

INITIATION OF COVERAGE
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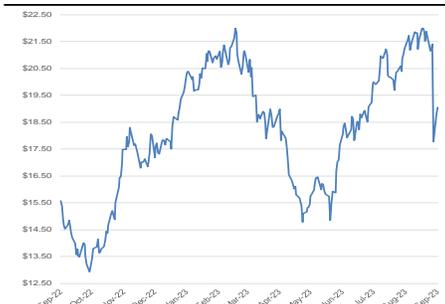
Market Statistics in USD

Price	\$ 19.06
52 week Range	\$12.90 - \$22.27
Daily Vol (3-mo. average)	74,630
Market Cap (M)	\$ 198.5
Enterprise Value (M)	\$ 233.2
Shares Outstanding: (M)	10.6
Float (M)	10.3
Public Ownership	19.0%
Institutional Ownership	78.8%

Financial Summary in USD

Cash (M)	\$ 50.0
Cash/Share	\$ 4.70
Debt (M)	\$ 84.7
Equity (M)	\$ 225.7
Equity/Share	\$ 21.22

FYE: Jan	2023	2024E	2025E
<i>(all figures in M, expect per share information)</i>			
Rev	\$ 593.6	\$ 467.1	\$ 522.4
Chng%	-2%	-20%	12%
EBITDA	\$ (6.0)	\$ 13.2	\$ 26.8
Net Income	\$ (4.3)	\$ 9.1	\$ 19.2
EPS	\$ (0.37)	\$ 0.85	\$ 1.79
EV/Revenue	0.5x	0.5x	0.5x
EV/EBIT	22.9x	-15.0x	9.3x
P/E	22.7x	22.4x	10.7x


COMPANY DESCRIPTION

Hooker Furnishing is a designer, marketer, and importer of Casegoods (wooden and metal furniture), leather furniture, fabric-upholstered furniture, and outdoor furniture for the residential, hospitality and contract markets. Hooker was originally founded as a casegoods company by Clyde Hooker, Sr. in 1924. Clyde Hooker, Jr. took the helm as CEO in 1960, leading Hooker for 40 years. The Company began trading on the NASDAQ in 2002 under the symbol "HOFT", after a leveraged employee stock ownership plan (ESOP) required it to register with the SEC. The Company is one of five publicly traded furniture companies.

HOOKER FURNISHINGS CORPORATION (NASDAQ: HOFT)
Company Update

2Q23 Results: HOFT reported revenue, adj EBITDA, and adj EPS of \$97.8M, \$1.3M, and \$0.07, respectively. This compares to consensus estimates of \$145.4M, \$4.3M, and \$0.28. It is noted that the revenue miss was in large part due to the divestiture of the Home Meridian business along with overall decreases in shipments and unit volume. This divestiture is showing dividends as consolidated gross margin increased 200bps from the prior year. On a segment basis, both Hooker Branded and Domestic Upholstery saw GPM expansion of 627bps and 201bps, respectively.

Capital Allocation: HOFT maintains its commitment to being a consistent dividend payer by distributing \$0.22 per share for an annualized rate of \$0.88 per share, equivalent to a 4.7% dividend yield. This is in addition to the ~\$22.0m spent to repurchase 1.3m shares of common stock. The Company still had approximately \$2.5M left on its share repurchase program.

Strengthening Liquidity: The Company remains on track with its plans to improve the balance sheet. This is highlighted by the reduction in both the Company's warehouse footprint and the Company's inventory levels. As of 2Q23, HOFT has reduced its inventory by \$70.0m y/y, which is ahead of the original targets. This is in concert with the reduction of 200,000 sq/ft in warehouse footprint. By rightsizing the balance sheet, HOFT is simultaneously improving liquidity, reducing the Home Meridian breakeven point by ~\$150.0m, and improving working capital levels. This is expected to allow the Company to acquire market share as the industry improves.

Growing Backlog: HOFT reported a backlog of \$88.2m, an increase of 1.0% from \$87.4m last quarter. We expect the backlog to grow as management has noted that end markets are beginning to turn as destocking decreases and demand improves. This was seen as incoming orders increased by 36.7% compared to the prior-year quarter. This is expected to increase further due to the concentrated efforts to increase customer interactions, which saw a 366.7% y/y increase from 3,000 to 14,000.

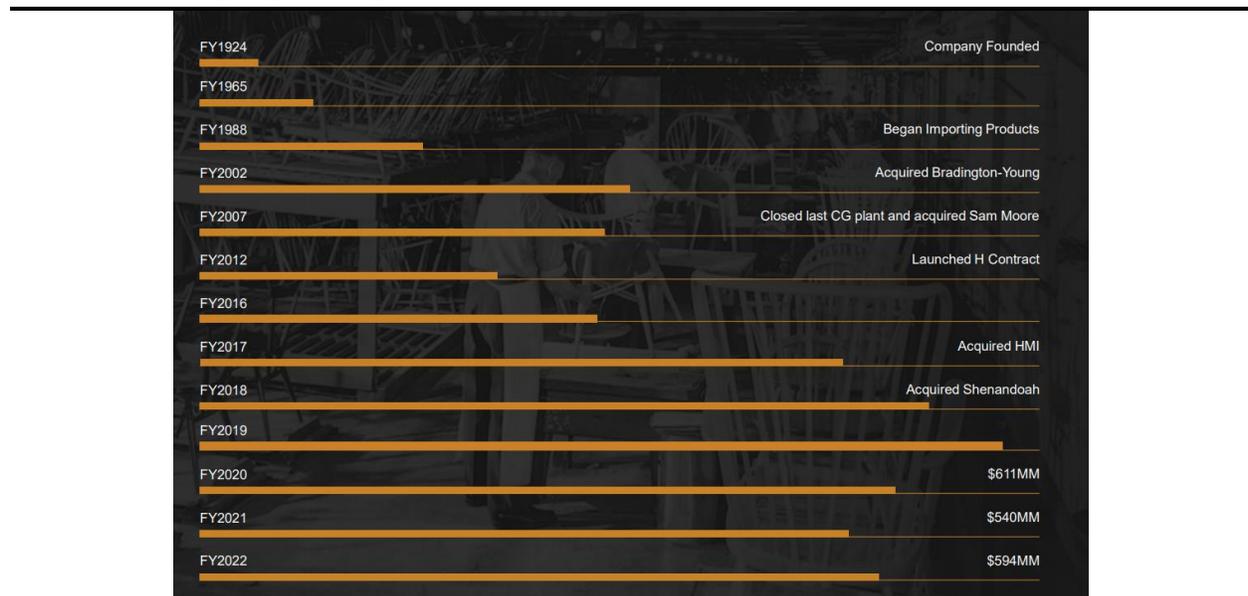
Acquisitions Remain in Focus: HOFT announced the acquisition of BOBO Intriguing objects, an Atlanta-based lighting, décor, and accents designer. This transaction gives HOFT the ability to expand their product offerings into the categories of lighting, wall art, textiles, and décor. This gives Hooker the ability to service the whole room. This transaction was finalized on June 12, 2023 for \$2.4M in cash.

