

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 27, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-00209

BASSETT FURNITURE INDUSTRIES, INCORPORATED  
(Exact name of Registrant as specified in its charter)

Virginia  
(State or other jurisdiction  
of incorporation or organization)

54-0135270  
(I.R.S. Employer  
Identification No.)

3525 Fairystone Park Highway  
Bassett, Virginia 24055  
(Address of principal executive offices)  
(Zip Code)

(276) 629-6000  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of exchange on which registered</u>
Common Stock (\$5.00 par value)	BSET	NASDAQ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer   
Non-accelerated Filer  Smaller Reporting Company   
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At June 23, 2023, 8,837,898 shares of common stock of the Registrant were outstanding.

BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

**ITEM 1. FINANCIAL STATEMENTS**  
**BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE PERIODS ENDED MAY 27, 2023 AND MAY 28, 2022 – UNAUDITED**  
(In thousands except per share data)

	Quarter Ended		Six Months Ended	
	May 27, 2023	May 28, 2022	May 27, 2023	May 28, 2022
Net sales of furniture and accessories	\$ 100,519	\$ 128,706	\$ 208,217	\$ 246,570
Cost of furniture and accessories sold	47,686	62,767	98,187	123,239
Gross profit	<u>52,833</u>	<u>65,939</u>	<u>110,030</u>	<u>123,331</u>
Selling, general and administrative expenses	51,366	54,927	105,861	105,841
Gain on revaluation of contingent consideration	1,013	-	1,013	-
Income from operations	<u>2,480</u>	<u>11,012</u>	<u>5,182</u>	<u>17,490</u>
Other income (loss), net	64	(627)	(351)	(1,256)
Income from continuing operations before income taxes	<u>2,544</u>	<u>10,385</u>	<u>4,831</u>	<u>16,234</u>
Income tax expense	468	2,642	1,310	4,200
Income from continuing operations	<u>2,076</u>	<u>7,743</u>	<u>3,521</u>	<u>12,034</u>
Discontinued operations:				
Income from operations of logistical services	-	-	-	1,712
Gain on disposal	-	53,254	-	53,254
Income tax expense	-	13,879	-	14,309
Income from discontinued operations, net of tax	<u>-</u>	<u>39,375</u>	<u>-</u>	<u>40,657</u>
Net income	<u>\$ 2,076</u>	<u>\$ 47,118</u>	<u>\$ 3,521</u>	<u>\$ 52,691</u>
Basic earnings per share:				
Income from continuing operations	\$ 0.24	\$ 0.81	\$ 0.40	\$ 1.25
Income from discontinued operations	-	4.14	-	4.22
Basic and diluted earnings per share	<u>\$ 0.24</u>	<u>\$ 4.95</u>	<u>\$ 0.40</u>	<u>\$ 5.47</u>
Diluted earnings per share:				
Income from continuing operations	\$ 0.24	\$ 0.81	\$ 0.40	\$ 1.25
Income from discontinued operations	-	4.13	-	4.22
Diluted earnings per share	<u>\$ 0.24</u>	<u>\$ 4.94</u>	<u>\$ 0.40</u>	<u>\$ 5.47</u>
Regular dividends per share	<u>\$ 0.16</u>	<u>\$ 0.14</u>	<u>\$ 0.32</u>	<u>\$ 0.28</u>
Special dividend per share	<u>\$ -</u>	<u>\$ 1.50</u>	<u>\$ -</u>	<u>\$ 1.50</u>

The accompanying notes to condensed consolidated financial statements are an integral part of the condensed consolidated financial statements.

PART I – FINANCIAL INFORMATION – CONTINUED  
ITEM 1. FINANCIAL STATEMENTS  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIODS ENDED MAY 27, 2023 AND MAY 28, 2022 – UNAUDITED  
(In thousands)

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>May 27, 2023</u>	<u>May 28, 2022</u>	<u>May 27, 2023</u>	<u>May 28, 2022</u>
Net income	\$ 2,076	\$ 47,118	\$ 3,521	\$ 52,691
Other comprehensive income:				
Foreign currency translation adjustments	(93)	-	(279)	-
Income taxes related to foreign currency translation adjustments	24	-	74	-
Amortization associated with				
Long Term Cash Awards (LTCA)	31	33	63	66
Income taxes related to LTCA	(8)	(8)	(16)	(16)
Amortization associated with supplemental executive retirement defined benefit plan (SERP)	-	31	-	62
Income taxes related to SERP	-	(8)	-	(16)
Other comprehensive income (loss), net of tax	(46)	48	(158)	96
Total comprehensive income	<u>\$ 2,030</u>	<u>\$ 47,166</u>	<u>\$ 3,363</u>	<u>\$ 52,787</u>

The accompanying notes to condensed consolidated financial statements are an integral part of the condensed consolidated financial statements.

PART I – FINANCIAL INFORMATION – CONTINUED  
ITEM 1. FINANCIAL STATEMENTS  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
MAY 27, 2023 AND NOVEMBER 26, 2022  
(In thousands)

	(Unaudited) May 27, 2023	November 26, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 54,603	\$ 61,625
Short-term investments	17,725	17,715
Accounts receivable, net	14,833	17,838
Inventories	70,332	85,477
Recoverable income taxes	3,091	2,353
Other current assets	8,795	11,487
<b>Total current assets</b>	<b>169,379</b>	<b>196,495</b>
Property and equipment, net	79,543	77,001
Deferred income taxes	5,189	5,528
Goodwill and other intangible assets	21,532	21,727
Right of use assets under operating leases	92,505	99,472
Other	6,177	6,050
<b>Total long-term assets</b>	<b>125,403</b>	<b>132,777</b>
<b>Total assets</b>	<b>\$ 374,325</b>	<b>\$ 406,273</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 16,212	\$ 20,359
Accrued compensation and benefits	9,024	12,921
Customer deposits	23,941	35,963
Current portion operating lease obligations	19,012	18,819
Other current liabilities and accrued expenses	11,500	12,765
<b>Total current liabilities</b>	<b>79,689</b>	<b>100,827</b>
<b>Long-term liabilities</b>		
Post employment benefit obligations	10,452	9,954
Long-term portion of operating lease obligations	89,167	97,477
Other long-term liabilities	1,832	2,406
<b>Total long-term liabilities</b>	<b>101,451</b>	<b>109,837</b>
<b>Stockholders' equity</b>		
Common stock	43,900	44,759
Retained earnings	149,393	150,800
Additional paid-in capital	-	-
Accumulated other comprehensive income (loss)	(108)	50
<b>Total stockholders' equity</b>	<b>193,185</b>	<b>195,609</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 374,325</b>	<b>\$ 406,273</b>

The accompanying notes to condensed consolidated financial statements are an integral part of the condensed consolidated financial statements.

PART I – FINANCIAL INFORMATION – CONTINUED  
ITEM 1. FINANCIAL STATEMENTS  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED MAY 27, 2023 AND MAY 28, 2022 – UNAUDITED  
(In thousands)

	<b>Six Months Ended</b>	
	<b>May 27, 2023</b>	<b>May 28, 2022</b>
<b>Operating activities:</b>		
Net income	\$ 3,521	\$ 52,691
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,909	6,065
Gain on disposal of discontinued operations	-	(53,254)
Gain on revaluation of contingent consideration	(1,013)	-
Deferred income taxes	392	(3,796)
Other, net	1,388	915
Changes in operating assets and liabilities:		
Accounts receivable	3,005	(1,829)
Inventories	15,145	(14,861)
Other current assets	953	6,421
Right of use assets under operating leases	9,105	11,153
Customer deposits	(12,022)	(5,101)
Accounts payable and other liabilities	(8,715)	4,891
Obligations under operating leases	(10,255)	(12,241)
<b>Net cash provided by (used in) operating activities</b>	<b>6,413</b>	<b>(8,946)</b>
<b>Investing activities:</b>		
Purchases of property and equipment	(7,405)	(12,638)
Proceeds from sales of property and equipment	-	9
Proceeds from the disposal of discontinued operations, net	1,000	85,521
Other	(637)	(538)
<b>Net cash provided by (used in) investing activities</b>	<b>(7,042)</b>	<b>72,354</b>
<b>Financing activities:</b>		
Cash dividends	(2,832)	(17,170)
Other issuance of common stock	177	177
Repurchases of common stock	(3,450)	(8,642)
Taxes paid related to net share settlement of equity awards	(109)	-
Repayments of finance lease obligations	(137)	(537)
<b>Net cash used in financing activities</b>	<b>(6,351)</b>	<b>(26,172)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(42)</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>	<b>(7,022)</b>	<b>37,236</b>
<b>Cash and cash equivalents - beginning of period</b>	<b>61,625</b>	<b>34,374</b>
<b>Cash and cash equivalents - end of period</b>	<b>\$ 54,603</b>	<b>\$ 71,610</b>

The accompanying notes to condensed consolidated financial statements are an integral part of the condensed consolidated financial statements.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 27, 2023

(Dollars in thousands except share and per share data)

## **1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States (“GAAP”) for complete financial statements. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

References to “ASC” included hereinafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative GAAP.

The condensed consolidated financial statements include the accounts of Bassett Furniture Industries, Incorporated (“Bassett”, “we”, “our”, or the “Company”) and our wholly-owned subsidiaries of which we have a controlling interest. In accordance with ASC Topic 810, we have evaluated our licensees and certain other entities to determine whether they are variable interest entities (“VIEs”) of which we are the primary beneficiary and thus would require consolidation in our financial statements. To date we have concluded that none of our licensees represent VIEs. During the second and third fiscal quarters of 2022, we were the primary beneficiary of one VIE by virtue of our control over the activities that most significantly impact the entity’s economic performance. This VIE was created to effect a Section 1031 like-kind exchange involving the purchase of real property in Tampa, Florida, for \$7,668 during the second quarter of 2022 and the sale of real property in Houston, Texas for \$8,217 during the third quarter of 2022 for the purpose of deferring approximately \$4,300 of the taxable gain resulting from the sale of the Houston property. Subsequent to the completion of the exchange transactions during the third quarter of fiscal 2022, the sole equity interest in the VIE was transferred to Bassett and the entity is now consolidated as a wholly owned subsidiary.

Revenue from the sale of furniture and accessories is reported in the accompanying condensed consolidated statements of income net of estimates for returns and allowances.

On January 31, 2022, we entered into a definitive agreement to sell substantially all of the assets of our wholly-owned subsidiary, Zenith Freight Lines, LLC (“Zenith”) to J.B. Hunt Transport Services, Inc. (“J.B. Hunt”). The sale was completed on February 28, 2022. Accordingly, the operations of our logistical services segment for the three and six months ended May 28, 2022 are presented in the accompanying condensed consolidated statements of income as discontinued operations. See Note 12, Discontinued Operations, for additional information. Costs incurred by Bassett for logistical services performed for Bassett by Zenith were included in selling, general and administrative expenses for the six months ended May 28, 2022.

On September 2, 2022, we acquired 100% of the capital stock of Noa Home Inc. (“Noa Home”), a mid-priced e-commerce furniture retailer headquartered in Montreal, Canada. Noa Home has operations in Canada, Australia, Singapore and the United Kingdom. Since acquisition, Noa Home has been consolidated as a wholly-owned subsidiary. See Note 3 for additional information.

Certain prior year amounts have been reclassified to conform to the current year presentation (see Note 13, Segments).

