

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

## 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, 2022

OR

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

Commission file number: 1-14445

# HAVERTY FURNITURE COMPANIES, INC.

**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 Securities Exchange Act of 1934

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

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 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 such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of June 30, 2022, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$357,073,227 (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 14,866,261, shares of common stock and 1,283,260 shares of Class A common stock, each with a par value of \$1.00 per share outstanding at February 27, 2023.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Stockholders to be held May 8, 2023 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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**Annual Report on Form 10-K for the year ended December 31, 2022**

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## **FORWARD-LOOKING STATEMENTS**

In addition to historical information, 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;
- anticipated impact on our business of macro-economic conditions; 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. Important factors which could cause our actual results to differ materially from the forward-looking statements in this report include, but are not limited to, the following items, in addition to those matters described in Risk Factors and Management’s Discussion and Analysis of Financial Condition and Results of Operations:

- Competition from national, regional and local retailers of home furnishings;
- Our failure to anticipate changes in consumer preferences;
- Importing a substantial portion of our merchandise from foreign sources;
- Significant fluctuations and volatility in the cost of raw materials and components;
- Our dependence on third-party producers to meet our requirements;
- A failure by our vendors to meet our quality control standards or comply with changes to the legislative or regulatory framework regarding product safety;
- Risks in our supply chain;
- The effects of labor disruptions or labor shortages;
- The rise of oil and gasoline prices;
- Increased transportation costs;
- Damage to one of our distribution centers;
- The vulnerability of our information technology infrastructure;
- Changes in general domestic and international economic conditions such as inflation rates, interest rates, tax rates, unemployment rates, higher labor and healthcare costs, recessions, and changing government policies, laws and regulations; and
- Other risks and uncertainties as may be detailed from time to time in our public announcements and Securities and Exchange Commission filings.

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.

## PART I

### 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. and subsidiary.

#### 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 over 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 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.

#### Customers

Havertys customers are typically well-educated women in middle to upper-to-middle income households. They generally own homes in the suburbs, and their diverse personalities are reflected in their unique sense of style. These consumers research and shop online and in-store, often engaging friends or family members in the purchasing process. They are discerning buyers, desiring furnishings that fit their style, but never sacrificing quality. Our marketing, merchandising, stores, online presence, and customer service are targeted to attract and meet the needs of our distinctive customers.

#### Merchandise and Revenues

We develop our merchandise selection with the diverse taste of our typical “on trend” customer in mind. A wide range of styles from traditional to contemporary are in our core assortment, and virtually all 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 Tempur-Pedic®, Serta®, Sealy® and Stearns and Foster®.

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. 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. Slightly less than one-third of our sales are third-party-financed. The fees we pay to the third parties are included in our selling, general, and expenses (“SG&A”) as a selling expense.

We have a seasoned, commissioned-based sales team serving our customers. Their product knowledge is important in assisting customers in evaluating Havertys’ merchandise as compared to our competitors. We also offer a free in-home design service to those customers seeking a more in-depth personalized shopping experience. The average sales ticket for a customer that has a designer visit their home is generally twice that of our average in-store sales ticket. Approximately 24.7% of our business in 2022 resulted from consultations with our in-home designers.

## **Stores**

As of December 31, 2022, we operated 122 stores serving 85 cities in 16 states with approximately 4.4 million retail square feet. Our stores range in size from 15,000 to 60,000 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 location and curb appeal are important to the middle to upper-middle income consumer that we target, and attractive facades complement 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.

Our goal, subject to market conditions and identifying suitable sites, is to open five new stores per year and expect an approximate 2.2% increase in our retail square footage in 2023. We are evaluating various "big box" former retail sites in the 30,000 to 32,000 square feet size range and other new locations for expansion. We currently have no plans to add stores outside our distribution footprint.

## **Online Presence**

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 a 3-D room planner, upholstery customization, and inspired accessories. A large number of product reviews written by our customers are 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 online tools to further engage our customers while they are in the store. Customers 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 internet sales of our furniture to within our delivery network, and internet sales of our accessories to within the continental United States. Our total sales completed online for 2022 were approximately 3.8% of our total 2022 sales. This level of sales makes our website our highest performing "store."

We made significant investments in our website during 2022. The new design and enhancements were launched in the fourth quarter and include better search functionality, improved navigation, enriched product pages, and faster site speed. We also implemented a new content management system, AI driven automation, and improved site reporting to gain insight around customer pathing and content effectiveness.

We believe offering a direct-to-customer business complements our retail store operations as we serve the customer in the method of their choosing and leverage the power of high-touch service and online capabilities.

## **Suppliers and Supply Chain**

We buy our merchandise from numerous foreign and domestic manufacturers and importers, the largest ten of which accounted for approximately 41.3% of our product purchases during 2022. 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. We have dedicated quality control specialists on-site during production to ensure the items meet our specifications. Our direct import team works with industry designers and manufacturers in some of the best factories throughout Asia. Approximately 20.2% of our case goods sales and 9.2% of our upholstery sales in 2022 were generated by our direct imports.

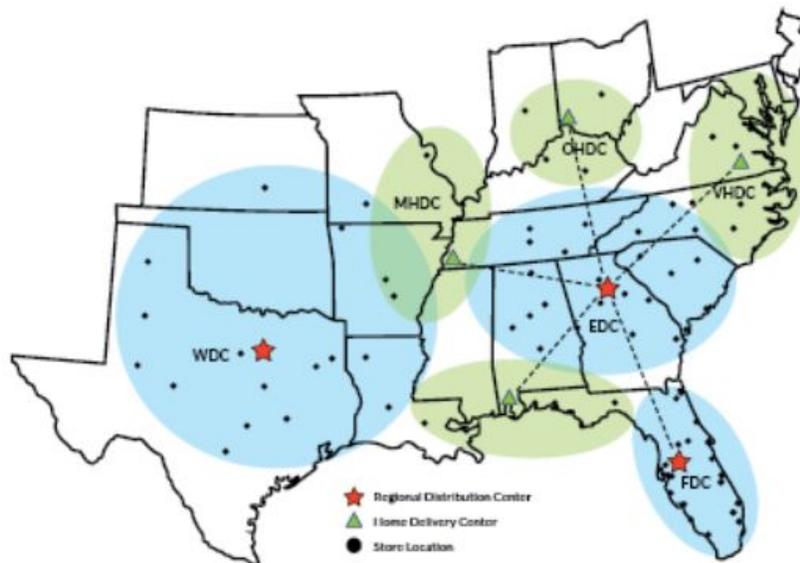
The longer lead times required for deliveries from overseas factories and the production of merchandise exclusively for Havertys makes it imperative for us to have both warehousing capabilities and end-to-end supply chain visibility. Our merchandising team provides input to the automated procurement process in an effort to maintain overall inventory levels within an appropriate range and reduce the number 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.

Manufacturers were challenged by raw material and labor shortages as a result of the COVID-19 pandemic. Product manufactured in Asia was also impacted by shipping capacity challenges. Each of these factors, in addition to others, led to significantly constrained and delayed supply chains in the home furnishings industry which began to abate during 2022. In the second half of 2022, we experienced a return to more predictable lead times from most of our suppliers.

## Distribution

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. 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 250 miles. We had announced the conversion of our Virginia HDC to a DC during 2022 but given the dramatic construction cost increases we have deferred that project. We use third parties to handle over-the-road delivery of product from the DCs to the HDCs and market areas. We use Haverty's team members for executing home delivery, and have 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.



On the whole, our staffing, delivery capacity, and vendor response times returned to their pre-pandemic levels during 2022. Time between purchase and delivery averages 3 to 5 days for in-stock items and 5 to 7 weeks for special order items.

## **Human Capital Resources**

As of December 31, 2022, Havertys' total workforce was 2,831: 1,599 in our retail store operations, 990 in our warehouse and delivery points, 179 in our corporate operations, and 63 in our customer-service call centers. None of our team members is a party to a union contract.

### ***Health and Safety***

We care about our teammates, customers, and the communities we serve. We believe a hazard-free environment is a critical enabler for the success of our business. We have a strong safety program that focuses on implementing policies and training programs to ensure our team members can leave their job and return home safely every day.

### ***Diversity***

Integrity and teamwork are two of our core values. These drive our approach in our everyday operations with our customers, suppliers and teammates and we believe that the best results happen when we work together. At Havertys, we see strength in America's many faces, cultures, and colors. Each person offers a unique point of view and presents a fresh perspective. We are committed to diverse representation across all levels of our workforce to reflect the vibrant and thriving diversity of the communities in which we live and work.

### ***Retention and Development***

Our compensation programs are designed to attract, retain, and motivate team members to achieve superior results. Havertys' total compensation for teammates comprises a variety of components, including competitive pay consistent with positions, skill levels, experience, and knowledge. We also offer competitive benefits, including access to healthcare plans, financial and physical wellness programs, paid time off, parental leave and retirement benefits.

We periodically conduct an Employee Engagement Survey (the "Survey") as a means of measuring employee engagement and satisfaction, and offering employees the chance to feel heard.

We are committed to supporting our teammates' continuous development of professional, technical and leadership skills through corporate training programs, access to digital learning resources and through partnerships with local technical learning institutions. In 2022, Havertys team members consumed approximately 123,000 hours of learning. We also offer the opportunity for team members to pursue degree programs, professional certificates, and individual courses in strategic fields of study through our tuition reimbursement program.

## **Competition**

The retail sale of home furnishings is a highly fragmented and competitive business. There has been growth in the e-commerce channel both from internet only retailers, from start-up furniture retailers and larger more established retailers, and those with a brick-and-mortar presence. The degree and sources of brick-and-mortar retail competition varies by geographic area. We compete with numerous individual retail furniture stores as well as national and regional chains. Retail stores opened or operated 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.

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 to be significant competitive advantages.

## **Seasonality**

Our business is affected by traditional retail seasonality, advertising and promotion programs, and general economic trends. We historically achieve our smallest quarter by revenues in the second quarter and the largest in the fourth quarter. The "nesting" response generated by COVID-19 created outsized demand beginning in the second quarter of 2020 and, when combined with the strong housing market contributed to the strong sales levels we experienced through 2021. During 2022, our business began reverting to its more historical patterns, with a return to increased shopping on weekends and during traditional extended holiday periods.

## **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**

Our internet website address is [www.havertys.com](http://www.havertys.com). In addition to the information about us contained in this 2022 Form 10-K, information about us can be found on our Investor Relations website at [www.ir.havertys.com](http://www.ir.havertys.com). This website contains a significant amount of information about us, including our corporate governance principles and practices and financial and other information. We are not including this or any other information on our website as a part of, nor incorporating it by reference into, this 2022 Form 10-K or any of our other filings with the Securities and Exchange Commission ("SEC").

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on our website at [www.ir.havertys.com](http://www.ir.havertys.com) as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The SEC also maintains a website that contains our SEC filings at [www.sec.gov](http://www.sec.gov).

## **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.

### **Risks Related to Our Business**

#### **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 internet-only retailers, regional or independent specialty stores, dedicated franchises of furniture manufacturers and national department stores. 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, social media

campaigns and extension of credit to customers on terms more favorable than we offer. Furthermore, some of our competitors have greater financial resources and larger customer bases than we have, and as a result may have a more advanced multichannel platform, be able to adapt quicker to changes in consumer behavior, have attractive customer loyalty programs, and maintain higher profitability in an aggressive low-pricing environment. Rapidly evolving technologies are altering the manner in which retailers communicate and transact with customers, led by internet-based and multichannel retailers that have made significant investments in recent years, including with pricing technology and shipping capabilities.

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 successfully anticipate or respond to changes in consumer preferences in a timely manner, our sales may decline.**

Our products must appeal to our target consumers whose preferences, tastes and trends cannot be predicted with certainty and are subject to change. We continuously monitor changes in home design trends through attendance at international industry events and fashion shows, internal marketing research, and regular communication with our retailers and design professionals who provide valuable input on consumer tendencies. However, as with all retailers, our business is susceptible to changes in consumer tastes and trends. 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 successfully identify and respond to these changes, our sales may decline.

**Our future success is largely dependent on our ability to successfully implement our growth and other strategies.**

Our future success, including our ability to achieve growth and increased profitability, is dependent on the ability of our management team to execute on our long-term business strategy, which includes increasing our retail footprint, expanding our online presence, increasing the efficiency and profitability of our operations, introducing new products in the marketplace and driving increased traffic to our retail stores and e-commerce site through updated marketing efforts. If any of these initiatives are not successful, or require extensive investment, our growth may be limited, and we may be unable to achieve or maintain expected levels of growth and profitability. Furthermore, our ability to expand our retail footprint is dependent on our ability to identify, secure and develop new retail locations, which involves factors outside of our control.

**We import a substantial portion of our merchandise from foreign sources. This exposes us to certain risks that include political and economic conditions. Changes in exchange rates or tariffs could impact the price we pay for these goods, resulting in potentially higher retail prices and/or lower gross profit on these goods.**

Based on product costs, approximately 77% of our total furniture purchases (which exclude accessories and mattresses) in 2022 were for goods that were not produced domestically. 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 or of lower quality, or the vendor may be unable to meet our requirements for quality, quantities, delivery schedules or other key terms.

**We are dependent upon the ability of our third-party producers to meet our requirements; any failures by these producers, or the unavailability of suitable suppliers at reasonable prices or limitations on our ability to source from third-party producers may negatively impact our ability to deliver quality merchandise 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, develop 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 ethical labor or other laws or business practices, 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 could result in recalls and other liabilities. Such exposure could harm our brand's image and negatively affect our business and operating results.

**Significant fluctuations in the price, availability and quality 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. While the global supply chain challenges experienced as a result of the COVID-19 pandemic lessened in 2022, there can be no assurance that further challenges, including shutdowns and shipping delays, will not occur. Such supply chain disruptions could materially adversely impact the ability of our suppliers to fulfil our orders in a timely manner, if at all, and could lead to increased prices, which we may not be able to pass through to our customers.

**Our revenue can be adversely affected by our ability to successfully forecast our supply chain needs and our foreign manufacturers' ability to comply with international trade rules and regulations.**

Optimal product flow is dependent on demand planning and forecasting, supplier production according to such planning, 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 resulting from inventory-driven price reductions. Disruptions to our supply chain could result in

late product arrivals. Increased levels of out-of-stock merchandise and loss of confidence by customers in our ability to deliver goods as promised could negatively affect sales.

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

**Because of our limited number of distribution centers, our operating results could suffer if one is damaged.**

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 or experience significant business interruption. If such an interruption were to occur, our ability to deliver our products in a timely manner would likely be impacted.

**We rely extensively on information technology systems to process transactions, summarize results, and manage our business. Disruptions in our information technology systems could adversely affect our business and operating results.**

Our ability to operate our business from day to day, in particular our ability to manage our point-of-sale, distribution system and payment information, 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, and to handle all facets of our distribution system from receipt of goods in the DCs to delivery to our customers' homes. These systems are subject to damage or interruption from power outages, computer and telecommunications failures, viruses, phishing attempts, cyber-attacks, malware and ransomware attacks, security breaches, severe weather, natural disasters, and errors by employees.

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. Though losses arising from some of these issues would be covered by insurance, interruptions of our critical business information technology systems or failure of our back-up systems could result in longer production times or negatively impact customers resulting in damage to our reputation and a reduction in sales. If our critical information technology systems or back-up systems were damaged or ceased to function properly, we might have to make a significant investment to repair or replace them.

**Successful cyber-attacks and the failure to maintain adequate cyber-security systems and procedures could materially harm 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, including ransomware attacks, 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 could result in the leak of personal information of customers, employees or business partners. Employee error or other irregularities may also result in a failure of our 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. In addition, the costs to eliminate or alleviate network security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in potential theft, loss, destruction or corruption of information we store electronically, as well as unexpected interruptions, delays or cessation of service, any of which could cause harm to our business operations. Moreover, 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 litigation or fines, fees, or potential liabilities, which may not be covered by our insurance policies, each of which could have a material adverse effect on our business, results of operations and financial condition.

**Our business is dependent on certain key personnel; if we lose key personnel or are unable to hire additional qualified personnel, our business may be harmed.**

The success of our business depends upon our ability to retain continued service of certain key personnel, and to attract and retain additional qualified key personnel in the future. We face risks related to loss of any key personnel and we also face risks related to any changes that may occur in key senior leadership executive positions. Any disruption in the services of our key personnel could make it more difficult to successfully operate our business and achieve our business goals and could adversely affect our results of operation and financial condition. These changes could also increase the volatility of our stock price.

Competition for qualified employees and personnel in the retail industry is intense and we may be unable to retain personnel that are important to our business or hire additional qualified personnel. The process of identifying personnel with the combination of skills and attributes required to carry out our goals is often lengthy. Our success depends to a significant degree upon our ability to attract, retain and motivate qualified management, marketing and sales personnel, and store managers, and upon the continued contributions of these people. In addition, our operations require the services of qualified and experienced management personnel, with expertise in areas including information technology, merchandising, and supply chain management. We cannot assure you that we will be successful in attracting and retaining qualified executives and personnel.

Furthermore, a significant portion of our success depends in part upon our ability to attract, motivate and retain a sufficient number of store and other employees who understand and appreciate our corporate culture and customers. Turnover in the retail industry is generally high. Excessive employee turnover will result in higher employee costs associated with finding, hiring and training new store employees. If we are unable to hire and retain store and other personnel capable of consistently providing a high level of customer service, our ability to open new stores and service the needs of our customers may be impaired, the performance of our existing and new stores and operations could be materially adversely affected and our brand image may be negatively impacted.

## ***General Risks***

### **An overall decline in the health of the economy and consumer spending may affect consumer purchases of discretionary items, which could reduce demand for our products and materially harm our sales, profitability and financial condition.**

Our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that influence general consumer spending on discretionary items in particular. Factors influencing consumer spending include general economic conditions, consumer disposable income, fuel prices, inflation, recession and fears of recession, unemployment, inclement weather, availability of consumer credit, consumer debt levels, conditions in the housing market, interest rates, sales tax rates and rate increases, sustained periods of inflation, civil disturbances and terrorist activities, foreign currency exchange rate fluctuations, consumer confidence in future economic and political conditions, natural disasters, and consumer perceptions of personal well-being and security, including health epidemics or pandemics, such as the COVID-19 pandemic. Prolonged or pervasive economic downturns could slow the pace of new store openings or cause current stores to temporarily or permanently close. Adverse changes in factors affecting discretionary consumer spending have reduced and may continue to further reduce consumer demand for our products, thus reducing our sales and harming our business and operating results.

Historically, because customers consider home furnishings to be postponable purchases, the home furnishings industry has been subject to cyclical variations in the general economy and to uncertainty regarding future economic prospects.