Valuation: We use a Dividend Discount Model, DCF Model and EV/EBIT comp analysis to guide our valuation. Our Dividend Discount uses the HOFT trailing 3-year average dividend growth rate to arrive at a valuation range of \$21.12 to \$28.16 with a mid-point of \$24.20. Our DCF analysis produces a valuation range of \$24.70 to \$28.97 with a mid-point of \$26.63. Our EV/EBIT valuation results in a range of \$22.90 to \$27.66 with a mid-point of \$25.28. Lastly, we note that HOFT pays one of the highest dividend yields of the comp set.

Business Overview

Hooker Furnishings (“Hooker” or “The Company”) is a designer, marketer, and importer of Casegoods (wooden and metal furniture), leather furniture, fabric-upholstered furniture, and outdoor furniture for the residential, hospitality and contract markets. Hooker was originally founded as a casegoods company by Clyde Hooker, Sr. in 1924. Clyde Hooker, Jr. took the helm as CEO in 1960, leading Hooker for 40 years. The Company began trading on the NASDAQ in 2002 under the symbol “HOFT”, after a leveraged employee stock ownership plan (ESOP) required it to register with the SEC. The Company is one of five publicly traded furniture companies.

Exhibit 1: Company History



Source: Company Presentation

The Company has a wide and diverse customer base with no customers being responsible for more than 6% of consolidated sales in fiscal year 2023. Hooker sells its brands through various retailers such as independent furniture stores and national retail chains, department stores, catalog resellers, interior designers, and e-commerce retail chains amongst others. Hooker’s customers include reputable names like BAER’S FURNITURE CO., Berkshire Hathaway Inc., Macy’s, Inc., and Wayfair.

Exhibit 2: Product Distribution Channels



Source: Company Presentation

Hooker was an early adopter of importing furniture goods, sourcing its products from foreign manufacturers for over 3 decades. Imported casegoods and upholstered furniture accounted for 72% of nets at the end of fiscal year 2023. Asian countries such as China and Vietnam are historically Hooker’s predominate importers, however the Company is beginning to diversify to other countries including Malaysia, Mexico, and India. The diversification is important to counter economic and political constraints like the 25% tariff on furniture and furniture components imported into the U.S. from China that was instituted in 2019.

Business Segments

Hooker operates in three primary segments: Hooker Branded, Home Meridian (HMI), and Domestic Upholstery as well as All Other which encompasses the Company’s smaller brands. Hooker offers good to best quality product lines at medium to upper price points.

Exhibit 3: Hooker’s Brands



Source: Company Presentation

Hooker Branded Segment

The Hooker Branded segment includes two businesses, Hooker Casegoods and Hooker Upholstery. Hooker is the 2nd largest casegoods supplier in the U.S. Casegoods is comprised of wood design categories covering home entertainment, home office, accent, dining, and bedroom furniture sold under the Hooker Furniture brand at upper-medium price points. Hooker Upholstery offers imported upholstered furniture targeted at the upper-medium price range. Upholstery presents HOFT more upside as upholstery has a shorter life cycle than case goods and thus needs to be replaced more frequently. Hooker Branded generated \$34.7 million in sales in 2Q24, accounting for 35.5% of consolidated sales compared to 34.5% last year.

Home Meridian Segment (HMI)

Hooker acquired Home Meridian in February 2016 for a total of \$106.3 million. The segment’s brands include Pulaski Furniture, Samuel Lawrence Furniture (SLF), Samuel Lawrence Hospitality (SLH), Prime Resources International (PRI), and Accentrics Home (“ACH”). HMI focuses primarily on medium level price points that are sold to large distributors like Haverty’s and Macy’s. The segment generated approximately \$28.9 million in sales in 2Q24, representing 29.6% of consolidated sales compared to 38.6% in the previous year.

As a result of low profitability and unnecessarily high-risk, management decided to liquidate ACH and other obsolete inventories at the end of fiscal year 2023. Hooker transitioned to focus on the segment's core competencies of the Pulaski, SLF, SLH, and PRI businesses. As of 2Q24, the divestiture was nearly complete. Management aims for HMI to reach profitability by the end of fiscal year 2024.

Domestic Upholstery Segment

Hooker's domestic upholstery segments offers brands such as Bradington-Young, HF Custom (previously Sam Moore Furniture), Shenandoah Furniture, and Sunset West. This segment's products are at the upper end of quality and pricing. They are made to order and ship quickly after production but are raw material intensive.

The 2022 acquisition of Sunset West, an outdoor brand, allowed further penetration in the west coast and showed synergies with Hooker's salesforce. Sunset West has been a significant growth driver for the segment, which experienced a 10% increase in sales in 2Q24. This is in comparison to the Domestic Upholstery sales decrease of 19.4%, showing its potential.

Domestic Upholstery generated \$30.9 million in sales in 2Q24, accounting for 31.6% of consolidated revenues. The revenue dip was caused by sales decreases at Shenandoah and HF Custom. Despite this, management affirms that Sunset will deliver double digit organic growth in the coming years.

All Other:

Hooker's All Other segment comprises of the H Contract product and Lifestyle Brands. The segment customers are primarily senior living facilities, with an expansion focus on bringing in country clubs and other facilities that require commercial furniture that look residential. All Other generated \$3.3 million in sales in 2Q24, accounting for 3.4% of consolidated sales, increasing from 1.8% last year.

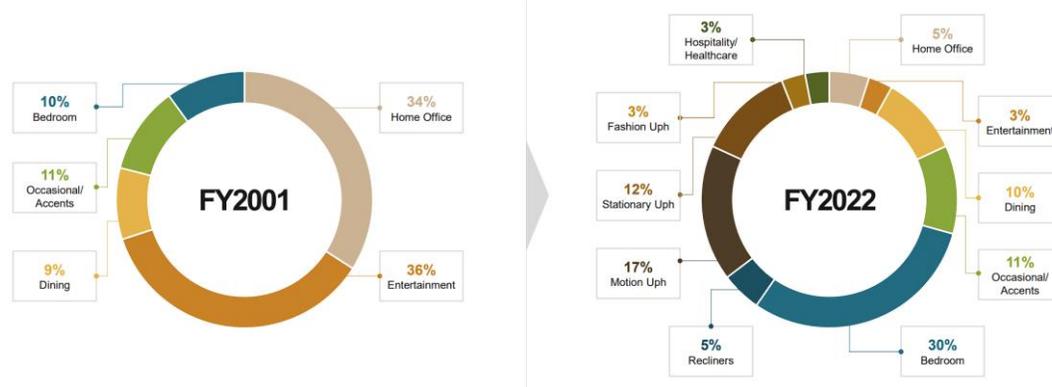
Growth Strategy

In order to increase market share and grow the business, management developed key organic and inorganic growth initiatives. The initiatives include acquisitions, opening showrooms, and utilizing Ecommerce.