## **2. Interim Financial Presentation and Other Information**

All intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements. The results of operations for the three and six months ended May 27, 2023 are not necessarily indicative of results for the full fiscal year. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended November 26, 2022.

### ***Income Taxes***

We calculate an anticipated effective tax rate for the year based on our annual estimates of pretax income and use that effective tax rate to record our year-to-date income tax provision. Any change in annual projections of pretax income could have a significant impact on our effective tax rate for the respective quarter.

Our effective tax rate was 18.4% and 27.1% for the three and six months ended May 27, 2023, respectively, and 26.0% for both the three and six months ended May 28, 2022. The effective rates for the three and six months ended May 27, 2023 differ from the federal statutory rate of 21% primarily due to the non-taxable gain on revaluation of contingent consideration associated with the acquisition of Noa Home (see Note 3), increases in the valuation allowance placed on deferred tax assets associated with Noa Home and the effects of state income taxes and various permanent differences. For the three and six months ended May 28, 2022, the effective rates differ from the federal statutory rate of 21% primarily due to the effects of state income taxes and various permanent differences, including tax of \$522 associated with the non-deductible goodwill written off in connection with the sale of Zenith and included in income tax on discontinued operations.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 27, 2023

(Dollars in thousands except share and per share data)

**Non-cash Investing and Financing Activity**

During the six months ended May 27, 2023 and May 28, 2022, \$3,881 and \$6,049, respectively, of lease right-of-use assets were added through the recognition of the corresponding lease obligations.

**3. Business Combinations**

On September 2, 2022, we acquired 100% of the capital stock of Noa Home, a mid-priced e-commerce furniture retailer headquartered in Montreal, Canada. Noa Home has operations in Canada, Australia, Singapore and the United Kingdom. The initial purchase price (denominated in Canadian dollars) of approximately C\$7,700 included cash payments of C\$2,000 paid to the co-founders of Noa Home and approximately C\$5,700 for the repayment of existing debt owed by Noa Home. Per the terms of the agreement at the acquisition date, the Noa Home co-founders also had the opportunity to receive additional cash payments totaling approximately C\$1,330 per year for the three fiscal years following the year of acquisition based on established increases in net revenues and achieving certain internal EBITDA goals.

Under the acquisition method of accounting, the fair value of the consideration transferred was allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values as of the acquisition date with the remaining unallocated amount recorded as goodwill.

The allocation of the fair value of the acquired business has been based on a preliminary valuation. Our estimates and assumptions are subject to change as we obtain additional information for our estimates during the measurement period (up to one year from the acquisition date). The primary areas of the preliminary allocation of the fair value of consideration transferred that are not yet finalized relate to the fair values of certain tangible and intangible assets acquired and the residual goodwill. As of May 27, 2023, there have been no changes to the preliminary allocation of the purchase price (translated into U.S. dollars as of the acquisition date) which is as follows:

Fair value of consideration given in exchange for 100% of Noa Home:	
Cash	\$ 5,878
Fair value of contingent consideration as of acquisition date	1,375
Total fair value of consideration given	<u>\$ 7,253</u>
Allocation of the fair value of consideration transferred:	
Identifiable assets acquired:	
Cash	\$ 296
Inventory	1,585
Other current assets	317
Property & equipment	155
Intangible asset - trade name	1,929
Total identifiable assets acquired	<u>4,282</u>
Liabilities assumed:	
Accounts payable	(1,227)
Customer deposits	(1,059)
Other current liabilities and accrued expenses	(458)
Total liabilities assumed	<u>(2,744)</u>
Net identifiable assets acquired	1,538
Goodwill	5,715
Total net assets acquired	<u>\$ 7,253</u>

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 27, 2023

(Dollars in thousands except share and per share data)

Goodwill was determined based on the residual difference between the fair value of the consideration transferred and the value assigned to the tangible and intangible assets and liabilities recognized in connection with the acquisition and is deductible for tax purposes. Among the factors that contributed to a purchase price resulting in the recognition of goodwill are the expected synergies arising from combining the Company's manufacturing and distribution capabilities with Noa Home's position in the international e-commerce market for home furnishings and accessories.

A portion of the fair value of the consideration transferred in the amount of \$1,929 has been assigned to the identifiable intangible asset associated with the Noa Home trade name. This intangible asset is considered to have an indefinite life. The indefinite-lived intangible asset and goodwill are not amortized but will be tested for impairment annually or between annual tests if an indicator of impairment exists and the Company determines it is more likely than not that the fair value of the goodwill is below its book value.

The fair values of consideration transferred and net assets acquired were determined using a combination of Level 2 and Level 3 inputs as specified in the fair value hierarchy in ASC 820, *Fair Value Measurements and Disclosures*.

Subsequent to the acquisition date, the parties concluded that the targets originally set forth by which the Noa Home co-founders were to earn the contingent consideration would likely not be met within the initially anticipated time frame. Therefore, we have agreed to replace the contingent consideration with two fixed payments of C\$200 each, payable in June of 2023 and December of 2024. As a result of the write-down of the contingent consideration payable that was recognized at the acquisition date, we recorded a gain of \$1,013 for the three and six months ended May 27, 2023.

The revenues and results of operations of Noa Home for the three and six months ended May 27, 2023 were not material. The pro forma impact of the acquisition has not been presented because it was not material to our consolidated results of operations for the three and six months ended May 28, 2022.

#### 4. Financial Instruments and Investments

##### *Financial Instruments*

Our financial instruments include cash and cash equivalents, short-term investments in certificates of deposit (CDs), accounts receivable, and accounts payable. Because of their short maturities, the carrying amounts of cash and cash equivalents, short-term investments in CDs, accounts receivable, and accounts payable approximate fair value.

##### *Investments*

Our short-term investments of \$17,725 and \$17,715 at May 27, 2023 and November 26, 2022 consisted of CDs. At May 27, 2023, the CDs had original terms averaging seven months, bearing interest at rates ranging from 0.7% to 5.05%. At May 27, 2023, the weighted average remaining time to maturity of the CDs was approximately three months and the weighted average yield of the CDs was approximately 4.41%. Each CD is placed with a federally insured financial institution and all deposits are within federal deposit insurance limits. Due to the nature of these investments and their relatively short maturities, the carrying amount of the short-term investments at May 27, 2023 and November 26, 2022 approximates their fair value.

#### 5. Accounts Receivable

Accounts receivable consists of the following:

	May 27, 2023	November 26, 2022
Gross accounts receivable	\$ 15,344	\$ 19,099
Allowance for doubtful accounts	(511)	(1,261)
Accounts receivable, net	\$ 14,833	\$ 17,838

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 27, 2023

(Dollars in thousands except share and per share data)

We maintain an allowance for credit losses for estimated losses resulting from the inability of our customers to make required payments. The allowance for credit losses is based on a review of specifically identified accounts in addition to an overall aging analysis which is applied to accounts pooled on the basis of similar risk characteristics. Judgments are made with respect to the collectability of accounts receivable within each pool based on historical experience, current payment practices and current economic trends based on our expectations over the expected life of the receivables, which is generally ninety days or less. Actual credit losses could differ from those estimates.

Activity in the allowance for credit losses for the six months ended May 27, 2023 was as follows:

Balance at November 26, 2022	\$	1,261
Additions charged to expense		137
Write-offs against allowance		(887)
Balance at May 27, 2023	\$	<u>511</u>

We believe that the carrying value of our net accounts receivable approximates fair value. The inputs into these fair value estimates reflect our market assumptions and are not observable. Consequently, the inputs are considered to be Level 3 as specified in the fair value hierarchy in ASC Topic 820, *Fair Value Measurements and Disclosures*. See Note 4.

## 6. Inventories

Domestic furniture inventories are valued at the lower of cost, which is determined using the last-in, first-out (LIFO) method, or market. Imported inventories and those applicable to our Lane Venture and Bassett Outdoor lines are valued at the lower of cost, which is determined using the first-in, first-out (FIFO) method, or net realizable value.

Inventories were comprised of the following:

	<u>May 27, 2023</u>	<u>November 26, 2022</u>
Wholesale finished goods	\$ 33,916	\$ 46,607
Work in process	616	620
Raw materials and supplies	20,236	22,859
Retail merchandise	33,175	32,974
Total inventories on first-in, first-out method	<u>87,943</u>	<u>103,060</u>
LIFO adjustment	(11,862)	(12,416)
Reserve for excess and obsolete inventory	(5,749)	(5,167)
	<u>\$ 70,332</u>	<u>\$ 85,477</u>

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 27, 2023

(Dollars in thousands except share and per share data)

We estimate an inventory reserve for excess quantities and obsolete items based on specific identification and historical write-offs, taking into account future demand, market conditions and the respective valuations at LIFO. The need for these reserves is primarily driven by the normal product life cycle. As products mature and sales volumes decline, we rationalize our product offerings to respond to consumer tastes and keep our product lines fresh. If actual demand or market conditions in the future are less favorable than those estimated, additional inventory write-downs may be required. In determining reserves, we calculate separate reserves on our wholesale and retail inventories. Our wholesale inventories tend to carry the majority of the reserves for excess quantities and obsolete inventory due to the nature of our distribution model. These wholesale reserves primarily represent design and/or style obsolescence. Typically, product is not shipped to our retail warehouses until a consumer has ordered and paid a deposit for the product. We do not typically hold retail inventory for stock purposes. Consequently, floor sample inventory and inventory for delivery to customers account for the majority of our inventory at retail. Retail reserves are based on accessory and clearance floor sample inventory in our stores and any inventory that is not associated with a specific customer order in our retail warehouses.

Activity in the reserves for excess quantities and obsolete inventory by segment are as follows:

	Wholesale Segment	Retail Segment	Total
Balance at November 26, 2022	\$ 4,103	\$ 1,064	\$ 5,167
Additions charged to expense	1,987	488	2,475
Write-offs	(1,628)	(265)	(1,893)
Balance at May 27, 2023	<u>\$ 4,462</u>	<u>\$ 1,287</u>	<u>\$ 5,749</u>

Our estimates and assumptions have been reasonably accurate in the past. We have not made any significant changes to our methodology for determining inventory reserves in 2023 and do not anticipate that our methodology is likely to change in the future.

## 7. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consisted of the following:

	May 27, 2023		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangibles subject to amortization			
Customer relationships	\$ 512	\$ (308)	\$ 204
Intangibles not subject to amortization:			
Trade names			8,680
Goodwill			12,648
Total goodwill and other intangible assets			<u>\$ 21,532</u>
	November 26, 2022		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangibles subject to amortization			
Customer relationships	\$ 512	\$ (280)	\$ 232
Intangibles not subject to amortization:			
Trade names			8,723
Goodwill			12,772
Total goodwill and other intangible assets			<u>\$ 21,727</u>

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Changes in the carrying amounts of goodwill by reportable segment were as follows:

	Wholesale	Retail	Corporate & Other	Total
Balance as of November 26, 2022	\$ 7,217	\$ -	\$ 5,554	\$ 12,771
Foreign currency translation adjustments	-	-	(123)	(123)
Balance as of May 27, 2023	<u>\$ 7,217</u>	<u>\$ -</u>	<u>\$ 5,431</u>	<u>\$ 12,648</u>

Accumulated impairment losses at both May 27, 2023 and November 26, 2022 were \$3,897.

Due to the decline in the share price of our common stock through the end of the second quarter of 2023, we performed a qualitative analysis of our goodwill as of May 27, 2023 and concluded that it was not more likely than not that the carrying value of our reporting units with goodwill exceeded their fair values.

