



Hooker Furniture Completes Year with Record Quarterly Sales & Earnings

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Martinsville, Va.: Hooker Furniture (Nasdaq-SCM: HOFT) finished the year with record quarterly sales and profits, reporting a 19% rise in net sales to \$70.4 million for its fourth quarter ended November 30, 2002, the highest sales of any quarter in its history. The Company reported net income of \$5.9 million or \$1.04 per share for the fourth quarter, a 133% increase from net income of \$2.5 million, or \$0.45 per share during the same quarterly period a year ago.

For the 2002 fiscal year, net income increased 136.4% to \$15.4 million, or \$2.73 per share, on net sales of \$248.3 million. Net sales for 2002 are up 12.2% from \$221.3 million last year. Net income in 2001 was \$6.5 million, or \$1.12 per share.

The Company attributes its higher profitability in 2002 to increased shipments of imported products and continued improvements in operating efficiencies at the Company's six domestic manufacturing facilities. Hooker's 2002 sales increases of 19% for the fourth quarter and 12% for the fiscal year are attributed to increased unit volume in imported product. Additionally, sales of domestically produced home office furniture increased for the fiscal year.

"We're extremely pleased to have grown sales and profits in a very difficult business environment," said Paul B. Toms Jr., chairman and chief executive officer. "A 19% increase in sales for the fourth quarter should compare quite favorably to the industry, especially case goods." Toms added that he's confident Hooker has increased its share in the home office market, given the Company's unit sales increase in that market.

Record fourth quarter shipments were achieved through "tremendous progress in shipping our backlog of imported product orders more rapidly," Toms said. "Our improved inventory position, especially on imported items, has allowed us to achieve outstanding delivery performance during the quarter." Significant improvements in deliveries from offshore suppliers have increased inventories. "We are well-positioned to meet customer needs for product going forward," Toms said.

During the last year, Hooker Furniture's domestic plants have contributed significantly to improved profitability by "lowering costs while increasing quality," Toms said. "Our manufacturing employee-owners have found ways to reduce waste, lower costs and increase yields." All of Hooker Furniture's plants are currently working reduced 35-hour per week schedules. "Given the soft retail environment, we are still challenged to generate the orders necessary to work full schedules," Toms said.

During the recently completed Fall International Home Furnishings Market in High Point, N.C., Hooker enjoyed a "good market for domestically-produced bedroom groups," Toms said, adding that all four groups introduced are being cut and are shipping to dealers beginning this month through March 2003. "A strong market introduction in domestic bedroom is important, because that product category represents our greatest opportunity to significantly grow our domestic business in the near term," Toms said. "It would also positively impact our Martinsville plant, which has been the plant most affected by declining sales over the last two years."

Given the strong bedroom product introduction, overall increased sales volume and improved operating efficiencies, "We are very well-positioned for an upturn in retail business, which we expect sometime in 2003," Toms said.

Operating income for the 2002 fourth quarter of \$9.9 million increased 154.2% from \$3.9 million for the 2001 quarterly period. Operating income as a percentage of net sales, improved to 14.1% in the 2002 fourth quarter, compared to 6.6% for the 2001 quarterly period. Last year, earnings and sales were negatively impacted by the industry-wide economic downturn experienced during most of 2001.

Also, earnings for fiscal year 2001 were reduced by non-recurring charges of \$745,000 after tax (\$1.2 million pre-tax), or \$0.13 per share related to a workforce reduction that occurred in August 2001 at the Company's Martinsville, Va. facility. Excluding the non-recurring charges in 2001, operating income as a percentage of net sales improved to 10.6% in the 2002 fiscal year, compared to 5.5% for fiscal 2001. Operating income increased 114.3% to \$26.3 million for the 2002 fiscal year from \$12.3 million (excluding the non-recurring charges) in fiscal 2001.

In the fourth quarters of 2002 and 2001, selling and administrative expenses as a percentage of net sales approximated 17.5% in each of the three-month periods. But a decrease in selling and administrative expenses as a percentage of net sales contributed to the improvement in operating margin for the year. As a percentage of net sales, selling and administrative expenses decreased to 17.1% for 2002 from 17.8% last year.

Hooker's pending acquisition of leather seating specialist Bradington-Young is expected to close in early January 2003, Toms said. "We're excited about diversifying the Company into another major product category, and the potential synergies and sales growth the acquisition offers both companies," Toms said. As previously announced, based on fiscal 2002 results, Hooker and Bradington-Young would have combined annual net sales of just under \$300 million once the acquisition is complete.

At its December 2002 meeting, the Board of Directors declared a dividend of \$0.10 per share payable on February 28, 2002, to shareholders of record on February 14, 2002.

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