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

A significant increase in oil and gasoline prices could adversely affect our profitability. In addition, governmental efforts to combat climate change through reduction of greenhouse gases may result in higher fuel costs through taxation or other means. 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 22 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.

### **The ongoing COVID-19 pandemic and its contributory effects on the economy or new health related emergencies could adversely impact our business, financial condition, liquidity, capital and results of operations.**

While the level of disruption caused by, and the economic impact of, the COVID-19 pandemic lessened in 2022, there is no assurance that the pandemic will not worsen again, included as a result of the emergence of new strains of the virus, or another health related emergency will not emerge. Any worsening of the pandemic, a new health related emergency and their effects on the economy could have an adverse impact on our business, financial condition and results of operations.

### **ESG risks could adversely affect our reputation and shareholder, employee, customer and third party relationships and may negatively affect our stock price.**

Businesses face increasing public scrutiny related to environmental, social and governance ("ESG") activities. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as environmental stewardship, including with respect to climate change, human capital management, support for our local communities, corporate governance and transparency, or fail to consider ESG factors in our business operations.

Additionally, investors and shareholder advocates are placing ever increasing emphasis on how corporations address ESG issues in their business strategy when making investment decisions and when developing their investment theses and proxy recommendations. We may incur meaningful costs with respect to our ESG efforts and if such efforts are negatively perceived, our reputation and stock price may suffer.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES****Stores**

Our retail store space at December 31, 2022 totaled approximately 4.4 million square feet for 122 stores. The following table sets forth the number of stores we operated at December 31, 2022 by state:

<b>State</b>	<b>Number of Stores</b>	<b>State</b>	<b>Number of Stores</b>
Florida	30	Maryland	4
Texas	22	Arkansas	3
Georgia	16	Louisiana	3
North Carolina	8	Kentucky	2
Virginia	9	Missouri	2
South Carolina	7	Ohio	2
Alabama	6	Indiana	1
Tennessee	6	Kansas	1

The 40 retail locations which we owned at December 31, 2022 had a net book value for land and buildings of \$67.7 million. The remaining 82 locations are leased by us with various termination dates through 2035 plus renewal options.

**Distribution Facilities**

We lease all of our distribution facilities except for the Virginia property. Our regional distribution facilities are in the following locations:

<b>Location</b>	<b>Approximate Square Footage</b>
Braselton, Georgia	808,000
Coppell, Texas	394,000
Lakeland, Florida	335,000
Colonial Heights, Virginia	129,000
Fairfield, Ohio	72,000
Theodore, Alabama	42,000
Memphis, Tennessee	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.

We believe that our facilities are suitable and adequate for present purposes, and that the productive capacity in such facilities is substantially being utilized. 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**

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

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## INFORMATION ABOUT OUR EXECUTIVE OFFICERS

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. 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 Haverty's or other companies.

Name, age and office (as of March 1, 2023) and year elected to office				Principal occupation during last five years other than office of the Company currently held
Clarence H. Smith	72	Chairman of the Board	2012	President and Chief Executive Officer, 2002-March 1, 2021
		Chief Executive Officer	2002	
		Director	1989	
Steven G. Burdette	61	President	2021	Executive Vice President, Operations 2017-March 1, 2021 Executive Vice President, Stores, 2008-2017
J. Edward Clary	62	Executive Vice President, and Chief Information Officer	2015	Senior Vice President, Distribution and Chief Information Officer 2008-2015
John L. Gill	59	Executive Vice President, Merchandising	2019	Senior Vice President, Merchandising 2018-2019; Vice President, Merchandising 2017-2018; Vice President, Operations 2015-2017
Richard B. Hare	56	Executive Vice President and Chief Financial Officer	2017	Senior Vice President, Finance, Treasurer and Chief Financial Officer of Carmike Cinemas, Inc., 2006-2016
Helen B. Bautista	56	Senior Vice President, Marketing	2021	Vice President, Marketing for Haverty's, 2019-March 1, 2021; Senior Vice President Group Account Director, 2018-2019, Vice President Group Account Director 2016-2018, Group Account Director, 2013-2016 all for Fitzco, a McCann World Group Agency
Kelley A. Fladger	53	Senior Vice President and Chief Human Resources Officer	2019	Vice President, Human Resource Services, 2016-2019 and Chief Diversity and Inclusion Officer, 2017-2019 for Perdue Farms, Inc.
Rawson Haverty, Jr.	66	Senior Vice President, Real Estate and Development	1988	Has held this position for the last five years
		Director	1992	
Jenny Hill Parker	64	Senior Vice President, Finance, and Corporate Secretary	2019	Senior Vice President, Finance, Treasurer and Corporate Secretary 2010-2019
Janet E. Taylor	61	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.*

**PART II**

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

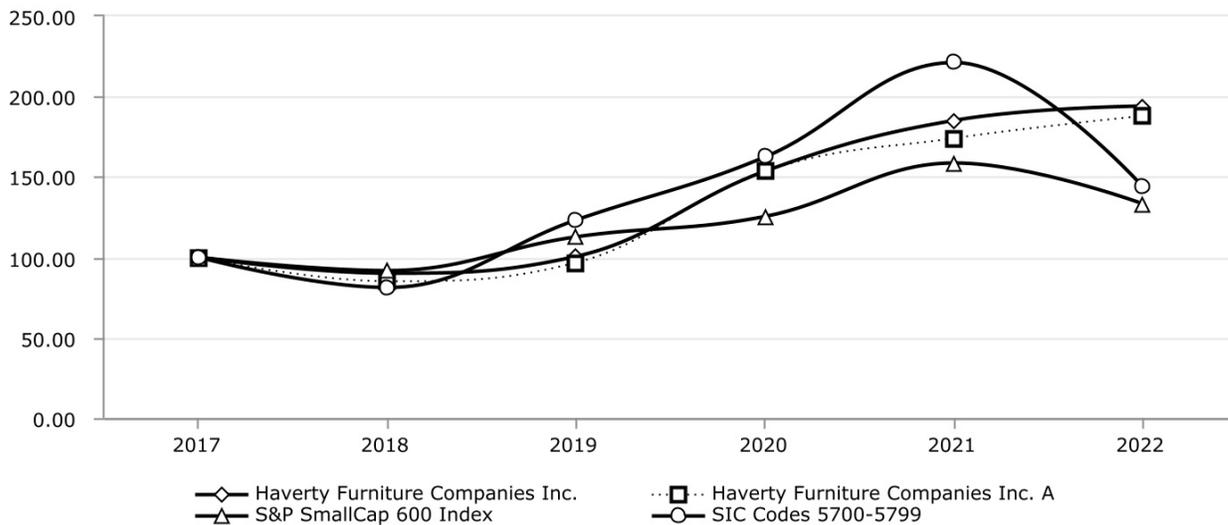
**Market Information**

Our stock began trading publicly in October 1929. We have two classes of common stock which trade on The New York Stock Exchange (“NYSE”) under the symbol HVT for our common stock (“Common Stock”) and HVT.A for our Class A Common stock (“Class A Common Stock”).

**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, 2017 and ending December 31, 2022. The graph assumes an initial investment of \$100 on January 1, 2016 and reinvestment of dividends. NOTE: Prepared by Zacks Investment Research, Inc. Used with permission. All rights reserved. Copyright 1980-2022. Index Data: Copyright Standard and Poor’s, Inc. Used with permission. All rights reserved.

Comparison of 5 Year Cumulative Total Return  
Assumes Initial Investment of \$100  
December 2022



	2017	2018	2019	2020	2021	2022
HVT	\$ 100.00	\$ 89.99	\$ 100.42	\$ 153.47	\$ 185.11	\$ 194.02
HVT-A	\$ 100.00	\$ 84.84	\$ 96.58	\$ 153.56	\$ 173.92	\$ 187.58
S&P SmallCap 600 Index	\$ 100.00	\$ 91.52	\$ 112.37	\$ 125.05	\$ 158.59	\$ 133.06
SIC Codes 5700-5799	\$ 100.00	\$ 80.95	\$ 123.19	\$ 162.11	\$ 221.19	\$ 143.34

## **Stockholders**

Based on the number of individual participants represented by security position listings, there are approximately 12,300 holders of our common stock and 200 holders of our Class A common stock as of February 23, 2023.

## **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 dividends are 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 Arrangement," 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."

## **Issuer Purchases of Equity Securities**

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

We did not make any repurchases of Havertys' common stock during the fourth quarter of 2022. We made cash payments of approximately \$30.0 million for repurchases of approximately 1.1 million shares of our Common Stock through open market purchases during 2022. There is approximately \$20.0 million at December 31, 2022 that may yet be purchased under the existing authorization.

## **ITEM 6. RESERVED**

## **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 impediments to industry growth, such as inflation, higher interest rates, rising consumer debt, home inventory constraints, and tight access to home mortgage credit.

#### ***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 team members receive a high level of product training and are provided a number of tools with which to serve our customers. We also have over 110 in-home designers serving most of our stores. These individuals work with our sales team members 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.

### **Management Objectives**

Management is focused on capturing more market share and increasing sales per square foot of showroom space. This growth will be driven by concentrating our efforts on our customers, with improved interactions highlighted by new products, high-touch service and better technology. In addition, our growth strategy includes the expansion of our retail operations to increase our footprint within our distribution network. The Company's strategies for profitability include gross margin focus, 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 and written comparable store sales; sales per weighted average square foot; gross profit, selling, general and administrative costs as a percentage of sales; operating income; cash flow; and earnings per share. The goal of utilizing these measurements is to provide tools for economic decision-making, including decisions related to store growth, capital allocation and product pricing.

Net sales is the revenue from merchandise sales and related fees, net of expected returns and sales tax. We record our sales when the merchandise is delivered to the customer.

Comparable-store or "comp-store" sales is a measure which indicates the performance of our existing stores and website by comparing the growth in sales in store and online for a particular month over the corresponding month in the prior year. Stores are considered non-comparable if they were not open during the corresponding month in the prior year or if the selling square footage has been changed by more than 10%. Large clearance sales events from warehouses or temporary locations are also excluded from comparable store sales. The method we use to compute comp-store sales may not be the same method used by other retailers.

We also track written sales and written comp-store sales. Written sales reflect those instances when a customer makes a deposit or pays in full when placing an order. Written sales shows the current pace or trend of customer transactions. The lag time between customers' order placement and delivery grew in 2020 and remained high during 2021 and continued through mid-2022 due to disruptions in supply chain and demand that outpaced merchandise supply. As a retailer, comp-store sales and written comp-store sales are an indicator of relative customer spending and store performance. Comp-store sales, total written sales and written comp-store sales are intended only as supplemental information and are not a substitute for net sales presented in accordance with US GAAP.

Sales per weighted average ("WAVG") square foot is calculated by dividing net sales by WAVG square footage. WAVG square footage is a daily WAVG based on the ratio of the days open in a period to the total days in the period.

## Results of Operations and Non-GAAP Measures

The table and discussion below should be read in conjunction with our consolidated financial statements and related notes included in this report.

### Statement of Earnings Data

(Dollars in thousands, except per share data)	Year Ended December 31,				
	2022	2021	2020 <sup>(1)</sup>	2019	2018
Net sales	\$ 1,047,215	\$ 1,012,799	\$ 748,252	\$ 802,291	\$ 817,733
Gross profit	604,224	574,625	418,994	434,488	446,542
<b>Percent of net sales</b>	<b>57.7 %</b>	<b>56.7 %</b>	<b>56.0 %</b>	<b>54.2 %</b>	<b>54.6 %</b>
Selling, general and administrative expenses <sup>(2)</sup>	486,298	456,267	377,288	407,456	404,856
<b>Percent of net sales</b>	<b>46.4 %</b>	<b>45.1 %</b>	<b>50.4 %</b>	<b>50.8 %</b>	<b>49.5 %</b>
Income before income taxes <sup>(2)(3)</sup>	119,501	118,535	76,731	28,724	40,408
<b>Percent of net sales</b>	<b>11.4 %</b>	<b>11.7 %</b>	<b>10.3 %</b>	<b>3.6 %</b>	<b>4.9 %</b>
Net income <sup>(2)(3)</sup>	89,358	90,803	59,148	21,865	30,307
<b>Percent of net sales</b>	<b>8.5 %</b>	<b>9.0 %</b>	<b>7.9 %</b>	<b>2.7 %</b>	<b>3.7 %</b>

### Share Data

Diluted earnings per Common share <sup>(2)(3)</sup>	\$ 5.24	\$ 4.90	\$ 3.12	\$ 1.08	\$ 1.42
Cash dividends - per share:					
Common Stock <sup>(4)</sup>	\$ 2.06	\$ 2.97	\$ 2.77	\$ 0.76	\$ 1.72
Class A Common Stock <sup>(4)</sup>	\$ 1.96	\$ 2.79	\$ 2.62	\$ 0.72	\$ 1.63
Diluted weighted average common shares outstanding	17,038	18,543	18,932	20,261	21,295

### Balance Sheet Data

Total assets	\$ 649,049	\$ 686,290	\$ 680,372	\$ 560,072	\$ 440,179
Inventories	118,333	112,031	89,908	104,817	105,840
Net property and equipment <sup>(5)</sup>	137,475	126,099	108,366	156,534	218,852
Right-of-use lease assets	207,390	222,356	228,749	175,474	—
Lease liabilities	221,287	230,352	233,666	179,055	—
Customer deposits	47,969	98,897	86,183	30,121	24,465
Total debt <sup>(6)</sup>	—	—	—	—	50,803
Stockholders' Equity	289,399	255,970	252,967	260,503	274,629

### Statement of Cash Flows Data

Net cash provided by operating activities	\$ 51,015	\$ 97,242	\$ 130,191	\$ 63,419	\$ 70,392
Depreciation and amortization <sup>(5)</sup>	16,926	16,304	18,207	20,596	29,806
Capital expenditures	28,411	34,090	10,927	16,841	21,473
Dividends paid	33,948	52,446	50,521	15,056	35,464
Share repurchases	29,998	41,809	19,708	29,757	18,732

### Other Supplemental Data and Metrics

Number of stores	122	121	120	121	120
Retail square footage at year-end	4,363	4,354	4,352	4,426	4,417
Sales per WAVG retail square foot	\$ 256	\$ 232	\$ 173	\$ 183	\$ 185
Average ticket <sup>(7)</sup>	\$ 3,171	\$ 2,865	\$ 2,482	\$ 2,323	\$ 2,184
Net sales increases (%)	3.4 %	35.4 %	(6.7)%	(1.9)%	(0.3)%
Comparable store sales increase (%)	3.4 %	17.9 %	5.0 %	(1.4)%	0.3 %
Employees	2,831	2,845	2,766	3,425	3,418

(1) Stores were closed and delivery operations were paused for approximately six weeks due to COVID-19.

(2) Includes impairment loss of \$2.4 million, or \$1.8 million after tax, on a retail store in 2019 which impacted diluted earnings per share \$0.09.

(3) Includes gain of \$31.6 million on a sale-leaseback transaction in 2020 which impacted diluted earnings per share \$1.24.

(4) Includes special dividends of \$1.00 for Common Stock and \$0.95 for Class A Common Stock paid in the fourth quarter of 2022, \$2.00 for Common Stock and \$1.90 for Class A Common Stock paid in the fourth quarter of 2021 and 2020 and \$1.00 for Common Stock and \$0.95 for Class A Common Stock paid in the fourth quarter of 2018.

(5) We adopted ASC 840 effective January 1, 2019. The cumulative effect included a reduction of property and equipment, net of \$53,519,000. Amortization of buildings under lease was included in depreciation expense.

(6) Debt is comprised completely of lease obligations accounted for under ASC 840, prior to adoption of ASU 2016-02.

(7) Average ticket is calculated by dividing total sales by the number of orders.

## Net Sales

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,								
	2022			2021			2020		
	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	\$ 238.9	1.0 %	0.2 %	\$ 236.5	31.8 %	11.5 %	\$ 179.4	(4.2)%	11.6 %
Q2	253.2	1.3	1.1	250.0	127.3	46.9	110.0	(42.7)	(15.2)
Q3	274.5	5.4	6.3	260.4	19.7	17.7	217.5	3.9	4.0
Q4	280.6	5.5	5.7	265.9	10.2	9.2	241.3	12.9	13.7
Year	\$ 1,047.2	3.4 %	3.4 %	\$ 1,012.8	35.4 %	17.9 %	\$ 748.3	(6.7)%	5.0 %

Sales in 2022 set new records, with each quarter exceeding the comparable prior period quarter. We restored our normal operating level of inventory as supply chain issues abated in the second half of the year. This trend benefited our net sales, as we were able to deliver both new and previously written orders (or "backlog") during this period, which offset the slowing pace of new written orders. Consumers have returned to their historical shopping patterns of concentrating spending around traditional holiday events. We have had declines in in-store traffic particularly outside these peak periods. Our written business was down 8.8% compared to the extraordinary pace set in 2021. Our sales associates and design consultants are providing excellent service to each customer, and average ticket value was up 10.7% over last year. Design consultant engagement increased in 2022 and accounted for 24.% of our 2022 business, with an average ticket of \$5,990. Merchandise sales for most categories have returned to their historical percentages of total sales, with the exception of mattresses. (See Note 2, "Revenues and Segment Reporting" of the Notes to Consolidated Financial Statements).

Sales in 2021 set a record pace as furniture demand remained strong despite ongoing COVID-19 concerns and supply chain challenges. The comparisons to 2020 reflect the impact of our store closures in mid-March and re-opening on May 1, 2020, and the surge in business that followed. In response to increasing product and freight costs, we raised our retail prices. The impact of the supply chain disruptions is reflected in our sales by merchandise category. Our mattress and bedroom furniture sales were particularly affected by such supply chain disruptions. Sales of upholstery in 2021 increased 37.3% as a result of our upholstery suppliers making good strides towards meeting demand with increased production. Sales in this category increased 60 basis points as a percent of total sales over 2020 levels. COVID-19 concerns continued to affect sales generated by our in-home designers in 2021, and such sales, as a percent of our total sales remained at the 2020 level of 22.8% for 2021.

Our ability to deliver customer orders improved in 2021 compared to 2020 but was still longer than pre-pandemic time frames. Manufacturers began to recover from raw material shortages but were still challenged by labor shortages and disruptions in transportation logistics. Our warehouse and delivery operations adjusted due to personnel shortages. Due to staffing constraints, time between purchase and delivery lengthened from our pre-pandemic average of 3 to 5 days for in-stock items to 1 to 2 weeks. We added additional team members and during the last quarter of 2021, purchases of in-stock product were generally delivered within 3 to 5 days. The disruptions to our supply chain resulted in lower inventory, and for out-of-stock merchandise, delivery times ran 8 to 12 weeks. Our vendor partners for special order products continued to experience delays with delivery of these orders averaging 12 to 20 weeks.