Amortization expense associated with intangible assets during the three and six months ended May 27, 2023 and May 28, 2022 was as follows:

	Quarter Ended		Six Months Ended	
	May 27, 2023	May 28, 2022	May 27, 2023	May 28, 2022
Intangible asset amortization expense	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ 28</u>	<u>\$ 28</u>

Estimated future amortization expense for intangible assets that exist at May 27, 2023 is as follows:

Remainder of fiscal 2023	\$ 28
Fiscal 2024	57
Fiscal 2025	57
Fiscal 2026	57
Fiscal 2027	5
Fiscal 2028	-
Total	<u>\$ 204</u>

## 8. Bank Credit Facility

Our bank credit facility provides for a line of credit of up to \$25,000. At May 27, 2023, we had \$3,731 outstanding under standby letters of credit against our line, leaving availability under our credit line of \$21,269. The line bears interest at the One-Month Term Secured Overnight Financing Rate ("One-Month Term SOFR") plus 1.5% and is unsecured. Our bank charges a fee of 0.25% on the daily unused balance of the line, payable quarterly. Under the terms of the bank credit facility, we must maintain the following financial covenants, measured quarterly on a rolling twelve-month basis:

- Consolidated fixed charge coverage ratio of not less than 1.4 times,
- Consolidated lease-adjusted leverage ratio not to exceed 3.0 times, and
- Minimum tangible net worth of \$140,000.

We were in compliance with these covenants at May 27, 2023 and expect to remain in compliance for the foreseeable future. The credit facility will mature on January 27, 2025, at which time any amounts outstanding under the facility will be due.

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**9. Post Employment Benefit Obligations**

Defined Benefit Plans

We have an unfunded Supplemental Retirement Income Plan (the “Supplemental Plan”) that covers one current and certain former executives. The liability for the Supplemental Plan was \$6,028 and \$5,987 as of May 27, 2023 and November 26, 2022, respectively.

We also have the Bassett Furniture Industries, Incorporated Management Savings Plan (the “Management Savings Plan”) which was established in the second quarter of fiscal 2017. The Management Savings Plan is an unfunded, nonqualified deferred compensation plan maintained for the benefit of certain highly compensated or management level employees. As part of the Management Savings Plan, we have made Long Term Cash Awards (“LTC Awards”) totaling \$2,000 to certain management employees in the amount of \$400 each. The liability for the LTC Awards was \$1,325 and \$1,275 as of May 27, 2023 and November 26, 2022, respectively.

The combined pension liability for the Supplemental Plan and LTC Awards is recorded as follows in the condensed consolidated balance sheets:

	<b>May 27, 2023</b>	<b>November 26, 2022</b>
Accrued compensation and benefits	\$ 698	\$ 698
Post employment benefit obligations	6,655	6,564
<b>Total pension liability</b>	<b>\$ 7,353</b>	<b>\$ 7,262</b>

Components of net periodic pension costs for our defined benefit plans for the three and six months ended May 27, 2023 and May 28, 2022 are as follows:

	<b>Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>May 27, 2023</b>	<b>May 28, 2022</b>	<b>May 27, 2023</b>	<b>May 28, 2022</b>
Service cost	\$ 7	\$ 9	\$ 14	\$ 18
Interest cost	93	58	185	115
Amortization of prior service costs	31	31	63	63
Amortization of loss	-	33	-	67
<b>Net periodic pension cost</b>	<b>\$ 131</b>	<b>\$ 131</b>	<b>\$ 262</b>	<b>\$ 263</b>

The components of net periodic pension cost other than the service cost component, which is included in selling, general and administrative expenses, are included in other loss, net in our condensed consolidated statements of operations.

Deferred Compensation Plans

We have an unfunded deferred compensation plan that covers one current executive and certain former executives and provides for voluntary deferral of compensation. This plan has been frozen with no additional participants or deferrals permitted. Our liability under this plan was \$1,636 and \$1,616 as of May 27, 2023 and November 26, 2022, respectively.

We also have an unfunded, nonqualified deferred compensation plan maintained for the benefit of certain highly compensated or management level employees which was established under the Management Savings Plan. Our liability under this plan, including both accrued Company contributions and participant salary deferrals, was \$2,457 and \$2,070 as of May 27, 2023 and November 26, 2022, respectively.

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Our combined liability for all deferred compensation arrangements, including Company contributions and participant deferrals under the Management Savings Plan, is recorded as follows in the condensed consolidated balance sheets:

	<u>May 27, 2023</u>	<u>November 26, 2022</u>
Accrued compensation and benefits	\$ 296	\$ 296
Post employment benefit obligations	3,797	3,390
Total deferred compensation liability	<u>\$ 4,093</u>	<u>\$ 3,686</u>

We recognized expense under our deferred compensation arrangements during the three and six months ended May 27, 2023 and May 28, 2022 as follows:

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>May 27, 2023</u>	<u>May 28, 2022</u>	<u>May 27, 2023</u>	<u>May 28, 2022</u>
Deferred compensation expense (benefit)	\$ 119	\$ 7	\$ 197	\$ 61

## 10. Commitments and Contingencies

We are involved in various legal and environmental matters which arise in the normal course of business. Although the final outcome of these matters cannot be determined, based on the facts presently known, we believe that the final resolution of these matters will not have a material adverse effect on our financial position or future results of operations.

### *Lease Guarantees*

We were contingently liable under a licensee lease obligation guarantee in the amounts of \$1,897 and \$1,880 at May 27, 2023 and November 26, 2022, respectively. The remaining term under this lease guarantee extends for five years.

In the event of default by an independent dealer under the guaranteed lease, we believe that the risk of loss is mitigated through a combination of options that include, but are not limited to, arranging for a replacement dealer or liquidating the collateral (primarily inventory). The proceeds of the above options are expected to cover the estimated amount of our future payments under the guarantee obligation, net of recorded reserves. The fair value of this lease guarantee (an estimate of the cost to the Company to perform on the guarantee) at May 27, 2023 and November 26, 2022 was not material.

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**11. Earnings Per Share**

The following reconciles basic and diluted earnings per share:

	Net Income	Weighted Average Shares	Net Income Per Share
<u>For the quarter ended May 27, 2023:</u>			
Basic earnings per share - continuing operations	\$ 2,076	8,810,178	\$ 0.24
Add effect of dilutive securities:			
Restricted shares	-	11,853	-
Diluted earnings per share - continuing operations	<u>\$ 2,076</u>	<u>8,822,031</u>	<u>\$ 0.24</u>

For the quarter ended May 28, 2022:

Basic earnings per share - continuing operations	\$ 7,743	9,521,085	\$ 0.81
Add effect of dilutive securities:			
Options and restricted shares	-	12,938	-
Diluted earnings per share - continuing operations	<u>\$ 7,743</u>	<u>9,534,023</u>	<u>\$ 0.81</u>
Basic earnings per share - discontinued operations	\$ 39,375	9,521,085	\$ 4.14
Add effect of dilutive securities:			
Options and restricted shares	-	12,938	(0.01)
Diluted earnings per share - discontinued operations	<u>\$ 39,375</u>	<u>9,534,023</u>	<u>\$ 4.13</u>

For the six months ended May 27, 2023:

Basic earnings per share - continuing operations	\$ 3,521	8,839,029	\$ 0.40
Add effect of dilutive securities:			
Restricted shares	-	18,881	-
Diluted earnings per share - continuing operations	<u>\$ 3,521</u>	<u>8,857,910</u>	<u>\$ 0.40</u>

For the six months ended May 28, 2022:

Basic earnings per share - continuing operations	\$ 12,034	9,636,813	\$ 1.25
Add effect of dilutive securities:			
Options and restricted shares	-	2,917	-
Diluted earnings per share - continuing operations	<u>\$ 12,034</u>	<u>9,639,730</u>	<u>\$ 1.25</u>
Basic earnings per share - discontinued operations	\$ 40,657	9,636,813	\$ 4.22
Add effect of dilutive securities:			
Options and restricted shares	-	2,917	-
Diluted earnings per share - discontinued operations	<u>\$ 40,657</u>	<u>9,639,730</u>	<u>\$ 4.22</u>

For the three and six months ended May 27, 2023 and May 28, 2022, the following potentially dilutive shares were excluded from the computations as their effect was anti-dilutive:

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>May 27, 2023</u>	<u>May 28, 2022</u>	<u>May 27, 2023</u>	<u>May 28, 2022</u>
Unvested shares	<u>15,113</u>	<u>15,799</u>	<u>66,113</u>	<u>67,099</u>

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## 12. Discontinued Operations

On January 31, 2022, we entered into a definitive agreement to sell substantially all of the assets of Zenith to J.B. Hunt. The sale was completed on February 28, 2022. During the second quarter of fiscal 2022, we received the following net proceeds:

Sales price prior to post-closing working capital adjustment	\$	86,939
Less:		
Amount held in escrow for contingencies related to representations and warranties (1)		1,000
Seller expenses paid at closing		418
Net proceeds from the sale	\$	<u>85,521</u>

- (1) This was held in escrow until the first anniversary of the sale, at which time the full amount was released to the Company on March 2, 2023. As of November 26, 2022, this amount is included in other current assets in the accompanying condensed consolidated balance sheets.

The sales price was subject to customary post-closing working capital adjustments. For the three and six months ended May 28, 2022 we recognized a pre-tax gain on the sale of \$53,254 which included a preliminary estimate of the post-closing adjustments. Upon settlement of the post-closing adjustments, which were paid in the second half of fiscal 2022, the final pre-tax gain was \$52,534.

The operations of our logistical services segment, which consisted entirely of the operations of Zenith, are presented in the accompanying condensed consolidated statements of income as discontinued operations.

The following table summarizes the major classes of line items constituting income of the discontinued operations, as reported in the condensed consolidated statements of income for the three and six months ended May 28, 2022:

	<u>Quarter Ended</u> <u>May 28, 2022</u>	<u>Six Months Ended</u> <u>May 28, 2022</u>
Major line items constituting pretax income of discontinued operations:		
Logistical services revenue	\$ -	\$ 16,776
Cost of logistical services	-	15,001
Other loss, net	-	(63)
Income from operations of logistical services	-	1,712
Gain on disposal	53,254	53,254
Pretax income of discontinued operations	53,254	54,966
Income tax expense	13,879	14,309
Income from discontinued operations, net of tax	<u>\$ 39,375</u>	<u>\$ 40,657</u>

The amounts for revenue and costs of logistical services shown above represent the results of Zenith's business transactions with third parties. Zenith also charged Bassett for logistical services provided to our wholesale segment in the amount of \$9,121 during the six months ended May 28, 2022. Upon the sale of Zenith we entered into a service agreement with J.B. Hunt for the continuation of these services for a period of seven years. We incurred expense for logistical services performed by J.B. Hunt of \$6,717 and \$14,094 during the three and six months ended May 27, 2023, respectively, and \$9,546 for the three and six months ended May 28, 2022, respectively.

Included in other loss, net, is interest arising from finance leases assumed by J.B. Hunt as part of the transaction. Such interest amounted to \$78 for the six months ended May 28, 2022.

