of a significant financing component since receivables from financed sales are paid within one year of delivery.
- We expense sales commissions within SG&A at the time revenue is recognized because the amortization period would be one year or less.
- We do not disclose the value of unsatisfied performance obligations because delivery is made within one year of the customer purchase.

The following table presents the differences resulting from the adoption of ASC Topic 606 on line items in our consolidated balance sheet. The impact of the adoption on line items in our other financial statements was not material.

<i>(in thousands)</i>	December 31, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Balance Sheet			
Assets			
Estimated to be returned inventory (included in other current assets)	\$ 730	\$ —	\$ 730
Deferred income taxes	12,544	12,582	(38)
Liabilities			
Refund on estimated returns and allowances (included in other current liabilities)	1,950	—	1,950
Reserve for cancelled sales and allowances (included in other current liabilities)	—	1,373	(1,373)
Equity			
Retained Earnings	\$ 282,366	\$ 282,251	\$ 115

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

	Year Ended December 31,					
	2018		2017		2016	
	Net Sales	% of Net Sales	Net Sales	% of Net Sales	Net Sales	% of Net Sales
Merchandise:						
Case Goods						
Bedroom Furniture	\$ 131,673	16.1%	\$ 132,484	16.2%	\$ 132,250	16.1%
Dining Room Furniture	92,865	11.4	92,921	11.3	94,918	11.5
Occasional	72,193	8.8	75,909	9.2	81,996	10.0
	296,731	36.3	301,314	36.7	309,164	37.6
Upholstery	326,114	39.9	330,340	40.3	328,903	40.0
Mattresses	85,055	10.4	88,311	10.8	86,659	10.6
Accessories and Other ⁽¹⁾	109,833	13.4	99,901	12.2	96,845	11.8
	<u>\$ 817,733</u>	<u>100.0%</u>	<u>\$ 819,866</u>	<u>100.0%</u>	<u>\$ 821,571</u>	<u>100.0%</u>

(1) Includes delivery charges and product protection.

Restricted Cash in Statement of Cash Flows. We adopted ASU 2016-18, Statement of Cash Flows: Restricted Cash (a consensus of the FASB Emerging Issues Task Force) ("ASC Topic 230") on January 1, 2018 using the required retrospective transition method. This ASU requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

Our restricted cash equivalents are funds used to collateralize a portion of our workers' compensation obligations as required by our insurance carrier. These escrowed funds are shown as restricted cash and cash equivalents on our balance sheets and are investments in money market funds held by an agent. The annual agreement with our carrier governing these funds expires on December 31, 2018.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash equivalents reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows.

(In thousands)	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Cash and cash equivalents	\$71,537	\$ 79,491	\$ 63,481	\$70,659
Restricted cash equivalents	8,272	8,115	8,034	8,005
Total cash, cash equivalents and restricted cash equivalents	<u>\$79,809</u>	<u>\$ 87,606</u>	<u>\$ 71,515</u>	<u>\$78,664</u>

Note 2, Accounts Receivable:

Amounts financed under our in-house credit programs, as a percent of net sales including sales tax, were approximately 0.5% in 2018, 0.6% in 2017 and 1.0% in 2016. The credit program selected most often by our customers is "12 months no interest with equal monthly payments." The terms of the other programs vary as to payment terms (30 days to three years) and interest rates (0% to 21%). The receivables are collateralized by the merchandise sold.

Accounts receivable balances resulting from certain credit promotions have scheduled payment amounts which extend beyond one year. These receivable balances have been historically collected earlier than the

scheduled dates. The amounts due per the scheduled payment dates approximate as follows: \$1,960,000 in 2019, \$197,000 in 2020, \$43,000 in 2021 and \$34,000 in 2022 for receivables outstanding at December 31, 2018.

Accounts receivable are shown net of the allowance for doubtful accounts of approximately \$175,000 and \$270,000 at December 31, 2018 and 2017, respectively. We provide an allowance utilizing a methodology which considers the balances in problem and delinquent categories of accounts, historical write-offs, existing economic conditions and management judgment. We assess the adequacy of the allowance account at the end of each quarter. Interest assessments are continued on past-due accounts but no "interest on interest" is recorded. Delinquent accounts are generally written off automatically after the passage of nine months without receiving a full scheduled monthly payment. Accounts are written off sooner in the event of a discharged bankruptcy or other circumstances that make further collections unlikely.