Hooker has a history of making acquisitions to increase market share and expand into new markets. Hooker made its first acquisition in 2002 when it acquired Bradington-Young, a high end upholster of upscale motion and stationary leather furniture. This was followed by the acquisitions of Sam Moore in 2007, Home Meridian in 2016, and Shenandoah Furniture in 2017. More recently, Hooker acquired Sunset West, an outdoor furniture manufacturer, in February 2022. Management is confident in Sunset West's contributions going forward, maintaining that the business will offer Hooker double digit organic growth going forward. Most recently the Company purchased BOBO Intriguing objects, an Atlanta-based lighting, décor, and accents designer. Aside from HMI's ongoing liquidation, Hooker's acquisitions have helped the Company generate strong and sustainable growth.

Hooker operates three showrooms in Atlanta, Georgia, High Point, North Carolina, and Las Vegas, Nevada. Hooker opened its High Point showroom at the April High Point Market, doubling its attendance from the previous year. In July 2023, Hooker debuted a 6,500 square foot showroom that will be operated year-round. The showrooms expand the Company's total addressable market and increase brand visibility. Efficiently operating the showrooms and strategically opening new ones will be key to growth going forward.

Exhibit 4: Hooker’s Expansion



Source: Company Presentation

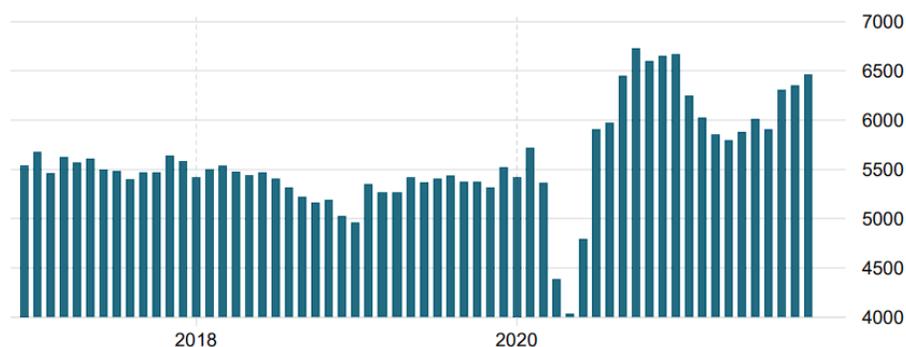
Over the last decade Hooker has prioritized Ecommerce using the internet and social media to increase its market breadth. Buying furniture online has grown in the industry, increasing over 15% per year and accelerated by Covid. HOFT has concentrated on this channel with eight business units actively engaging in pure-play ecommerce. HOFT will benefit from utilizing ecommerce as a tool connect with consumers, especially from the Gen X and Millennials demographics, and Gen Z in the future.

Market Overview

The Furniture industry is highly fragmented with over 1,000 independent players. Competitors include La-Z-Boy Incorporated along with a number of private companies for the Casegoods segment and Ashley Furniture Industries, Ethan Allen Interiors Inc., and Bassett Furniture, Inc. for the upholstery segment. Furniture demand is seasonal with contracted sales typically happening in Q1, resulting from shipping lags and stronger sales in the previous quarter. Demand is also reliant on housing trends. An increase in housing sales, shown in Exhibit 5, helps bolster the demand as homeowners look to furnish their houses. Consumers replacing old furniture during the pandemic and the explosion of the U.S. housing market that followed helped the industry recover sales volumes.

Exhibit 5: Housing Trends

Existing Home Sales by Month

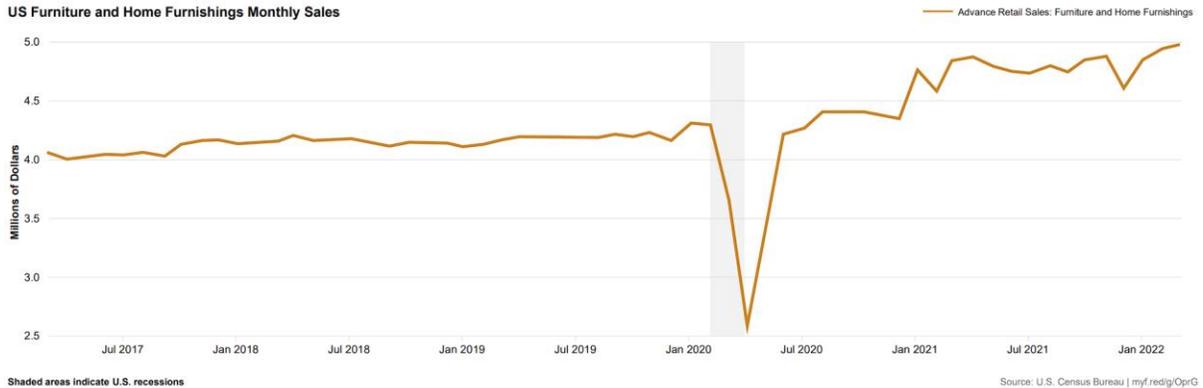


Source: Tradingeconomics.com | National Association of Realtors

Source: Company Presentation

The Covid-19 pandemic had a significant impact on the U.S. furniture and home furnishing industry. Factory closures in Asia and halted demand followed by supply disruptions slowed business. Exhibit 6 illustrates the shock the pandemic had on the industry. Lockdowns in Asia impacted imports, decreasing inventory levels of furniture sellers. Hooker initially suffered but sales began to rebound as the pandemic subsided. The Company is now in the process of diversifying its supplier base away from China to Malaysia, Mexico, and India with the current supplier base being primarily located in Vietnam. The diversification is crucial for HOFT to be more resistant to economic shocks and political constraints going forward.

Exhibit 6: Impact of Covid



Source: Company Presentation

Risks

As with any investment, there are certain risks associated with HOFT's operations as well as with the surrounding economic and regulatory environments common to the furniture industry and operating with foreign suppliers.

Competitive Industry – HOFT operates in a highly competitive industry with an abundance of players, some of which are larger than the Company. Should the Company fail to expand its customer base or lose its current customers, the business will suffer. An overall decrease in the demand for furniture can increase competition and shrink HOFT's market share.

Customer Concentration – Hooker's top five customers made up approximately 22% of consolidated sales in fiscal year 2023. The loss of any of their largest customers could lead to a significant reduction in revenues. Moreover, a failure to attract new customers could impede the Company's growing market share. Alternatively, HOFT is also at risk of its retailers bypassing it by sourcing directly from non-U.S. suppliers.

Supplier Concentration – The majority of HOFT's products are sourced from factories in China and Vietnam, whose imports make up approximately 91% of the Company's import purchases in fiscal year 2023. Labor shortages and governmental regulations could disrupt HOFT's supply chain and interfere with its ability to meet customer demand. Health related shutdowns and tariffs are such hurdles HOFT could face.

Volatile Housing Market – The business is notably reliant on the health of the housing market. Fluctuations in existing home sales and new housing starts could lead to volatile sales volumes and earnings for HOFT. Existing home sales have steadily declined in 2023, which could adversely impact HOFT's demand going forward.