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The following table summarizes the cash flows generated by discontinued operations during the six months ended May 28, 2022:

	<b>Six Months Ended</b>
	<b>May 28, 2022</b>
Cash provided by operating activities	\$ 1,681
Cash used in investing activities	(81)
Cash used in financing activities	(371)
Net cash provided by discontinued operations	\$ 1,229

### 13. Segment Information

As of the beginning of fiscal 2023 we have strategically aligned our business into three reportable segments as defined in ASC 280, *Segment Reporting*, and as described below:

- **Wholesale.** The wholesale home furnishings segment is involved principally in the design, manufacture, sourcing, sale and distribution of furniture products to a network of Bassett stores (Company-owned and licensee-owned retail stores) and independent furniture retailers. Our wholesale segment includes our wood and upholstery operations, which includes Lane Venture.
- **Retail – Company-owned stores.** Our retail segment consists of Company-owned stores and includes the revenues, expenses, assets and liabilities and capital expenditures directly related to these stores and the Company-owned distribution network utilized to deliver products to our retail customers.
- **Corporate and other** – Corporate and other includes the shared costs of corporate functions such as treasury and finance, information technology, accounting, human resources, legal and others, including certain product development and marketing functions benefitting both wholesale and retail operations. In addition to property and equipment and various other assets associated with the shared corporate functions, the identifiable assets of Corporate and other include substantially all of our cash and our investments in CDs. We consider our corporate functions to be other business activities and have aggregated them with our other insignificant operating segment, the recently acquired Noa Home (see Note 3).

Inter-company net sales elimination represents the elimination of wholesale sales to our Company-owned stores. Inter-company income elimination includes the embedded wholesale profit in the Company-owned store inventory that has not been realized. These profits will be recorded when merchandise is delivered to the retail consumer. The inter-company income elimination also includes rent paid by our retail stores occupying Company-owned real estate.

Prior to the beginning of fiscal 2023, the functions included in Corporate and other were included in our wholesale segment reportable segment, and Noa Home was included in our retail reportable segment for the fourth quarter of fiscal 2022 following its acquisition on September 2, 2022. We believe that the new alignment of our reporting segments provides our chief operating decision maker with clearer information with which to assess the operating results of our wholesale segment. Noa Home does not meet the requirements to be a separate reportable segment as it is below the thresholds of the revenue, income and asset tests. The segment information presented below for the three and six months ended May 28, 2022 and as of November 26, 2022 has been restated to reflect the new alignment of our reportable segments.

Our former logistical services segment which represented the operations of Zenith is now presented as a discontinued operation in the accompanying condensed consolidated balances sheets and statements of income (see Note 12).

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The following table presents our segment information:

	<b>Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>May 27, 2023</b>	<b>May 28, 2022</b>	<b>May 27, 2023</b>	<b>May 28, 2022</b>
<b>Sales Revenue</b>				
Wholesale sales of furniture and accessories	\$ 61,774	\$ 87,501	\$ 131,658	\$ 170,986
Less: Sales to retail segment	(24,330)	(34,415)	(54,429)	(64,143)
Wholesale sales to external customers	37,444	53,086	77,229	106,843
Retail sales of furniture and accessories	60,778	75,620	125,740	139,727
Corporate and other	2,297	-	5,248	-
Consolidated net sales of furniture and accessories	<u>\$ 100,519</u>	<u>\$ 128,706</u>	<u>\$ 208,217</u>	<u>\$ 246,570</u>
<b>Income from Operations</b>				
Wholesale	\$ 7,005	\$ 11,465	\$ 15,999	\$ 21,667
Retail - Company-owned stores	755	7,293	2,285	9,915
Net expenses - Corporate and other	(6,949)	(7,549)	(14,720)	(13,794)
Inter-company elimination	656	(197)	605	(298)
Gain on revaluation of contingent consideration	1,013	-	1,013	-
Consolidated	<u>\$ 2,480</u>	<u>\$ 11,012</u>	<u>\$ 5,182</u>	<u>\$ 17,490</u>
<b>Depreciation and Amortization</b>				
Wholesale	\$ 614	\$ 603	\$ 1,220	\$ 1,173
Retail - Company-owned stores	1,533	1,480	2,832	2,975
Corporate and other	422	327	857	651
Consolidated	<u>\$ 2,569</u>	<u>\$ 2,410</u>	<u>\$ 4,909</u>	<u>\$ 4,799</u>
<b>Capital Expenditures</b>				
Wholesale	\$ 712	\$ 1,328	\$ 1,349	\$ 2,431
Retail - Company-owned stores	1,740	8,285	3,022	8,401
Corporate and other	1,612	682	3,034	1,806
Consolidated	<u>\$ 4,064</u>	<u>\$ 10,295</u>	<u>\$ 7,405</u>	<u>\$ 12,638</u>
<b>Identifiable Assets</b>				
	<b>As of</b>	<b>As of</b>		
	<b>May 27, 2023</b>	<b>November 26, 2022</b>		
Wholesale	\$ 105,471	\$ 125,433		
Retail - Company-owned stores	155,978	162,222		
Corporate and other	112,876	118,618		
Consolidated	<u>\$ 374,325</u>	<u>\$ 406,273</u>		

See Note 14, Revenue Recognition, for disaggregated revenue information regarding sales of furniture and accessories by product type for the wholesale and retail segments.

#### 14. Revenue Recognition

We recognize revenue when we transfer promised goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. For our wholesale and retail segments, revenue is recognized when the risks and rewards of ownership and title to the product have transferred to the buyer. At wholesale, transfer occurs and revenue is recognized upon the shipment of goods to independent dealers and licensee-owned BHF stores. At retail, transfer occurs and revenue is recognized upon delivery of goods to the customer. All wholesale and retail revenues are recorded net of estimated returns and allowances based on historical patterns. We typically collect a significant portion of the purchase price from our retail customers as a deposit upon order, with the balance typically collected upon delivery. These customer deposits are carried on our balance sheet as a current liability until delivery is fulfilled and amounted to \$23,941 and \$35,963 as of May 27, 2023 and November 26, 2022, respectively. Substantially all of the customer deposits held at November 26, 2022 related to performance obligations that were satisfied during the current year-to-date period and have therefore been recognized in revenue for the six months ended May 27, 2023.

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Sales commissions are expensed as part of selling, general and administrative expenses at the time revenue is recognized because the amortization period would have been one year or less. Sales commissions at wholesale are accrued upon the shipment of goods. Sales commissions at retail are accrued at the time a sale is written (i.e. – when the customer’s order is placed) and are carried as prepaid commissions in other current assets until the goods are delivered and revenue is recognized. At May 27, 2023 and November 26, 2022, our balance of prepaid commissions included in other current assets was \$2,399 and \$3,768, respectively.

We exclude from revenue all amounts collected from customers for sales tax. We do not disclose amounts allocated to remaining unsatisfied performance obligations as they are expected to be satisfied within one year or less.

Disaggregated revenue information for sales of furniture and accessories by product category for the three and six months ended May 27, 2023 and May 28, 2022, excluding intercompany transactions between our segments, is as follows:

	<b>Quarter Ended</b>							
	<b>May 27, 2023</b>				<b>May 28, 2022</b>			
	Wholesale	Retail	Corporate & Other (2)	Total	Wholesale	Retail	Corporate & Other	Total
Bassett Custom Upholstery	\$ 24,156	\$ 34,711	\$ -	\$ 58,867	\$ 33,838	\$ 45,376	\$ -	\$ 79,214
Bassett Leather	6,078	577	-	6,655	9,859	292	-	10,151
Bassett Custom Wood	4,201	9,798	-	13,999	5,660	11,237	-	16,897
Bassett Casegoods	3,009	7,771	-	10,780	3,729	9,188	-	12,917
Accessories, mattresses and other (1)	-	7,921	2,297	10,218	-	9,527	-	9,527
Consolidated net sales of furniture and accessories	<u>\$ 37,444</u>	<u>\$ 60,778</u>	<u>\$ 2,297</u>	<u>\$ 100,519</u>	<u>\$ 53,086</u>	<u>\$ 75,620</u>	<u>\$ -</u>	<u>\$ 128,706</u>

	<b>Six Months Ended</b>							
	<b>May 27, 2023</b>				<b>May 28, 2022</b>			
	Wholesale	Retail	Corporate & Other (2)	Total	Wholesale	Retail	Corporate & Other	Total
Bassett Custom Upholstery	\$ 48,659	\$ 70,870	\$ -	\$ 119,529	\$ 65,750	\$ 83,194	\$ -	\$ 148,944
Bassett Leather	12,883	1,071	-	13,954	22,821	532	-	23,353
Bassett Custom Wood	9,079	19,467	-	28,546	11,643	20,644	-	32,287
Bassett Casegoods	6,608	17,821	-	24,429	6,629	17,480	-	24,109
Accessories, mattresses and other (1)	-	16,511	5,248	21,759	-	17,877	-	17,877
Consolidated net sales of furniture and accessories	<u>\$ 77,229</u>	<u>\$ 125,740</u>	<u>\$ 5,248</u>	<u>\$ 208,217</u>	<u>\$ 106,843</u>	<u>\$ 139,727</u>	<u>\$ -</u>	<u>\$ 246,570</u>

- (1) Includes the sale of goods other than Bassett-branded products, such as accessories and bedding, and also includes the sale of furniture protection plans.
- (2) Our Corporate and other segment for the three and six months ended May 27, 2023 includes the sales of Noa Home, which was acquired on September 2, 2023 (see Note 3).

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**15. Changes to Stockholders' Equity**

The following changes in our stockholders' equity occurred during the three and six months ended May 27, 2023 and May 28, 2022:

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>May 27, 2023</u>	<u>May 28, 2022</u>	<u>May 27, 2023</u>	<u>May 28, 2022</u>
<b>Common Stock:</b>				
Beginning of period	\$ 44,311	\$ 48,640	\$ 44,759	\$ 48,811
Issuance of common stock	95	70	187	124
Purchase and retirement of common stock	(506)	(2,314)	(1,046)	(2,539)
End of period	<u>\$ 43,900</u>	<u>\$ 46,396</u>	<u>\$ 43,900</u>	<u>\$ 46,396</u>
<b>Common Shares Issued and Outstanding:</b>				
Beginning of period	8,862,137	9,727,932	8,951,839	9,762,125
Issuance of common stock	19,029	14,180	37,410	24,976
Purchase and retirement of common stock	(101,254)	(462,844)	(209,337)	(507,833)
End of period	<u>8,779,912</u>	<u>9,279,268</u>	<u>8,779,912</u>	<u>9,279,268</u>
<b>Additional Paid-in Capital:</b>				
Beginning of period	\$ -	\$ -	\$ -	\$ 113
Issuance of common stock	2	13	(10)	52
Purchase and retirement of common stock	(214)	(155)	(414)	(422)
Stock based compensation	212	142	424	257
End of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Retained Earnings:</b>				
Beginning of period	\$ 149,611	\$ 119,557	\$ 150,800	\$ 115,631
Net income for the period	2,076	47,118	3,521	52,691
Purchase and retirement of common stock	(884)	(5,408)	(2,097)	(5,681)
Cash dividends declared	(1,410)	(15,796)	(2,831)	(17,170)
End of period	<u>\$ 149,393</u>	<u>\$ 145,471</u>	<u>\$ 149,393</u>	<u>\$ 145,471</u>
<b>Accumulated Other Comprehensive Loss:</b>				
Beginning of period	\$ (62)	\$ (1,774)	\$ 50	\$ (1,823)
Cumulative translation adjustments, net of tax	(69)	-	(205)	-
Amortization of pension costs, net of tax	23	48	47	97
End of period	<u>\$ (108)</u>	<u>\$ (1,726)</u>	<u>\$ (108)</u>	<u>\$ (1,726)</u>

The balance of cumulative translation adjustments, net of tax, was a net loss of \$409 and \$204 at May 27, 2023 and November 26, 2022, respectively.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-UNAUDITED

MAY 27, 2023

(Dollars in thousands except share and per share data)

## **16. Recent Accounting Pronouncements**

In October 2021, the FASB issued Accounting Standards Update No. 2021-08 – Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the recognition of an acquired contract liability and to payment terms and their effect on subsequent revenue recognized by the acquirer. The amendments in ASU 2021-08 require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. The amendments in ASU 2021-08 will become effective for us as of the beginning of our 2024 fiscal year. Early adoption is permitted, including adoption in any interim period. We do not expect that this guidance will have a material impact upon our financial position and results of operations.

