

# Bassett<sup>®</sup>



## Bassett Furniture

NASDAQ: BSET

November 2020

# Safe Harbor



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# Introduction: Setting The Table

<b>Established Brand With Wide Range of Offerings</b>	<ul style="list-style-type: none"><li>• Leading manufacturer, retailer and wholesaler of high quality home furnishings</li><li>• 118 years of crafting furniture</li><li>• 75% of products made in America by skilled artisans</li></ul>
<b>Diverse Revenue Streams</b>	<ul style="list-style-type: none"><li>• Branded retail store network</li><li>• Traditional wholesale channel</li><li>• E-commerce through Bassettfurniture.com</li><li>• Logistical services to furniture industry</li></ul>
<b>Conservatively Managed Company</b>	<ul style="list-style-type: none"><li>• Historically strong balance sheet is advantage in the face of market disruption</li><li>• Believe in returning capital to shareholders primarily in the form of dividends</li></ul>





# COVID-19 Update

- Operations totally shutdown for much of April and May
- Downtime gave management opportunity to look inward and improve the business model
  - Individual store economics
  - Concentration on e-commerce
  - Increased digital engagement
- Following stringent protocols to protect the safety of employees and customers
- Home furnishings sector has fared considerably better than some of the others due to “nesting” phenomenon



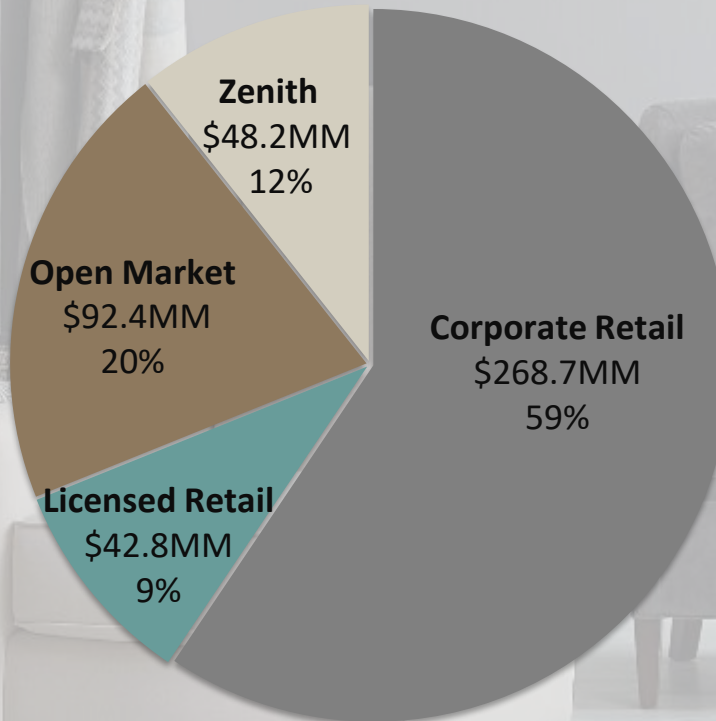
# Today's Footprint

- Over 2,100 employees
- 5 U.S. manufacturing facilities
- 12 Regional wholesale distribution centers
- 63 Corporate stores
- 34 Licensed stores
- 700 Independent store accounts
- 500 Interior design accounts



# Sources of Net Revenue

2019



**\$452.1 Million**



# Points of Differentiation

- Well-recognized brand
- Broad assortment of stylish products
  - Indoor furniture and accessories
  - Outdoor furniture and accessories
- Extensive custom capabilities
  - 600 Fabrics and leathers
  - 15 Custom wood finishes
- Best-in-class service
- Multi-channel sales strategy
  - Bassett Home Furnishings Network
    - Corporate-owned stores
    - Licensee-owned stores
  - Traditional wholesale channel
    - In-store Home Design Studio
    - Club Level Pavilions
- Financial strength