VALUATION SUMMARY

To help frame our valuation we use a combination of a dividend discount model, comparative analysis, and discounted cash flow analysis.

Our DCF analysis relies on a range of discount rates between 9.25% and 9.75% with a midpoint of 9.50%. This arrives at a valuation range of \$24.70 to \$28.97 with a mid-point of \$26.63.

Sensitivity Analysis:

		Terminal Growth Rates				
		1.0%	1.5%	2.0%	2.5%	3.0%
Discount rate	9.00%	\$26.46	\$27.55	\$28.78	\$30.21	\$31.87
	9.25%	\$25.54	\$26.54	\$27.67	\$28.97	\$30.48
	9.50%	\$24.67	\$25.59	\$26.63	\$27.82	\$29.19
	9.75%	\$23.85	\$24.70	\$25.66	\$26.75	\$28.00
	10.00%	\$23.08	\$23.86	\$24.75	\$25.75	\$26.89

Comparative Analysis
(all figures in M, except per share information)

Company Name	Symbol	Price ⁽¹⁾	Mkt Cap	EV	Div Yield	BV/Share	EV/Revenue ^(2,3)			EV/EBIT ^(2,3)			P/E ^(2,3)		
							2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Flexsteel Industries, Inc.	FLXS	\$ 19.32	\$ 100.7	\$ 197.8	3.1%	\$ 27.37	0.40x	0.49x	0.46x	16.9x	17.9x	12.2x	10.5x	16.4x	8.8x
Natuzzi S.p.A.	NTZ	\$ 6.90	\$ 76.0	\$ 34.6	0.0%	\$ 8.23	0.08x	N/A	N/A	3.0x	N/A	N/A	-156.4x	N/A	N/A
The Lovesac Company	LOVE	\$ 21.54	\$ 328.8	\$ 447.7	0.0%	\$ 12.44	0.74x	0.63x	0.55x	12.3x	11.4x	6.9x	11.8x	10.3x	7.2x
Bassett Furniture Industries, Incorporated	BSET	\$ 14.24	\$ 126.3	\$ 162.1	5.0%	\$ 22.00	0.37x	0.40x	0.37x	6.0x	22.3x	7.7x	2.5x	98.2x	8.2x
La-Z-Boy Incorporated	LZB	\$ 31.04	\$ 1,322.5	\$ 1,425.6	2.4%	\$ 22.11	0.48x	0.69x	0.67x	4.8x	8.5x	8.3x	5.7x	10.2x	9.9x
Ethan Allen Interiors Inc.	ETD	\$ 30.61	\$ 774.6	\$ 732.8	6.4%	\$ 18.58	0.76x	0.98x	0.98x	4.3x	6.4x	6.7x	5.9x	8.8x	9.3x
Mohawk Industries, Inc.	MHK	\$ 92.53	\$ 5,949.2	\$ 8,852.2	0.0%	\$ 128.86	0.77x	0.80x	0.79x	8.4x	10.8x	8.8x	258.4x	9.9x	8.2x
Lifetime Brands, Inc.	LOUT	\$ 5.57	\$ 121.5	\$ 415.8	3.1%	\$ 10.23	0.73x	0.60x	0.58x	19.0x	9.1x	8.1x	-26.5x	9.8x	5.9x
				Average	2.5%	\$ 31.23	0.5x	0.7x	0.6x	9.4x	12.3x	8.4x	14.0x	23.4x	8.2x
				Median	2.7%	\$ 20.29	0.6x	0.6x	0.6x	7.2x	10.8x	8.1x	5.8x	10.2x	8.2x
Hooker Furnishings Corporation	HOFT	\$ 19.06	\$ 198.5	\$ 233.2	4.7%	\$ 21.22	0.5x	0.5x	0.5x	22.9x	-15.0x	9.3x	22.7x	-17.7x	11.4x

(1) Previous day's closing price

(2) Estimates are from Capital IQ

(3) Forward estimates as of calendar year

Source: Company reports, CapitalIQ, Stonegate Capital Partners

We are using an EV/EBIT framework to inform our HOFT valuation. Currently HOFT is trading at a CY24 EV/EBIT of 9.3x compared to comps at an average of 8.4x. Historically, comps have traded above 14.0x, which we rely on due to the recent volatility in the Home Furnishing industry. We are using our CY24 expected EBIT, and an EV/EBIT range of 11.0x to 13.0x with a midpoint of 12.0x which moves HOFT closer to historical comp companies. We believe this is reasonable given the continued strengthening of the Company's balance sheet and the optimistic outlook for the Home Furnishing industry. This arrives at a valuation range of \$22.90 to \$27.66 with a mid-point of \$25.28.

	EV/EBIT		
CY 2024 E	11.00x	12.00x	13.00x
Adj EBIT	25.1	25.1	25.1
TEV	276.4	301.6	326.7
Cash	50.0	50.0	50.0
Debt	84.7	84.7	84.7
Mrkt Cap	241.8	266.9	292.0
S/O	10.6	10.6	10.6
Price	\$ 22.90	\$ 25.28	\$ 27.66

We are also using a Dividend Discount Model to guide our valuation. We believe that due to the strong dividend yield that HOFT has shown this valuation method is useful. Our Dividend Discount Model uses a dividend growth rate range of 08% to 12% on Last Dividend, Annualized which is in-line with the trailing 3-year average dividend growth rate, similar discount rates used in the DCF model, and a similar long term growth assumption used in the DCF. This arrives at a valuation range of \$21.12 to \$28.16 with a mid-point of \$24.20.

Dividend Discount Model									
Last Dividend, Annualized	\$ 0.88			\$ 0.88			\$ 0.88		
Trailing Avg 3 Year Div Growth Rate	8%			10%			12%		
Payout Per Share	\$ 0.95			\$ 0.97			\$ 0.99		
Discount Rate	10.00%	9.50%	9.00%	10.00%	9.50%	9.00%	10.00%	9.50%	9.00%
Growth Rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Price	\$ 21.12	\$ 23.76	\$ 27.15	\$ 21.51	\$ 24.20	\$ 27.66	\$ 21.90	\$ 24.64	\$ 28.16