In March 2022, the FASB issued Accounting Standards Update No. 2022-02 – Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures, to address certain concerns identified in the Post-Implementation Review process for ASU Topic 326. The amendments in ASU 2022-02 eliminate the accounting guidance for troubled debt restructurings by creditors in ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. In addition, for public business entities, the amendments in ASU 2022-02 require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of ASC Subtopic 326-20, Financial Instruments – Credit Losses – Measured at Amortized Cost. The amendments in ASU 2022-02 will become effective for us as of the beginning of our 2024 fiscal year. Early adoption is permitted. We expect that the adoption of this standard will primarily impact our disclosures but do not expect that this guidance will have a material impact upon our financial position and results of operations.

In June 2022, the FASB issued Accounting Standards Update No. 2022-03 – Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, to clarify the guidance in Topic 820 when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security. The amendments in ASU 2022-03 clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. In addition, the amendments in ASU 2022-03 require certain additional disclosures related to investments in equity securities subject to contractual sale restrictions. The amendments in ASU 2022-03 will become effective for us as of the beginning of our 2025 fiscal year. Early adoption is permitted. As of May 27, 2023 we do not hold any investments in equity securities, therefore we do not currently expect that this guidance will have a material impact upon our financial position and results of operations.

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Safe-harbor, forward-looking statements:

This report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of Bassett Furniture Industries, Incorporated and subsidiaries. Such forward-looking statements are identified by use of forward-looking words such as “*anticipates*”, “*believes*”, “*plans*”, “*estimates*”, “*expects*”, “*aims*” and “*intends*” or words or phrases of similar expression. These forward-looking statements involve certain risks and uncertainties. No assurance can be given that any such matters will be realized. Important factors that could cause actual results to differ materially from those contemplated by such forward-looking statements include:

- fluctuations in the cost and availability of raw materials, fuel, labor, delivery costs and sourced products, including those which may result from supply chain disruptions and shortages and the imposition of new or increased duties, tariffs, retaliatory tariffs and trade limitations with respect to foreign-sourced products
- competitive conditions in the home furnishings industry
- overall retail traffic levels in stores and on the web and consumer demand for home furnishings
- ability of our customers and consumers to obtain affordable credit due to rising interest rates
- the profitability of the stores (independent licensees and Company-owned retail stores) which may result in future store closings
- ability to implement our Company-owned retail strategies and realize the benefits from such strategies, including our initiatives to expand and improve our digital marketing and advertising capabilities, as they are implemented
- the risk that we may not achieve the strategic benefits of our acquisition of Noa Home Inc.
- effectiveness and security of our information technology systems and possible disruptions due to cybersecurity threats, including any impacts from a network security incident; and the sufficiency of our insurance coverage, including cybersecurity insurance
- future tax legislation, or regulatory or judicial positions
- ability to efficiently manage the import supply chain to minimize business interruption
- concentration of domestic manufacturing, particularly of upholstery products, and the resulting exposure to business interruption from accidents, weather and other events and circumstances beyond our control

Additionally, other risks that could cause actual results to differ materially from those contemplated by such forward-looking statements are set forth in Part I, Item 1A. Risk Factors in the Company’s Annual Report on Form 10-K for the fiscal year ended November 26, 2022.

You should keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as of the date on which such forward-looking statement is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this discussion after the date hereof, except as may be required by law. In light of these risks and uncertainties, you should keep in mind that the events described in any forward-looking statement made in this report or elsewhere, might not occur.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
MAY 27, 2023

(Dollars in thousands except share and per share data)

## Overview

Bassett is a leading retailer, manufacturer and marketer of branded home furnishings. Our products are sold primarily through a network of Company-owned and licensee-owned branded stores under the Bassett Home Furnishings (“BHF”) name, with additional distribution through other wholesale channels including multi-line furniture stores, many of which feature Bassett galleries or design centers. We also sell our products through our website at [www.bassettfurniture.com](http://www.bassettfurniture.com). We were founded in 1902 and incorporated under the laws of Virginia in 1930. Our rich 121-year history has instilled the principles of quality, value, and integrity in everything we do, while simultaneously providing us with the expertise to respond to ever-changing consumer tastes and meet the demands of a global economy.

With 91 BHF stores at May 27, 2023, we have leveraged our strong brand name in furniture into a network of Company-owned and licensed stores that focus on providing consumers with a friendly and casual environment for buying furniture and accessories. Our store program is designed to provide a single source home furnishings retail store that provides a unique combination of stylish, quality furniture and accessories with a high level of customer service. In order for the Bassett brand to reach markets that cannot be effectively served by our retail store network, we also distribute our products through other wholesale channels including multi-line furniture stores, many of which feature Bassett galleries or design centers. We use a network of over 30 independent sales representatives who have stated geographical territories. These sales representatives are compensated based on a standard commission rate. We believe this blended strategy provides us the greatest ability to effectively distribute our products throughout the United States and ultimately gain market share.

The BHF stores feature custom order furniture, free in-home or virtual design visits (“home makeovers”) and coordinated decorating accessories. Our philosophy is based on building strong long-term relationships with each customer. Sales people are referred to as “Design Consultants” and are trained to evaluate customer needs and provide comprehensive solutions for their home decor. Until a rigorous training and design certification program is completed, Design Consultants are not authorized to perform in-home or virtual design services for our customers.

We consider our website to be the front door to our brand experience where customers can research our furniture and accessory offerings and subsequently buy online or engage with an in-store design consultant. Digital outreach strategies have become the primary vehicle for brand advertising and customer acquisition. As a result, we are engaged in a multi-year cross-functional digital transformation initiative with the first phase consisting of the examination and improvement of our underlying data management processes. During fiscal 2022, we implemented a comprehensive Product Information Management system which allows us to enhance and standardize our product development and data management and governance processes. This results in more consistent data that our merchandizing and sales teams can use in analyzing various product and sales trends in order to make better informed decisions. We are also in the process of implementing a new eCommerce platform that we plan to introduce in the second half of 2023. The new web platform will leverage world class features including enhanced customer research capabilities and streamlined navigation that we believe will result in increased web traffic and sales. While we work to make it easier to purchase either in store or on-line, we will not compromise our in-store experience or the quality of our in-home makeover capabilities. We expect to spend approximately \$4,500 on these efforts in 2023, approximately \$2,400 of which has been spent through May 27, 2023.

During the second quarter of fiscal 2022, we opened our first regional fulfillment center (“RFC”) in Orlando, Florida where we are stocking our best sellers for much quicker delivery. This adds an element of immediacy to our proven platform of made to order custom furniture that has driven our strategy for the past two decades. During the fourth quarter of 2022, we opened our second RFC near Baltimore, Maryland. In the first quarter of 2023, we opened three more RFCs in Conover, North Carolina, Grand Prairie, Texas and Riverside, California. We plan to evaluate the performance of these five RFCs before considering any additional locations.

During the fourth quarter of fiscal 2022 we acquired Noa Home (see Note 3 to the Consolidated Financial Statements for additional information regarding the acquisition). A mid-priced e-commerce furniture retailer headquartered in Montreal, Canada, Noa Home has operations in Canada, Australia, Singapore and the United Kingdom. With a lean staffing model, the Noa Home team has built an operational blueprint that has the potential for significant growth. We believe the acquisition will provide Bassett with a greater online presence and will allow us to attract more digitally native consumers. We are currently in the process of expanding Noa Home’s North American product assortment and plan to introduce the Noa Home brand in the United States in the fourth quarter of 2023 through a limited geography test.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
MAY 27, 2023

(Dollars in thousands except share and per share data)

In 2018, we added outdoor furniture to our offerings with the acquisition of the Lane Venture brand. Our strategy is to distribute these products outside of our BHF store network through independent sales representatives each of which have a stated geographic territory. Using Lane Venture as a platform, we developed the Bassett Outdoor brand that is only marketed through the BHF store network. This allows Bassett branded products to move from inside the home to outside the home to capitalize on the growing trend of outdoor living. In the second quarter of 2023, we debuted the Bassett Outdoor contract line at the HD Expo Show in Las Vegas targeting the hospitality segment.

We have factories in Newton, North Carolina that manufacture both stationary and motion upholstered furniture for inside the home along with our outdoor furniture offerings. We also have factories in Martinsville and Bassett, Virginia that assemble and finish our custom bedroom and dining offerings. Late in the third quarter of fiscal 2022, we purchased a facility which we had formerly leased in Haleyville, Alabama where we manufacture aluminum frames for our outdoor furniture. With the purchase, we also obtained two additional buildings which will allow us to expand our footprint at that facility.

In addition to the furniture that we manufacture domestically, we source most of our formal bedroom and dining room furniture (casegoods) and certain leather upholstery offerings from several foreign plants, primarily in Vietnam, Thailand and China. Over 75% of our wholesale revenues are derived from products that are manufactured in the United States using a mix of domestic and globally sourced components and raw materials.

### ***Company-owned Retail Stores***

As we continually monitor the performance of our Company-owned retail store locations, we may occasionally determine that it is necessary to close underperforming stores in certain markets. During 2022, we closed three stores with the operations of one those stores being consolidated into another store in the same market. We are also in the process of closing our northeast clearance center and our store located in Birmingham, Alabama. All of the above-mentioned closures occurred at or near the lease expirations.

We also may occasionally identify opportunities to enhance our presence in existing markets by relocating stores to better locations within the same market. During 2022, we sold the store property of one of our Houston, Texas locations and leased a new 9,600 square foot store property in a more upscale shopping area in the vicinity of the former location. We are in the process of upfitting the store and expect to open in late 2023. During late 2022 at the end of the lease term, we closed our Dallas, Texas store located at the intersection of McKinney and Knox streets. We opened a new 11,600 square foot store in the nearby iconic Inwood Village shopping center during the first quarter of 2023.

In 2022, we acquired a 25,000 square foot property in Tampa, Florida. We are in the process of upfitting the space with a planned opening date in the third quarter of 2023.

As of May 27, 2023, we had 59 Corporate-owned stores operating.

### ***Sale of the Assets of Zenith Freight Lines, LLC***

During the first quarter of 2022, we entered into a definitive agreement to sell substantially all of the assets of our wholly-owned subsidiary, Zenith, to J.B. Hunt and the transaction was completed at the beginning of the second quarter of fiscal 2022. As a result of the sale, the operations of our former logistical services segment, which consisted entirely of the operations of Zenith, are presented in the accompanying condensed consolidated statements of income and in the following discussion as discontinued operations (see Note 12 to the Condensed Consolidated Statements of Income).