# Strong Brand & Market Position

Luxury  
Priced  
\$\$\$\$

ETHAN ALLEN  


RH  
RESTORATION HARDWARE

ARHAUS<sup>®</sup>

Upper-Mid  
Priced  
\$\$\$

POTTERY BARN

Bassett<sup>®</sup>

Crate&Barrel

Mid  
Priced  
\$\$

L A  B O Y

west elm

  
HAVERTYS<sup>®</sup>

Entry  
Priced  
\$

 **ASHLEY<sup>®</sup>**  
FURNITURE INDUSTRIES, INC.

ROOMS  
TO GO 

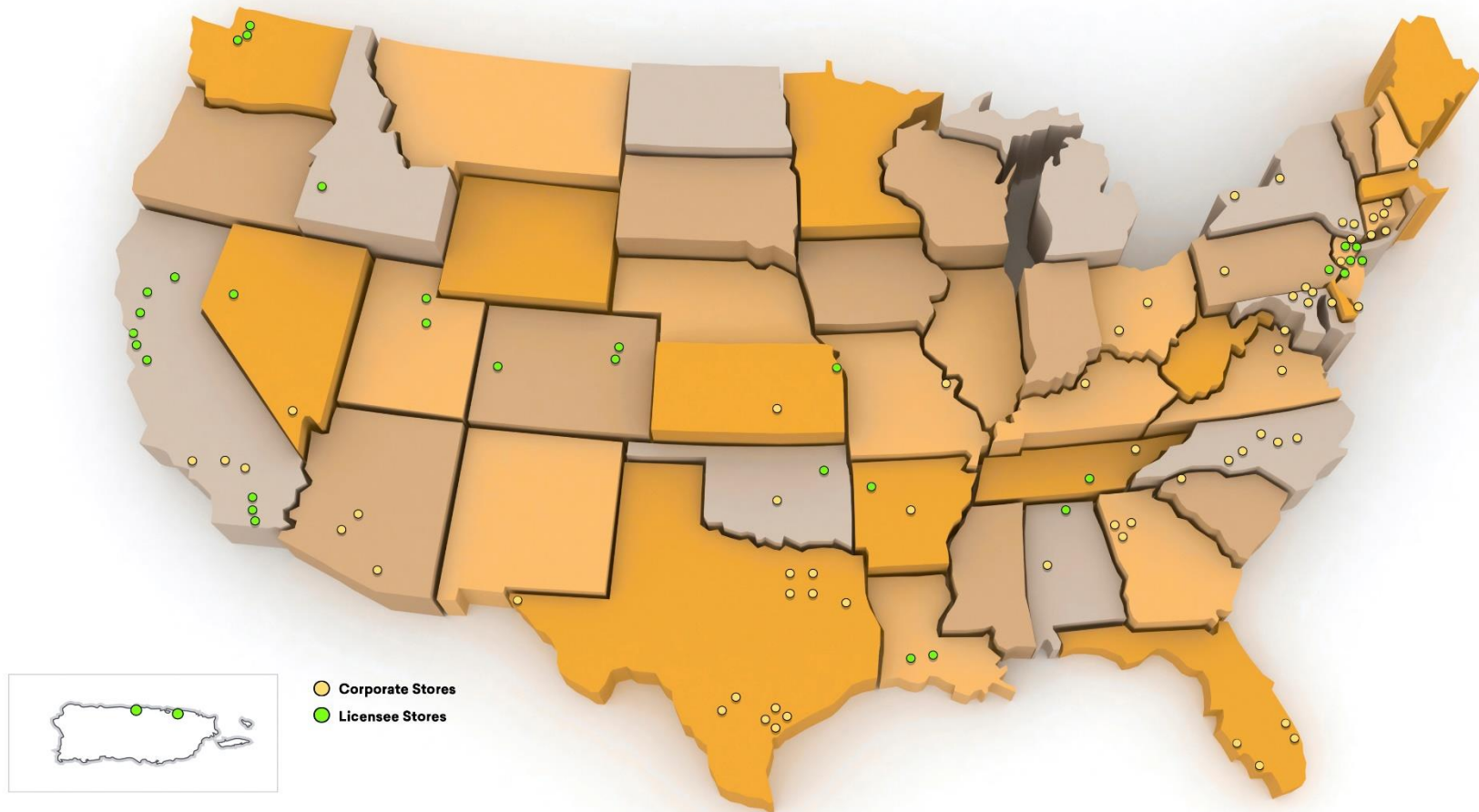




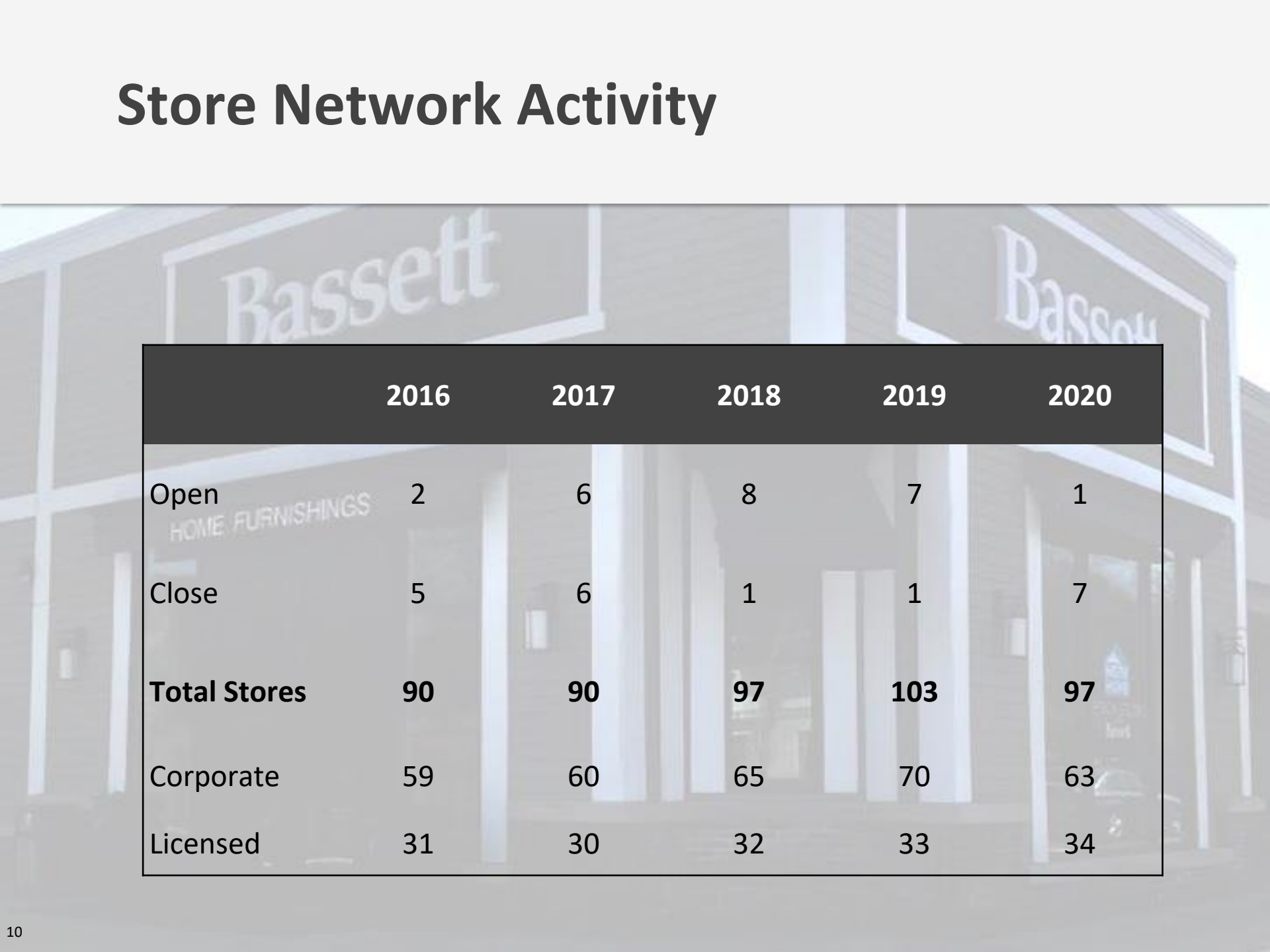
# 97 Store Locations

63 CORPORATE STORES – 22 STATES

34 LICENSED STORES – 13 STATES



# Store Network Activity



	2016	2017	2018	2019	2020
Open	2	6	8	7	1
Close	5	6	1	1	7
<b>Total Stores</b>	<b>90</b>	<b>90</b>	<b>97</b>	<b>103</b>	<b>97</b>
Corporate	59	60	65	70	63
Licensed	31	30	32	33	34

# Target Customer

- Women ages 35-55
- Household income \$140,000 per year
- Customer needs range from home decorating assistance to individual items for the home





# Perfecting The Makeover Experience in Our Stores

- ~35% of sales involve a home visit or “Makeover”
- Over 250 skilled designers on staff trained to provide design expertise
- Results in higher average sale + more return customer projects





# Brand First

GOAL: Foster a connection to the Bassett brand throughout all direct-to-consumer touchpoints to increase overall brand awareness, facilitate an emotional connection, and articulate Bassett's brand promise:

1

## **BRAND AWARENESS:**

*Familiarize new + existing audiences with the brand, vision, and what sets us apart in the marketplace.*

2

## **AUDIENCE ACQUISITION:**

*Attract + convert new audiences through accessible messaging, and clear presentation of brand mission and distinction.*

3

## **CUSTOMER BRAND RELEVANCE:**

*Personalize the experience to provide impact at each point in customer journey.*

4

## **EDUCATION:**

*Inform prospective consumers on Bassett's services + provide resources.*

5

## **RETAIL LIFT:**

*Increase by driving qualified traffic to physical retail + increasing Lifetime Value.*

In a time where brands are buying heritage,  
We celebrate a **true brand**, with a true story.  
Heritage, Craft, Commitment is our DNA.

These are the stories that make up America.  
These are the stories we build together.  
These are the stories of home.

**Bassett®**  
**BENCH·MADE**  
MADE IN THE USA

## Customer Behavior

*Digital activation trends continues as customers return to store*

- New online leads and sales increased for 3 quarters in a row
- Average transaction from online customer converted in store higher than e-com only
- Average Days to close has decreased by 50% in 2020
- Virtual + In Store Appointments booked thru digital channels are critical path to purchase + highest transaction value







## **Website : Reimagine in 2021 Engine of the Ecosystem**

**Build a platform for today's ever-changing environment:**

- **Consumers expect speed + convenience. Whether they are spear fishing or window shopping, customers expect easy, intuitive navigation**
- **The website is the front door for our customers; the first impression happens here**
- **The ability to leverage multiple touchpoints across the shopping journey; store visits now more mission-focused**
- **Modern ecommerce platforms are continuously innovating and rapidly responding to evolving demands.**



# Product Overview



# Bassett Custom Upholstery

- Largest product category representing 25% of total wholesale sales
- Total program revamp debuted January 1, 2019
- Developing a robust interactive web component
- High degree of customization is competitive advantage
- Constructed in our North Carolina factory
- Pre-COVID, manufactured within 2 weeks of order





# Bassett Magnificent Motion Upholstery

- Domestically manufactured custom motion furniture
- Introduced at High Point in October 2019
- Began shipping December 2019; strong retail sell through to date
- New market vertical for Bassett expected to drive incremental growth





# Bassett Custom Wood

- Casual custom dining assembled and finished in factory in Virginia
- Pre-COVID, manufactured within 2 weeks of order
- Table tops can be wood, copper, stone or glass
- 7 base options with 6 leg styles
- Multiple seating options of either wood or upholstery





# Bassett Custom Wood

## BENCH★MADE

- Solid maple and oak dining, bedroom and occasional furniture
- All components are cut and fabricated in the USA
- Hand finished and assembled by artisans in a factory in Bassett, VA





# BASSETT MODERN

- Launched in Spring 2018 to capitalize on shift towards mid-century modern styling
- Helping propel Bassett Case Goods performance





# Accessories to Finish the Room

Lamps



Accents



Chandeliers



Rugs



Mirrors



# Traditional Wholesale Channel

- Focused on traditional multi-line furniture retailers in locations where there are no Bassett Home Furnishings stores
- Network of over 30 independent sales reps
- Sold through:
  - In-Store Home Design Studios
  - Club Level Pavilions
  - Design trade
- Represented over \$90 million in wholesale sales for 2019; orders increased 47% in the last 3 months over the prior year







- Introduced July 2017
- Motion furniture is one of the fastest growing categories in home furnishings
- Club Level program offers:
  - 17 top grain leather options
  - Fashion-forward styling
  - Powered headrests, extended footrests, lay flat motion and zero gravity
  - Quick availability to retailers
- Orders have increased some 200% over the last three months compared to prior year





# Bassett Outdoor

- Premium outdoor furniture manufacturer under Lane Venture brand
  - Outdoor industry growing 4-5% annually
  - Appeals to consumers looking to “furnish” outdoor space
  - Marketed through independent retailers
  - Division grew 42% in 2019
  - Orders increased 26% over last three months compared to prior year
- Acquired Crimson Casual (October 2019)
  - Tariff-free, quick response aluminum outdoor furniture
- Launched Bassett Outdoor line exclusively to BHF stores in February 2020