We believe that the carrying value of existing customer receivables, net of allowances, approximates fair value because of their short average maturity. Concentrations of credit risk with respect to customer receivables are limited due to the large number of customers comprising our account base and their dispersion across 16 states.

Note 3, Inventories:

Inventories are measured using the last-in, first-out (LIFO) method of valuation because it results in a better matching of current costs and revenues. The excess of current costs over our carrying value of inventories was approximately \$19,947,000 and \$19,177,000 at December 31, 2018 and 2017, respectively. The use of the LIFO valuation method as compared to the FIFO method had a negative impact on our cost of goods sold of approximately \$770,000 in 2018, and \$1,231,000 in 2017 and a positive impact of approximately \$1,448,000 in 2016. During 2018 and 2016, there were liquidations of LIFO inventory layers. The effect of the liquidations (included in the preceding LIFO impact amounts) decreased cost of goods sold by immaterial amounts. We believe this information is meaningful to the users of these consolidated financial statements for analyzing the effects of price changes, for better understanding our financial position and for comparing such effects with other companies.

Note 4, Property and Equipment:

Property and equipment are summarized as follows:

<i>(In thousands)</i>	2018	2017
Land and improvements	\$ 44,541	\$ 47,804
Buildings and improvements	273,633	279,209
Furniture and fixtures	86,235	103,695
Equipment	51,833	48,745
Buildings under lease	56,902	56,902
Construction in progress	404	7,124
	<u>513,548</u>	<u>543,479</u>
Less accumulated depreciation	(274,078)	(295,491)
Less accumulated lease amortization	(22,618)	(18,773)
Property and equipment, net	<u>\$ 216,852</u>	<u>\$ 229,215</u>

Note 5, Credit Arrangement:

In March 2016 we entered into the First Amendment to Amended and Restated Credit Agreement (the "Credit Agreement") with a bank. The Credit Agreement amends our revolving credit facility to increase the aggregate commitments from \$50.0 million to \$60.0 million, extend the maturity date to March 31, 2021 from September 1, 2016, lower the commitment fees on unused amounts, reduce the applicable margin for interest

rates on borrowings, modify the borrowing base calculation, and change the collateral reporting requirements. We have not had any borrowings under the revolving credit facility since its origination in 2008.

The \$60.0 million revolving credit facility is secured by inventory, accounts receivable, cash and certain other personal property. Our Credit Agreement includes negative covenants that limit our ability to, among other things (a) incur, assume or permit to exist additional indebtedness or guarantees; (b) incur liens and engage in sale leaseback transactions or real estate sales in excess of \$100.0 million; (c) pay dividends or redeem or repurchase capital stock if availability is less than \$12.0 million; (d) engage in certain transactions with affiliates; and (e) alter the business that the Company conducts.

Availability fluctuates under a borrowing base calculation and is reduced by outstanding letters of credit. The borrowing base was \$57.5 million and there were no outstanding letters of credit at December 31, 2018. Amounts available are based on the lesser of the borrowing base or the \$60.0 million line amount and reduced by \$6.0 million since a fixed charge coverage ratio test was not met for the immediately preceding twelve months, resulting in a net availability of \$51.5 million. There were no borrowed amounts outstanding under the Credit Agreement at December 31, 2018.

Note 6, Accrued Liabilities and Other Liabilities:

Accrued liabilities and other liabilities consist of the following:

<i>(In thousands)</i>	2018	2017
Accrued liabilities:		
Employee compensation, related taxes and benefits	\$ 12,628	\$ 13,527
Taxes other than income and withholding	8,700	8,677
Self-insurance reserves	6,143	5,962
Other	<u>12,432</u>	<u>9,416</u>
	<u>\$ 39,903</u>	<u>\$ 37,582</u>
Other liabilities:		
Straight-line lease liability	\$ 7,608	\$ 8,565
Self-insurance reserves	2,790	3,013
Other	<u>20,141</u>	<u>15,122</u>
	<u>\$ 30,539</u>	<u>\$ 26,700</u>

Note 7, Income Taxes:

On December 22, 2017, the President signed into Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act contains significant changes to corporate taxes, including a permanent reduction of the corporate tax rate from 35% to 21% effective January 1, 2018. The Tax Act's other major changes applicable to Havertys include the elimination of certain deductions and an enhanced and extended option to claim accelerated depreciation deductions on qualified property.