**PART I-FINANCIAL INFORMATION-CONTINUED**  
**BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES**  
**MAY 27, 2023**

(Dollars in thousands except share and per share data)

**Results of Continuing Operations – Periods ended May 27, 2023 compared with the periods ended May 28, 2022:**

Consolidated results of continuing operations for the three and six months ended May 27, 2023 and May 28, 2022 are as follows:

	Quarter Ended		Change		Six Months Ended		Change					
	May 27, 2023	May 28, 2022	Dollars	Percent	May 27, 2023	May 28, 2022	Dollars	Percent				
Net sales of furniture and accessories	\$ 100,519	100.0%	\$ 128,706	100.0%	\$ (28,187)	-21.9%	\$ 208,217	100.0%	\$ 246,570	100.0%	\$ (38,353)	-15.6%
Cost of furniture and accessories sold	47,686	47.4%	62,767	48.8%	(15,081)	-24.0%	98,187	47.2%	123,239	50.0%	(25,052)	-20.3%
Gross profit	52,833	52.6%	65,939	51.2%	(13,106)	-19.9%	110,030	52.8%	123,331	50.0%	(13,301)	-10.8%
SG&A expenses	51,366	51.1%	54,927	42.7%	(3,561)	-6.5%	105,861	50.8%	105,841	42.9%	20	0.0%
Gain on revaluation of contingent consideration	1,013	1.0%	-	0.0%	1,013	100.0%	1,013	0.5%	-	0.0%	1,013	100.0%
Income from operations	\$ 2,480	2.5%	\$ 11,012	8.6%	\$ (8,532)	-77.5%	\$ 5,182	2.5%	\$ 17,490	7.0%	\$ (12,308)	-70.4%

*Analysis of Quarterly Results:*

Total sales revenue for the three months ended May 27, 2023 decreased \$28,187 or 22% from the prior year period primarily due to a 29% decline in wholesale sales along with a 20% decrease in retail sales through the Company-owned stores, partially offset by the addition of Noa Home in 2023.

Gross margins for the three months ended May 27, 2023 increased 140 basis points from 2022 primarily due to higher margins in the wholesale segment along with the realization during the second quarter of 2023 of deferred gross profit on intercompany sales made during the preceding quarter due to the decline in retail inventory levels since the end of the first quarter.

Selling, general and administrative (“SG&A”) expenses as a percentage of sales for the three months ended May 27, 2023 increased 840 basis points from 2022 primarily due to the deleverage of fixed costs caused by lower sales volumes.

During the second quarter of 2023 we recognized a gain of \$1,013 resulting from the write-down of our contingent consideration obligation associated with the acquisition of Noa Home. See Note 3 to the condensed consolidated financial statements.

*Analysis of Year-to-Date Results:*

Total sales revenue for the six months ended May 27, 2023 decreased \$38,353 or 16% from the prior year period primarily due to a 23% decline in wholesale sales along with a 10% decrease in retail sales through the Company-owned stores partially offset by the addition of Noa Home in 2023.

Gross margins for the six months ended May 27, 2023 increased 280 basis points from 2022 primarily due to higher margins in the wholesale segment along with a greater portion of total sales coming from the Company-owned stores retail segment.

SG&A expenses as a percentage of sales for the six months ended May 27, 2023 increased 790 basis points from 2022 primarily due to the deleverage of fixed costs caused by lower sales volumes along with a greater portion of total sales coming from the Company-owned stores retail segment.

During the first half of 2023 we recognized a gain of \$1,013 resulting from the write-down of our contingent consideration obligation associated with the acquisition of Noa Home. See Note 3 to the condensed consolidated financial statements.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
MAY 27, 2023

(Dollars in thousands except share and per share data)

***Segment Information***

Beginning in fiscal 2023, we strategically aligned our business into three reportable segments as defined in ASC 280, *Segment Reporting*, and as described below:

- **Wholesale.** The wholesale home furnishings segment is involved principally in the design, manufacture, sourcing, sale and distribution of furniture products to a network of Bassett stores (Company-owned and licensee-owned retail stores) and independent furniture retailers. Our wholesale segment includes our wood and upholstery operations, which includes Lane Venture.
- **Retail – Company-owned stores.** Our retail segment consists of Company-owned stores and includes the revenues, expenses, assets and liabilities and capital expenditures directly related to these stores and the Company-owned distribution network utilized to deliver products to our retail customers.
- **Corporate and other** – Corporate and other includes the shared costs of corporate functions such as treasury and finance, information technology, accounting, human resources, legal and others, including certain product development and marketing functions benefitting both wholesale and retail operations. We consider our corporate functions to be other business activities and have aggregated them with our other insignificant operating segment, the recently acquired Noa Home.

Inter-company net sales elimination represents the elimination of wholesale sales to our Company-owned stores. Inter-company income elimination includes the embedded wholesale profit in the Company-owned store inventory that has not been realized. These profits will be recorded when merchandise is delivered to the retail consumer. The inter-company income elimination also includes rent paid by our retail stores occupying Company-owned real estate.

Prior to the beginning of fiscal 2023, the functions included in Corporate and other were included in our wholesale segment reportable segment, and Noa Home was included in our retail reportable segment for the fourth quarter of fiscal 2022 following its acquisition on September 2, 2022. We believe that the new alignment of our reporting segments provides our chief operating decision maker with clearer information with which to assess the operating results of our wholesale segment. Noa Home does not meet the requirements to be a separate reportable segment. The segment information presented below for the three and six months ended May 28, 2022 has been restated to reflect the new alignment of our reportable segments.

Our former logistical services segment which represented the operations of Zenith is now presented as a discontinued operation.

***Reconciliation of Segment Results to Consolidated Results of Operations***

To supplement the financial measures prepared in accordance with GAAP, we present gross profit by segment inclusive of the effects of intercompany sales by our wholesale segment to our retail segment. Because these intercompany transactions are not eliminated from our segment presentations and because we do not present gross profit as a measure of segment profitability in the accompanying condensed consolidated financial statements, the presentation of gross profit by segment is considered to be a non-GAAP financial measure. In addition, certain special gains or charges are included in consolidated income from operations are not included in the measures of segment profitability. The reconciliation of this non-GAAP financial measure to the most directly comparable financial measure calculated and presented in accordance with GAAP is presented below along with the effects of various other intercompany eliminations on our consolidated results of operations.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
MAY 27, 2023

(Dollars in thousands except share and per share data)

	Quarter Ended May 27, 2023						GAAP
	Non-GAAP Presentation					Presentation	
	Wholesale	Retail	Corporate & Other	Eliminations	Special Items	Consolidated	
Net sales of furniture and accessories	\$ 61,774	\$ 60,778	\$ 2,297	\$ (24,330(1))	\$ -	\$ -	\$ 100,519
Cost of furniture and accessories sold	42,878	28,647	899	(24,738(2))	-	-	47,686
Gross profit	18,896	32,131	1,398	408	-	-	52,833
SG&A expense	11,891	31,376	8,347	(248(3))	-	-	51,366
Gain revaluation of contingent consideration	-	-	-	-	1,013(4)	-	1,013
Income from operations	\$ 7,005	\$ 755	\$ (6,949)	\$ 656	\$ 1,013	\$ -	\$ 2,480

	Quarter Ended May 28, 2022						GAAP
	Non-GAAP Presentation					Presentation	
	Wholesale	Retail	Corporate & Other	Eliminations	Special Items	Consolidated	
Net sales of furniture and accessories	\$ 87,501	\$ 75,620	\$ -	\$ (34,415)	\$ -	\$ -	\$ 128,706
Cost of furniture and accessories sold	61,149	35,522	-	(33,904)	-	-	62,767
Gross profit	26,352	40,098	-	(511)	-	-	65,939
SG&A expense	14,887	32,805	7,549	(314)	-	-	54,927
Income from operations	\$ 11,465	\$ 7,293	\$ (7,549)	\$ (197)	\$ -	\$ -	\$ 11,012

	Six Months Ended May 27, 2023						GAAP
	Non-GAAP Presentation					Presentation	
	Wholesale	Retail	Corporate & Other	Eliminations	Special Items	Consolidated	
Net sales of furniture and accessories	\$ 131,658	\$ 125,740	\$ 5,248	\$ (54,429(1))	\$ -	\$ -	\$ 208,217
Cost of furniture and accessories sold	91,157	59,232	2,331	(54,533(2))	-	-	98,187
Gross profit	40,501	66,508	2,917	104	-	-	110,030
SG&A expense	24,502	64,223	17,637	(501(3))	-	-	105,861
Gain revaluation of contingent consideration	-	-	-	-	1,013(4)	-	1,013
Income from operations	\$ 15,999	\$ 2,285	\$ (14,720)	\$ 605	\$ 1,013	\$ -	\$ 5,182

	Six Months Ended May 28, 2022						GAAP
	Non-GAAP Presentation					Presentation	
	Wholesale	Retail	Corporate & Other	Eliminations	Special Items	Consolidated	
Net sales of furniture and accessories	\$ 170,986	\$ 139,727	\$ -	\$ (64,143(1))	\$ -	\$ -	\$ 246,570
Cost of furniture and accessories sold	120,751	65,692	-	(63,204(2))	-	-	123,239
Gross profit	50,235	74,035	-	(939)	-	-	123,331
SG&A expense	28,568	64,120	13,794	(641(3))	-	-	105,841
Income from operations	\$ 21,667	\$ 9,915	\$ (13,794)	\$ (298)	\$ -	\$ -	\$ 17,490

**PART I-FINANCIAL INFORMATION-CONTINUED**  
**BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES**  
**MAY 27, 2023**

(Dollars in thousands except share and per share data)

Notes to segment consolidation table:

- (1) Represents the elimination of sales from our wholesale segment to our Company-owned BHF stores.
- (2) Represents the elimination of purchases by our Company-owned BHF stores from our wholesale segment, as well as the change for the period in the elimination of intercompany profit in ending retail inventory.
- (3) Represents the elimination of rent paid by our retail stores occupying Company-owned real estate.
- (4) Represents the gain resulting from the write-down of the contingent consideration payable on the acquisition of Noa Home.

**Wholesale Segment**

Results for the wholesale segment for the three and six months ended May 27, 2023 and May 28, 2022 are as follows:

	Quarter Ended		Change		Six Months Ended		Change					
	May 27, 2023	May 28, 2022	Dollars	Percent	May 27, 2023	May 28, 2022	Dollars	Percent				
Net sales	\$ 61,774	100.0%	\$ 87,501	100.0%	\$ (25,727)	-29.4%	\$ 131,658	100.0%	\$ 170,986	100.0%	\$ (39,328)	-23.0%
Gross profit (1)	18,896	30.6%	26,352	30.1%	(7,456)	-28.3%	40,501	30.8%	50,235	29.4%	(9,734)	-19.4%
SG&A expenses	11,891	19.2%	14,887	17.0%	(2,996)	-20.1%	24,502	18.6%	28,568	16.7%	(4,066)	-14.2%
Income from operations	\$ 7,005	11.3%	\$ 11,465	13.1%	\$ (4,460)	-38.9%	\$ 15,999	12.2%	\$ 21,667	12.7%	\$ (5,668)	-26.2%

- (1) Gross profit at the segment level is considered a Non-GAAP financial measure due to the included effects of intercompany transactions. Refer to the reconciliation of gross profit by segment to consolidated gross profit presented under the Reconciliation of Segment Results to Consolidated Results of Operations above.