Sales in 2020 were impacted by COVID-19. Our written sales suffered during the first weeks of March as information and news coverage concerning the pandemic increased. We closed our stores and paused operations mid-March. We enacted our business continuity plan in April which anticipated continued low levels of sales. Most stores reopened on May 1 with approximately 76% of their original staff, store hours were reduced 17% , and delivery capacity was also reduced. Our business was very strong upon reopening; total

written sales for the two months ended June 30, 2020 were up 13.9% ; and written comparable store sales were up 17.5% compared to the same two-month period in 2019. Our written sales remained strong during the third quarter of 2020, with total written sales up 22.8% and written comparable store sales up 22.6% over the same period in 2019. Our written sales in the fourth quarter were up 16.7% , and written comp-store sales rose 17.5% .

Our delivery capacity in 2020 was intentionally reduced as part of our business continuity plan. Deliveries resumed on May 5, 2020, with reduced personnel and capacity and total sales from May 5 through June 30, 2020 were down 13.4% compared with the same period of 2019. Demand quickly began to outpace supply, and we worked during the third quarter to increase our inventory levels and delivery capacity. We adjusted our operations during the third quarter, adding additional personnel, and worked with our vendors to accelerate orders.

Revenues by product category as a percentage of net sales in 2020 increased over 2019 by 220 basis points in upholstery sales and by 60 basis points in home office due to "nesting" buying, and our mattress business declined 160 basis points due to supply-chain disruption caused by COVID-19. Our in-home designer sales were hampered during 2020 but were 22.8% of our total sales compared to 25.3% in 2019. Total sales for 2020 decreased \$54.0 million, or 6.7% compared to 2019. Our comp-store sales, which includes online sales, increased 5.0% , or \$32.7 million, in 2020 compared to 2019. The remaining \$86.8 million of the change was primarily from our store closures in March through April and from new, closed and otherwise non-comparable stores.

### *2023 Outlook*

We cannot predict the impact of inflation, rising interest rates, market volatility, and geopolitical concerns on consumer spending on home furnishings. We believe we benefit from our footprint that covers many of the fastest-growing markets in the country. In addition, we have improved our customers' online experience and continue to deploy targeted marketing efforts. We believe that our existing stores are well-positioned in their respective markets and plan to open additional locations during the year. We believe that our offerings of on-trend merchandise, knowledgeable salespeople, free in-home design service, and special-order capabilities help make us a market leader in the residential furniture industry and will continue to strengthen our business in the year ahead.

### **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 57.7% in 2022 compared to 56.7% in 2021. The increase of 100 basis points was primarily due to merchandise price increases and disciplined discounting which offset product cost and freight increases. The use of the LIFO method generated a \$10.8 million charge in 2022 versus \$12.3 million in 2021.

Gross profit as a percentage of net sales was 56.7% in 2021 compared to 56.0% in 2020. The increase was primarily due to merchandise price increases and disciplined discounting offsetting product cost and freight increases. The use of the LIFO method generated a \$12.3 million charge in 2021 versus \$0.6 million in 2020, or a negative 110 basis points impact to the total gross profit change.

### *2023 Outlook*

Our expectations for 2023 are for annual gross profit margins of approximately 58.0% to 58.5% . This assumes changes in merchandise and freight costs and their impact on the LIFO reserve.

## 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 are primarily comprised of compensation of sales team members 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 expenditures, direct mail costs, market research expenses and agency fees. Administrative expenses are comprised of compensation costs for store personnel exclusive of sales team members, 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>	2022		2021		2020	
		% of Net Sales		% of Net Sales		% of Net Sales
Variable	\$ 193,675	18.5 %	\$ 173,810	17.2 %	\$ 135,286	18.1 %
Fixed and discretionary	292,623	27.9	282,457	27.9	242,002	32.3
	\$ 486,298	46.4 %	\$ 456,267	45.1 %	\$ 377,288	50.4 %

### Year-to-Year Comparisons

Our SG&A dollars as a percent of sales increased to 46.4% in 2022 from 45.1% in 2021. Advertising expenditures increased approximately \$2.3 million. Our selling expenses increased \$13.5 million primarily from increased sales commissions, benefits, and third-party financing costs. Our occupancy costs increased \$2.7 million due to increases in utilities, state and local taxes, and repairs and maintenance. Warehouse, delivery, and transportation expenses rose \$6.9 million from 2021 driven by higher personnel and fuel costs. Administrative expense increased \$4.7 million primarily from increased wages and related expense and higher travel costs that were partly offset by lower group health insurance expense.

Our SG&A dollars as a percent of sales decreased to 45.1% in 2021 from 50.4% in 2020. We were able to leverage our fixed and discretionary costs as we achieved record sales throughout the year. We increased our advertising spend \$9.5 million in 2021 to \$49.3 million. Our occupancy costs increased \$3.9 million, driven by greater rent expense - primarily for the distribution facilities in the sale-leaseback in 2020 - and higher utilities and repairs and maintenance that were partly offset by lower depreciation expense. Warehouse and transportation expense rose \$10.6 million on higher salaries and benefits, and temporary labor costs and \$4.2 million in accessorial and demurrage fees. Administrative expense increased \$18.9 million, primarily from increased wages and related costs, higher amortization expense on performance stock awards, and increased incentive compensation costs.

### 2023 Outlook

Fixed and discretionary expenses within SG&A are expected to be in the \$292.0 to \$295.0 million range for 2023. We anticipate higher costs in 2023 due to rising inflationary pressures and additional costs associated with new stores. Fixed and discretionary expenses are expected to be at similar quarterly levels in 2022 as in 2021, as adjusted for the overall increases.

Variable costs within SG&A for 2023 are expected to be between 19.5% and 19.7% as a percent of sales. This increase is primarily driven by wage inflation and higher delivery and third-party financing costs.

### **Interest (Income) Expense, Net**

We earned \$1.4 million more interest income in 2022 than in 2021 due to higher rates.

### **Provision for Income Taxes**

Our effective tax rate was 25.2% in 2022, 23.4% in 2021 and 22.9% in 2020. The rates vary from the U.S. federal statutory rate primarily due to state income taxes. The rates in 2022, 2021 and 2020 also benefited from the recognition of state tax credits of \$899,000, \$481,000 and \$1,206,000, respectively. See Note 7, "Income Taxes" of the Notes to Consolidated Financial Statements for further information about our income taxes.

### **Liquidity and Capital Resources**

#### ***Cash and Cash Equivalents at End of Year***

At December 31, 2022, we had \$123.1 million in cash and cash equivalents, and \$6.8 million in restricted cash equivalents. See Note 1 to our consolidated financial statements for further discussion of our restricted cash equivalents. We believe that our current cash position, cash flow generated from operations, funds available from our credit agreement, and access to the long-term debt capital markets should be sufficient for our operating requirements and to enable us to fund our capital expenditures, dividend payments, and lease obligations through the next several years. In addition, we believe we have the ability to obtain alternative sources of financing. We expect capital expenditures of approximately \$28.0 million in 2023.

#### ***Long-Term Debt***

At December 31, 2022, we had a \$80.0 million revolving credit facility (the "Credit Agreement") with a bank. The Credit Agreement matures October 24, 2027. See Note 5, "Credit Arrangement" of the Notes to Consolidated Financial Statements for information about our Credit Agreement.

#### ***Leases***

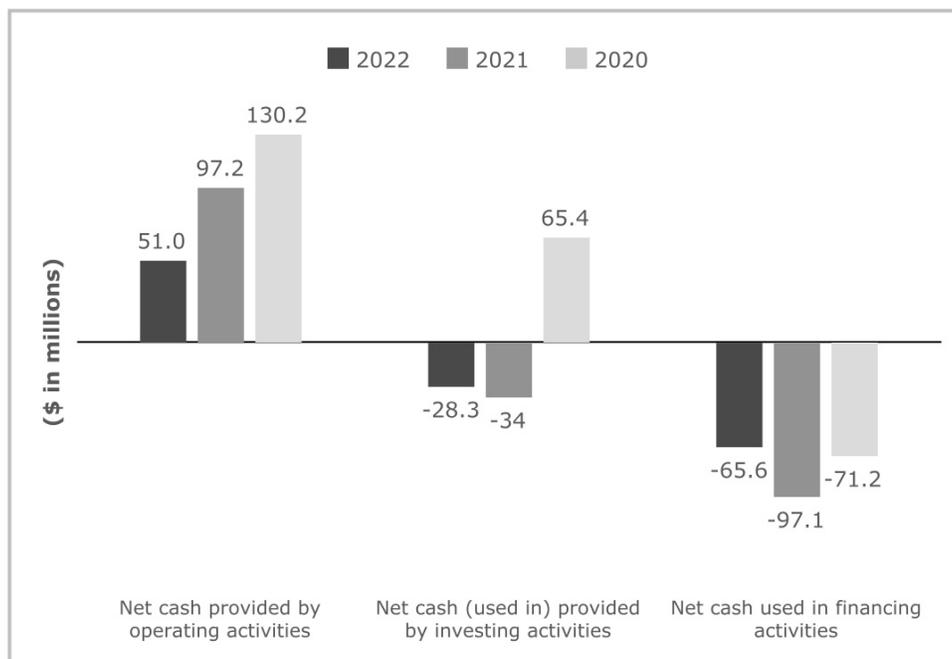
We use operating leases to fund a portion of our real estate, including our stores, distribution centers, and store support space.

At December 31, 2022, we had aggregate lease obligations of \$221.3 million, with \$34.4 million payable within 12 months. Aggregate lease obligations include \$2.8 million related to leases not yet commenced. See Note 8, "Leases" of the Notes to Consolidated Financial Statements for further discussion of our operating leases.

#### ***Share Repurchases***

In August 2022, our Board of Directors authorized additional amounts under a share repurchase program. We made cash payments of \$30.0 million for repurchases of 1.1 million shares of our Common Stock through open market purchases during 2022 and there is approximately \$20.0 million at December 31, 2022 that may yet be purchased under the existing authorization.

**Cash Flows Summary**



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

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

Net cash provided by operating activities in 2022 was \$51.0 million driven primarily by net income of \$89.4 million and non-cash adjustments to net income of \$25.8 million consisting primarily of depreciation and amortization and stock-based compensation expense, and by working capital changes driven primarily by a \$50.9 million reduction in customer deposits.

Net cash provided by operating activities in 2021 was \$97.2 million driven primarily by net income of \$90.8 million and non-cash adjustments to net income of \$25.5 million consisting primarily of depreciation and amortization and stock-based compensation expense, and by working capital inflows driven primarily by customer deposits and outflows for inventory turnover and timing of inventory purchases.

**Investing Activities.** Cash used in investing activities in 2022 consisted primarily of \$28.4 million of capital expenditures.

Cash used in investing activities in 2021 primarily reflected \$34.1 million of capital expenditures.

**Financing Activities.** Cash used in financing activities in 2022 consisted primarily of \$17.9 million of quarterly cash dividends, \$16.1 of special cash dividends, and \$30.0 million of share repurchases.

Cash used in financing activities in 2021 primarily reflected \$17.4 million of quarterly cash dividends, \$35.0 million of special cash dividends, and \$41.8 million of share repurchases.

## Contractual Obligations

We have no short-term borrowings or funded debt. The following summarizes our contractual obligations and commercial commitments as of December 31, 2022 (in thousands):

	Payments Due or Expected by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Operating leases <sup>(1)</sup>	\$ 273,983	\$ 45,427	\$ 77,893	\$ 58,500	\$ 92,163
Rent deferrals <sup>(2)</sup>	533	119	226	—	188
Purchase orders	88,127	88,127	—	—	—
Total contractual obligations <sup>(3)</sup>	\$ 362,643	\$ 133,673	\$ 78,119	\$ 58,500	\$ 92,351

(1) These amounts are for our undiscounted lease obligations recorded in our consolidated balance sheets, as lease liabilities. For additional information about our leases, refer to Note 8, "Leases" of the Notes to the Consolidated Financial Statements.

(2) Lease concessions related to the impact of COVID-19. For additional information about our leases, refer to Note 8, "Leases" of the Notes to the Consolidated Financial Statements.

(3) 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:	2022		2021		2020	
	# of Stores	Square Footage	# of Stores	Square Footage	# of Stores	Square Footage
Opened	3	97	2	44	1	28
Closed	2	88	1	42	2	102
Year end balances	122	4,363	121	4,354	120	4,352

The following table summarizes our store activity in 2022 and plans for 2023.

Location	Opening (Closing) Quarter Actual or Planned	Category
Austin, TX	Q-2-22	Open
Atlanta, GA	Q-2-22	Closure
Metro DC	Q-4-22	Open
Indianapolis, IN	Q-4-22	Relocation
Durham, NC	Q-1-23	Open
Atlanta, GA	Q-2-23	Closure
Charlotte, NC	Q-3-23	Open
Dayton, OH	Q-4-23	Open
Location to be announced	Q-4-23	Open
Location to be announced	Q-4-23	Open

Assuming the new stores open and existing stores closed as planned, the above activity and other changes should increase net selling space in 2023 approximately 2.2% over 2022.

Our investing activities in stores and operations in 2022, 2021 and 2020 and planned outlays for 2023 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.

<i>(Approximate in thousands)</i>	<b>Proposed 2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Stores:				
New or replacement stores <sup>(1)</sup>	\$ 9,700	\$ 7,700	\$ 7,000	\$ 1,000
Remodels/expansions	2,900	4,400	4,300	600
Other improvements	6,700	6,600	4,500	3,200
Total stores	19,300	18,700	15,800	4,800
Distribution <sup>(1)</sup>	5,800	6,900	15,300	3,600
Information technology	2,500	2,800	3,000	2,500
Total	<u>\$ 27,600</u>	<u>\$ 28,400</u>	<u>\$ 34,100</u>	<u>\$ 10,900</u>

(1) In 2021 we purchased one retail location and one distribution facility that were previously leased.

### **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. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, and evaluate our estimates and judgments required by our policies on an ongoing basis and update them as appropriate based on changing conditions.

Accounting estimates are considered critical if both of the following conditions are met: (a) the nature of the estimates or assumptions is material because of the levels of subjectivity and judgment needed to account for matters that are highly uncertain and susceptible to change and (b) the effect of the estimates and assumptions is material to the financial statements.

We have reviewed our accounting estimates, and none were deemed to be considered critical for the accounting periods presented.

### **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. Our exposure to interest rate risk relates to the interest income generated by cash, cash equivalents, and interest expense on the Credit Facility. The primary objective of our investment policy is to preserve principal while maximizing income without significantly increasing risk. We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. During 2022 and 2021, we had no outstanding borrowings under our Credit Agreement (as discussed in Note 5 to the Consolidated Financial Statements), which bears interest based on variable rates.

## 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-22 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 (PCAOB ID 248)	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-22

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

None.

### 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, 2022.

**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 2022, 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

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, 2022, 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, 2022, 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, 2022, and our report dated March 8, 2023 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 8, 2023

**ITEM 9B. OTHER INFORMATION**

None

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

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 team members. The Code is available on our website at [www.ir.havertys.com](http://www.ir.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 "Information about our Executive Officers." The remaining information called for by this item is incorporated by reference to "Proposal 1: Nominees for Election by Holders of Class A Common Stock and Nominees for Election by Holders of Common Stock," "Corporate Governance," "Committees of the Board" and "Certain Relationships and Related Transactions – Delinquent Section 16(a) Reports" in our 2023 Proxy Statement.

**ITEM 11. EXECUTIVE COMPENSATION**

The information contained in our 2023 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 2023 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 by our 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 2023 Proxy Statement with respect to certain relationships, related party transactions and director independence under the headings "Certain Relationships and Related Transactions" and "Corporate Governance – Governance Guidelines and Policies – 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 Matters" in our 2023 Proxy Statement is incorporated herein by reference to this item.

### PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

(1) Financial Statements.

Consolidated Balance Sheets – December 31, 2022 and 2021.

Consolidated Statements of Comprehensive Income – Years ended December 31, 2022, 2021, and 2020.

Consolidated Statements of Stockholders' Equity – Years ended December 31, 2022, 2021, and 2020.

Consolidated Statements of Cash Flows – Years ended December 31, 2022, 2021, and 2020.

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:

Our SEC File Number is 1-14445 for all exhibits filed with the Securities Exchange Act reports.

<b>Exhibit No.</b>	<b>Exhibit</b>
3.1	<a href="#">Articles of Amendment and Restatement of the Charter of Haverty Furniture Companies, Inc. effective May 2006 (Incorporated by reference to Exhibit 3.1 to our 2006 Second Quarter Form 10-Q).</a>
*3.2	<a href="#">By-Laws of Haverty Furniture Companies, Inc. as amended and restated effective February 24, 2023.</a>
4.1	<a href="#">Description of Securities of the Registrant.</a> (Incorporated by reference to Exhibit 4.1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2019).