In December 2017, the Securities and Exchange Commission (SEC) staff issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* (SAB 118), which allowed us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date.

We remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 25%. At December 31, 2017, we made a reasonable estimate of the effects on our existing deferred tax balances. The total amount recorded related to the remeasurement of our deferred tax balance was an additional expense of \$5,868,000. We completed our analysis of the Tax Act during 2018 and no adjustments were made to expense for this remeasurement of our deferred tax balances.

Income tax expense (benefit) consists of the following:

<i>(In thousands)</i>	2018	2017	2016
Current			
Federal	\$ 8,422	\$ 14,239	\$ 16,259
State	2,118	2,350	2,326
	<u>10,540</u>	<u>16,589</u>	<u>18,585</u>
Deferred			
Federal	(232)	5,829	(690)
State	(207)	(270)	(430)
	<u>(439)</u>	<u>5,559</u>	<u>(1,120)</u>
	<u>\$ 10,101</u>	<u>\$ 22,148</u>	<u>\$ 17,465</u>

The differences between income tax expense in the accompanying Consolidated Financial Statements and the amount computed by applying the statutory Federal income tax rate are as follows:

<i>(In thousands)</i>	2018	2017	2016
Statutory rates applied to income before income taxes	\$ 8,486	\$ 15,129	\$ 16,037
State income taxes, net of Federal tax benefit	1,616	1,306	1,494
Net permanent differences	220	95	99
Other	(221)	(250)	(165)
Tax Act, net impact	—	5,868	—
	<u>\$ 10,101</u>	<u>\$ 22,148</u>	<u>\$ 17,465</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The amounts in the following table are grouped based on broad categories of items that generate the deferred tax assets and liabilities.

<i>(In thousands)</i>	2018	2017
Deferred tax assets:		
Accounts receivable	\$ 530	\$ 433
Property and equipment	7,584	6,434
Leases	4,135	4,356
Accrued liabilities	8,172	8,171
Retirement benefits	266	492
Other	56	62
Total deferred tax assets	<u>20,743</u>	<u>19,948</u>
Deferred tax liabilities:		
Inventory	7,649	7,034
Other	550	539
Total deferred tax liabilities	<u>8,199</u>	<u>7,573</u>
Net deferred tax assets	<u>\$ 12,544</u>	<u>\$ 12,375</u>

We review our deferred tax assets to determine the need for a valuation allowance. Based on evidence we conclude that it is more-likely-than-not that our deferred tax assets will be realized and therefore a valuation allowance is not required.

We file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. With respect to U.S. federal, state and local jurisdictions, with limited exceptions, we are no longer subject to income tax audits for years before 2015.

Uncertain Tax Positions

No uncertain tax positions were identified for the years currently open under statute of limitations. Interest and penalties associated with uncertain tax positions, if any, are recognized as components of income tax expense.

Note 8, Long-Term Debt and Lease Obligations:

Long-term debt and lease obligations are summarized as follows:

<i>(In thousands)</i>	2018	2017
Revolving credit notes ^(a)	\$ —	\$ —
Lease obligations ^(b)	50,803	54,591
	50,803	54,591
Less portion classified as current	(4,018)	(3,788)
	\$ 46,785	\$ 50,803

(a) We have a revolving credit agreement as described in Note 5.

(b) These obligations are related to properties under lease with aggregate net book values of approximately \$34,284,000 and \$38,129,000 at December 31, 2018 and 2017, respectively.

The approximate aggregate maturities of these lease obligations during the five years subsequent to December 31, 2018 and thereafter are as follows: 2019 - \$4,018,000; 2020 - \$4,222,000, 2021 - \$3,672,000; 2022 - \$3,776,000; 2023 - \$4,027,000 and \$31,088,000 thereafter. These maturities are net of imputed interest of approximately \$12,996,000 at December 31, 2018.

