



Hooker Furniture Reports Second Quarter Sales Up 12%, Net Income Up 125%

June 20, 2002

Martinsville, Va.: Hooker Furniture (OTCBB: HOFT) today reported net sales of \$62.3 million for its second quarter ended May 31, 2002, an increase of 12.0% from \$55.6 million in the second quarter of 2001. For the first half of 2002, net sales of \$123.2 million increased 10.5% from \$111.5 in the first half of 2001.

Increased unit volume, principally in imported product lines and domestically produced home office furniture, accounted for the improvement in net sales for both the quarterly and six-month periods. In the prior year second quarter, the Company reported a marked downturn in shipments, reflecting the industry-wide recession experienced during most of last year.

Net income increased 125.4% to \$3.1 million for second quarter 2002, compared to \$1.4 million in the comparable 2001 period. Earnings per share increased 139.1% to \$0.55 for the 2002-quarter from \$0.23 in the year-earlier period.

For the first half of 2002, net income increased 65.6% to \$6.3 million from \$3.8 million in the 2001 first half. Earnings per share for the first half of 2002 increased 72.3% to \$1.12 from \$0.65 for the same period of 2001.

"Operating margins are returning to historical levels as we leverage overhead and selling and administrative expenses over increased sales volume," said Paul B. Toms Jr., Chairman, and Chief Executive Officer. He also attributes the profitability increases to sales growth in higher-margin imported products and to Hooker's full production schedules in each of its plants over the last eight months.

Incoming order rates for imported products have been significantly higher during the first six months of 2002 than during the same period last year, Toms said. In addition to a significant sales increase in imported accent, occasional and dining furniture, sales of domestically produced home office furniture were up 9.8% during the just-completed second quarter. "Retailers recognize Hooker as a key domestic resource in several important niches including home office and home entertainment furniture," Toms said. He attributes the sales increases in home office to "innovative, high quality products, quick delivery", and the Company's SmartWorks by Hooker national retail display program for home office products.

Operating income as a percentage of net sales improved to 8.6% in the 2002 quarterly period, compared to 4.3% for the 2001 first quarter. Operating income as a percentage of net sales improved to 8.8% in the 2002 first half, compared to 5.9% for the 2001 first half. The improvement in both the three and six-month periods of 2002 is principally attributed to lower raw material costs, primarily lumber and wood products, as a percentage of sales. Also, for the 2002 six-month period the Company shipped more "higher margin" goods (principally imported product) as a percentage of total sales volume.

A decrease in selling and administrative expenses as a percentage of net sales also contributed to the improvement in operating margins. Selling and administrative expenses as a percentage of net sales decreased to 17.2% in the 2002-second quarter from 18.4% in the 2001 period. As a percentage of net sales, selling and administrative expenses decreased to 16.7% for the first half of 2002 from 17.7% in the same six-month period one year ago.

The Company continued to generate excellent cash flow during the 2002-second quarter. Cash increased \$3.9 million to \$19.1 million since the end of the first quarter or an increase of \$11.2 million from year-end 2001 levels. Higher sales levels coupled with lower accounts receivable balances contributed to the increase in cash during the quarter. Although inventories increased \$2.3 million since the end of the first quarter 2002 to support higher sales volume and improve service position, inventory levels remain below year-end 2001 levels by \$3.6 million.

Hooker has a positive outlook for the second half of 2002. "While retail activity has been slow since early April and order rates for domestically manufactured products have softened, we hope to see the typical up tick at retail by August. We are well positioned for a strong fall season. Our bestsellers are in stock; we have a healthy backlog of orders for imported products and available domestic production capacity if business improves significantly. The only question is how soon retail activity will pick up and to what degree," said Toms.

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