<b>Exhibit No.</b>	<b>Exhibit</b>
10.1	<a href="#">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</a> (Incorporated by reference to Exhibit 10.1 to our 2011 Third Quarter Form 10-Q); <a href="#">First Amendment to Amended and Restated Credit Agreement, dated March 31, 2016</a> (Incorporated by reference to Exhibit 10.1 to our 2016 First Quarter Form 10-Q); <a href="#">Second Amendment to Amended and Restated Credit Agreement by and among Haverty Furniture Companies, Inc. and Havertys Credit Services, Inc., as the Borrowers, and SunTrust Bank, as the Issuing Bank and Administrative Agent</a> (Incorporated by reference to Exhibit 10.1 to our 2019 Third Quarter Form 10-Q); <a href="#">Third Amendment to Amended and Restated Credit Agreement by and among Haverty Furniture Companies, Inc. and Havertys Credit Services, Inc., as Borrowers, and Truist Bank (successor by merger to SunTrust Bank) as the Issuing Bank and Administrative Agent</a> (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated May 20, 2020); <a href="#">Fourth Amendment to Amended and Restated Credit Agreement by and among Haverty Furniture Companies, Inc. and Havertys Credit Services, Inc., as the Borrowers, Truist Bank (as successor to SunTrust Bank), as the Administrative Agent and Issuing Bank and Administrative Agent and Lead Arranger (as successor to SunTrust Robinson Humphrey, Inc.), dated September 1, 2011</a> (Incorporated by reference to Exhibit 10.1 to our 2022 Third Quarter Form 10-Q).
10.2	<a href="#">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</a> (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed June 8, 2012); <a href="#">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</a> (Incorporated by reference to Exhibit 10.1 to our First Quarter 2013 Form 10-Q); <a href="#">Parties added to the Agreement as of July 5, 2013 – Richard McGaughey</a> (Incorporated by reference to Exhibit 10.1 to our Second Quarter 2013 Form 10-Q); <a href="#">Amendment to Class A Shareholders Agreement, as of December 30, 2016 removing Ridge Partners, L.P. and Frank S. McGaughey</a> (Incorporated by reference to Exhibit 10.2.1 to our 2016 Form 10-K); <a href="#">Parties added to the Agreement as of May 1, 2019 – H5-MHG, LLC, H5-JMH, LLC, H5-JRH, LLC, H5-MEH, LLC, H5-BMH, LLC</a> (Incorporated by reference to Exhibit 99.1 to H5, L.P.'s Schedule 13 D/A filed May 22, 2019).
+ 10.3	<a href="#">2014 Long-Term Incentive Plan effective as of May 12, 2014</a> (Incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-8, File No. 333-197969); <a href="#">Amendment No. One to our 2014 Long-Term Incentive Plan effective June 1, 2018</a> (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated April 10, 2018).
+ 10.4	<a href="#">2021 Long-Term Incentive Plan effective as of May 10, 2021</a> (Incorporated by reference to Exhibit 10.1 to our Third-Quarter Form 10-Q filed November 2, 2021).
+ 10.5	<a href="#">Amended and Restated Non-Employee Director Compensation Plan, effective as of May 17, 2019</a> (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated May 17, 2019).
+ 10.6	<a href="#">Amended and Restated Directors' Deferred Compensation Plan, effective as of May 17, 2019</a> (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated May 17, 2019).
+ 10.7	<a href="#">Amended and Restated Supplemental Executive Retirement Plan, effective January 1, 2009</a> (Incorporated by reference to Exhibit 10.9 to our 2008 Form 10-K); <a href="#">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</a> (Incorporated by reference to Exhibit 10.7 to our 2015 Form 10-K); <a href="#">Amendment Number Three to the Amended and Restated Supplemental Executive Retirement Plan, effective December 21, 2016</a> (Incorporated by reference to Exhibit 10.7.1 to our 2016 Form 10-K).

<b>Exhibit No.</b>	<b>Exhibit</b>
+ 10.8	<a href="#">Form of Agreement dated February 27, 2018 regarding Change in Control with the Named Executive Officers and a Management Director</a> (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated March 5, 2018).
+ 10.8.1	<a href="#">Form of Agreement dated February 27, 2018, regarding Change in Control with Executive Officers who are not Named Executive Officers or Management Directors</a> (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated March 5, 2018).
+ 10.9	<a href="#">Amended and Restated Non-Qualified Deferred Compensation Plan, effective as of August 9, 2016</a> (Incorporated by reference to Exhibit 10.9 to our 2016 Form 10-K).
+ 10.10	<a href="#">Top Hat Mutual Fund Option Plan, effective as of January 15, 1999</a> (Incorporated by reference to Exhibit 10.15 to our 1999 Form 10-K).
+ 10.11	<a href="#">Form of Restricted Stock Units Award Notice, Form of Performance Restricted Stock Units (EBITDA) Award Notice</a> and <a href="#">Form of Performance Restricted Units (Sales) Award Notice</a> in connection with the 2014 Long-Term Incentive Compensation Plan. (Incorporated by reference to Exhibits 10.1, 10.2 and 10.3 to our Current Report on Form 8-K dated January 29, 2020).
+ 10.12	<a href="#">Form of Restrictive Covenant Agreement</a> (Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated January 29, 2020).
+ 10.13	<a href="#">Form of Restricted Stock Units Award Notice, Form of Performance Restricted Stock Units (EBITDA) Award Notice</a> and <a href="#">Form of Performance Restricted Units (Sales) Award Notice</a> in connection with the 2014 Long-Term Incentive Compensation Plan. (Incorporated by reference to Exhibits 10.1, 10.2 and 10.3 to our Current Report on Form 8-K dated January 27, 2021).
+ 10.14	<a href="#">Form of Restricted Stock Units Award Notice, Form of Performance Restricted Stock Units (EBITDA) Award Notice</a> and <a href="#">Form of Performance Restricted Units (Sales) Award Notice</a> in connection with the 2021 Long-Term Incentive Compensation Plan. (Incorporated by reference to Exhibits 10.1, 10.2 and 10.3 to our Current Report on Form 8-K dated February 1, 2022).
10.15	<a href="#">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</a> (Incorporated by reference to Exhibit 10.1 to our 2002 Third Quarter Form 10-Q). <a href="#">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</a> (Incorporated by reference to Exhibit 10.15.1 to our 2006 Form 10-K). <a href="#">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.</a> (Incorporated by reference to Exhibit 10.21.1 to our 2018 Form 10-K).
10.16	<a href="#">Contract of Sale dated August 6, 2002, between Haverty Furniture Companies, Inc. as Seller and HAVERTACQII LLC, as Landlord</a> (Incorporated by reference to Exhibit 10.2 to our 2002 Third Quarter Form 10-Q).
10.17	<a href="#">Lease Agreement dated August 6, 2002, between Haverty Furniture Companies, Inc. as Tenant and HAVERTACQII LLC, as Landlord</a> (Incorporated by reference to Exhibit 10.3 to our 2002 Third Quarter Form 10-Q).

<b>Exhibit No.</b>	<b>Exhibit</b>
10.18	<a href="#">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.</a> (Incorporated by reference to Exhibit 10.13 to our 2013 Form 10-K/A); <a href="#">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.</a> (Incorporated by reference to Exhibit 10.1 to our 2018 Second Quarter Form 10-Q).
10.19	<a href="#">Purchase Agreement, dated as of May 18, 2020 between Haverty Furniture Companies, Inc. ("Seller"), and HF Coppel TX Landlord, LLC, HF Lakeland FL Landlord, LLC and HF Colonial Heights VA Landlord, LLC (each a "Buyer" and collectively, the "Buyers").</a> (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated May 20, 2020).
10.20	<a href="#">Lease Agreement dated May 18, 2020 between Haverty Furniture Companies, Inc. as Tenant and HF Coppel TX Landlord, LLC as Landlord</a> (Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated May 20, 2020).
10.21	<a href="#">Lease Agreement dated May 18, 2020 between Haverty Furniture Companies, Inc. as Tenant and HF Lakeland FL Landlord, LLC as Landlord.</a> (Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated May 20, 2020).
* 21.1	<a href="#">Subsidiaries of Haverty Furniture Companies, Inc.</a>
* 23.1	<a href="#">Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm.</a>
* 31.1	<a href="#">Certification pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.</a>
* 31.2	<a href="#">Certification pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.</a>
# 32.1	<a href="#">Certifications pursuant to 18 U.S.C. Section 1350.</a>
101	The following financial information from our Report on Form 10-K for the year ended December 31, 2022, formatted in inline XBRL: (i) Consolidated Balance Sheets ended December 31, 2022 and 2021, (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2022, 2021 and 2020, (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2022, 2021 and 2020, (iv) Consolidated Statements of Cash Flow for the years ended December 31, 2022, 2021 and 2020, and (v) the Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

+ Indicates a management contract or compensatory plan or arrangement required to be filed as exhibits pursuant to Item 15(b) of Form 10-K.

# Furnished herewith.

## **ITEM 16. FORM 10-K SUMMARY**

None.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2022 and 2021, the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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, 2022, 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 8, 2023 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 regarding 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.

### Critical audit matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ GRANT THORNTON LLP

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

Atlanta, Georgia  
March 8, 2023

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

	December 31,	
	2022	2021
<i>(In thousands, except per share data)</i>		
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 123,126	\$ 166,146
Restricted cash equivalents	6,804	6,716
Inventories	118,333	112,031
Prepaid expenses	9,707	12,418
Other current assets	18,283	11,746
Total current assets	276,253	309,057
Property and equipment, net	137,475	126,099
Right-of-use lease assets	207,390	222,356
Deferred income taxes	15,501	16,375
Other assets	12,430	12,403
Total assets	\$ 649,049	\$ 686,290
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 23,345	\$ 31,235
Customer deposits	47,969	98,897
Accrued liabilities	48,676	46,664
Current lease liabilities	34,442	33,581
Total current liabilities	154,432	210,377
Noncurrent lease liabilities	186,845	196,771
Other liabilities	18,373	23,172
Total liabilities	359,650	430,320
Stockholders' equity		
Capital Stock, par value \$1 per share		
Preferred Stock, Authorized - 1,000 shares; Issued: None		
Common Stock, Authorized - 50,000 shares; Issued: 2022- 30,006; 2021 - 29,907	30,006	29,907
Convertible Class A Common Stock, Authorized - 15,000 shares; Issued: 2022 - 1,806; 2021 - 1,809	1,806	1,809
Additional paid-in capital	108,706	102,572
Retained earnings	398,393	342,983
Accumulated other comprehensive loss	(756)	(2,293)
Treasury stock at cost - Common Stock (2022 - 15,140; 2021 - 14,069) and Convertible Class A Common Stock (2022 and 2021 - 522)	(248,756)	(219,008)
Total stockholders' equity	289,399	255,970
Total liabilities and stockholders' equity	\$ 649,049	\$ 686,290

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

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

<i>(In thousands, except per share data)</i>	Year Ended December 31,		
	2022	2021	2020
Net sales	\$ 1,047,215	\$ 1,012,799	\$ 748,252
Cost of goods sold	442,990	438,174	329,258
Gross profit	604,225	574,625	418,994
Expenses:			
Selling, general and administrative	486,298	456,267	377,288
Other expense (income), net	44	54	(34,899)
Total expenses	486,342	456,321	342,389
Income before interest and income taxes	117,883	118,304	76,605
Interest income, net	1,618	231	126
Income before income taxes	119,501	118,535	76,731
Income tax expense	30,143	27,732	17,583
Net income	\$ 89,358	\$ 90,803	\$ 59,148
Other comprehensive income (loss), net of tax:			
Defined benefit pension plan adjustments; net of tax expense (benefit) of \$513, \$89 and \$(159)	\$ 1,537	\$ 267	\$ (473)
Comprehensive income	\$ 90,895	\$ 91,070	\$ 58,675
Basic earnings per share:			
Common Stock	\$ 5.43	\$ 5.06	\$ 3.18
Class A Common Stock	\$ 5.17	\$ 4.75	\$ 3.04
Diluted earnings per share:			
Common Stock	\$ 5.24	\$ 4.90	\$ 3.12
Class A Common Stock	\$ 5.07	\$ 4.69	\$ 3.04

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

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

(In thousands, except per share data)	Year Ended December 31,					
	2022		2021		2020	
	Shares	Dollars	Shares	Dollars	Shares	Dollars
<b>Common Stock:</b>						
Beginning balance	29,907	\$ 29,907	29,600	\$ 29,600	29,431	\$ 29,431
Conversion of Class A Common Stock	3	3	187	187	58	58
Stock compensation transactions, net	96	96	120	120	111	111
Ending balance	<u>30,006</u>	<u>30,006</u>	<u>29,907</u>	<u>29,907</u>	<u>29,600</u>	<u>29,600</u>
<b>Class A Common Stock:</b>						
Beginning balance	1,809	1,809	1,996	1,996	2,054	2,054
Conversion to Common Stock	(3)	(3)	(187)	(187)	(58)	(58)
Ending balance	<u>1,806</u>	<u>1,806</u>	<u>1,809</u>	<u>1,809</u>	<u>1,996</u>	<u>1,996</u>
<b>Treasury Stock:</b>						
Beginning balance (includes 522 shares Class A Stock for each of the years presented; remainder are Common Stock)	(14,591)	(219,008)	(13,384)	(177,545)	(12,372)	(158,102)
Directors' Compensation Plan	16	250	25	346	21	265
Purchases	(1,087)	(29,998)	(1,232)	(41,809)	(1,033)	(19,708)
Ending balance	<u>(15,662)</u>	<u>(248,756)</u>	<u>(14,591)</u>	<u>(219,008)</u>	<u>(13,384)</u>	<u>(177,545)</u>
<b>Additional Paid-In Capital:</b>						
Beginning balance		102,572		96,850		93,208
Stock option and restricted stock issuances		(1,768)		(3,014)		(1,063)
Directors' Compensation Plan		707		523		330
Stock-based compensation		7,195		8,213		4,375
Ending balance		<u>108,706</u>		<u>102,572</u>		<u>96,850</u>
<b>Retained Earnings:</b>						
Beginning balance		342,983		304,626		295,999
Net income		89,358		90,803		59,148
Cash dividends per share: Common Stock: 2022 - \$2.09; 2021 - \$2.97; and 2020 - \$2.77 Class A Common Stock: 2022 - \$1.96; 2021 - \$2.79; and 2020 - \$2.62		(33,948)		(52,446)		(50,521)
Ending balance		<u>398,393</u>		<u>342,983</u>		<u>304,626</u>
<b>Accumulated Other Comprehensive Loss:</b>						
Beginning balance		(2,293)		(2,560)		(2,087)
Pension liabilities adjustment, net of taxes		1,537		267		(473)
Ending balance		<u>(756)</u>		<u>(2,293)</u>		<u>(2,560)</u>
<b>Total Stockholders' Equity</b>		<u>\$ 289,399</u>		<u>\$ 255,970</u>		<u>\$ 252,967</u>

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

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

	Year Ended December 31,		
	2022	2021	2020
<i>(In thousands)</i>			
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 89,358	\$ 90,803	\$ 59,148
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16,926	16,304	18,207
Stock-based compensation	7,195	8,213	4,375
Deferred income taxes	584	234	(2,458)
Net (gain) loss on sale of land, property and equipment	128	(77)	(34,746)
Other	960	869	595
Changes in operating assets and liabilities:			
Inventories	(6,303)	(22,123)	14,909
Customer deposits	(50,928)	12,714	56,062
Other assets and liabilities	(923)	(3,244)	(3,250)
Accounts payable and accrued liabilities	(5,982)	(6,451)	17,349
Net cash provided by operating activities	51,015	97,242	130,191
<b>Cash Flows from Investing Activities</b>			
Capital expenditures	(28,411)	(34,090)	(10,927)
Proceeds from sale of property and equipment	86	88	76,285
Net cash (used in) provided by investing activities	(28,325)	(34,002)	65,358
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings under revolving credit facilities	—	—	43,800
Payments of borrowings under revolving credit facilities	—	—	(43,800)
Net change in borrowings under revolving credit facilities	—	—	—
Dividends paid	(33,948)	(52,446)	(50,521)
Common stock repurchased	(29,998)	(41,809)	(19,708)
Taxes on vested restricted shares	(1,676)	(2,894)	(951)
Net cash used in financing activities	(65,622)	(97,149)	(71,180)
(Decrease) increase in Cash, Cash Equivalents and Restricted			
Cash Equivalents	(42,932)	(33,909)	124,369
Cash, Cash Equivalents and Restricted Cash Equivalents at			
Beginning of Year	172,862	206,771	82,402
Cash and Cash Equivalents and Restricted Cash Equivalents at			
End of Year	\$ 129,930	\$ 172,862	\$ 206,771
<b>Supplemental Disclosures</b>			
Cash paid during the period for income taxes, net of refunds	\$ 27,957	\$ 32,395	\$ 18,169
Cash paid for interest	\$ 127	\$ 126	\$ 365

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 122 showrooms in 16 states at December 31, 2022. All of our stores are operated using the Havertys name and we do not franchise our stores. We also have an online presence through which our customers can make purchases. We offer financing through third-party finance companies.

#### **COVID-19:**

In an effort to mitigate the spread of COVID-19 and protect our team members, customers, and communities, in 2020 Havertys closed all of its stores on March 19 and halted deliveries on March 21, with the expectation at that time of reopening stores on April 2. During March and April we evaluated all aspects of our business. Given the dramatic shock to the economy caused by the pandemic and uncertainty of the ongoing impact, we made a permanent reduction in our workforce of approximately 1,200 team members effective April 30. We reopened 103 of our stores on May 1 and the remaining 17 were opened by June 20 and deliveries restarted on May 5.

Our business was very strong upon re-opening. Consumers not negatively impacted financially focused spending on their homes. The pandemic disrupted supply chains and created longer lead times for fulfilling customer purchases. Our vendors and their suppliers and transportation returned to pre-pandemic operations in the second half of 2022.

#### **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 include 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.

#### **Other Current Assets:**

Other current assets include receivables from third-party finance companies used by customers to finance purchases and receivables from landlords for tenant incentives.

**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 are amortized over the shorter of the estimated useful life or the lease term of the related asset. See Leases below.

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

**Customer Deposits:**

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

**Contingencies:**

We are involved in lawsuits, claims and proceedings incident to the ordinary course of our business. We review the need for any loss contingency reserves and establish reserves when, in the opinion of management, it is probable that a matter would result in liability, and the amount of loss, if any, can be reasonably estimated. Generally, in view of the inherent difficulty of predicting the outcome of these matters, it may not be possible to determine whether any loss is probable or to reasonably estimate the amount of the loss until the case is close to resolution, in which case no reserve is established until that time. Claims against us could result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources. We expense any litigation-related amounts as incurred. The results of these lawsuits, claims and proceedings cannot be predicted with certainty. However, we believe that the ultimate resolution of these current matters will not have a material adverse effect on our Consolidated Financial Statements taken as a whole.

**Revenue Recognition:**

We recognize revenue from merchandise sales and related service fees, net of expected returns and sales tax, at the time the merchandise is delivered to the customer. The liability for sales returns, including the impact on gross profit, is estimated based on historical return levels and recognized at the transaction price. We also recognize a return asset, and corresponding adjustment to cost of sales, for our right to recover the goods returned by the customer, measured at the former carrying amount of the goods, less any expected recovery cost. At each financial reporting date, we assess our estimates of expected returns, refund liabilities, and return assets. When we receive payment from customers before delivery of merchandise, the amount received is recorded as a customer deposit.

Net sales also include amounts generated by product protection plans. We act as an agent for these sales and the service is provided by a third-party. Revenue, net of related costs, is recognized at the time the covered merchandise is delivered to the customer. We do not have a loyalty program.

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.

**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, administrative costs, and certain warehouse and transportation related expenses including accessorial and demurrage fees. The costs associated with our purchasing, warehousing, delivery and other distribution costs included in SG&A expense were approximately \$101,486,000, \$94,239,000 and \$71,838,000 in 2022, 2021 and 2020, respectively.

**Leases:**

We determine if an arrangement contains a lease in whole or in part at the inception of the contract. Right-of-use (ROU) assets represent our right to use an underlying asset for the lease term while lease liabilities represent our obligation to make lease payments arising from the lease. All leases greater than 12 months result in the recognition of a ROU asset and a liability at the lease commencement date based on the present value of the lease payments over the lease term. As most of our leases do not provide the information required to determine the implicit rate, we use our incremental borrowing rate in determining the present value of lease payments. Our incremental borrowing rate approximates the rate we would get if borrowing on a collateralized basis based on information available at commencement date. We use the implicit rate when readily determinable.