Note 9, Stockholders' Equity:

Common Stock has a preferential dividend rate of at least 105% of the dividend paid on Class A Common Stock. Class A Common Stock has greater voting rights which include: voting as a separate class for the election of 75% of the total number of directors and on all other matters subject to shareholder vote, each share of Class A Common Stock has ten votes and votes with the Common Stock as a single class. Class A Common Stock is convertible at the holder's option at any time into Common Stock on a 1-for-1 basis; Common Stock is not convertible into Class A Common Stock.

A special cash dividend of \$1.00 for Common Stock and \$0.95 for Class A Common Stock was paid in the fourth quarter of 2018 and 2016. Aggregate dividends paid on Common Stock was \$32,595,000, \$10,473,000 and \$27,674,000 in 2018, 2017 and 2016, respectively. Aggregate dividends paid on Class A Common Stock was \$2,869,000, \$919,000 and \$2,735,000 in 2018, 2017 and 2016, respectively.

Note 10, Benefit Plans:

We have a non-qualified, non-contributory supplemental executive retirement plan (the "SERP") for employees whose retirement benefits are reduced due to their annual compensation levels. The SERP provides annual benefits amounting to 55% of final average earnings less benefits payable from Social Security benefits and our former pension plan which was settled in 2014. The SERP limits the total amount of annual retirement benefits that may be paid to a participant from all sources (former pension plan, Social Security and the SERP) to \$125,000. The SERP is not funded so we pay benefits directly to participants. The SERP was frozen as of December 31, 2015 and no additional benefits were accrued after that date.

The following table summarizes information about our SERP.

<i>(In thousands)</i>	<u>2018</u>	<u>2017</u>
Change in benefit obligation:		
Benefit obligation at beginning of the year	\$ 8,199	\$ 7,674
Interest cost	290	321
Actuarial losses (gains)	(769)	509
Benefits paid	(326)	(305)
Benefit obligation at end of year	<u>7,394</u>	<u>8,199</u>
Change in plan assets:		
Employer contribution	326	305
Benefits paid	(326)	(305)
Fair value of plan assets at end of year	—	—
Funded status of the plan – (underfunded)	<u>\$ (7,394)</u>	<u>\$ (8,199)</u>
Accumulated benefit obligations	<u>\$ 7,394</u>	<u>\$ 8,199</u>

Amounts recognized in the consolidated balance sheets consist of:

<i>(In thousands)</i>	<u>2018</u>	<u>2017</u>
Current liabilities	\$ (366)	\$ (365)
Noncurrent liabilities	(7,028)	(7,834)
	<u>\$ (7,394)</u>	<u>\$ (8,199)</u>

The net actuarial loss recognized in accumulated other comprehensive income (loss) before the effect of income taxes was \$1,063,000 in 2018 and \$1,968,000 in 2017.

Net pension cost included the following components:

<i>(In thousands)</i>	<u>SERP</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Interest cost on projected benefit obligation	\$ 290	\$ 321	\$ 341
Amortization of actuarial loss	136	90	102
Net pension costs	<u>\$ 426</u>	<u>\$ 411</u>	<u>\$ 443</u>

Assumptions

We use a measurement date of December 31 for our SERP plan. Assumptions used to determine net periodic benefit cost for years ended December 31 are as follows:

	<u>SERP</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Discount rate	3.68%	4.30%	4.58%
Rate of compensation increase	n/a	n/a	n/a

Assumptions used to determine benefit obligations at December 31 for the SERP are as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	4.36%	3.68%
Rate of compensation increase	n/a	n/a

Cash Flows

The following schedule outlines the expected benefit payments related to the SERP in future years. These expected benefits were estimated based on the same actuarial assumptions used to determine benefit obligations at December 31, 2018.

<i>(In thousands)</i>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024-2028</u>
Benefit Payments	\$366	\$397	\$425	\$425	\$419	\$2,537

Other Plans

We have an employee savings/retirement (401(k)) plan to which substantially all our employees may contribute. We match employee contributions 100% of the first 1% of eligible pay and 50% of the next 5% contributed by participants and in 2018 made an additional discretionary contribution. We expensed employer contributions of approximately \$4,770,000, \$3,932,000 and \$3,884,000 in 2018, 2017 and 2016, respectively.

We offer no post-retirement benefits other than the plans discussed above and no significant post-employment benefits.

