



Hooker Furniture Reports Record Sales and Profits for First Quarter

March 27, 2003

Martinsville, Va.: Hooker Furniture (Nasdaq-SCM: HOFI) today reported sales of \$74.5 million for its first quarter ended February 28, 2003, the highest quarterly net sales in its history and an increase of 22.2% from \$60.9 million in the first quarter of 2002. First quarter 2003 net income of \$5.0 million or \$0.88 per share was a Company record for "first quarter net income" and represents a 54.6% increase from \$3.2 million or \$0.57 per share for the same period last year.

The 2003 first quarter sales and income include the results of Bradington-Young ("B-Y"), the Company's newly acquired upscale leather upholstery operation, for January and February 2003. The Company completed its acquisition of B-Y on January 2, 2003, for \$24.5 million in cash less approximately \$4.1 million in assumed debt, plus a post-closing working capital adjustment expected to be approximately \$1.6 million. The Company also expects to capitalize acquisition-related fees of approximately \$500,000, most of which were paid during the first quarter of 2003.

The 2003 first quarter sales and earnings increases are attributed to higher unit volume of imported product lines and the inclusion of B-Y's results of operations in the Company's results from the date of acquisition. Net sales for the Company's case goods business increased 7.9% for its 2003 first quarter compared with the year ago period.

"We are pleased with our overall performance given the sluggish economy and current poor retail environment," said Paul B. Toms Jr., chairman and chief executive officer. Toms observed that the latest quarter continues trends seen in the last several quarters: solid sales growth in imported product lines offset by declining levels of incoming orders and shipments for domestically produced case goods products.

"Shipments of imported products are increasing as we improve the flow of inventory from overseas suppliers, enabling us to ship our backlog and improve delivery service to all our customers," Toms said, adding, "we believe our improved service level has contributed to the significant increase we have seen in new orders for imported products." Product availability to Hooker's customers has improved across all product lines, with 85% of imported products and 90% of domestically produced case goods presently available for shipment within 15 days of order receipt. Most of B-Y's upholstery products are custom built for shipment within four weeks of order receipt, consistent with industry norms.

The Company's manufacturing employees continued to work reduced, 35-hour work schedules in all domestic case goods plants for the 2003 first quarter and also took an additional week down in December, reflecting the weakness in incoming orders and to control inventory levels. The Company expects to stay on 35-hour workweeks for the foreseeable future and has scheduled an additional week down in April. B-Y's upholstery facilities continued to operate on reduced, 36-hour work schedules during January and February 2003. We expect B-Y to continue working on reduced schedules for the foreseeable future. We generally evaluate B-Y's work schedules monthly based on incoming order rates.

Hooker is optimistic about the potential sales from its four newest domestically produced bedroom furniture groups introduced at the Fall 2002 International Home Furnishings Market. These bedroom groups were well-received by retail buyers across the country and the Company is currently in the process of shipping the last of these four introductions to stores. "We're optimistic about the prospects for the new bedroom groups once retail conditions improve," Toms said. "Our employees have worked hard to produce four new bedroom groups over the course of the last four months while maintaining excellent product quality and staying on schedule despite numerous weather related delays," he said, adding, "About ninety-six percent of our complete line of bedroom products is in stock and ready for immediate delivery. With just a slight upturn in business, we are well-positioned to grow our bedroom sales, which should have a favorable impact on our overall business."

For the first quarter, Hooker reported its gross profit margin increased to 27.6% of net sales, compared to 25.3% for the first quarter of 2002, due primarily to the mix of products shipped. The gross profit margin for upholstery products manufactured by B-Y is comparable to the gross profit margin the Company achieves on its domestically produced case goods, ranging typically from 20-25% of net sales. During the 2003 first quarter, the Company's domestic case

goods operations continued to experience reductions in raw material costs as a percentage of sales volume, compared to the prior year period. However, these improvements were offset by increased labor and overhead costs as a percentage of sales volume, resulting from the reduced work schedules and weather-related downtime experienced during the 2003 quarter. In comparison, the Company's domestic case goods factories worked full 40 hour-per-week schedules during January and February of 2002.

Sales and administrative expenses as a percentage of net sales of 16.1% for the first quarter of 2003 approximated sales and administrative expenses in the 2002 first quarter. The dollar amounts of these expenses increased \$2.2 million, during the 2003 quarter however, mainly due to the addition of selling and administrative expenses for B-Y and increased selling, warehousing, and distribution expenses to support higher volumes of imported products.

According to Toms, the integration of Bradington-Young into the Company is well under way. "I am happy to report that Bradington-Young's results of operations during the first two months with the Hooker Furniture family contributed to our consolidated earnings for the quarter." "As we move ahead we continue to look for ways to realize synergies in manufacturing and marketing."

During the first quarter, the Company was pleased to see two brokerage firms initiate research coverage on the Company's common stock (Nasdaq-SCM: HOFT). "We believe that the resulting increase in visibility in the market has contributed to an increase in trading volume of the Company's common stock," Toms said. The stock closed at \$24.88 per share on March 27, 2003 compared with a closing price of \$15.51 at the end of fiscal 2002.

The Company remains cautiously optimistic in its outlook for the remainder of fiscal 2003. "With the current sluggish retail conditions, slumping consumer confidence and the uncertainty posed by geopolitical concerns particularly the war in Iraq, we expect at least one more challenging quarter ahead," Toms, said. The Company's long-term outlook, however, remains positive. "Based on strong housing activity over the last few years, there should be considerable pent-up demand for furniture," Toms said. "When business does improve, we will be well positioned to capitalize on the upturn with an excellent product line available for immediate shipment."

Ranked among the nation's top 15 furniture manufacturers in sales, Hooker Furniture is a 79-year old producer and importer of wall and entertainment systems, home office, occasional, dining, bedroom and upholstered leather furniture with approximately 2,200 employees. The Company has 10 manufacturing facilities, a distribution center and a warehouse located in Virginia and North Carolina. Plant locations include Cherryville, Hickory, Pleasant Garden, Kernersville, Maiden, and Woodleaf, N.C. and Martinsville and Roanoke, VA. The Company's stock is listed on the Nasdaq SmallCap Market under the symbol HOFT. Please visit us on the World Wide Web at www.hookerfurniture.com and www.bradington-young.com.

Certain statements made in this report are not based on historical facts, but are forward-looking statements. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "would," or "anticipates," or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy. These statements reflect the Company's reasonable judgment with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Those risks and uncertainties include but are not limited to the ability of the Company to successfully integrate Bradington-Young's business operations, the cyclical nature of the furniture industry, domestic and international competition in the furniture industry, general economic or business conditions, both domestically and internationally, fluctuations in the price of key raw materials including lumber and leather, supply disruptions or delays affecting imported products, adverse political acts or developments in the international markets from which the Company imports products, fluctuations in foreign currency exchange rates affecting the price of the Company's imported products, and capital costs.

[Click Here](#) for Financial Tables