Our lease terms include all non-cancelable periods and may include options to extend (or to not terminate) the lease when it is reasonably certain that we will exercise that option. Leases that have a term of 12 months or less at the commencement date are expensed on a straight-line basis over the lease term and do not result in the recognition of an asset or a liability.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components, primarily related to real estate and we account for the lease and non-lease components as a single lease component. See Note 8, "Leases," for additional information.

**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 \$118,000 and \$88,000 at December 31, 2022 and 2021, respectively. We incurred approximately \$51,381,000, \$49,338,000 and \$39,862,000 in advertising expense during 2022, 2021 and 2020, respectively.

**Interest Income, net:**

We report interest income net of interest expense. Interest income is generated by our cash equivalents and restricted cash equivalents. Interest expense is comprised of charges incurred related to our credit facility. The total amount of interest expense was approximately \$154,000, \$152,000 and \$391,000 during 2022, 2021 and 2020, respectively.

**Other Income, net:**

Other income, net includes any gains or losses on sales of property and equipment and other income or expense items outside of core operations. On May 18, 2020, Havertys completed a sale and leaseback transaction which generated a gain of \$31,600,000 and is included in other income. See Note 8, "Leases," for additional information. The sale of former retail locations and other operating assets generated additional gains of \$3,500,000 in 2020 and minor gains or losses in 2021 and 2022.

**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 \$8,096,000 and \$8,306,000 at December 31, 2022 and 2021, 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.

**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. We evaluate right-of-use assets at the same level and exclude operating lease liabilities when evaluating for impairment. When evaluating 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 estimated fair value of the store's assets, which is determined on the basis of fair value for similar assets or discounted future cash flows. 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 impairment losses were recorded in 2022 and 2021 and 2020.

The economic disruption due to COVID-19 was determined to be a triggering event during the second quarter of 2020, and as a result, management assessed its long-term assets, including right-of-use assets for impairment. No impairment loss was required to be recorded.

**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, "Earnings Per Share" 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 \$756,000 and \$2,293,000 at December 31, 2022 and 2021, respectively. See Note 11, "Accumulated Other Comprehensive Loss" for the amounts reclassified out of AOCI to SG&A expense related to our supplemental executive retirement plan.

**Recently Issued Accounting Pronouncements:**

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of ASUs to the FASB's Accounting Standards Codification. We considered the applicability and impact of all ASUs. We assessed and determined none were either applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

## Note 2, Revenues and Segment Reporting:

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,					
	2022		2021		2020	
	Net Sales	% of Net Sales	Net Sales	% of Net Sales	Net Sales	% of Net Sales
Merchandise:						
Case Goods						
Bedroom Furniture	\$ 168,432	16.1 %	\$ 156,033	15.4 %	\$ 116,753	15.6 %
Dining Room Furniture	118,139	11.3	109,522	10.8	79,766	10.7
Occasional	85,278	8.1	86,849	8.6	65,764	8.8
	371,849	35.5	352,404	34.8	262,283	35.1
Upholstery	445,306	42.5	433,525	42.8	315,714	42.2
Mattresses	85,208	8.1	90,224	8.9	72,855	9.7
Accessories and Other <sup>(1)</sup>	144,852	13.8	136,646	13.5	97,400	13.0
	<u>\$ 1,047,215</u>	<u>100.0 %</u>	<u>\$ 1,012,799</u>	<u>100.0 %</u>	<u>\$ 748,252</u>	<u>100.0 %</u>

(1) Includes delivery charges and product protection.

Estimated refunds for returns and allowances are recorded based on estimated margin using our historical return patterns. We record estimated refunds for sales returns on a gross basis and the carrying value of the return asset is presented separately from inventory. Estimated return inventory of \$875,000 and \$822,000 at December 31, 2022 and 2021, respectively, is included in the line item "Other current assets" and the estimated refund liability of \$2,588,000 and \$2,447,000 at December 31, 2022 and 2021, respectively, 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 \$47,969,000 and \$98,897,000 at December 31, 2022 and December 31, 2021, respectively. Of the customer deposit liabilities at December 31, 2021, approximately \$494,000 has not been recognized through net sales in the twelve months ended December 31, 2022.

We typically offer our customers an opportunity for us to deliver their purchases and most choose this service. Delivery fees of approximately \$52,199,000, \$50,002,000 and \$30,824,000 were charged to customers in 2022, 2021 and 2020, respectively, and are included in net sales. The costs associated with deliveries are included in selling, general and administrative expenses and were approximately \$48,071,000, \$45,914,000, and \$35,885,000 in 2022, 2021 and 2020, respectively.

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.

**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 \$45,545,000 and \$34,704,000 at December 31, 2022 and 2021, 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 \$10,841,000 in 2022, \$12,310,000 in 2021 and \$636,000 in 2020. During 2020, there were liquidations of LIFO inventory layers. The effect of the liquidations (included in the preceding LIFO impact amounts) decreased cost of goods sold. The effect of the liquidations during 2020 decreased cost of goods sold by approximately \$562,000 or \$0.03 per diluted share of common stock. 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>	<b>2022</b>	<b>2021</b>
Land and improvements	\$ 35,015	\$ 35,015
Buildings and improvements	217,293	206,183
Furniture and fixtures	98,305	90,070
Equipment	61,270	56,895
Construction in progress	5,423	3,125
	<u>417,306</u>	<u>391,288</u>
Less accumulated depreciation	<u>(279,831)</u>	<u>(265,189)</u>
Property and equipment, net	<u>\$ 137,475</u>	<u>\$ 126,099</u>

**Note 5, Credit Arrangement:**

In October 2022 we entered into the Fourth Amendment to Amended and Restated Credit Agreement (as amended, the "Credit Agreement") with a bank to increase the revolving credit facility to \$80,000,000, extend the maturity date to October 24, 2027, and replace the LIBOR rate with the SOFR rate as the interest rate benchmark.

The Credit Agreement is a \$80,000,000 revolving credit facility secured by our inventory, accounts receivable, cash, and certain other personal property. Availability fluctuates based on a borrowing base calculation reduced by outstanding letters of credit. Amounts available to borrow are based on the lesser of the borrowing base or the \$80,000,000 line amount. The credit facility contains covenants that, among other things, limit our ability to incur certain types of debt or liens, enter into mergers and consolidations or use proceeds of borrowing for other than permitted uses. The covenants also limit our ability to pay dividends if unused availability is less than \$12,500,000.

We borrowed \$43,800,000 under the Credit Agreement in March 2020 and repaid the borrowings in June 2020. The interest rates on the outstanding balance were based on the three-month Euro dollar LIBOR rate plus 1.25% and on a weighted average basis was approximately 2.37%. Total interest paid under the Credit Agreement was \$400,000 for the year ended December 31, 2020. There were no borrowings under the facility for the years ended December 31, 2021 and December 31, 2022.

The borrowing base was \$124,700,000 at December 31, 2022 and there were no outstanding letters of credit, accordingly, the net availability was \$80,000,000.

**Note 6, Accrued Liabilities and Other Liabilities:**

Accrued liabilities and other liabilities consist of the following:

<i>(In thousands)</i>	<b>2022</b>	<b>2021</b>
Accrued liabilities:		
Employee compensation, related taxes and benefits	\$ 22,262	\$ 21,651
Taxes other than income and withholding	8,862	7,319
Self-insurance reserves	5,892	5,268
Other	11,660	12,426
	<u>\$ 48,676</u>	<u>\$ 46,664</u>
Other liabilities:		
Deferred compensation	8,158	9,201
SERP, noncurrent	6,342	8,298
Self-insurance reserves	2,204	3,038
Other	1,669	2,635
	<u>\$ 18,373</u>	<u>\$ 23,172</u>

**Note 7, Income Taxes:**

The provision for income taxes for the years ended December 31 consist of the following:

<i>(In thousands)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current			
Federal	\$ 25,318	\$ 22,832	\$ 16,831
State	4,241	4,666	3,210
	<u>29,559</u>	<u>27,498</u>	<u>20,041</u>
Deferred			
Federal	(628)	589	(1,217)
State	1,212	(355)	(1,241)
	<u>584</u>	<u>234</u>	<u>(2,458)</u>
Total income tax expense	<u>\$ 30,143</u>	<u>\$ 27,732</u>	<u>\$ 17,583</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>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Statutory rates applied to income before income taxes	\$ 25,095	\$ 24,949	\$ 16,164
State income taxes, net of Federal tax benefit	4,888	3,836	2,057
State tax credits	(494)	(481)	(1,206)
Other	654	(572)	568
	<u>\$ 30,143</u>	<u>\$ 27,732</u>	<u>\$ 17,583</u>

Our effective tax rate differs from the federal statutory rate primarily due to state income taxes. In 2020, we completed the computations and recorded in the fourth quarter, state quality jobs credits of \$1,527,000 generated in 2018, 2019, and 2020.

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>	<b>2022</b>	<b>2021</b>
Deferred tax assets:		
Property and equipment	\$ 7,414	\$ 6,944
Lease liabilities	55,322	57,588
Accrued liabilities	11,786	11,306
Retirement benefits	60	573
State tax credits	1,158	2,087
Other	702	676
Total deferred tax assets	<u>76,442</u>	<u>79,174</u>
Deferred tax liabilities:		
Inventory related	7,058	6,389
Right-of-use lease assets	53,320	55,816
Other	563	594
Total deferred tax liabilities	<u>60,941</u>	<u>62,799</u>
Net deferred tax assets	<u>\$ 15,501</u>	<u>\$ 16,375</u>

We review our deferred tax assets to determine the need for a valuation allowance. Based on evidence, we concluded 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 2019.

#### **Uncertain Tax Positions**

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

#### **Cares Act**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary suspension of certain payment requirements for the employer-paid portion of social security taxes, the creation of certain refundable employee retention credits, and technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property. We elected to defer the employer-paid portion of social security taxes beginning with pay dates on and after April 1, 2020 and through December 31, 2020 and deferred \$1,607,000 which was repaid in 2021. During 2020, we recorded \$2,301,000 for refundable employee retention credits reducing selling, general and administrative expenses.

**Note 8, Leases:**

We have operating leases for retail stores, offices, warehouses, and certain equipment. Our leases have remaining lease terms of between 1 year and 15 years, some of which include options to extend the leases for up to 20 years. We determine if an arrangement is or contains a lease at lease inception. Our leases do not have any residual value guarantees or any restrictions or covenants imposed by lessors. We have lease agreements for real estate with lease and non-lease components, which are accounted for separately.

In April 2020, the Financial Accounting Standards Board issued guidance allowing entities to make a policy election to account for lease concessions related to the COVID-19 pandemic as though enforceable rights and obligations for those concessions existed. The election applies to any lessor-provided lease concession related to the impact of the COVID-19 pandemic, provided the concession does not result in a substantial increase in the rights of the lessor or in the obligations of the lessee. During the year ended December 31, 2020, we received concessions from certain landlords in the form of rent deferrals of approximately \$4.5 million and abatements of approximately \$1.8 million. We have elected to account for these rent concessions as though enforceable rights and obligations for those concessions existed in the original lease agreements and have recorded a non-interest bearing payable for the deferred rent payments.

On May 18, 2020, we completed a sale and leaseback transaction of three facilities which we initiated in April 2020 as part of our business continuity plan. The Coppell, TX location has approximately 394,000 distribution square feet used to serve our western stores, 44,000 retail square feet, and 20,000 square feet of office space used for a call center and general management purposes. The Lakeland, FL property is a distribution center with approximately 335,000 square feet and the Colonial Heights property is a distribution facility with 129,000 square feet. The facilities were leased back to Havertys via 15-year operating lease agreements with renewal options. The total sales price for these properties, excluding costs and taxes, was \$70 million and their net book value was approximately \$37.9 million. The gain of approximately \$31.6 million was recognized in the second quarter of 2020 and is included in other income.

In August 2021, we repurchased the Colonial Heights property, that was part of the sale-leaseback transaction in 2021 for \$8.5 million.

As of December 31, 2022, we have entered into one lease for an additional retail location which has not yet commenced and is under construction.

The table below presents the operating lease assets and liabilities recognized on the consolidated balance sheets as of December 31:

<i>(in thousands)</i>	<b>2022</b>	<b>2021</b>
Operating Lease Assets:		
Right-of use lease assets	\$ 207,390	\$ 222,356
Operating Lease Liabilities:		
Current lease liabilities	\$ 34,442	\$ 33,581
Non-current lease liabilities	186,845	196,771
Total operating lease liabilities	\$ 221,287	\$ 230,352

Our leases generally do not provide an implicit rate, and therefore we use our incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate we would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease.

The weighted-average remaining lease term and weighted-average discount rate for operating leases as of December 31 are:

	<u>2022</u>	<u>2021</u>
Weighted-average remaining lease term	7.6 years	8.1 years
Weighted-average discount rate	5.52 %	5.62 %

The table below reconciles the undiscounted future minimum lease payments (displayed by year and in the aggregate) under noncancelable operating leases with terms of more than one year to the total lease liabilities recognized on the consolidated balance sheet as of December 31, 2022:

<i>(in thousands)</i>	<u>Operating Leases</u>
2023	\$ 45,427
2024	41,650
2025	36,242
2026	32,013
2027	26,487
Thereafter	92,163
Total undiscounted future minimum lease payments	<u>273,982</u>
Less: difference between undiscounted lease payments and discounted operating lease liabilities	(52,695)
Total operating lease liabilities	<u>\$ 221,287</u>

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

Components of lease expense which are included in selling, general, and administrative expenses within our consolidated statements of comprehensive income were as follows:

<i>(in thousands)</i>	<u>Year Ended December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating lease cost	\$ 46,449	\$ 46,774	\$ 44,854
Variable lease cost	6,969	6,680	5,827
Total lease expense	<u>\$ 53,418</u>	<u>\$ 53,454</u>	<u>\$ 50,681</u>

Supplemental cash flow information related to leases is as follows:

<i>(In thousands)</i>	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 40,513	\$ 47,607
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 25,419	\$ 25,025

**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 and \$2.00 for Common Stock and \$0.95 and \$1.90 for Class A Common Stock was paid in the fourth quarter of 2022 and 2021. Total dividends paid on Common Stock were \$31,432,000, \$48,837,000 and \$46,564,000 in 2022, 2021 and 2020, respectively. Total dividends paid on Class A Common Stock were \$2,516,000, \$3,609,000 and \$3,957,000 in 2022, 2021 and 2020, 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 was frozen as of December 31, 2015 and no additional benefits were earned or have been accrued after that date. 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 following table summarizes information about our SERP.

<i>(In thousands)</i>	<b>2022</b>	<b>2021</b>
Change in benefit obligation:		
Benefit obligation at beginning of the year	\$ 8,756	\$ 9,001
Interest cost	241	213
Actuarial (gains) losses	(1,832)	(99)
Benefits paid	(359)	(359)
Benefit obligation at end of year	6,806	8,756
Change in plan assets:		
Employer contribution	359	359
Benefits paid	(359)	(359)
Fair value of plan assets at end of year	—	—
Funded status of the plan – (underfunded)	\$ (6,806)	\$ (8,756)
Accumulated benefit obligations	\$ 6,806	\$ 8,756

Amounts recognized in the consolidated balance sheets consist of:

<i>(In thousands)</i>	<b>2022</b>	<b>2021</b>
Current liabilities	\$ (464)	\$ (458)
Noncurrent liabilities	(6,342)	(8,298)
	\$ (6,806)	\$ (8,756)

The net actuarial loss recognized in accumulated other comprehensive income (loss) before the effect of income taxes was \$148,000 in 2022 and \$2,198,000 in 2021.

Net pension cost included the following components:

<i>(In thousands)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Interest cost on projected benefit obligation	\$ 241	\$ 213	\$ 266
Amortization of actuarial loss	218	257	159
Net pension costs	<u>\$ 459</u>	<u>\$ 470</u>	<u>\$ 425</u>

There are no actuarial loss amounts expected to be amortized from accumulated other comprehensive loss into net periodic cost in 2023.

### 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:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Discount rate	2.80 %	2.41 %	3.29 %
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:

	<b>2022</b>	<b>2021</b>
Discount rate	5.43 %	2.80 %
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, 2022.

<i>(In thousands)</i>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028-2032</b>
Benefit Payments	\$ 464	\$ 470	\$ 514	\$ 568	\$ 586	\$ 2,711

### Other Plans

We have an employee savings/retirement (401(k)) plan to which substantially all our employees may contribute. We match employee contributions 100% up to 4% of a participant's compensation, with a maximum match per participant of \$12,200 in 2022 and \$11,600 in 2021. We suspended the matching contribution for six weeks during 2020 as part of our business continuity plan. We expensed employer contributions of approximately \$6,431,000, \$6,046,000 and \$4,069,000 in 2022, 2021 and 2020, respectively.

We offer participation in a self-directed, non-qualified deferred compensation plan to certain executives and employees. The plan allows a participant to defer a portion of their income. We may also make annual contributions based on the participant's annual deferral, and our contributions were approximately \$69,000, \$74,000 and \$43,000 in 2022, 2021, and 2020, respectively. The investments for the plan (and its predecessor plan) are held in rabbi trusts and are used to meet the obligations of the plans and precludes us from using such assets for operating purposes. The plans' assets totaled approximately \$8,152,000 and \$9,184,000 at December 31, 2022 and 2021, respectively, and are included in other assets. The related liability under the plans of approximately \$8,158,000 and \$9,201,000 at December 31, 2022 and 2021, respectively, is included in other liabilities.

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

**Note 11, Accumulated Other Comprehensive Loss:**

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

<i>(In thousands)</i>	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Beginning balance	\$ (2,293)	\$ (2,560)	\$ (2,087)
Other comprehensive income (loss)			
Defined benefit pension plan:			
Net gain (loss) during year	1,832	99	(791)
Amortization of net loss <sup>(1)</sup>	218	257	159
	2,050	356	(632)
Tax expense (benefit)	513	89	(159)
Total other comprehensive income (loss)	1,537	267	(473)
Ending balance	\$ (756)	\$ (2,293)	\$ (2,560)

(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 2022 Long-Term Incentive Plan (the "2022 LTIP Plan") and the 2014 Long Term Incentive Plan (the "2014 LTIP Plan"). No new awards may be granted under the 2014 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, 2022, approximately 1,241,000 shares were available for awards under the 2022 LTIP Plan.