Note 11, Accumulated Other Comprehensive Income (loss):

The following summarizes the changes in the balance and the reclassifications out of accumulated other comprehensive income (loss) on our Consolidated Balance Sheets to the Consolidated Statements of Comprehensive Income (amounts in thousands):

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Beginning balance	\$ (2,144)	\$ (1,830)	\$ (1,938)
Other comprehensive income (loss)			
Defined benefit pension plan:			
Net gain (loss) during year	769	(509)	72
Amortization of net loss ⁽¹⁾	136	90	102
Tax expense (benefit)	226	(105)	66
Total other comprehensive income (loss)	679	(314)	108
Ending balance	\$ (1,465)	\$ (2,144)	\$ (1,830)

(1) These amounts are included in the computation of net periodic pension costs and were reclassified to selling, general and administrative costs.

Note 12, Stock-Based Compensation Plans:

We have issued and outstanding awards under two employee compensation plans, the 2014 Long Term Incentive Plan (the "2014 LTIP Plan") and the 2004 Long Term Incentive Plan (the "2004 LTIP Plan"). No new awards may be granted under the 2004 LTIP Plan. Grants of stock-settled appreciation rights, restricted units, and performance units have been made to certain officers and key employees. All equity awards are settled in shares of Common Stock. As of December 31, 2018, approximately 691,000 shares were available for awards and options under the 2014 LTIP Plan.

The following table summarizes our equity award activity during the years ended December 31, 2018, 2017 and 2016:

	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, 2015	265,776	\$ 22.03	78,714	\$ 25.68	100,875	\$18.14
Granted/Issued	138,102	18.80	71,292	18.80	—	—
Awards vested or rights exercised	(138,472)	20.46	(2,392)	—	—	—
Forfeited	(15,700)	20.45	—	—	—	—
Outstanding at December 31, 2016	249,706	21.22	147,614	22.35	100,875	\$18.14
Granted/Issued	135,986	21.99	63,396	22.04	—	—
Awards vested or rights exercised	(128,691)	20.73	(28,715)	27.81	(43,875)	\$18.14
Forfeited	(2,511)	21.38	(2,521)	20.60	—	—
Outstanding at December 31, 2017	254,490	21.88	179,774	21.42	57,000	\$18.14
Granted/Issued	141,722	22.73	103,940	22.95	—	—
Awards vested or rights exercised	(132,872)	22.45	(48,661)	24.10	—	—
Forfeited	(14,198)	21.94	(25,299)	21.40	—	—
Outstanding at December 31, 2018	249,142	22.05	209,754	21.56	57,000	\$18.14
Exercisable at December 31, 2018					57,000	\$18.14
Restricted units expected to vest	249,142	22.05	164,050	21.29		
Exercisable at December 31, 2017					57,000	\$18.14
Exercisable at December 31, 2016					74,875	\$18.14

The total fair value of service-based restricted stock awards that vested in 2018, 2017 and 2016 was approximately \$2,594,000, \$3,294,000 and \$2,533,000, respectively. The aggregate intrinsic value of outstanding restricted stock awards was \$4,679,000 at December 31, 2018. 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 in 2018, 2017 and 2016 was approximately \$988,000, \$678,000, and \$44,000, respectively. The aggregate intrinsic value of outstanding performance awards at December 31, 2018 expected to vest was \$3,081,000. 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 Black-Scholes pricing model. The aggregate intrinsic value of vested and outstanding stock-settled appreciation rights at December 31, 2018 was approximately \$36,000. The total intrinsic value of stock-settled appreciation rights exercised was approximately \$284,000 in 2017.

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 was approximately \$4,358,000, \$3,818,000 and \$3,872,000 in 2018, 2017 and 2016, respectively. Forfeitures are recognized as they occur. The tax benefit recognized related to all awards was approximately \$1,090,000, \$1,451,000 and \$1,471,000 in 2018, 2017 and 2016, respectively. As of December 31, 2018, the total compensation cost related to unvested equity awards was approximately \$4,206,000 and is expected to be recognized over a weighted-average period of 2 years.