Wholesale sales by major product category are as follows:

	Quarter Ended									
	May 27, 2023				May 28, 2022				Total Change	
	External	Intercompany	Total	Percent	External	Intercompany	Total	Percent	Dollars	Percent
Bassett Custom Upholstery	\$ 24,156	\$ 15,912	\$ 40,068	64.9%	\$ 33,838	\$ 23,339	\$ 57,177	65.3%	\$ (17,109)	-29.9%
Bassett Leather	6,078	255	6,333	10.3%	9,859	11	9,870	11.3%	(3,537)	-35.8%
Bassett Custom Wood	4,201	4,527	8,728	14.1%	5,660	6,671	12,331	14.1%	(3,603)	-29.2%
Bassett Casegoods	3,009	3,636	6,645	10.8%	3,729	4,394	8,123	9.3%	(1,478)	-18.2%
Total	\$ 37,444	\$ 24,330	\$ 61,774	100.0%	\$ 53,086	\$ 34,415	\$ 87,501	100.0%	\$ (25,727)	-29.4%

  

	Six Months Ended									
	May 27, 2023				May 28, 2022				Total Change	
	External	Intercompany	Total	Percent	External	Intercompany	Total	Percent	Dollars	Percent
Bassett Custom Upholstery	\$ 48,659	\$ 35,256	\$ 83,915	63.7%	\$ 65,750	\$ 43,435	\$ 109,185	63.9%	\$ (25,270)	-23.1%
Bassett Leather	12,883	273	13,156	10.0%	22,821	23	22,844	13.4%	(9,688)	-42.4%
Bassett Custom Wood	9,079	10,467	19,546	14.8%	11,643	12,932	24,575	14.4%	(5,029)	-20.5%
Bassett Casegoods	6,608	8,433	15,041	11.4%	6,629	7,753	14,382	8.4%	659	4.6%
Total	\$ 77,229	\$ 54,429	\$ 131,658	100.0%	\$ 106,843	\$ 64,143	\$ 170,986	100.0%	\$ (39,328)	-23.0%

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
MAY 27, 2023

(Dollars in thousands except share and per share data)

*Analysis of Quarterly Results – Wholesale*

Net sales for the three months ended May 27, 2023 decreased \$10,665 or 29% from the prior year period due primarily to a 30% decrease in shipments to the open market, a 28% decrease in shipments to our retail store network and a 19% decrease in Lane Venture shipments. Gross margins for the three months ended May 27, 2023 improved 50 basis points over the prior year primarily due to increased margins in our Custom Upholstery business as we were able to recognize a greater portion of previously implemented price increases in current period sales coupled with improved overall product warranty and returns experience and overall lower unit costs as measured on a last-in, first-out (LIFO) basis. These margin improvements were partially offset by lower margins in the Bassett Leather business due to increased product discounting and excess and obsolete reserve charges. As the Bassett Leather product line is internationally sourced with extended lead times, we received significant amounts of inventory during the second and third quarters of 2022 just as product demand was weakening due to the market downturn in home furnishings. Also, the ocean freight costs associated with the majority of the product received was at significantly higher costs than are currently being realized on current product receipts. We expect improved margins over the remainder of 2023. Margins in the Bassett Casegoods business were lower due primarily to realizing the high freight costs incurred during mid-2022 in the income statement for the current period. We expect improved margins over the remainder of 2023. Lastly, margins for Bassett Custom Wood products were lower due to lower sales volume. SG&A expenses as a percentage of sales increased 220 basis points primarily due to reduced leverage of fixed costs from decreased sales.

*Analysis of Year-to-Date Results – Wholesale*

Net sales for the six months ended May 27, 2023 decreased \$39,328 or 23% from the prior year period due primarily to a 29% decrease in shipments to the open market, a 17% decrease in shipments to our retail store network and a 19% decrease in Lane Venture shipments. Gross margins for the six months ended May 27, 2023 improved 240 basis points over the prior year primarily due to increased margins in our Custom Upholstery business as we were able to recognize a greater portion of previously implemented price increases in current period sales coupled with improved overall product warranty and returns experience and overall lower unit costs as measured on a last-in, first-out (LIFO) basis. These margin improvements were partially offset by lower margins in the Bassett Leather business due to increased product discounting and excess and obsolete reserve charges. As the Bassett Leather product line is internationally sourced with extended lead times, we received significant amounts of inventory during the second and third quarters of 2022 just as product demand was weakening due to the market downturn in home furnishings. Also, the ocean freight costs associated with the majority of the product received was at significantly higher costs than are currently being realized on current product receipts. We expect improved margins over the remainder of 2023. Margins in the Bassett Casegoods business were lower due primarily to realizing the high freight costs incurred during mid-2022 in the income statement for the current period. We expect improved margins over the remainder of 2023. Lastly, margins for Bassett Custom Wood products were lower due to lower sales volume. SG&A expenses as a percentage of sales increased 190 basis points primarily due to reduced leverage of fixed costs from decreased sales.

*Wholesale Backlog*

Wholesale backlog at May 27, 2023 was \$19,693 as compared to \$35,336 at November 26, 2022 and \$60,134 at May 28, 2022.

**PART I-FINANCIAL INFORMATION-CONTINUED**  
**BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES**  
**MAY 27, 2023**

(Dollars in thousands except share and per share data)

**Retail – Company-owned Stores Segment**

Results for the retail segment for the periods ended May 27, 2023 and May 28, 2022 are as follows:

	Quarter Ended		Change		Six Months Ended		Change					
	May 27, 2023	May 28, 2022	Dollars	Percent	May 27, 2023	May 28, 2022	Dollars	Percent				
Net sales	\$ 60,778	100.0%	\$ 75,620	100.0%	\$ (14,842)	-19.6%	\$ 125,740	100.0%	\$ 139,727	100.0%	\$ (13,987)	-10.0%
Gross profit (1)	32,131	52.9%	40,098	53.0%	(7,967)	-19.9%	66,508	52.9%	74,035	53.0%	(7,527)	-10.2%
SG&A expenses	31,376	51.6%	32,805	43.4%	(1,429)	-4.4%	64,223	51.1%	64,120	45.9%	103	0.2%
Income (loss) from operations	\$ 755	1.2%	\$ 7,293	9.6%	\$ (6,538)	-89.6%	\$ 2,285	1.8%	\$ 9,915	7.1%	\$ (7,630)	-77.0%

- (1) Gross profit at the segment level is considered a Non-GAAP financial measure due to the included effects of intercompany transactions. Refer to the reconciliation of gross profit by segment to consolidated gross profit presented under the Reconciliation of Segment Results to Consolidated Results of Operations above.

Retail sales by major product category are as follows:

	Quarter Ended		Change		Six Months Ended		Change					
	February 25, 2023	May 28, 2022	Dollars	Percent	May 27, 2023	May 28, 2022	Dollars	Percent				
Bassett Custom Upholstery	\$ 34,711	57.1%	\$ 45,376	60.0%	\$ (10,665)	-23.5%	\$ 70,870	56.4%	\$ 83,194	59.5%	\$ (12,324)	-14.8%
Bassett Leather	577	0.9%	292	0.4%	285	97.6%	1,071	0.9%	532	0.4%	539	101.3%
Bassett Custom Wood	9,798	16.1%	11,237	14.9%	(1,439)	-12.8%	19,467	15.5%	20,644	14.8%	(1,177)	-5.7%
Bassett Casegoods	7,771	12.8%	9,188	12.2%	(1,417)	-15.4%	17,821	14.2%	17,480	12.5%	341	2.0%
Accessories, mattresses and other (1)	7,921	13.0%	9,527	12.6%	(1,606)	-16.9%	16,511	13.1%	17,877	12.8%	(1,366)	-7.6%
Total	\$ 60,778	100.0%	\$ 75,620	100.0%	\$ (14,842)	-19.6%	\$ 125,740	100.0%	\$ 139,727	100.0%	\$ (13,987)	-10.0%

- (1) Includes the sale of goods other than Bassett-branded products, such as accessories and bedding, and also includes the sale of furniture protection plans.

*Analysis of Quarterly Results - Retail*

Net sales for the three months ended May 27, 2023 decreased \$14,842 or 20% from the prior year period. Written sales (the value of sales orders taken but not delivered) declined 17% from the second quarter of 2022. Gross margin for the three months ended May 27, 2023 was essentially flat compared to the prior period as increased promotional activity and lower margins from store closure sales in the current quarter were offset by lower unit costs as measured on a LIFO basis. SG&A expenses as a percentage of sales for the three months ended May 27, 2023 increased 820 basis points primarily due to decreased leverage of fixed costs from lower sales volumes coupled with increased warehousing and delivery costs.

*Analysis of Year-to-Date Results - Retail*

Net sales for the six months ended May 27, 2023 decreased \$13,987 or 10% from the prior year period. Written sales (the value of sales orders taken but not delivered) declined 16% from the first half of 2022. Gross margin for the six months ended May 27, 2023 was essentially flat compared to the prior period as increased promotional activity was offset by lower unit costs as measured on a LIFO basis. SG&A expenses as a percentage of sales for the six months ended May 27, 2023 increased 180 primarily due to decreased leverage of fixed costs from lower sales volumes coupled with increased warehousing and delivery costs.

*Retail Backlog*

Retail backlog at May 27, 2023 was \$32,894 compared to \$51,041 at November 26, 2022 and \$71,073 at May 28, 2022.

**PART I-FINANCIAL INFORMATION-CONTINUED**  
**BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES**  
**MAY 27, 2023**

(Dollars in thousands except share and per share data)

**Corporate and Other**

Revenues, costs and expenses of corporate and other for the three and six months ended May 27, 2023 and May 28, 2022 are as follows:

	Quarter Ended		Change		Six Months Ended		Change	
	May 27, 2023	May 28, 2022	Dollars	Percent	May 27, 2023	May 28, 2022	Dollars	Percent
Net sales	\$ 2,297	\$ -	\$ 2,297	100.0%	\$ 5,248	\$ -	\$ 5,248	100.0%
Gross profit	1,398	-	1,398	100.0%	2,917	-	2,917	100.0%
SG&A expenses	8,347	7,549	798	10.6%	17,637	13,794	3,843	27.9%
Net expenses	\$ (6,949)	\$ (7,549)	\$ 600	-7.9%	\$ (14,720)	\$ (13,794)	\$ (926)	6.7%

*Analysis of Quarterly Results – Corporate and Other*

The increases in sales and gross profit over the prior year period were due to the acquisition of Noa Home on September 2, 2022. The \$798 increase in SG&A expenses was primarily due to the addition of Noa Home and increased corporate consulting expenses associated with our digital transformation efforts and the development of a new store prototype design partially offset by lower corporate incentive compensation expenses.

*Analysis of Year-to-Date Results – Corporate and Other*

The increases in sales and gross profit over the prior year period were due to the acquisition of Noa Home on September 2, 2022. The \$3,843 increase in SG&A expenses was primarily due to the addition of Noa Home and increased corporate consulting expenses associated with our digital transformation efforts and the development of a new store prototype design partially offset by lower corporate incentive compensation expenses.

**Discontinued Operations – Logistical Services**

	Quarter Ended		Six Months Ended	
	May 28, 2022		May 28, 2022	
Logistical services revenue	\$ -	0.0%	\$ 16,776	100.0%
Cost of logistical services	-	0.0%	15,001	89.4%
Other loss, net	-	0.0%	(63)	-0.4%
Income from discontinued operations before tax	\$ -	0.0%	\$ 1,712	10.2%

The amounts shown above represent the results of Zenith's business transactions with third parties. Because the sale of Zenith was closed on the first business day of the second fiscal quarter of 2022, operating results for that period are insignificant.