The following table summarizes our equity award activity during the years ended December 31, 2022, 2021, and 2020:

	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, 2019	234,810	20.93	214,809	21.38	7,500	18.14
Granted	145,375	20.42	120,727	20.42	—	—
Awards vested or rights exercised	(130,434)	20.69	(44,875)	22.12	(7,500)	18.14
Forfeited	(10,470)	20.41	(273)	20.37	—	—
Units forfeited due to performance	—	—	(76,493)	20.29	—	—
Outstanding at December 31, 2020	239,281	20.77	213,895	21.08	—	—
Granted	120,221	33.29	93,685	32.83	—	—
Awards vested or rights exercised	(130,323)	21.28	(56,578)	22.95	—	—
Forfeited	(10,097)	25.85	—	—	—	—
Additional units earned due to performance	—	—	77,265	20.42	—	—
Outstanding at December 31, 2021	219,082	27.10	328,267	23.96	—	—
Granted	155,681	28.88	103,104	28.86	—	—
Awards vested or rights exercised	(122,680)	27.13	(34,940)	20.28	—	—
Forfeited	(14,781)	28.55	(19,033)	26.12	—	—
Additional units earned due to performance	—	—	59,249	32.83	—	—
Outstanding at December 31, 2022	237,302	28.16	436,647	26.56	—	—
Restricted units expected to vest	237,302	28.16	439,637	26.57	—	—

The total fair value of service-based restricted stock awards that vested in 2022, 2021 and 2020 was approximately \$3,338,000, \$6,069,000 and \$1,798,000, respectively. The aggregate intrinsic value of outstanding restricted stock awards was \$7,095,000 at December 31, 2022. The restrictions on the service-based awards generally lapse or vest annually, primarily over one-year or three-year periods.

The total fair value of performance-based restricted stock awards that vested in 2022, 2021 and 2020 was approximately \$993,000, \$2,046,000 and \$755,000, respectively. The aggregate intrinsic value of outstanding performance awards at December 31, 2022 expected to vest was \$13,142,000. 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 intrinsic value of stock-settled appreciation rights exercised during 2020 was approximately \$18,000. There were no stock-settled appreciation rights outstanding at December 31, 2020 and there have been no subsequent grants.

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 \$7,195,000, \$8,213,000 and \$4,375,000 in 2022, 2021 and 2020, respectively. Forfeitures are recognized as they occur. The tax (benefit) expense recognized related to all awards was approximately \$(73,000), \$(1,011,000) and \$293,000 in 2022, 2021 and 2020, respectively. As of December 31, 2022, the total compensation cost related to unvested equity awards was approximately \$6,126,000 and is expected to be recognized over a weighted-average period of 1.6 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:	2022	2021	2020
Common:			
Distributed earnings	\$ 31,432	\$ 48,837	\$ 46,564
Undistributed earnings	51,290	35,653	7,954
Basic	82,722	84,490	54,518
Class A Common earnings	6,636	6,313	4,630
Diluted	\$ 89,358	\$ 90,803	\$ 59,148
Class A Common:			
Distributed earnings	\$ 2,516	\$ 3,609	\$ 3,957
Undistributed earnings	4,120	2,704	673
	\$ 6,636	\$ 6,313	\$ 4,630
Denominator:	2022	2021	2020
Common:			
Weighted average shares outstanding - basic	15,225	16,710	17,128
Assumed conversion of Class A Common Stock	1,284	1,330	1,522
Dilutive awards and common stock equivalents	529	503	282
Total weighted average diluted Common Stock	17,038	18,543	18,932
Class A Common:			
Weighted average shares outstanding	1,284	1,330	1,522
Basic net earnings per share			
Common Stock	\$ 5.43	\$ 5.06	\$ 3.18
Class A Common Stock	\$ 5.17	\$ 4.75	\$ 3.04
Diluted net earnings per share			
Common Stock	\$ 5.24	\$ 4.90	\$ 3.12
Class A Common Stock	\$ 5.07	\$ 4.69	\$ 3.04

**Note 14, Selected Quarterly Financial Data (Unaudited):**

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2022 and 2021 (in thousands, except per share data):

	2022 Quarter Ended			
	March 31	June 30	September 30	December 31
Net sales	\$ 238,947	\$ 253,216	\$ 274,495	\$ 280,557
Gross profit	140,962	146,608	156,720	159,935
Income before taxes	25,720	28,668	32,609	32,504
Net income	19,361	21,708	24,551	23,738
Basic net earnings per share:				
Common	1.14	1.31	1.51	1.48
Class A Common	1.08	1.25	1.43	1.40
Diluted net earnings per share:				
Common	1.11	1.27	1.46	1.42
Class A Common	1.05	1.22	1.40	1.39

	2021 Quarter Ended			
	March 31	June 30	September 30	December 31
Net sales	\$ 236,491	\$ 249,989	\$ 260,378	\$ 265,940
Gross profit	135,034	141,501	148,003	150,087
Income before taxes	25,364	29,169	31,903	32,099
Net income	19,406	22,858	24,233	24,306
Basic net earnings per share:				
Common	1.07	1.25	1.35	1.39
Class A Common	1.00	1.18	1.28	1.31
Diluted net earnings per share:				
Common	1.04	1.21	1.31	1.35
Class A Common	0.98	1.16	1.25	1.33

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.**

<b>Column A</b>	<b>Column B</b>	<b>Column C</b>	<b>Column D</b>	<b>Column E</b>
<b>(In thousands)</b>	<b>Balance at beginning of period</b>	<b>Additions charged to costs and expenses</b>	<b>Deductions Describe (1)(2)</b>	<b>Balance at end of period</b>
Year ended December 31, 2022:				
Refund on estimated returns and allowances	\$ 2,447	\$ 26,802	\$ 26,661	\$ 2,588
Year ended December 31, 2021:				
Refund on estimated returns and allowances	\$ 2,378	\$ 25,563	\$ 25,494	\$ 2,447
Year ended December 31, 2020:				
Reserve for cancelled sales and allowances	\$ 2,023	\$ 17,094	\$ 16,739	\$ 2,378

(1) Reserve for cancelled sales and allowances: impact of sales cancelled after delivery plus amount of allowance given to customers.

(2) Refund on estimated returns and allowances: impact of sales cancelled after delivery plus amount of allowance given to customers.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 8, 2023.

### HAVERTY FURNITURE COMPANIES, INC.

By: **/s/ CLARENCE H. SMITH**

Clarence H. Smith  
Chairman of the Board 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 8, 2023.

**/s/ CLARENCE H. SMITH**

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

**/s/ RICHARD B. HARE**

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

**/s/ MICHAEL R. COTE**

Michael R. Cote  
Director

**/s/ MYLLE H. MANGUM**

Mylle H. Mangum  
Director

**/s/ L. ALLISON DUKES**

L. Allison Dukes  
Director

**/s/ VICKI R. PALMER**

Vicki R. Palmer  
Director

**/s/ RAWSON HAVERTY, JR.**

Rawson Haverty, Jr.  
Director

**/s/ DEREK G. SCHILLER**

Derek G. Schiller  
Director

**/s/ G. THOMAS HOUGH**

G. Thomas Hough  
Lead Director

**/s/ AL TRUJILLO**

Al Trujillo  
Director

**BYLAWS  
OF  
HAVERTY FURNITURE COMPANIES, INC.**

**ARTICLE I  
SHAREHOLDERS**

**Section 1. Annual Meeting.**

A meeting of the shareholders for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting shall be held annually at 10:00 a.m., on the second Monday of May, or at such other time and/or such other date as shall be fixed by resolution of the Board of Directors.

**Section 2. Special Meetings.**

Special meetings of the shareholders may be called at any time for any purpose or purposes by the Chairman of the Board, the President, the Chief Executive Officer, by a majority of the Board of Directors, or by a majority of the Executive Committee. Shareholders entitled to cast a majority of all votes entitled to be cast at a special meeting may request that the Board of Directors call a special meeting of the shareholders for the purpose or purposes stated in the written request. Upon receiving the request, the Board of Directors shall determine the validity of the request and, if valid, shall determine the time and place of the meeting. However called, the Secretary shall give notice of the time and place of the special meeting and the business to be transacted at the meeting. No business other than that stated in the notice shall be transacted at any special meeting.

**Section 3. Place of Meetings.**

All meetings of shareholders shall be held at the principal offices of the Corporation or at such other location as the Board of Directors may provide in the notice of the meeting. The Board of Directors may determine that a meeting shall not be held at any place, but instead may be held solely by means of remote communication, or may be held by means of remote communication in addition to a physical location, in each case as permitted by applicable law.

**Section 4. Fixing of Record Date for Determining Shareholders.**

(a) For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment or postponement thereof, the Board of Directors may fix, in advance, a date as the record date for the purpose of determining those shareholders who shall be entitled to notice of, or to vote at, any meeting of shareholders. The date shall be not more than 90 days, and in the case of a meeting of shareholders, not less than 20 days prior to the date on which the particular action requiring such determination of shareholders is to be taken. In lieu of fixing a record date, the Board of Directors may provide that the stock transfer books shall be closed for a stated period, not to exceed in any case 20 days. When the stock transfer books are closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, the closing of the transfer books shall be at least 10 days before the date of the meeting.

(b) For the purpose of determining shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the shareholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 90 days prior to such action. If no record date is fixed, the record date for determining shareholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

**Section 5. Notice of Meetings.**

Notice of each meeting of the shareholders shall be given to each shareholder entitled to vote at the meeting or otherwise entitled to notice of the meeting either by written notice mailed to the shareholder's mailing address as it appears on the records of the Corporation or by a form of electronic transmission to an address consented to by the shareholder, or by any other method that is adequate for notice of a shareholders' meeting under the Maryland General Corporation Law. If mailed, notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder at the shareholder's mailing address as it appears on the records of the Corporation. The notice shall be given not more than 90 nor less than 10 days before the meeting and shall state the place, day, and hour at which the meeting is to be held. Notice of a meeting of the shareholders does not need to be given to any shareholder who waives notice in a signed writing filed with the records of the meeting either before or after the meeting is held. Any meeting of shareholders, annual or special, (i) prior to being convened, may be postponed from time to time to a time and date not more than 120 days after the original record date at the same place or some other place, or (ii) after being convened, may be adjourned from time to time without further notice to a time and date not more than 120 days after the original record date at the same or some other place. Notice of postponement of a meeting of shareholders shall be given by the Secretary in any manner sufficient for notice of the meeting as contemplated by this Section.

**Section 6. Quorum.**

At any meeting of shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at the meeting shall constitute a quorum. In the absence of a quorum, the shareholders entitled to vote who shall be present in person or by proxy at any meeting (or adjournment or postponement thereof) may, by the vote of a majority of the votes entitled to be cast and without further notice, adjourn the meeting from time to time, but not for a period of more than 120 days after the original record date until a quorum shall attend. At any adjourned meeting at which a quorum shall be present, any business may be transacted that could have been transacted if the meeting had been held as originally scheduled.

**Section 7. Conduct of Meetings.**

Meetings of shareholders shall be presided over by the Chairman of the Board, by the Vice Chairman of the Board or Lead Director (if one is elected), by the President or Secretary or by any other officer of the Corporation appointed by the Board of Directors for this purpose. The records of the proceedings shall be kept and authenticated by such other person as may be appointed for that purpose at the meeting by the presiding officer. To participate in a meeting, shareholders must be present in person or by proxy. Shareholders may not participate by means of a conference telephone or other communications equipment unless the Board of Directors determines that the meeting shall not be held at any place, but instead shall be held solely by means of remote communication, or may be held by means of remote communication in addition to a physical location, in which case participation by means of conference telephone or other communications equipment as provided by the Board of Directors in the notice of the meeting or

the accompanying proxy statement shall constitute presence in person. Any meeting of shareholders may adjourn from time to time without further notice to a date not more than 120 days after the original record date at the same or some other place.

#### **Section 8. Proxies.**

Shareholders may vote either in person or by proxy, and if by proxy, in any manner authorized by the Maryland General Corporation Law. A proxy that is dated more than 11 months before the meeting at which it is offered shall not be accepted unless the proxy shall state a longer period for which it is to remain in force. A written proxy shall be dated and signed by the shareholder, or the shareholder's duly authorized agent, but need not be sealed, witnessed or acknowledged. Proxies shall be filed with the Secretary of the Corporation at or before the meeting.

#### **Section 9. Voting.**

Except with respect to the election of directors and as otherwise provided in the Charter of the Corporation, at all meetings of shareholders the holders of shares of Common Stock and Class A Common Stock shall vote together as a single class and each holder of shares of (a) Common Stock shall be entitled to one vote for each share of stock and (b) Class A Common Stock shall be entitled to ten votes for each share of stock of the Corporation registered in the shareholder's name upon the books of the Corporation on the date fixed by the Board of Directors as the record date for the determination of shareholders entitled to vote at the meeting. In the election of directors, the holders of shares of Common Stock and Class A Common Stock shall vote as separate classes in accordance with the Charter of the Corporation and each such holder shall be entitled to one vote for each share of stock. Except as otherwise provided in the Charter of the Corporation, all elections of directors submitted to a vote at meetings of shareholders shall be decided by a plurality of all votes cast in person or by proxy by shares entitled to vote in the election of each class of directors. All other matters submitted to a vote at meetings of shareholders shall be decided by a majority of all votes cast in person or by proxy, unless more than a majority of the votes cast is required by statute, by the Charter of the Corporation, or by these Bylaws. If the presiding officer shall so determine, a vote by ballot may be taken upon any election or matter, and the vote shall be so taken upon the request of the holders of 20 percent of the stock present and entitled to vote on the election or matter. If the presiding officer shall so determine, the votes on all matters to be voted upon by ballot may be postponed to be voted on at the same time or on a single ballot.

#### **Section 10. Advance Notice of Shareholder Nominees for Director and Other Shareholder Business at Meetings of Shareholders**

(a) Annual Meetings of Shareholders. To be properly brought before an annual meeting of shareholders of the Corporation, nominations of individuals for election to the Board of Directors of the Corporation and the proposal of other business to be considered at the meeting must be either (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a shareholder of the Corporation who was a shareholder of record on the record date set by the Board of Directors for the purpose of determining shareholders entitled to vote at the meeting, at the time of giving notice as provided in this subsection 10(a) and on the date of the meeting (including any adjournment or postponement thereof) and who otherwise complies with the provisions of this subsection 10(a) (a "Proposing Shareholder"). In addition to any other requirements, for nominations by shareholders of individuals for election as directors and for other business to be properly brought before an annual meeting by a shareholder, the shareholder must have given written notice thereof that is received by the Secretary of the Corporation at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior

to the anniversary of the date of the mailing of the notice for the preceding year's annual meeting; provided, however, that in the event the date of the annual meeting is advanced or delayed more than 30 days from the anniversary of the date of the preceding year's annual meeting, notice by the shareholder must be so received not earlier than the 120th day prior to the date of the annual meeting and not later than the later of the 90th day prior to the date of the meeting and the 10th day following the day on which public announcement of the date of the meeting is first made. To be effective, a shareholder's written notice to the Secretary must set forth (i) as to each person whom the shareholder proposes to nominate for election as a director, (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, (D) a description of (1) any agreement, arrangement or understanding (including any derivative positions, profits interests, options, hedging transactions, borrowing or lending of securities or proxy or voting agreements) in effect at the time of the giving of the notice or at any time during the six-month period then ending, by or on behalf of the person, the effect or intent of which is to manage risk or benefit from changes in the price of any securities issued by the Corporation, or to increase or decrease the voting power of any such person in respect of securities issued by the Corporation, (2) any agreements, arrangements or understandings between the person and any other person, including the Proposing Shareholder and any Associated Person, in connection with the proposed nomination, or (3) any direct or indirect economic interest of the person in the Corporation (including by virtue of an existing or prospective commercial or contractual relationship with the Corporation), other than an interest arising solely out of the ownership of securities issued by the Corporation, (E) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Exchange Act, or any successor provision thereof, and (F) the person's written consent to being named as a nominee and to serving as a director of the Corporation if elected (and if the Proposing Shareholder intends to solicit proxies in connection with the election of directors at the annual meeting, the person's written consent to being named as a nominee in any proxy statement and form of proxy relating to the annual meeting); (ii) as to any other business the shareholder proposes to bring before the annual meeting, a description of the business to be brought before the meeting, the reasons for proposing the business at the meeting and any material interest in the business of the Proposing Shareholder or any Associated Person, and (iii) as to the shareholder giving the notice (A) the name, business address and record address of the shareholder, (B) the class and number of shares of capital stock of the Corporation which are beneficially owned by the shareholder, (C) a description of (1) any agreement, arrangement or understanding (including any derivative positions, profits interests, options, hedging transactions, borrowing or lending of securities or proxy or voting agreements) in effect at the time of the giving of the notice or at any time during the six-month period then ending, by or on behalf of the shareholder giving notice or any Associated Person, the effect or intent of which is to manage risk or benefit from changes in the price of any securities issued by the Corporation, or to increase or decrease the voting power of any such person in respect of securities issued by the Corporation, (2) any agreements, arrangements or understandings between the shareholder giving notice and any other person, including any Associated Person, in connection with the proposed nomination, or (3) any direct or indirect economic interest of the shareholder giving notice or an Associated Person in the Corporation (including by virtue of an existing or prospective commercial or contractual relationship with the Corporation), other than an interest arising solely out of the ownership of securities issued by the Corporation, (D) a representation and covenant that the shareholder will appear in person or by proxy at the annual meeting to nominate the person(s) named in its notice or to introduce the other business the shareholder proposes to be brought before the meeting, (E) any other information relating to the shareholder that would be required to be disclosed in the solicitation of proxies for the election of directors in an election contest if such shareholder were a nominee for election as a director or is otherwise required for a shareholder proponent, in each case pursuant to the Exchange Act, (F) a statement as to whether the shareholder intends to solicit proxies for the election of any nominees for election as directors, and if the shareholder intends to solicit proxies a representation and covenant that the shareholder will comply with the

requirements of Rule 14a-19 of the Exchange Act, or any successor provision thereof, and (G) a representation and covenant that the shareholder will update the disclosures required by this subsection 10(a) as of the record date of the meeting. The Corporation may require any shareholder providing written notice of a director nomination or other business, or any such proposed director nominee, to furnish such other information as may reasonably be requested by the Corporation to determine whether the requirements of this subsection 10(a) and, if applicable, Rule 14a-19 of the Exchange Act, or any successor provision thereof, have been satisfied as well as the eligibility of any proposed nominee to serve as a director of the Corporation. The announcement of a postponement of an annual meeting after notice of the meeting has been given or an adjournment of an annual meeting shall not commence a new time period for the giving of a shareholder's notice as described in this subsection 10(a).