Discounted Cash Flow

Hooker Furnishings Corporation															
Discounted Cash Flow Model															
<i>(in \$M, except per share)</i>															
Estimates:	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Terminal Value	
Revenue	540.1	593.6	583.1	467.1	522.4	582.5	646.6	714.5	785.9	858.6	927.3	987.6	#####		
Operating Income	(14.4)	14.8	(6.0)	13.2	26.8	16.4	18.2	20.1	22.2	24.2	26.1	27.8	29.4		
Less: Taxes (benefit)	(4.1)	3.4	(1.8)	2.6	5.6	3.7	4.1	4.5	5.0	5.4	5.9	6.3	6.6		
NOPAT	(10.2)	11.5	(4.2)	10.6	21.2	12.7	14.1	15.6	17.2	18.8	20.3	21.6	22.8		
Plus: Depreciation & Amortization	6.8	7.8	8.8	8.9	9.1	9.8	10.3	10.0	10.2	10.3	10.2	9.9	9.9		
Plus: Changes in WC	2.2	(1.2)	33.5	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)		
Less: Capex	(1.2)	(6.7)	(4.2)	(2.3)	(2.6)	(2.9)	(3.2)	(2.1)	(2.4)	(2.6)	(2.8)	(3.0)	(3.1)		
Free Cash Flow	(2.4)	11.4	33.9	16.7	27.2	19.0	20.6	22.8	24.2	25.6	26.8	27.5	28.5	387.6	
Discount period - months				6	18	30	42	54	66	78	90	102	114		
Discount period - years				0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5		
Discount factor				0.96	0.87	0.80	0.73	0.66	0.61	0.55	0.51	0.46	0.42		
PV of FCF				15.9	23.7	15.2	15.0	15.1	14.7	14.2	13.5	12.7	12.0	163.7	
Growth rate assumptions:															
Revenue		9.9%	-1.8%	-19.9%	11.8%	11.5%	11.0%	10.5%	10.0%	9.3%	8.0%	6.5%	5.5%		
Operating Income		-203.3%	-140.7%	-317.8%	103.1%	-38.6%	11.0%	10.5%	10.0%	9.3%	8.0%	6.5%	5.5%		
Free Cash Flow		-570.1%	197.3%	-50.9%	63.3%	-30.1%	8.3%	10.5%	6.5%	5.7%	4.4%	2.8%	3.6%		
Margin assumptions:															
Operating Income	-2.7%	2.5%	-1.0%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%		
D&A as a % of sales	1.3%	1.3%	1.5%	1.9%	1.8%	1.7%	1.6%	1.4%	1.3%	1.2%	1.1%	1.0%	1.0%		
Taxes	28.8%	22.8%	30.4%	19.6%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%		
Changes in WC	0.4%	-0.2%	5.7%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%		
Capex as a % of sales	-0.2%	-1.1%	-0.7%	-0.5%	-0.5%	-0.5%	-0.5%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%		
Valuation:															
Shares outstanding	10.6														
PV of FCF	152.2														
PV of Terminal Value	163.7														
Enterprise Value	315.8														
less: Net Debt	34.7														
Estimated Total Value:	281.1														
Est Equity Value/share:	\$26.63														
Sensitivity Analysis:															
		Terminal Growth Rates													
			1.0%	1.5%	2.0%	2.5%	3.0%								
Discount rate	9.00%	\$26.46	\$27.55	\$28.78	\$30.21	\$31.87									
	9.25%	\$25.54	\$26.54	\$27.67	\$28.97	\$30.48									
	9.50%	\$24.67	\$25.59	\$26.63	\$27.82	\$29.19									
	9.75%	\$23.85	\$24.70	\$25.66	\$26.75	\$28.00									
	10.00%	\$23.08	\$23.86	\$24.75	\$25.75	\$26.89									
Price	\$19.06														