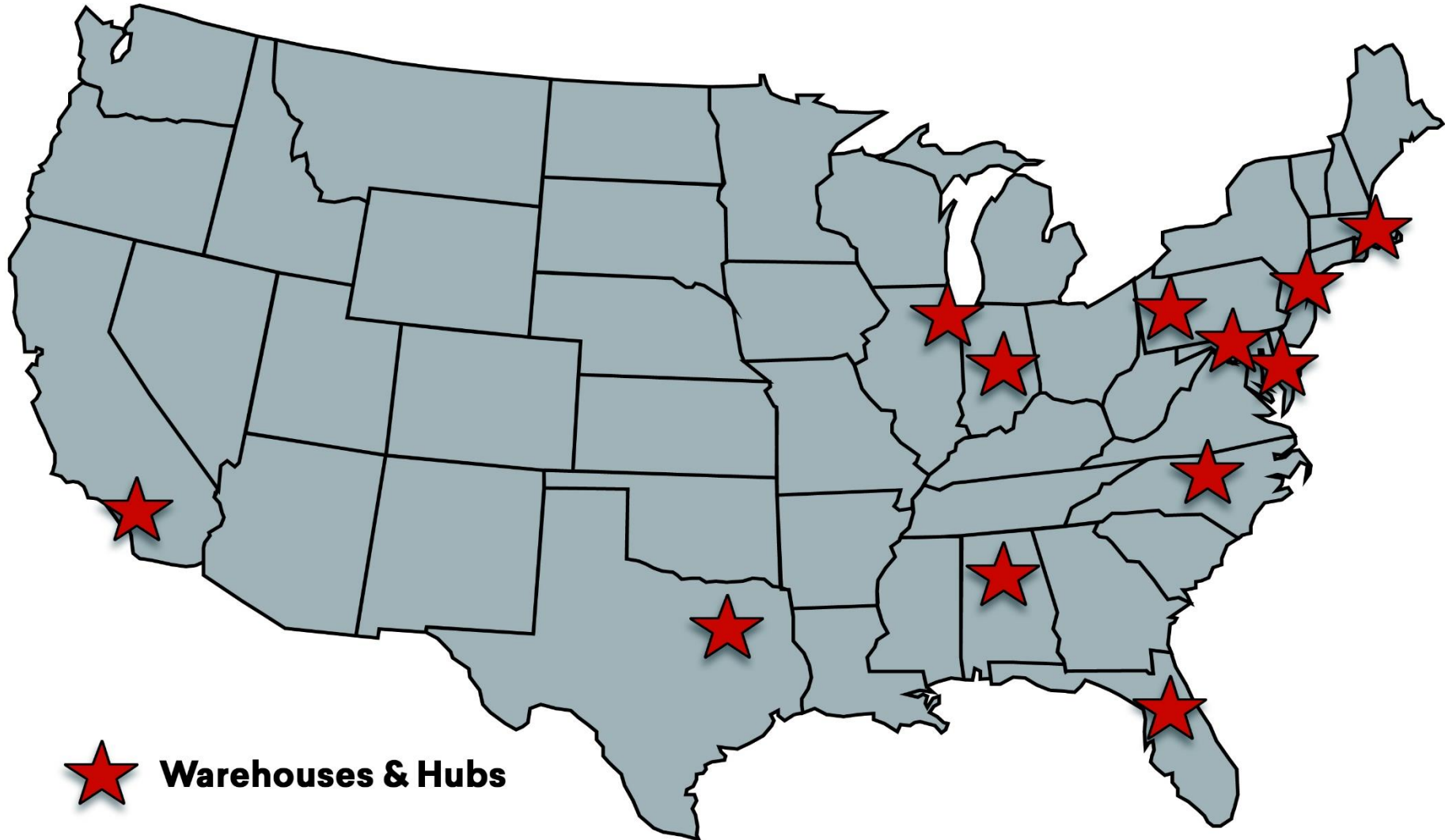
# Industry Leading Logistics

- Zenith logistics division provides over-the-road trucking and product warehousing primarily for the furniture industry
- Derives approximately 35% of its revenues from Bassett
- Integral to Bassett's operations and speed to home proposition
- "Middle mile" focus; shipping from large distribution centers to strategically located warehouses





# Zenith Warehouse and Hub Locations



# Looking Ahead

- Improve customer experience from inspiration to delivery
- Increase e-commerce sales to 10% of total sales
- Return 40-60% of net income to shareholders thru dividends and share repurchase
- New branding initiative in 2021