(b) Special Meetings of Shareholders. Only such business as shall have been brought before the meeting pursuant to the Corporation's notice of special meeting of shareholders shall be conducted at a special meeting of stockholders. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected and other business may be conducted at a special meeting, only (i) by or at the direction of the Board of Directors or (ii) if otherwise properly brought before the meeting by a shareholder of the Corporation who was a shareholder of record on the record date set by the Board of Directors for the purpose of determining shareholders entitled to vote at the meeting, at the time of giving notice as provided in this subsection 10(b) and on the date of the meeting (including any adjournment or postponement thereof) and who otherwise complies with the provisions of this subsection 10(b). In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more persons to the Board of Directors, any such shareholder may nominate a person or persons (as the case may be) for election as a director as specified in the Corporation's notice of meeting, if the shareholder's written notice containing all of the information that would have been required to be included in the written notice contemplated by Section 10(a) in the case of an annual meeting, shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not earlier than 90 days before the special meeting and not later than the later of 60 days before the special meeting or the 10th day following the day on which public announcement of the date of the meeting and of the nominees, if any, proposed by the Board of Directors to be elected at the special meeting is first made. The Corporation may require any shareholder providing written notice of a director nomination or other business for consideration at a special meeting, or any such proposed director nominee, to furnish such other information as may reasonably be requested by the Corporation to determine whether the requirements of this subsection 10(b) and, if applicable, Rule 14a-19 of the Exchange Act, or any successor provision thereof, have been satisfied as well as the eligibility of any proposed nominee to serve as a director of the Corporation. The announcement of a postponement of a special meeting after notice of the meeting has been given or an adjournment of a special meeting shall not commence a new time period for the giving of a stockholder's notice as described in this subsection 10(b).

(c) Only such persons who are nominated in accordance with these Bylaws, including this Section, shall be eligible for election as directors, and only such business as shall have been properly brought before a meeting of shareholders in accordance with the provisions of these Bylaws, including this Section, shall be conducted. The presiding officer of any annual or special meeting of shareholders shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the requirements of these Bylaws or whether any representations and covenants made by a nominating shareholder were accurate and complied with, and, in the case of the solicitation of proxies in respect of any nominees, other than nominees proposed by or at the direction of the Board of Directors or by any nominating committee or person appointed by the Board of Directors for such purpose, whether such solicitation was conducted in accordance with the requirements of this Section and, if applicable, Rule 14a-19 of the Exchange Act, or any successor provision thereof. If the presiding officer of any annual or special meeting determines

that a nomination or any business proposed to be brought before the meeting was not made or proposed, as the case may be, in accordance with the requirements of these Bylaws or that any such representations or covenants were inaccurate or were not complied with, that any such solicitation was not conducted in accordance with the requirements of this Section and Rule 14a-19 of the Exchange Act, or any successor provision thereof, or that any nominating shareholder or nominee failed to provide such other information as was reasonably requested by the Corporation in accordance with this Section, the presiding officer shall have the power and duty to declare that such nomination was defective or such business was not properly before the meeting and such nomination or business (and any proxies submitted for any such nominees or in respect of such business), as the case may be, shall be disregarded.

(d) For purposes of this Section, “public announcement” shall mean disclosure (i) in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, Bloomberg, PR Newswire or comparable news agency or (ii) in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”). For purposes of this Section, an “Associated Person” of a shareholder means (i) any person acting in concert with the shareholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by the shareholder (other than a shareholder that is a depository), and (iii) any person that, directly or indirectly, controls, is controlled by or is under common control with the shareholder or an Associated Person of the shareholder.

(e) Notwithstanding the foregoing provisions of this Section, a shareholder also shall comply with all requirements of state law and of the Exchange Act, and the rules and regulations thereunder with respect to each of the matters set forth in this Section. Nothing in this Section shall be deemed to affect any right of a shareholder to request inclusion of a proposal in, nor the right of the Corporation to omit a proposal from, the Corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act, or any successor provision thereof, or shall be deemed to preclude discussion by any shareholder of any business properly brought before an annual or special meeting of shareholders.

#### **Section 11. Inspectors of Elections.**

One or more inspectors may be appointed by the presiding officer at any meeting. If so appointed, the inspector or inspectors shall open and close the polls, receive and take charge of the proxies and ballots, decide all questions as to the qualifications of voters and the validity of proxies, determine and report the results of elections and votes on matters before the meeting, and do such other acts as may be proper to conduct the election and the vote with fairness to all shareholders.

## **ARTICLE II BOARD OF DIRECTORS**

#### **Section 1. Powers.**

The property, business, and affairs of the Corporation shall be managed by the Board of Directors of the Corporation. The Board of Directors may exercise all the powers of the Corporation, except those conferred upon or reserved to the shareholders by statute, by the Charter of the Corporation or by these Bylaws. The Board of Directors shall keep minutes of each of its meetings and a full account of all of its transactions.

## **Section 2. Number of Directors.**

The number of directors of the Corporation shall be 11 or such lesser number not less than 8 or such greater number not more than 12 as may from time to time be determined by the vote of the majority of the entire Board of Directors. However, the tenure of Office of a director shall not be affected by any change in the number of directors.

## **Section 3. Election and Holding Office.**

Except as hereinafter provided, the members of the Board of Directors shall be elected each year at the annual meeting of shareholders by a plurality of all votes cast in person or by proxy by shares entitled to vote in the election of each class of directors, provided a quorum is present. Each director shall hold office until the next annual meeting of shareholders held after his or her election and until his or her successor shall have been duly elected and qualified, except in the event of the director's death, retirement, resignation or removal. Each person elected as director of the Corporation shall qualify as such by written acceptance or by attendance at and participation as a director in a duly called meeting of the Board of Directors.

## **Section 4. Removal.**

Subject to the provisions of Article I, Section 10, at a duly called meeting of the shareholders at which a quorum is present, the holders of Common Stock or Class A Common Stock, as the case may be, may, by vote of the holders of a majority of the votes entitled to be cast to elect such class of directors at the meeting, remove with or without cause any director or directors from office, and may elect a successor or successors to fill any resulting vacancy for the remainder of the term of the director so removed.

## **Section 5. Vacancies.**

If any director shall die, retire, resign or become incapacitated, or if the shareholders shall remove any director without electing a successor to fill the remaining term, that vacancy may be filled by the vote of a majority of the remaining members of the Board of Directors who were elected by the same class of stock entitled to elect the director whose vacancy is being filled, although a majority may be less than a quorum. Vacancies in the Board of Directors created by an increase in the number of directors may be filled by the vote of a majority of the directors elected by the class of shareholders entitled to elect the director to fill such vacancy at the next annual meeting of shareholders. A director elected by the Board of Directors to fill any vacancy, however created, shall hold office until the next annual meeting of shareholders and until his or her successor shall have been duly elected and qualified.

## **Section 6. Meetings.**

Immediately after each annual meeting of shareholders at which a Board of Directors shall have been elected or at such subsequent date not later than 30 days after the annual meeting of shareholders as may be determined by the Board of Directors, the Board of Directors shall meet, without notice, for the election of officers of the Corporation, and for the transaction of other business. Other regular meetings of the Board of Directors shall be held at such time and place as shall from time to time be determined by resolution of directors. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, the Lead Director, if one is elected, the Chief Executive Officer, the President, or by a majority of the directors or a majority of the members of the Executive Committee. Regular and special meetings of the Board of Directors may be held at such place, in or out of the State of Maryland, as the Board of Directors may from time to time determine.

## **Section 7. Notice of Meetings.**

Except for the meeting immediately following the annual meeting of shareholders, notice of the place, day and hour of a regular meeting of the Board of Directors shall be given in writing to each director or by electronic transmission or any other means permitted by the Maryland General Corporation Law not less than two days prior to the meeting and delivered to the director or to the director's residence or usual place of business, or by mailing it, postage prepaid and addressed to the director at his or her address as it appears upon the records of the Corporation. Notice of special meetings may be given in the same way, or may be given personally, by telephone, or by telegraph or facsimile message sent to the director's home or business address as it appears upon the records of the Corporation, not less than two days prior to the meeting. Unless required by these Bylaws or by resolution of the Board of Directors, no notice of any meeting of the Board of Directors need state the business to be transacted at the meeting. No notice of any meeting of the Board of Directors need be given to any director who attends, or to any director who, in writing executed and filed with the records of the meeting either before or after the holding thereof, waives notice.

## **Section 8. Quorum.**

A majority of the entire Board of Directors shall constitute a quorum for the transaction of business at meetings of the Board of Directors. Except as otherwise provided by statute, by the Charter of the Corporation, or by these Bylaws, the vote of a majority of the directors present at a duly constituted meeting shall be sufficient to pass any measure, and such decision shall be the decision of the Board of Directors. In the absence of a quorum, the directors present, by majority vote and without further notice, may adjourn the meeting from time to time until a quorum shall be present. Members of the Board of Directors may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participating in this manner shall constitute presence in person at the meeting. The Board of Directors may also take action or make decisions by any other method which may be permitted by statute, by the Charter of the Corporation, or by these Bylaws.

## **Section 9. Presumption of Assent.**

A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless the director announces his or her dissent at the meeting, and (a) the dissent is entered in the minutes of the meeting, (b) before the meeting adjourns the director files with the person acting as the secretary of the meeting a written dissent to the action, or (c) the director forwards a written dissent within 24 hours after the meeting is adjourned by registered or certified mail to the Secretary of the Corporation. The right to dissent does not apply to a director who voted in favor of the action or who failed to announce his or her dissent at the meeting. A director may abstain from voting on any matter before the meeting by so stating at the time the vote is taken and by causing the abstention to be recorded or stated in writing in the same manner as provided above for a dissent.

## **Section 10. Consent of Directors in Lieu of Meeting.**

Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action, shall be signed by all of the directors entitled to vote on the matter and such written consent is filed with the minutes of proceedings of the Board of Directors.

## **Section 11. Compensation.**

Each director shall be entitled to receive such remuneration as may be established from time to time by resolution of the Board of Directors. Each director also may receive reimbursement for the reasonable expenses incurred in attending the meetings of the Board of Directors, the meetings of any committee thereof, or otherwise in connection with attending to the affairs of the Corporation.

## **Section 12. Director Emeritus or Chairman Emeritus.**

The title of Director Emeritus or, in an appropriate case, Chairman Emeritus, may be conferred by the Board of Directors upon any former director or, in an appropriate case, a former Chairman of the Board who, in the judgment of the Board of Directors, has brought credit and distinction to the Corporation through long and faithful service. The title hereby created is honorary only and does not carry with it the powers, duties, or obligations of a director of the corporation or any other power, duty or obligation. A Director Emeritus or Chairman Emeritus shall not be deemed a director or member of the Board of Directors but upon invitation of the Chairman of the Board may attend meetings of the Board of Directors and may take part in the deliberative proceedings of the Board of Directors, but may not vote. A Director Emeritus or Chairman Emeritus shall not participate in meetings of the independent directors nor in meetings of committees of the Board of Directors. A Director Emeritus or Chairman Emeritus may upon invitation of the Chief Executive Officer attend meetings of the Company's management.

## **ARTICLE III COMMITTEES**

### **Section 1. Executive Committee.**

The Board of Directors shall designate annually an Executive Committee, consisting of not less than four Directors of whom the Chairman of the Board and Lead Director, if any, shall be one. The Board of Directors shall designate a Chairman of the Committee who shall serve as Chairman of the Committee at the pleasure of the Board of Directors. During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise all powers in the management and direction of the business and affairs of the Corporation, except as limited by the Maryland General Corporation Law or by resolution of the Board of Directors. All action taken by the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action, and shall be subject to revision and alteration by the Board of Directors, provided that no rights of third parties may be adversely affected by any revision or alteration. Delegation of authority to the Executive Committee shall not relieve the Board of Directors or any director of any responsibility imposed by law or statute or by the Charter of the Corporation.

### **Section 2. Audit Committee.**

The Board of Directors shall designate annually an Audit Committee consisting of not less than three directors, all of whom shall meet the independence and financial literacy and expertise requirements of the New York Stock Exchange and the requirements of Rule 10A-3(b)(1) under the Exchange Act, or any successor provision thereof. The Audit Committee shall also include at least one "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. Each member of the Audit Committee shall serve at the pleasure of the Board of Directors. The Board of Directors shall designate a Chairman from among the membership of the Audit Committee. The Audit Committee shall have the powers and perform the duties assigned by the Board of Directors and as set forth in the Audit Committee's charter.

### **Section 3. Nominating, Compensation and Governance Committee.**

The Board of Directors shall designate annually a Nominating, Compensation and Governance Committee (“NCG Committee”) consisting of not less than three directors, none of whom shall be officers or employees of the Corporation and all of whom shall meet the independence requirements of the New York Stock Exchange. The members of the NCG Committee shall serve at the pleasure of the Board of Directors. The Board of Directors shall designate a Chairman from among the membership of the NCG Committee. The NCG Committee shall have the powers and perform the duties assigned by the Board of Directors and as set forth in the NCG Committee’s charter.

### **Section 4. Other Committees; Committee Changes.**

From time to time the Board of Directors may provide for and appoint other committees to have the powers and perform the duties assigned to them by the Board of Directors. The Board of Directors may at any time change the membership of any committee (including the committees specified in Section 1, 2 and 3 of this Article III), fill vacancies in it, authorize the committee to fill vacancies in such committee, designate an alternate member to replace any absent or disqualified member at any meeting of such committee, or dissolve or reconstitute any such committee.

### **Section 5. Meetings of Committees.**

Each Committee of the Board of Directors shall fix its own rules of procedure, and shall meet as provided by those rules or by resolution of the Board of Directors, or at the call of the Chairman or any two members of the committee. A majority of each committee shall constitute a quorum thereof, and in every case the affirmative vote of a majority of the entire committee shall be necessary to take any action. Each committee may also take action by any other method that may be permitted by statute, by the Charter of the Corporation, or by these Bylaws, including by unanimous written consent of members of the committee. In the event a member of a committee fails to attend any meeting of the committee, the other members of the committee present at the meeting, whether or not they constitute a quorum, may appoint a member of the Board of Directors to act in the place of the absent member. Regular minutes of the proceedings of each committee and a full account of all its transactions shall be kept in a book provided for the purpose. Vacancies in any committee of the Board of Directors shall be filled by the Board of Directors. Members of any Committee of the Board of Directors may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participating in this manner shall constitute presence in person at the meeting.

## **ARTICLE IV OFFICERS**

### **Section 1. Election and Tenure.**

The Board of Directors may elect a Chairman of the Board and a Vice Chairman of the Board from among the directors. The Board of Directors shall elect a President, a Treasurer, and a Secretary, and may elect one or more Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Treasurers, Assistant Secretaries, and such other officers with such powers and duties as the Board of Directors may designate, none of whom need be a director. Each officer shall hold office until the first meeting of the Board of Directors after the annual meeting

of shareholders next succeeding his or her election and until a successor shall have been duly chosen and qualified or until he or she shall have resigned or been removed.

**Section 2. Chairman of the Board.**

The Chairman of the Board shall preside at all meetings of shareholders and of the Board of Directors at which he or she shall be present. The Chairman of the Board may but need not be an employee of the Corporation and shall have such other powers and perform such other duties as from time to time may be assigned by the Board of Directors. In the event the Chairman of the Board is deemed not independent, the Board of Directors shall elect a Lead Director to chair the elective sessions of the independent directors.

**Section 3. Vice Chairman of the Board.**

If elected, the Vice Chairman of the Board, in the absence of the Chairman of the Board, shall preside at all meetings of shareholders and the Board of Directors at which he or she shall be present. The Vice Chairman of the Board shall have such other powers and perform such other duties as from time to time may be assigned by the Board of Directors or by the Chairman of the Board.

**Section 4. President.**

The President shall be the Chief Executive Officer of the Corporation unless the Board of Directors shall have appointed the Chairman of the Board or the Vice Chairman of the Board as such, and, subject to the control of the Board of Directors and the Executive Committee, shall have general charge and supervision of the Corporation's business, affairs, and properties. The President shall have authority to sign and execute, in the name of the Corporation, all authorized deeds, mortgages, bonds, contracts or other instruments. The President may sign, with the Secretary or the Treasurer, or with any Assistant Secretary or Assistant Treasurer, stock certificates of the Corporation. In the absence of the Chairman of the Board and the Vice Chairman of the Board, the President, if present, shall preside at meetings of shareholders. The President (and, if the President is not the Chief Executive Officer, the Chief Executive Officer) may delegate any powers and duties given to him or her to any other officer or employee of the Corporation except as otherwise provided by the Board of Directors. In general, the President shall perform all the duties ordinarily incident to the office of a president of a corporation, and such other duties as, from time to time, may be assigned by the Board of Directors or by the Executive Committee.

**Section 5. Vice Presidents.**

Each Vice President, which term shall include any Executive Vice President or Senior Vice President, shall have the powers to perform such duties as may be assigned by the Board of Directors or the President, unless otherwise provided herein. At the request of the President or in the President's absence or during the President's inability to act, if no Chief Operating Officer has been elected, the Vice President or Vice Presidents shall perform the duties and exercise the functions of the President, and when so acting shall have the powers of the President. If there is more than one Vice President, the Board of Directors may determine which one or more of the Vice Presidents shall perform any of such duties or exercise any of such functions, or if the determination is not made by the Board of Directors, the President may make the determination. The Vice President or Vice Presidents shall have such other powers and perform such other duties as may be assigned by the Board of Directors or by the President. For purposes of this Section, the term Vice President does not include a Vice President appointed pursuant to Article IV, Section 11.

**Section 6. General Counsel.**

The General Counsel shall be the chief legal advisor of the Corporation and shall have responsibility for the management of the legal affairs and litigation of the Corporation and, in general, shall perform the duties incident to the office of general counsel of a Corporation and such other duties as may be assigned by the Board of Directors, the Chairman of the Board or by the President.

**Section 7. Secretary.**

The Secretary shall keep the minutes of the meetings of the shareholders, of the Board of Directors, and of the Executive Committee, including all the votes taken at the meetings, and record them in books provided for that purpose. The Secretary shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by statute. The Secretary shall be the custodian of the records and of the corporate seal of the Corporation. The Secretary may affix the corporate seal to any document executed on behalf of the Corporation, and may attest the same. The Secretary may sign, with the President or a Vice President, stock certificates of the Corporation. In general, the Secretary shall perform all duties ordinarily incident to the office of a secretary of a corporation, and such other duties as, from time to time, may be assigned by the Board of Directors or by the President.

**Section 8. Treasurer.**

The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Corporation, and shall deposit or cause to be deposited, in the name of the Corporation, all moneys or other valuable effects in such banks, trust companies, or depositories as may be designated by the Board of Directors. The Treasurer shall maintain full and accurate accounts of all assets, liabilities and transactions of the Corporation, and shall render to the President and the Board of Directors, whenever they may require it, an account of all transactions as Treasurer and of the financial condition of the Corporation. In general, the Treasurer shall perform all the duties ordinarily incident to the office of a treasurer of a corporation, and such other duties as, from time to time, may be assigned by the Board of Directors or by the President.