Source: Company Reports; Stonegate Capital Markets

Balance Sheet

Hooker Furnishings Corporation Consolidated Balance Sheets (\$M) Fiscal Year End: January																
	FY 2018	FY 2019	FY 2020	FY 2021	Q1 Apr-21	Q2 Jul-21	Q3 Oct-21	Q4 Jan-22	FY 2022	Q1 Apr-22	Q2 Jul-22	Q3 Oct-22	Q4 Jan-23	FY 2023	Q1 Apr-23	Q2 Jul-23
ASSETS																
Cash and Cash Equivalents	30.9	11.4	36.0	65.8	61.6	37.4	57.2	69.4	69.4	10.1	11.7	6.5	19.0	19.0	31.0	50.0
Income Tax Recoverable	-	-	0.8	-	-	-	3.1	4.4	4.4	5.1	3.6	2.0	3.1	3.1	3.0	3.0
Inventories	84.5	105.2	92.8	70.2	81.5	103.6	77.9	75.0	75.0	107.7	131.1	133.9	96.7	96.7	73.2	63.4
Accounts Receivables	92.8	112.6	87.7	83.3	91.3	98.3	73.6	73.7	73.7	83.0	81.7	76.0	62.1	62.1	54.5	39.4
Insurance Proceeds Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expenses and Other Assets	5.3	5.7	4.7	4.4	6.2	7.8	6.5	5.2	5.2	8.2	9.0	7.9	6.4	6.4	7.6	7.4
Total Current Assets	213.5	234.9	222.0	223.7	240.6	247.1	218.3	227.7	227.7	214.1	237.0	226.4	187.3	187.3	169.2	163.2
Operating Lease Right-of-use Assets	-	-	39.5	34.6	32.8	26.2	53.2	51.9	51.9	52.7	54.7	52.5	68.9	68.9	66.8	58.6
Property, Plant and Equipment, Net	29.2	29.5	29.9	26.8	27.9	28.0	29.6	28.1	28.1	27.6	27.6	27.7	27.0	27.0	29.1	28.4
Deferred Taxes	3.3	4.5	2.9	14.2	12.4	12.5	11.8	11.6	11.6	9.8	9.8	9.9	14.5	14.5	14.2	14.0
Goodwill	40.1	40.1	40.1	0.5	0.5	0.5	0.5	0.5	0.5	15.5	15.6	15.0	15.0	15.0	15.0	15.1
Intangible Assets	38.1	35.8	33.4	26.2	25.6	25.0	24.4	23.9	23.9	34.4	33.5	32.7	31.8	31.8	30.9	30.5
Other Assets	2.2	1.2	1.1	0.9	1.5	2.4	3.4	4.5	4.5	5.8	7.1	8.5	9.7	9.7	11.0	12.3
Cash Surrender Value of Life Insurance Policies	23.6	23.8	24.9	25.4	25.9	26.3	26.1	26.5	26.5	27.2	27.3	27.6	27.6	27.6	27.9	28.1
Total Assets	350.1	369.7	393.7	352.3	367.3	368.0	367.4	374.6	374.6	387.1	412.6	400.3	381.7	381.7	364.1	350.1
LIABILITIES AND SHAREHOLDERS' EQUITY																
Trade Accounts Payable	32.7	40.8	25.5	32.2	39.6	40.7	16.6	30.9	30.9	42.3	36.6	30.3	16.1	16.1	16.0	14.1
Other Accrued Expenses	2.9	3.6	4.2	3.4	2.8	2.8	5.5	4.3	4.3	2.4	3.0	3.7	7.4	7.4	2.7	2.3
Accrued Salaries, Wages and Benefits	9.2	8.0	4.9	7.1	6.1	7.0	5.9	7.1	7.1	5.3	5.7	8.1	9.3	9.3	5.7	6.4
Current Portion of Long-term Debt	7.5	5.8	5.8	-	-	-	-	-	-	-	1.4	1.4	1.4	1.4	1.4	1.4
Current Portion of Operating Lease Liabilities	-	-	6.3	6.7	6.4	5.9	7.3	7.5	7.5	7.4	7.3	6.9	7.3	7.3	7.4	8.3
Accrued Income Taxes	3.7	3.2	-	0.5	1.5	0.9	-	-	-	-	-	-	-	-	-	-
Customer Deposits	4.3	3.0	3.4	4.3	7.3	7.6	6.6	7.1	7.1	9.5	10.4	9.1	8.5	8.5	6.6	6.9
Legal Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	60.3	64.4	50.1	54.1	63.6	64.9	41.8	56.9	56.9	67.0	64.4	59.5	50.0	50.0	39.8	39.4
Long-term Debt	45.8	29.6	24.3	-	-	-	-	-	-	-	23.6	23.2	22.9	22.9	22.5	22.2
Operating Lease Liabilities	-	-	33.8	29.4	28.0	21.8	47.5	46.6	46.6	47.3	49.5	47.5	63.8	63.8	61.9	54.2
Pension Plan	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Compensation	11.2	11.5	11.4	11.2	11.1	10.8	10.7	9.9	9.9	9.8	9.6	9.4	8.2	8.2	8.0	7.9
Other Liabilities	0.9	1.0	-	-	-	-	-	-	-	0.8	0.8	1.0	0.8	0.8	0.9	0.9
Total Liabilities	120.6	106.5	119.6	94.8	102.8	97.6	100.0	113.4	113.4	124.8	147.8	140.7	145.7	145.7	133.0	124.4
Common Stock	49.0	49.5	51.6	53.3	53.0	53.5	53.7	53.3	53.3	53.6	53.9	51.9	50.8	50.8	50.1	49.6
Retained Earnings	180.1	213.4	223.3	205.0	212.3	217.6	214.2	207.9	207.9	208.7	211.0	207.7	184.4	184.4	180.2	175.3
Accumulated Other Comprehensive Income	0.4	0.2	(0.7)	(0.8)	(0.7)	(0.7)	(0.6)	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	0.9	0.9	0.8	0.8
Total Consolidated Equity	229.5	263.2	274.1	257.5	264.6	270.4	267.4	261.1	261.1	262.3	264.8	259.6	236.0	236.0	231.0	225.7
Total Liabilities and Shareholders' Equity	350.1	369.7	393.7	352.3	367.3	368.0	367.4	374.6	374.6	387.1	412.6	400.3	381.7	381.7	364.1	350.1
Liquidity																
Current Ratio	3.5x	3.6x	4.4x	4.1x	3.8x	3.8x	5.2x	4.0x	4.0x	3.2x	3.7x	3.8x	3.7x	3.7x	4.3x	4.1x
Quick Ratio	1.1x	1.2x	1.1x	1.6x	1.5x	1.5x	1.4x	1.3x	1.3x	0.9x	0.7x	0.7x	0.6x	0.6x	0.7x	0.8x
Working Capital	153.16	170.52	171.84	169.61	177.00	182.16	176.46	170.78	170.78	147.12	172.64	166.88	137.27	137.27	129.47	123.81
Leverage																
Net Debt to Equity	0.10x	0.09x	0.12x	-0.12x	-0.10x	-0.04x	-0.01x	-0.06x	-0.06x	0.17x	0.26x	0.28x	0.32x	0.32x	0.27x	0.16x
Net Debt to Capital	0.06x	0.06x	0.09x	-0.08x	-0.07x	-0.03x	-0.01x	-0.04x	-0.04x	0.12x	0.17x	0.18x	0.20x	0.20x	0.17x	0.10x
Capital Usage- Annualized																
A/R Turns	3.7x	6.7x	5.7x	2.1x	1.5x	1.6x	1.8x	7.3x	2.4x	2.1x	1.6x	1.7x	8.6x	3.3x	2.6x	3.2x
Days Sales Outstanding	98.6	54.1	63.9	177.7	244.1	231.2	202.0	49.8	151.5	176.0	225.3	213.5	42.5	109.5	139.2	113.1
A/P Turnover	3.0x	3.0x	3.3x	3.0x	2.9x	2.9x	4.2x	18.0x	4.1x	3.6x	2.9x	3.5x	21.1x	5.0x	7.6x	8.0x
Days Payable Outstanding	123.0	121.0	110.0	122.5	126.6	126.1	85.9	20.3	89.1	102.1	127.0	104.9	17.3	72.8	48.0	45.9

Source: Company Reports, Stonegate Capital Partners

Income Statement

Hooker Furnishings Corporation																				
Consolidated Statements of Income (in \$M, except per share amounts)																				
Fiscal Year End: January																				
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Q1 Apr-22	Q2 Jul-22	Q3 Oct-22	Q4 Jan-23	FY 2023	Q1 Apr-23	Q2 Jul-23	Q3 E Oct-23	Q4 E Jan-24	FY 2024E	Q1 E Apr-24	Q2 E Jul-24	Q3 E Oct-24	Q4 E Jan-25	FY 2025E
Revenues	\$ 620.6	\$ 683.5	\$ 610.8	\$ 540.1	\$ 593.6	\$ 147.3	\$ 152.9	\$ 151.6	\$ 131.3	\$ 583.1	\$ 121.8	\$ 97.8	\$ 122.8	\$ 124.7	\$ 467.1	\$ 127.9	\$ 122.3	\$ 135.1	\$ 137.2	\$ 522.4
Total Revenues	620.6	683.5	610.8	540.1	593.6	147.3	152.9	151.6	131.3	583.1	121.8	97.8	122.8	124.7	467.1	127.9	122.3	135.1	137.2	522.4
Operating Expenses:																				
Cost of Sales	485.8	536.0	496.9	427.3	490.0	117.9	121.9	119.6	101.4	460.7	93.9	74.5	92.9	94.8	356.1	98.2	92.5	103.2	107.0	400.9
Inventory Valuation Expense	-	-	-	-	2.0	-	-	-	29.1	29.1	-	-	-	-	-	-	-	-	-	-
Gross Profit	134.8	147.5	114.0	112.7	101.7	29.5	31.1	32.0	0.8	93.3	27.9	23.3	29.8	29.9	111.0	29.7	29.8	31.9	30.2	121.5
Selling, General, and Expenses	87.3	91.9	88.9	80.4	84.5	24.7	22.9	24.7	23.6	95.8	25.0	21.1	24.0	24.0	94.2	22.0	23.2	23.0	22.6	90.8
Intangibles Asset Amortization	2.1	2.4	2.4	2.4	2.4	0.9	0.9	0.9	0.9	3.5	0.9	0.9	0.9	0.9	3.7	1.0	1.0	1.0	1.0	4.0
Trade Name Impairment Charges	-	-	-	4.8	-	-	-	-	0.0	0.0	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	89.4	94.3	91.3	127.1	86.9	25.5	23.8	25.6	24.5	99.3	25.9	22.1	24.9	24.9	97.8	23.0	24.2	24.0	23.6	94.8
Operating Income	45.5	53.2	22.7	(14.4)	14.8	3.9	7.3	6.4	(23.7)	(6.0)	2.0	1.3	4.9	5.0	13.2	6.7	5.6	7.9	6.6	26.8
Other gains/loses	1.6	(0.1)	0.5	0.3	0.4	0.3	(0.0)	0.2	(0.0)	0.4	0.1	0.4	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.2
Interest expense	1.2	1.5	1.2	0.5	0.1	0.0	0.1	0.4	(0.0)	0.5	0.2	0.7	0.6	0.6	2.0	0.6	0.6	0.6	0.6	2.2
Profit Before Taxes	45.8	51.6	21.9	(14.6)	15.1	4.2	7.2	6.2	(23.7)	(6.1)	1.9	1.0	4.4	4.5	11.7	6.2	5.1	7.4	6.1	24.7
Provision for Income Tax	17.5	11.7	4.8	(4.1)	3.4	1.0	1.6	1.3	(5.8)	(1.8)	0.4	0.2	1.0	1.0	2.6	1.4	1.1	1.7	1.4	5.6
Net Income	28.3	39.9	17.1	(10.4)	11.7	3.2	5.5	4.8	(17.9)	(4.3)	1.4	0.8	3.4	3.5	9.1	4.8	3.9	5.7	4.7	19.2
Basic EPS	\$ 2.43	\$ 3.39	\$ 1.45	\$ (0.88)	\$ 0.99	\$ 0.27	\$ 0.47	\$ 0.42	\$ (1.60)	\$ (0.37)	\$ 0.13	\$ 0.07	\$ 0.32	\$ 0.34	\$ 0.85	\$ 0.45	\$ 0.37	\$ 0.53	\$ 0.44	\$ 1.79
Diluted EPS	\$ 2.43	\$ 3.39	\$ 1.45	\$ (0.88)	\$ 0.98	\$ 0.27	\$ 0.46	\$ 0.42	\$ (1.60)	\$ (0.37)	\$ 0.13	\$ 0.07	\$ 0.32	\$ 0.34	\$ 0.85	\$ 0.45	\$ 0.37	\$ 0.53	\$ 0.44	\$ 1.79
WTD Shares Out - Basic	11.6	11.8	11.8	11.8	11.9	11.9	11.9	11.5	11.2	11.6	11.0	10.7	10.6	10.4	10.7	10.7	10.7	10.7	10.7	10.7
WTD Shares Out - Diluted	11.6	11.8	11.8	11.8	12.0	11.9	11.9	11.5	11.2	11.6	11.1	10.8	10.6	10.4	10.7	10.7	10.7	10.7	10.7	10.7