Note 13, Earnings Per Share:

The following is a reconciliation of the income (loss) and number of shares used in calculating the diluted earnings per share for Common Stock and Class A Common Stock (amounts in thousands except per share data):

Numerator:	<u>2018</u>	<u>2017</u>	<u>2016</u>
Common:			
Distributed earnings	\$ 32,595	\$ 10,473	\$ 27,674
Undistributed earnings	<u>(4,741)</u>	<u>8,896</u>	<u>(1,869)</u>
Basic	27,854	19,369	25,805
Class A Common earnings	<u>2,453</u>	<u>1,706</u>	<u>2,551</u>
Diluted	<u>\$ 30,307</u>	<u>\$ 21,075</u>	<u>\$ 28,356</u>
Class A Common:			
Distributed earnings	\$ 2,869	\$ 919	\$ 2,735
Undistributed earnings	<u>(416)</u>	<u>787</u>	<u>(184)</u>
	<u>\$ 2,453</u>	<u>\$ 1,706</u>	<u>\$ 2,551</u>
Denominator:	<u>2018</u>	<u>2017</u>	<u>2016</u>
Common:			
Weighted average shares outstanding - basic	19,182	19,381	19,492
Assumed conversion of Class A Common Stock	1,765	1,801	2,014
Dilutive options, awards and common stock equivalents	<u>348</u>	<u>417</u>	<u>341</u>
Total weighted average diluted Common Stock	<u>21,295</u>	<u>21,599</u>	<u>21,847</u>
Class A Common:			
Weighted average shares outstanding	<u>1,765</u>	<u>1,801</u>	<u>2,014</u>
Basic net earnings per share			
Common Stock	\$ 1.45	\$ 1.00	\$ 1.32
Class A Common Stock	\$ 1.39	\$ 0.95	\$ 1.27
Diluted net earnings per share			
Common Stock	\$ 1.42	\$ 0.98	\$ 1.30
Class A Common Stock	\$ 1.39	\$ 0.94	\$ 1.27

Note 14, Commitments:

We lease certain property and equipment under operating leases. Initial lease terms range from 5 years to 30 years and certain leases contain renewal options ranging from one to 25 years or provide for options to purchase the related property at fair market value or at predetermined purchase prices. The leases generally require us to pay all maintenance, property taxes and insurance costs.

The following schedule outlines the future minimum lease payments and rentals under operating leases:

<i>(In thousands)</i>	Operating Leases
2019	\$ 29,912
2020	28,123
2021	25,923
2022	20,484
2023	14,740
Subsequent to 2023	48,941
Total minimum lease payments	<u>\$ 168,123</u>

Step rent and other lease concessions (free rent periods) are taken into account in computing lease expense on a straight-line basis. Landlord allowances for capital improvements have not been significant but are recorded as a reduction of expense over the term of the lease. Net rental expense applicable to operating leases consisted of the following for the years ended December 31:

<i>(In thousands)</i>	2018	2017	2016
Property			
Minimum	\$ 27,124	\$ 27,543	\$ 26,594
Additional rentals based on sales	22	21	4
Sublease income	(130)	(90)	(58)
	<u>27,016</u>	<u>27,474</u>	<u>26,540</u>
Equipment	3,029	3,084	3,031
	<u>\$ 30,045</u>	<u>\$ 30,558</u>	<u>\$ 29,571</u>

Note 15, Supplemental Cash Flow Information:

<i>(In thousands)</i>	2018	2017	2016
Cash paid for income taxes	8,426	18,763	\$ 26,574
Income tax refunds received	17	9	100
Cash paid for interest	2,425	2,486	2,540
Noncash financing and investing activity:			
Fixed assets acquired (adjusted) related to capital lease and financing obligations	—	1,009	3,890
Increase in financing obligations	—	2,598	5,474

Note 16, Selected Quarterly Financial Data (Unaudited):

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2018 and 2017 (in thousands, except per share data):

	2018 Quarter Ended			
	March 31	June 30	September 30	December 31
Net sales	\$ 199,442	\$ 198,775	\$ 210,547	\$ 208,968
Gross profit	108,907	107,797	115,372	114,466
Income before taxes	8,457	8,410	11,204	12,338
Net income	6,313	6,214	8,352	9,429
Basic net earnings per share:				
Common	0.30	0.30	0.40	0.46
Class A Common	0.28	0.28	0.38	0.44
Diluted net earnings per share:				
Common	0.29	0.29	0.39	0.45
Class A Common	0.28	0.28	0.38	0.45