# Financial Overview





# Consolidated 3-Year Financial Results

	<u>Q3 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net Sales</b>	\$ 91.6	\$ 452.1	\$ 456.9	\$ 452.5
<b>Income (Loss from Operations)</b>	\$ 2.7	\$ (0.6)	\$ 14.1	\$ 27.0
			3.1%	6.0%
<b>Net Income (Loss)</b>	\$ 2.2	\$ (1.9)	\$ 8.2	\$ 18.3
<b>EPS</b>	\$ 0.22	\$ (0.19)	\$ 0.77	\$ 1.70
<b>Adjusted Net Income</b>	\$ 2.2	\$ 4.6	\$ 10.1	\$ 15.8
<b>Adjusted EPS</b>	\$ 0.22	\$ 0.44	\$ 0.95	\$ 1.47

# Corporate Retail 3-Year Financial Results

	<u>Q3 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net Sales</b>	\$ 48.1	\$ 268.7	\$ 268.9	\$ 268.3
<b>Income (Loss) from Operations</b>	\$ (1.6) (3.3%)	\$ (7.0) (2.6%)	\$ (0.3) (0.1%)	\$ 3.5 1.3%
<b>New Store Opening Losses</b>	None	\$ 2.5	\$ 3.7	\$ 3.4

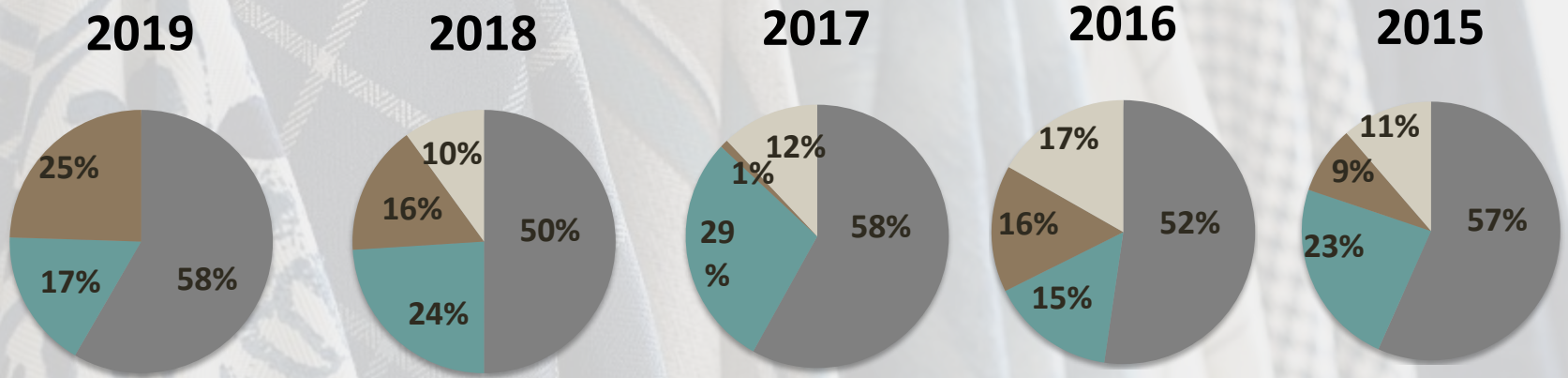


## Balance Sheet Highlights

	<u>Q3 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Cash &amp; Investments</b>	\$ 48.7	\$ 37.1	\$ 56.1	\$ 77.1
<b>Total Debt</b>	None	None	\$ 0.3	\$ 3.7
<b>Stockholders' Equity</b>	\$ 153.5	\$ 178.8	\$ 190.3	\$ 191.5



# Capital Allocation



	2019	2018	2017	2016	2015
Cap Ex	\$17.4	\$18.3	\$15.5	\$21.5	\$14.0
Dividends	\$5.1	\$8.8	\$7.7	\$6.3	\$5.8
Share Repurchase	\$7.3	\$5.9	\$0.1	\$6.4	\$2.1
Debt Repayments	-	\$3.5	\$3.5	\$6.9	\$2.8
<b>Total Capital Spent</b>	<b>\$23.5</b>	<b>\$36.5</b>	<b>\$26.8</b>	<b>\$41.1</b>	<b>\$24.7</b>

- Capital Expenditures
- Dividends
- Share Repurchase
- Debt Repayments



Thank You.