Margin Analysis																				
Gross Margin	21.7%	21.6%	18.7%	20.9%	17.1%	20.0%	20.3%	21.1%	0.6%	16.0%	22.9%	23.9%	24.3%	24.0%	23.8%	23.2%	24.4%	23.6%	22.0%	23.3%
Operating Margin	7.3%	7.8%	3.7%	-2.7%	2.5%	2.7%	4.8%	4.2%	-18.0%	-1.0%	1.6%	1.3%	4.0%	4.0%	2.8%	5.2%	4.6%	5.8%	4.8%	5.1%
EBITDA Margin	7.8%	7.7%	3.9%	-2.3%	3.0%	3.6%	5.2%	4.5%	-17.3%	-0.5%	2.1%	1.6%	3.9%	3.9%	3.0%	5.2%	4.5%	5.8%	4.8%	5.1%
Pre-Tax Margin	7.4%	7.5%	3.6%	-2.7%	2.5%	2.8%	4.7%	4.1%	-18.0%	-1.1%	1.5%	1.0%	3.6%	3.6%	2.5%	4.8%	4.1%	5.5%	4.5%	4.7%
Net Income Margin	4.6%	5.8%	2.8%	-1.9%	2.0%	2.2%	3.6%	3.2%	-13.6%	-0.7%	1.2%	0.8%	2.8%	2.8%	1.9%	3.7%	3.2%	4.2%	3.5%	3.7%
Tax Rate	38.3%	22.7%	22.1%	28.4%	22.4%	23.7%	22.6%	21.6%	24.4%	29.9%	21.7%	19.6%	22.5%	22.5%	22.1%	22.5%	22.5%	22.5%	22.5%	22.5%

Growth Rate Y/Y																				
Total Revenue	7.5%	10.1%	-10.6%	-11.6%	9.9%	-9.5%	-5.9%	13.6%	-2.6%	-1.8%	-17.3%	-36.0%	-19.0%	-5.0%	-19.9%	5.0%	25.0%	10.0%	10.0%	11.8%
Total cost of revenues	2.8%	5.5%	-3.2%	39.3%	-31.7%	19.7%	7.7%	17.7%	12.5%	14.4%	1.5%	-7.1%	-2.6%	1.9%	-1.5%	-11.3%	9.7%	-3.7%	-5.5%	-3.2%
Operating Income	15.9%	17.0%	-57.3%	-163.3%	-203.3%	-68.0%	-24.5%	-471.4%	344.1%	-140.7%	-49.7%	-82.5%	-23.5%	-121.2%	-317.8%	237.9%	337.5%	60.3%	32.4%	103.1%
Pre-Tax Income	16.6%	12.7%	-57.5%	-166.4%	-203.7%	-65.8%	-25.8%	-480.7%	359.6%	-140.7%	-55.6%	-86.4%	-29.4%	-119.0%	-290.1%	232.8%	418.4%	68.8%	36.1%	111.4%
Net Income	11.5%	41.1%	-57.2%	-161.0%	-212.4%	-66.3%	-25.8%	-497.1%	350.0%	-136.8%	-54.4%	-85.8%	-30.2%	-119.5%	-311.1%	229.5%	399.5%	68.8%	36.1%	110.4%