**Section 9. Chief Operating Officer.**

The Chief Operating Officer, if one is elected, shall be a general executive officer of the Corporation, with authority as such, and at the request of the Chief Executive Officer or the disability of the Chief Executive Officer, shall perform the duties and exercise the functions of the Chief Executive Officer, unless the Board of Directors shall otherwise determine. When the Chief Operating Officer is acting as the Chief Executive Officer, he or she shall have the powers of the Chief Executive Officer as set forth herein. The Chief Operating Officer shall have such other powers and perform such other duties as may be assigned by the Board of Directors or by the President.

**Section 10. Chief Financial Officer.**

The Chief Financial Officer shall perform all of the powers and duties of the office of the chief financial officer of the Corporation and in general shall have overall supervision of the financial and accounting operations of the Corporation. The Chief Financial Officer shall perform such other duties as may be assigned to the Chief Financial Officer by the Board of Directors or by the Chief Executive Officer.

**Section 11. Appointed Officers.**

The Board of Directors or the Chief Executive Officer may from time to time appoint one or more Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers or other officers with such administrative powers and duties as may be designated or approved by the Chief Executive Officer. An appointed Vice President, Assistant Vice President, Assistant Secretary, Assistant Treasurer or such other officer may be removed by the Chief Executive Officer without further action by the Board of Directors.

**Section 12. Officers Holding Two or More Offices.**

Any two or more of the above-named offices, except those of Chairman of the Board and Vice Chairman of the Board and those of President and Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity, if the instrument is required by statute, by the Charter of the Corporation, by these Bylaws, or by resolution of the Board of Directors to be executed, acknowledged, or verified by two or more officers.

**Section 13. Removal.**

Any officer of the Corporation may be removed, with or without cause, by a vote of a majority of the entire Board of Directors or by the Executive Committee or (except in case of an officer elected by the Board of Directors) by an officer of the Corporation upon whom such power of removal may have been conferred.

**Section 14. Vacancies.**

A vacancy in any office because of death, resignation, removal, or any other cause shall be filled for the unexpired portion of the term by election of the Board of Directors or by the Executive Committee, and in the case of appointed officers by the Chief Executive Officer.

**ARTICLE V  
STOCK**

**Section 1. Certificates.**

Each shareholder shall be entitled to a certificate or certificates which shall represent and certify the number and kind of shares of the Corporation's stock owned by the shareholder for which full payment has been made, or for which payment is being made by installments in conjunction with a shareholder-approved option plan; provided, however, that the Board of Directors may provide for some or all of any class or series of capital stock to be uncertificated. Each stock certificate shall be signed by the Chairman of the Board, the President or a Vice President and countersigned by the Secretary or Treasurer or Assistant Secretary or Assistant Treasurer of the Corporation. A stock certificate shall be deemed to be so signed and sealed whether the required signatures are manual or facsimile signatures and whether the seal is a facsimile seal or any other form of seal. In case any officer of the Corporation who has signed a stock certificate ceases to be an officer of the Corporation, whether because of death, resignation or otherwise, before the stock certificate is issued, the certificate may nevertheless be issued and delivered by the Corporation as if the officer had not ceased to be such officer on the date of issue. Within a reasonable time after the issuance of uncertificated shares and receipt of a request

from the registered owner of the shares, to the extent required by the Maryland General Corporation Law the Corporation shall furnish to the registered owner of the shares a written statement containing the information required by the Maryland General Corporation Law to be set forth of certificates representing shares of such stock.

**Section 2. Transfer of Shares.**

Shares of stock shall be transferable only on the books of the Corporation by the holder thereof, in person or by duly authorized agent, upon the surrender of the stock certificate representing the shares to be transferred, properly endorsed, or in the case of uncertificated shares, upon receipt of proper transfer instructions from the holder thereof. Within a reasonable time after the transfer of uncertificated shares and receipt of a request from the registered owner of the shares, to the extent required by the Maryland General Corporation Law the Corporation shall furnish to the registered owner of the shares a written statement containing the information required by the Maryland General Corporation Law to be set forth on certificates representing shares of such stock.

**Section 3. Transfer Agents and Registrars.**

The Corporation may have one or more transfer agents and one or more registrars of its stock, whose respective duties the Board of Directors may, from time to time, define. No stock certificate shall be valid until countersigned by a transfer agent, if the Corporation has a transfer agent in respect of that class or series of capital stock, or until registered by a registrar, if the Corporation has a registrar in respect of that class or series of capital stock. The duties of transfer agent and registrar may be combined.

**Section 4. Additional Regulations.**

The Board of Directors, the Chairman of the Board, or the Chief Executive Officer, as appropriate, may make such additional rules and regulations as each may deem expedient concerning the issuance, transfer and registration of certificates for shares of the capital stock of the Corporation.

**Section 5. Stock Ledgers.**

Original or duplicate stock ledgers, containing the names and addresses of the stockholders of the Corporation and the number of shares of each class held by them respectively, shall be kept at an office or agency of the Corporation, which may be the transfer agent and registrar if one is appointed, in such city or town as may be designated by the Board of Directors. If no other place is so designated, such original or duplicate stock ledgers shall be kept at an office or agency of the Corporation in New York, New York or Atlanta, Georgia.

**Section 6. Lost, Stolen or Destroyed Certificates.**

In case any stock certificate is alleged to have been lost, stolen, mutilated, or destroyed, the Board of Directors, Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer or Secretary may authorize the issuance of a new certificate in place thereof upon such terms and conditions as it may deem advisable and in accordance with such procedure as he or she shall deem proper and prescribe. The Board of Directors, Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer or Secretary may, in its or his or her discretion, further require the owner of the stock certificate or the owner's duly authorized agent to give bond with sufficient surety to the Corporation to indemnify it against any loss or claim which may arise by reason of the issue of a stock certificate in the place of one reportedly lost, stolen, mutilated or destroyed.

**ARTICLE VI  
DIVIDENDS AND FINANCE**

**Section 1. Dividends.**

Subject to any statutory or Charter conditions and limitations, the Board of Directors may in its discretion declare what, if any, dividends shall be paid by the Corporation from time to time, the date when the dividends shall be payable, and the date for the determination of holders of record to whom the dividends shall be paid.

**Section 2. Depositories.**

All funds of the Corporation shall be deposited, from time to time, to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select, or as may be selected by any officer or officers, agent or agents of the Corporation to whom such power may, from time to time, be delegated by the Board of Directors. Checks drawn on any bank or banks with which funds of the Corporation are deposited shall, unless otherwise provided by the Board of Directors, be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall, from time to time, be determined by resolution of the Board of Directors. Such authority may be general or confined to specific circumstances.

**Section 3. Corporate Obligations.**

No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness or guaranties of the obligations of others shall be issued in the name of the Corporation unless authorized by a resolution of the Board of Directors or its Executive Committee. Such authority may be either general or specific. When duly authorized, all loans, promissory notes, acceptances, other evidences of indebtedness and guaranties shall be signed by the Chairman of the Board, Vice Chairman of the Board, President, Chief Financial Officer, or Treasurer.

**Section 4. Fiscal Year.**

The fiscal year of the Corporation shall begin on the first day of January and end on the last day of December of each year.

**ARTICLE VII  
BOOKS AND RECORDS**

**Section 1. Books and Records.**

The Corporation shall maintain a stock ledger which shall contain the name and address of each shareholder and the number of shares of stock of the Corporation which the shareholder holds. The ledger shall be kept at the principal offices of the Corporation, or at the offices of the Corporation's stock transfer agent. All other books, accounts, and records of the Corporation, including the original or a certified copy of these Bylaws, the minutes of all shareholders meetings, a copy of the annual statement, and any voting trust agreements on file with the Corporation, shall be kept and maintained by the Secretary at the principal offices of the Corporation.

**Section 2. Inspection Rights.**

Except as otherwise provided by statute or by the Charter of the Corporation, the Board of Directors shall determine whether and to what extent the books, accounts, and records of the Corporation or any of them, shall be open to the inspection of shareholders. No shareholder shall have any right to inspect any book, account, document or record of the Corporation except as conferred by statute, by the Charter of the Corporation, or by resolution of the Board of Directors.

**ARTICLE VIII  
SEAL**

The Corporation may have a corporate seal which shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Maryland." The corporate seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced and shall be in the charge of the Secretary.

**ARTICLE IX  
INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS**

**Section 1. Definitions.**

The terms used in this Article IX shall have the same meaning as such terms are defined in the Maryland General Corporation Law.

**Section 2. Permitted Indemnification of Director.**

(a) The Corporation shall indemnify any director made a party to any proceeding by reason of service in that capacity unless it is established that:

- (i) The act or omission of the director was material to the matter giving rise to the proceeding and (A) was committed in bad faith or (B) was the result of active and deliberate dishonesty; or
- (ii) The director actually received an improper personal benefit in money, property, or services; or
- (iii) In the case of any criminal proceeding, the director had reasonable cause to believe that the act or omission was unlawful.

(b) Indemnification may be against judgments, penalties, fines, settlements, and reasonable expenses actually incurred by the director in connection with the proceeding. However, if the proceeding was one by or in the right of the Corporation, indemnification may not be made in respect of any proceeding in which the director shall have been adjudged to be liable to the Corporation.

(c) The termination of any proceeding by judgment, order, or settlement does not create a presumption that the director did not meet the requisite standard of conduct set forth in this Section. However, the termination of any proceeding by conviction, or plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the director did not meet that standard of conduct.

**Section 3. No Indemnification of Director for Proceedings Against the Corporation or Improper Personal Benefit.**

The Corporation shall not indemnify a director under Section 2 of this Article IX or advance expenses under Section 6 of this Article IX for a proceeding brought by that director against the Corporation, except (i) for a proceeding brought to force indemnification under this Article IX; or (ii) if the Charter of the Corporation or Bylaws, a resolution of the Board of Directors, or an agreement approved by the Board of Directors to which the Corporation is a party, expressly provides otherwise. A director may not be indemnified under Section 2 of this Article IX in respect of any proceeding charging improper personal benefit to the director, whether or not involving action in the director's official capacity, in which the director was adjudged to be liable on the basis that a personal benefit was improperly received.

**Section 4. Required Indemnification.**

Unless limited by the Charter of the Corporation, a director who has been successful, on the merits or otherwise, in the defense of any proceeding referred to in Section 2 of this Article IX shall be indemnified against reasonable expenses incurred by the director in connection with the proceeding.

**Section 5. Determination that Indemnification is Proper.**

(a) Indemnification under Section 2 of this Article IX may not be made by the Corporation unless authorized for a specific proceeding after a determination has been made that indemnification of the director is permissible in the circumstances because the director has met the standard of conduct set forth in Section 2 of this Article IX.

Such determination shall be made:

(i) By the Board of Directors by a majority vote of a quorum consisting of directors not, at the time, parties to the proceeding, or, if such a quorum cannot be obtained, then by a majority vote of a committee of the Board of Directors consisting solely of two or more directors not, at the time, parties to such proceeding and who were duly designated to act in the matter by a majority vote of the full Board of Directors in which the designated directors who are parties may participate.

(ii) If neither the requisite quorum of the Board of Directors nor a committee of the Board of Directors can be obtained, or if a majority of a quorum consisting of disinterested directors or a disinterested committee so directs, then the determination shall be made either (A) by special legal counsel, which shall be counsel specifically appointed for such purpose, or (B) by a majority vote of the shareholders.

(iii) If the determination is made by special legal counsel, such counsel shall be selected either by the Board of Directors or a disinterested committee as set forth in subparagraph (i) above, or if the requisite quorum of the full Board of Directors cannot be obtained and the committee cannot be established, then by a majority vote of the full Board of Directors in which directors who are parties may participate.

(b) Authorization of indemnification and determination as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible. However, if the determination that indemnification is permissible is made by special legal counsel, authorization of indemnification and determination as to reasonableness of expenses shall be made in the manner specified in this Section for selection of such special counsel.

(c) Shares held by directors who are parties to the proceeding may not be voted on the subject matter under this Section.

(d) A court of appropriate jurisdiction, upon application of a director and such notice as the court shall require, may order indemnification in the following circumstances:

(i) If it determines a director is entitled to reimbursement under Section 4 of this Article IX, the court shall order indemnification, in which case the director shall be entitled to recover the expenses of securing such reimbursement; or

(ii) If it determines that the director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director has met the standards of conduct set forth in Section 2 of this Article IX or has been adjudged liable under the circumstances described in Section 3 of this Article IX, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any proceeding by or in the right of the Corporation or in which the director was found liable in the circumstances described in Section 3 of this Article IX shall be limited to expenses.

(e) A court of appropriate jurisdiction may be the same court in which the proceeding involving the director's liability took place.

#### **Section 6. Advancement of Expenses.**

(a) Reasonable expenses incurred by a director who is a party to a proceeding may be paid or reimbursed by the Corporation in advance of the final disposition of the proceeding upon receipt by the Corporation of (i) a written affirmation by the director of the director's good faith belief that the standard of conduct necessary for indemnification by the Corporation as authorized in this Article IX has been met and (ii) a written undertaking by or on behalf of the director to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

(b) The undertaking required by the foregoing paragraph shall be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make the repayment.

(c) Payments under this Section shall be made as provided by the Charter of the Corporation, by the Bylaws or by contract or as specified in Section 5 of this Article IX.

#### **Section 7. Validity of Indemnification Provision.**

The indemnification and advancement of expenses provided or authorized by this Article IX shall not be deemed exclusive of any other rights, by indemnification or otherwise, to which a director may be entitled under the Charter of the Corporation, the Bylaws, a resolution of shareholders or directors, an agreement or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

#### **Section 8. Reimbursement of Expenses.**

This Article IX does not limit the Corporation's power to pay or reimburse expenses incurred by a director in connection with an appearance as a witness in a proceeding at a time when the director has not been made a named defendant or respondent in the proceeding.

**Section 9. Director's Service to Employee Benefit Plan.**

The Corporation shall indemnify its directors pursuant to this Article IX in connection with a director's service to an employee benefit plan at the request of the Corporation. For purposes of indemnification under this Article IX, action taken or omitted by a director in the performance of his or her duties with respect to an employee benefit plan, for a purpose reasonably believed by the director to be in the interest of the participants and beneficiaries of the plan, shall be deemed to be for a purpose which is not opposed to the best interests of the Corporation. In addition, excise taxes assessed on a director with respect to an employee benefit plan pursuant to applicable law shall be deemed to be fines for purposes of indemnification under this Article IX.

**Section 10. Officer, Employee or Agent.**

Unless limited by the Charter of the Corporation:

(a) An officer of the Corporation who has been successful, on the merits or otherwise, in the defense of any proceeding referred to in Section 2 of this Article IX shall be indemnified against reasonable expenses incurred by the officer in connection with the proceeding;

(b) The Corporation, in the discretion of the Board of Directors, may indemnify and advance expenses to an officer, employee, or agent of the Corporation to the same extent that it may indemnify directors or advance expenses to directors under this Article IX; and

(c) The Corporation, in addition, may indemnify and advance expenses to an officer, employee, or agent who is not a director to such further extent, consistent with law, as may be provided by the Charter of the Corporation, the Bylaws, general or specific action of the Board of Directors or contract.

**Section 11. Insurance or Similar Protection.**

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or who, while a director, officer, employee, or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against and incurred by such person in any such capacity or arising out of such person's position, whether or not the Corporation would have the power to indemnify against liability under the provisions of this Article IX. The Corporation may provide similar protection, including a trust fund, letter of credit, or surety bond, not inconsistent with this Article IX. Insurance or similar protection may be provided by a subsidiary or an affiliate of the Corporation.

**Section 12. Report of Indemnification to Shareholders.**

Any indemnification of, or advance of expenses to, a director in accordance with this Article IX, if arising out of a proceeding by or in the right of the Corporation, shall be reported in writing to the shareholders with the notice of the next shareholders' meeting or prior to the meeting.

**ARTICLE X  
MISCELLANEOUS**

**Section 1. Bonds.**

The Board of Directors may require any officer, agent or employee of the Corporation to give a bond to the Corporation, conditioned upon the faithful discharge of his or her duties, with one or more sureties and in such amount as may be satisfactory to the Board of Directors.

**Section 2. Voting Shares in Other Corporations.**

Any shares in other corporations or associations, which may from time to time be held by the Corporation, may be represented and voted at any meeting of the shareholders thereof by the Chairman of the Board, the President or any other officer of the Corporation so designated by the Chairman of the Board or the President of the Corporation, or by proxy executed in the name of the Corporation by the Chairman of the Board, the President or such designated officer.

**Section 3. References.**

All references and uses herein of the masculine or feminine pronouns "he", "his", "she" or "her" shall have equal applicability to and shall also mean their masculine and feminine counterpart pronouns.

**ARTICLE XI  
AMENDMENTS**

Subject to the provisions of Article I, Section 1 and Article I, Section 2, these Bylaws may be amended at a meeting of the shareholders by the affirmative vote of two-thirds (2/3) of all the votes cast at the meeting, provided the text of the amendment and the general nature of the proposed amendment is submitted with the notice of the meeting. The Board of Directors may also amend these Bylaws by a vote of a majority of the directors present at a meeting.

As Amended and Restated: February 24, 2023

**SUBSIDIARIES OF THE REGISTRANT**

**NAME**

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**STATE OF INCORPORATION**

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Havertys Credit Services, Inc.

Tennessee

## **CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our reports dated March 8, 2023, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Haverty Furniture Companies, Inc. and subsidiary on Form 10-K for the year ended December 31, 2022. We consent to the incorporation by reference of said reports in the Registration Statements of Haverty Furniture Companies, Inc. and subsidiary on Forms S-8 (File No. 333-197969 and 333-258793).

Atlanta, Georgia  
March 8, 2023

I, Clarence H. Smith, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2022 of Haverty Furniture Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2023

/s/ Clarence H. Smith

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

I, Richard B. Hare, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2022 of Haverty Furniture Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2023

/s/ Richard B. Hare

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Richard B. Hare  
Executive Vice President and  
Chief Financial Officer

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

In connection with the Annual Report of Haverty Furniture Companies, Inc. (the "Company") on Form 10-K for the year ended December 31, 2022 (the "Report"), I, Clarence H. Smith, Chairman of the Board, President and Chief Executive Officer of the Company, and I, Richard B. Hare, Executive Vice President and Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Date: March 8, 2023

/s/ Clarence H. Smith

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

/s/ Richard B. Hare

Richard B. Hare  
Executive Vice President and  
Chief Financial Officer

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