	2017 Quarter Ended			
	March 31	June 30	September 30	December 31
Net sales	\$ 200,427	\$ 196,829	\$ 207,647	\$ 214,962
Gross profit	109,596	107,119	112,015	116,193
Income before taxes	9,740	9,694	9,719	14,070
Net income	5,986	6,185	5,983	2,921
Basic net earnings per share:				
Common	0.28	0.29	0.28	0.14
Class A Common	0.27	0.28	0.27	0.13
Diluted net earnings per share:				
Common	0.28	0.29	0.28	0.13
Class A Common	0.27	0.27	0.27	0.13

The fourth quarter of 2017 includes \$1.9 million of other income primarily from gains on insurance recoveries of \$1.3 million. The fourth quarter also includes additional income tax expense of \$5.9 million due to the Tax Act.

Because of rounding the amounts will not necessarily add to the totals computed for the year. Also because of rounding and the use of the two-class method in calculating per share data, the quarterly per share data will not necessarily add to the annual totals.

Schedule II – Valuation and Qualifying Accounts
Haverty Furniture Companies, Inc.

Column A	Column B	Column C	Column D	Column E
	Balance at beginning of period	Additions charged to costs and expenses	Deductions Describe (1)(2)(3)	Balance at end of period
<i>(In thousands)</i>				
Year ended December 31, 2018:				
Allowance for doubtful accounts	\$ 270	\$ 163	\$ 258	\$ 175
Refund on estimated returns and allowances	\$ 2,072	\$ 11,548	\$ 11,670	\$ 1,950
Year ended December 31, 2017:				
Allowance for doubtful accounts	\$ 360	\$ 314	\$ 404	\$ 270
Reserve for cancelled sales and allowances	\$ 1,772	\$ 11,601	\$ 11,909	\$ 1,464
Year ended December 31, 2016:				
Allowance for doubtful accounts	\$ 395	\$ 418	\$ 453	\$ 360
Reserve for cancelled sales and allowances	\$ 1,659	\$ 11,402	\$ 11,289	\$ 1,772

- (1) Allowance for doubtful accounts: uncollectible accounts written off, net of recoveries.
- (2) Reserve for cancelled sales and allowances: impact of sales cancelled after delivery plus amount of allowance given to customers.
- (3) Refund on estimated returns and allowances: impact of sales cancelled after delivery plus amount of allowance given to customers.

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Chief Executive Officer
Haverty Furniture Companies, Inc.*

John T. Glover

*Lead Director
Retired, former President and
Vice Chairman
Post Properties, Inc.*

L. Allison Dukes

*Chief Financial Officer
SunTrust Banks, Inc.*

Rawson Haverty, Jr.

*Senior Vice President,
Real Estate and Development
Haverty Furniture Companies, Inc.*

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LADD Furniture, Inc.*

Al Trujillo

*President and Chief Operating Officer
Georgia Tech Foundation*

corporate and other officers

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*Chairman, President and
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Randall A. Davis

Vice President, Corporate Controller

Greg N. Johnson

Vice President, Distribution

Scott T. Miles

Vice President, Stores

James M. Presmanes

*Vice President,
Risk Management and Insurance*

Matt C. Scalf

Vice President, Import Services

Abir G. Thakurta

Vice President, Supply Chain

Bartel J. Vander Iest

Vice President, Internal Audit

Rhonda J. Wolf

Vice President, Merchandising

regional managers

J. Keith Fields | Central

Timothy E. Hart | Florida

Ramsey P. Jones | Southern

Scott T. Miles | Western

stockholder information

corporate address

Haverty Furniture Companies, Inc.
780 Johnson Ferry Road, Suite 800
Atlanta, GA 30342 | (404) 443-2900

We invite you to visit the Investors
section of our website at
havertys.com

notice of annual meeting

Monday, May 13, 2019 | 10:00 a.m. ET
Marriott SpringHill
120 East Redwood St.
Baltimore, Maryland 21202

transfer agent and registrar

For stockholder inquiries concerning
dividend checks, transferring
ownership, address changes or lost
certificates, please contact:

Computershare Investor Services
(800) 568-3476

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- ★ Regional Distribution Center
- ▲ Home Delivery Center
- Store Location

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