Source: Company Reports, Stonegate Capital Partners estimates

Statement of Cash Flows

Hooker Furnishings Corporation																
Consolidated Cash Flow Statements (\$M)																
Fiscal Year End: January																
CASH FLOW	FY 2018	FY 2019	FY 2020	FY 2021	Q1 Apr-21	Q2 Jul-21	Q3 Oct-21	Q4 Jan-22	FY 2022	Q1 Apr-22	Q2 Jul-22	Q3 Oct-22	Q4 Jan-23	FY 2023	Q1 Apr-23	Q2 Jul-23
Operating Activities																
Net Income	28.3	39.9	17.1	(10.4)	9.4	7.5	(1.2)	(4.0)	11.7	3.2	5.5	4.8	(17.9)	(4.3)	1.5	0.8
Inventory Valuation Expense	-	-	-	0.5	-	-	-	3.4	3.4	-	-	-	28.8	28.8	-	-
Depreciation and Amortization	6.6	7.4	7.1	6.8	1.7	1.9	2.0	2.2	7.8	2.3	2.1	2.2	2.3	8.8	2.1	2.2
Deferred Income Tax Expense	3.5	(1.9)	(1.2)	(10.8)	2.8	(0.7)	(0.3)	0.1	1.8	1.8	0.0	(0.2)	(4.8)	(3.2)	0.3	0.2
Noncash Restricted Stock and Performance Awards	1.2	1.3	1.3	1.7	(0.3)	0.5	0.2	(0.4)	(0.0)	0.4	0.5	0.5	(0.1)	1.2	0.4	0.7
Provision for Doubtful Accounts and Sales Allowances	(0.5)	(0.8)	(0.4)	4.7	(0.8)	0.5	0.8	(0.4)	0.0	(0.3)	(1.2)	(2.3)	0.2	(3.7)	0.0	(0.5)
Gain on Life Insurance Policies	(0.6)	(0.7)	(0.8)	(1.2)	(0.4)	(0.3)	(0.1)	(0.2)	(1.0)	(0.6)	(0.0)	(0.2)	(0.4)	(1.2)	(0.6)	(0.1)
Loss on Sales of Assets	0.6	(0.1)	(0.3)	-	-	-	-	(0.0)	(0.0)	-	-	-	0.1	0.1	-	0.0
Trade Accounts Receivable	2.9	(18.0)	25.3	(0.3)	(7.3)	(7.4)	23.9	0.3	9.5	(7.4)	2.5	7.9	13.8	16.8	7.6	15.6
Inventories	(6.8)	(21.3)	12.4	22.1	(11.3)	(22.1)	25.7	(0.6)	(8.3)	(30.1)	(23.4)	(2.9)	8.5	(47.8)	23.5	11.6
Income Tax Recoverable	-	-	(0.8)	0.8	-	-	(3.1)	(1.3)	(4.4)	(0.8)	1.5	1.6	(1.1)	1.3	0.1	(0.0)
Prepaid Expenses and Other Assets	(1.1)	0.3	(0.6)	0.5	(2.4)	(2.2)	0.6	(0.3)	(4.4)	(4.1)	(2.0)	0.3	0.2	(5.7)	(2.1)	(1.4)
Trade Accounts Payable	(4.6)	8.1	(15.3)	6.7	7.4	1.0	(24.0)	14.3	(1.3)	10.5	(5.8)	(6.2)	(14.3)	(15.8)	(0.2)	(1.8)
Accrued Salaries, Wages, and Benefits	0.1	(1.6)	(3.1)	2.2	(1.1)	0.9	(1.0)	1.2	0.1	(1.8)	0.3	2.4	1.2	2.1	(3.5)	0.7
Customer Deposits	(0.3)	(1.3)	0.3	0.9	3.0	0.3	(1.0)	0.6	2.9	(0.9)	0.9	(1.3)	(0.6)	(1.9)	(1.9)	1.7
Operating Lease Assets and Liabilities	-	-	0.3	0.9	0.1	0.0	0.0	0.6	0.7	(0.2)	0.0	(0.1)	0.2	(0.1)	0.3	0.1
Other Accrued Expenses	(0.4)	1.2	0.1	(0.9)	(0.6)	0.1	2.6	(1.2)	0.9	(1.8)	0.5	0.9	3.6	3.3	(4.7)	(0.4)
Deferred Compensation	(1.2)	(2.8)	(0.0)	(0.3)	0.0	(0.2)	(0.1)	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	(0.2)	(0.2)
Goodwill and Intangible Asset Impairment Charge	-	-	-	44.3	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow generated/(absorbed) from operating Activities	27.7	9.7	41.4	68.3	0.2	(20.4)	25.2	14.2	19.2	(30.0)	(18.5)	7.3	19.4	(21.7)	22.4	29.1
Investing Activities																
Acquisitions	(32.8)	-	-	-	-	-	-	-	-	(25.9)	-	-	0.6	(25.3)	-	(2.4)
Purchases of Property and Equipment	(3.2)	(5.2)	(5.1)	(1.2)	(2.2)	(1.3)	(3.2)	(0.1)	(6.7)	(0.8)	(1.1)	(1.5)	(0.7)	(4.2)	(3.2)	(0.8)
Proceeds from Sale of Property and Equipment	0.0	0.0	0.0	-	-	-	-	0.0	0.0	-	-	-	-	-	-	-
Premiums Paid on Life Insurance Policies	(0.7)	(0.7)	(0.6)	(0.6)	(0.2)	(0.3)	(0.1)	(0.0)	(0.6)	(0.1)	(0.3)	(0.1)	(0.0)	(0.5)	(0.1)	(0.2)
Proceeds of Life Insurance Policies	-	1.2	-	1.3	-	-	-	0.4	0.4	-	-	-	-	-	-	0.4
Proceeds Received on Notes Receivable	0.1	0.1	1.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow generated by Investing Activities	(36.5)	(4.5)	(4.3)	(0.5)	(2.3)	(1.6)	(3.2)	0.3	(6.9)	(26.9)	(1.4)	(1.6)	(0.1)	(30.0)	(3.3)	(2.9)
Financing Activities																
Purchase and Retirement of Common Stock	-	-	-	-	-	-	-	-	-	-	(1.1)	(8.2)	(4.0)	(13.3)	(4.3)	(4.4)
Cash Dividends Paid	(5.8)	(6.7)	(7.2)	(7.8)	(2.1)	(2.1)	(2.2)	(2.4)	(8.8)	(2.4)	(2.4)	(2.3)	(2.5)	(9.6)	(2.4)	(2.4)
Payments for Long-Term Loans	(6.3)	(17.9)	(5.4)	(30.1)	-	-	-	-	-	-	-	(0.4)	(0.4)	(0.7)	(0.4)	(0.4)
Proceeds from Long-Term Loans	12.0	-	-	-	-	-	-	-	-	-	25.0	-	-	25.0	-	-
Proceeds from Revolving Credit Facility	-	-	-	-	-	-	-	-	-	-	30.3	5.9	-	36.2	-	-
Payments for Revolving Credit Facility	-	-	-	-	-	-	-	-	-	-	(30.3)	(5.9)	-	(36.2)	-	-
Debt Issuance Costs	(0.0)	-	-	-	-	-	-	-	-	-	(0.0)	-	0.0	(0.0)	-	-
Cash flow generated/(absorbed) by financing Activities	(0.1)	(24.6)	(12.6)	(38.0)	(2.1)	(2.1)	(2.2)	(2.4)	(8.8)	(2.4)	21.4	(10.9)	(6.8)	1.3	(7.1)	(7.1)
Net Cash Flow	(8.9)	(19.5)	24.6	29.8	(4.2)	(24.2)	19.8	12.1	3.5	(59.3)	1.6	(5.1)	12.5	(50.4)	12.0	19.0
Cash and Cash Equivalents																
Beginning Cash balance	39.8	30.9	11.4	36.0	65.8	61.6	37.4	57.2	65.8	69.4	10.1	11.7	6.5	69.4	19.0	31.0
Ending Cash balance	30.9	11.4	36.0	65.8	61.6	37.4	57.2	69.4	69.4	10.1	11.7	6.5	19.0	19.0	31.0	50.0

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