Hooker Furniture Reports Record Sales for 2003

Board Approves Two-for-One Stock Split

December 23, 2003

Martinsville, Va.: Hooker Furniture Corporation (Nasdaq-SCM: HOFT) today reported record sales of $309.0 million for the year ended November 30, 2003, an increase of 24.4% from $248.3 million in 2002. For the fourth quarter of 2003, net sales of $79.7 million increased 13.1% from $70.4 million in the 2002 fourth quarter, marking the eighth consecutive quarter of increased sales compared with the same prior year periods.

Net income for 2003 was $14.7 million, or $1.28 per share. That compares to $15.4 million, or $1.36 per share in 2002, representing a 4.4% decrease in income compared to last year, which was the most profitable in the Company's 79-year history. Net income for the 2003 fourth quarter of $3.6 million, or $0.31 per share, decreased 39.1% from $5.9 million, or $0.52 per share, in the 2002 quarterly period, which also was a record quarter for the Company in profitability. All per share figures reflect the effect of a two-for-one stock split that was approved by the Board of Directors on December 19, 2003.

"We are very pleased with our top line performance for the year, especially the growth of nearly 7% in Hooker's wood furniture operations," said Paul B. Toms Jr., chairman and chief executive officer. "That growth is especially gratifying given the challenging environment in the wood furniture industry and the sluggish economy that has persisted throughout most of the year." The Company also finished the year with strong momentum. "Across all of our operations - imported and domestic wood furniture and Bradington-Young upholstery, our incoming order rates for the fourth quarter were the strongest of any quarter during the year," Toms said.

Profitability for the 2003 annual period was negatively impacted by a special, one-time $1.5 million pretax ($911,000 after tax, or $0.08 per share) restructuring and asset impairment charge related to the August 2003 closing of Hooker's Kernersville, N.C. manufacturing facility. This charge was incurred during the second quarter. The facility and some of its equipment were sold in the 2003 fourth quarter.

Sales increases in 2003 can be attributed to growth resulting from the Company's January 2003 acquisition of Bradington-Young and growth in Hooker Furniture's wood furniture operations. Net sales for the Company's wood furniture operations increased $16.4 million, or 6.6%, to $264.8 million for 2003, compared with $248.3 million in 2002. For the 2003 fourth quarter, net sales for the wood furniture operations decreased $3.5 million, or 4.9%, to $67.0 million, from $70.4 million in the 2002 quarterly period. Hooker's imported wood furniture shipments continued to grow during 2003 compared to the same periods one year ago, while shipments of domestically produced wood furniture declined, but at a slower rate than in the first half of 2003.

The pace of imported wood furniture sales growth slowed in the 2003 fourth quarter compared to the year-earlier quarter, primarily due to reduced inventory levels of imported products. "In our efforts to improve inventory levels of imported products, we reduced our ordering in mid-year," said Toms. "As a result, we didn't have enough inventory to fully capitalize on our strong incoming orders for imports during the third and fourth quarters, so our backlog has grown. We expect our inventory availability to improve during the first and second quarters of next year." Toms noted that imported products posted another excellent year, with shipments up over 40% and orders up 32% compared to 2002.

Shipments from leather upholstery specialist Bradington-Young accounted for $12.7 million in net sales during the 2003 fourth quarter and $44.2 million in net sales for the eleven-month period since the division was acquired. Following record sales at the October International Home Furnishings Market and continued strong sales since then, Bradington-Young is positioned for growth with an expanded sales organization, product line and dealer base. Earlier in the year Hooker and Bradington-Young merged their sales forces bringing the number of professional sales representatives selling Bradington-Young product from 24 to nearly 100, resulting in several hundred new retail accounts carrying the line today, compared to early 2003. In addition, Bradington-Young has broadened its product niches and price points.

In addition to the special restructuring and asset impairment charge mentioned above, several other factors contributed to the decline in profitability for the 2003 annual and quarterly periods. Lower demand for domestically produced wood furniture products compared to last year resulted in slightly less than a 70% utilization of domestic wood furniture production capacity, resulting in lower margins on those products. Higher inbound freight, transit-related and selling and administrative costs resulted in lower profitability on imported wood furniture products.

Management is addressing the issues impacting profitability and does not believe that these factors are long term in their impact. After working reduced work schedules for all of 2003, Hooker will return to more normal work schedules in early January. "Closing our Kernersville plant and 'correct sizing' our inventory levels, coupled with stabilizing domestic orders, will enable us to increase our work schedules beginning January 5, 2004. We expect to work 35 hour weeks with no additional downtime through the first quarter," Toms said. "That will increase our production capacity utilization from just under 70% to slightly over 85%." Over the last year, "our domestic facilities have made strides in lowering materials costs, shortening delivery times and controlling labor and overhead costs. These improvements should enhance our profitability as we increase our work schedules."

For 2003, gross margin decreased to 26.6% of net sales, compared to 27.7% during 2002. For the fourth quarter of 2003, gross margin declined to 26.7% from 31.6% in the comparable 2002 period. The gross margin declines in the 2003 periods are principally attributed to lower margins on imported shipments resulting from higher inbound freight and other transit related costs. Margins also declined on domestically produced wood furniture. The decline was principally due to increased labor and overhead costs as a percentage of sales volume resulting from inefficiencies created by reduced work schedules and heavier sales discounting.

Selling and administrative expenses as a percentage of net sales for 2003 increased to 17.8%, compared to 17.1% in 2002, and increased to 18.9% for the 2003 fourth quarter, compared to 17.5% in the same 2002 period. Selling and administrative expenses rose as a percentage of net sales in the 2003 periods principally due to increased selling, warehousing and distribution costs to support higher volumes of imported products. The dollar amounts of selling and administrative expenses increased $2.8 million during the 2003 fourth quarter and $12.4 million during the 2003 twelve-month period, mainly due to the addition of selling and administrative expenses for Bradington-Young and the increased import-related costs mentioned previously.

In the second half of the year, Hooker improved its balance sheet and cash position. Inventories have continued to decline while sales have continued to rise. Additionally, strong cash generation during the fourth quarter enabled the Company to prepay $15.0 million against its term loans near the end of November. "Our cash position is very strong, at $14.9 million on November 30, with debt to total capitalization at a very conservative 21.0%," Toms said.

"Hooker has a bright outlook for 2004," Toms said. "The economy is the strongest it has been in three years, and we are starting to see pent-up demand released as the consumer gains confidence. We expect the momentum in incoming orders to continue, and all of our operations are well positioned to capitalize on the up-tick in retail activity," he said.

At its December 19, 2003 meeting, the Hooker Furniture Board of Directors approved a two-for-one stock split in the form of a 100% stock dividend. The record date for the stock dividend will be January 9, 2004. The stock certificates will be mailed on or about January 30, 2004. Additionally, the board declared an increased cash dividend of $0.06 per share (after giving effect to the stock split), payable on February 27, 2004 to shareholders of record February 13, 2004.

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