Zenith also charged Bassett for logistical services provided to our wholesale segment in the amount of \$9,121 during the six months ended May 28, 2022. These shipping and handling costs are included in selling, general and administrative expenses in the accompanying condensed consolidated statements of income. Upon the sale of Zenith we entered into a service agreement with J.B. Hunt for the continuation of these services for a period of seven years. We incurred expense for logistical services performed by J.B. Hunt of \$6,717 and \$14,094 during the three and six months ended May 27, 2023, respectively, and \$9,546 for the three and six months ended May 28, 2022, respectively.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
MAY 27, 2023

(Dollars in thousands except share and per share data)

Other Items Affecting Net Income

*Other Income (Loss), Net*

Other income (loss), net, for the three and six months ended May 27, 2023 was \$64 and \$(351), respectively, compared to \$(627) and \$(1,256) for the three and six months ended May 28, 2022. The net change from the prior year periods was primarily due to higher interest income on our cash equivalents and investments in certificates of deposit.

*Income Taxes*

We calculate an anticipated effective tax rate for the year based on our annual estimates of pretax income and use that effective tax rate to record our year-to-date income tax provision. Any change in annual projections of pretax income could have a significant impact on our effective tax rate for the respective quarter.

Our effective tax rate was 18.6% and 27.0% for the three and six months ended May 27, 2023, respectively, and 26.0% for both the three and six months ended May 28, 2022. The effective rates for the three and six months ended May 27, 2023 differ from the federal statutory rate of 21% primarily due to the non-taxable gain on revaluation of contingent consideration associated with the acquisition of Noa Home (see Note 3), increases in the valuation allowance placed on deferred tax assets associated with Noa Home and the effects of state income taxes and various permanent differences. For the three and six months ended May 28, 2022, the effective rates differ from the federal statutory rate of 21% primarily due to the effects of state income taxes and various permanent differences, including tax of \$522 associated with the non-deductible goodwill written off in connection with the sale of Zenith and included in income tax on discontinued operations.

**Liquidity and Capital Resources**

Cash Flows

Cash provided by operations for the first half of fiscal 2023 was \$6,413 compared to cash used in operations of \$8,946 for the first half of fiscal 2022, representing an increase of \$15,359 in cash flows from operations. Cash provided by the operating activities of our discontinued operations was \$1,681 for the first half of fiscal 2022. Excluding the decline in operating cash flow from discontinued operations, cash flows from continuing operations increased \$17,040 for the first half of fiscal 2023 from the prior year period. This increase was primarily the result of significantly lower investment in inventory partially offset by lower income from continuing operations and other changes in working capital.

Our overall cash position declined \$7,022 during the first half of 2023 compared to an increase of \$37,236 for the first half of 2022, which had included the proceeds from the sale of Zenith. During the first half of fiscal 2023, we spent \$7,405 on purchases of property and equipment primarily consisting of expenditures related to our digital transformation project, upfit of the new Tampa, FL store that is expected to open in the third quarter of 2023 and the recently opened Inwood store in Dallas, TX and the remodel of two other stores in the Dallas, TX market. We also paid \$2,832 in dividends during the six months ended May 27, 2023, a \$14,338 decrease from the corresponding period in 2022 as the prior year included a \$1.50 per share special dividend. Finally, we repurchased 209,337 shares spending \$3,450 during the current year, a \$5,192 decrease compared to the prior period. We expect capital expenditures for the full year to range from \$16 million to \$19 million. As of May 27, 2023, \$22,550 remains available for future purchases under our stock repurchase plan. With cash and cash equivalents and short-term investments totaling \$72,328 on hand at May 27, 2023, expected future operating cash flows and the availability under our credit line noted below, we believe we have sufficient liquidity to fund operations for the foreseeable future.

Debt and Other Obligations

Our bank credit facility provides for a line of credit of up to \$25,000. At May 27, 2023, we had \$3,731 outstanding under standby letters of credit against our line, leaving availability under our credit line of \$21,269. The line bears interest at the One-Month Term Secured Overnight Financing Rate ("One-Month Term SOFR") plus 1.5% and is unsecured. Our bank charges a fee of 0.25% on the daily unused balance of the line, payable quarterly. Under the terms of the bank credit facility, we must maintain the following financial covenants, measured quarterly on a rolling twelve-month basis:

- Consolidated fixed charge coverage ratio of not less than 1.4 times,
- Consolidated lease-adjusted leverage ratio not to exceed 3.0 times, and
- Minimum tangible net worth of \$140,000.

We were in compliance with these covenants at May 27, 2023 and expect to remain in compliance for the foreseeable future. The credit facility will mature on January 27, 2025, at which time any amounts outstanding under the facility will be due.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
MAY 27, 2023

(Dollars in thousands except share and per share data)

We lease land and buildings that are used in the operation of our Company-owned retail stores as well as in the operation of certain of our licensee-owned stores, and we lease land and buildings used in our wholesale manufacturing operations. We also lease local delivery trucks used in our retail segment. The present value of our obligations for leases with terms in excess of one year at May 27, 2023 is \$108,665 and is included in our accompanying condensed consolidated balance sheet at May 27, 2023. We were contingently liable under a licensee lease obligation guarantee in the amount of \$1,897 at May 27, 2023. The remaining term under this lease guarantee extends for five years. See Note 10 to our condensed consolidated financial statements for additional details regarding our lease guarantees.

Investment in Retail Real Estate

We have a substantial investment in real estate acquired for use as retail locations and occupied by Company-owned retail stores, including a site in Tampa, Florida acquired in 2022 with a planned opening late in fiscal 2023. Such real estate is included in property and equipment, net, in the accompanying condensed consolidated balance sheets and consists of eight properties with an aggregate square footage of 203,465 and a net book value of \$21,027 at May 27, 2023.

**Critical Accounting Policies and Estimates**

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, included in our Annual Report on Form 10-K for the fiscal year ended November 26, 2022.

**Off-Balance Sheet Arrangements**

We utilize stand-by letters of credit in the procurement of certain goods in the normal course of business. In addition, we have guaranteed certain lease obligations of licensee operators for some of their store locations. See Note 10 to our condensed consolidated financial statements for further discussion of lease guarantees, including descriptions of the terms of such commitments and methods used to mitigate risks associated with these arrangements.

**Contingencies**

We are involved in various legal and environmental matters which arise in the normal course of business. Although the final outcome of these matters cannot be determined, based on the facts presently known, it is our opinion that the final resolution of these matters will not have a material adverse effect on our financial position or future results of operations. See Note 10 to our condensed consolidated financial statements for further information regarding certain contingencies as of May 27, 2023.

**Item 3. Quantitative and Qualitative Disclosure about Market Risk:**

We are exposed to market risk from changes in the value of foreign currencies. Substantially all of our imports purchased outside of North America are denominated in U.S. dollars. Therefore, we believe that gains or losses resulting from changes in the value of foreign currencies relating to foreign purchases not denominated in U.S. dollars would not be material to our results from operations in fiscal 2023. We are also exposed to foreign currency market risk through our investment in Noa Home. Our investment in Noa Home is subject to changes in the value of the Canadian dollar versus the U.S. dollar. Additionally, Noa Home is exposed to other local currency fluctuation risk through its operations in Australia, Singapore and the United Kingdom. The impact of currency fluctuations on our financial position and results of operations since the acquisition of Noa Home on September 2, 2022 has not been significant.

We are exposed to market risk from changes in the cost and availability of raw materials used in our manufacturing processes, principally wood, woven fabric, and foam products. The cost of foam products, which are petroleum-based, is sensitive to changes in the price of oil.

We are also exposed to commodity price risk related to diesel fuel prices for fuel used in our retail segment for home delivery as well as through amounts we are charged for logistical services by our service providers. We manage our exposure to that risk primarily through the application of fuel surcharges to our customers.

PART I-FINANCIAL INFORMATION-CONTINUED  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
MAY 27, 2023

(Dollars in thousands except share and per share data)

We have potential exposure to market risk related to conditions in the commercial real estate market. Our retail real estate holdings of \$21,027 at May 27, 2023 for Company-owned stores could suffer significant impairment in value if we are forced to close additional stores and sell or lease the related properties during periods of weakness in certain markets. Additionally, if we are required to assume responsibility for payment under the lease obligations of \$1,897 which we have guaranteed on behalf of licensees as of May 27, 2023 we may not be able to secure sufficient sub-lease income in the current market to offset the payments required under the guarantees. We are also exposed to risk related to conditions in the commercial real estate rental market with respect to the right-of-use assets we carry on our balance sheet for leased retail store locations, manufacturing and warehouse facilities. At May 27, 2023, the unamortized balance of such right-of-use assets used in continuing operations totaled \$92,074. Should we have to close or otherwise abandon one of these leased locations, we could incur additional impairment charges if rental market conditions do not support a fair value for the right of use asset in excess of its carrying value.

**Item 4. Controls and Procedures:**

The Company's principal executive officer and principal financial officer have evaluated the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon their evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective. There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION  
BASSETT FURNITURE INDUSTRIES INCORPORATED AND SUBSIDIARIES  
MAY 27, 2023

(Dollars in thousands except share and per share data)

**Item 1. Legal Proceedings**

None

**Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

The following table summarizes the stock repurchase activity by or on behalf of the Company or any “affiliated purchaser,” as defined by Rule 10b-18(a) (3) of the Exchange Act, for the three months ended May 27, 2023 and the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

	<u>Total Shares Purchased</u>	<u>Average Price Paid</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)</u>
February 26, 2023 - April 1, 2023	23,341	\$ 18.48	23,341	\$ 23,723
April 2, 2023 - April 29, 2023	51,184	\$ 15.44	51,184	\$ 22,933
April 30, 2023 - May 27, 2023	26,729	\$ 14.34	26,729	\$ 22,550

(1) The Company is authorized to repurchase Company stock under a plan which was originally announced in 1998. On March 9, 2022, the Board of Directors increased the remaining limit of the repurchase plan to \$40,000. At May 27, 2023, \$22,550 remained available for share repurchases under the plan.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 6. Exhibits**

a. Exhibits:

Exhibit 3a – Articles of Incorporation as amended to date are incorporated herein by reference to the Exhibit to Form 10-Q for the fiscal quarter ended February 28, 1994.

Exhibit 3b – [By-laws as amended to date are incorporated herein by reference to Exhibit 3.1 to Form 8-K filed with the SEC on November 23, 2022.](#)

Exhibit 4 – Registrant hereby agrees to furnish the SEC, upon request, other instruments defining the rights of holders of long-term debt of the Registrant.

Exhibit 31a – [Chief Executive Officer’s certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

Exhibit 31b – [Chief Financial Officer’s certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

Exhibit 32a – [Chief Executive Officer’s certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

Exhibit 32b – [Chief Financial Officer’s certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

PART II - OTHER INFORMATION  
BASSETT FURNITURE INDUSTRIES INCORPORATED AND SUBSIDIARIES  
MAY 27, 2023

(Dollars in thousands except share and per share data)

Exhibit 101.INS Inline XBRL Instance

Exhibit 101.SCH Inline XBRL Taxonomy Extension Schema

Exhibit 101.CAL Inline XBRL Taxonomy Extension Calculation

Exhibit 101.DEF Inline XBRL Taxonomy Extension Definition

Exhibit 101.LAB Inline XBRL Taxonomy Extension Labels

Exhibit 101.PRE Inline XBRL Taxonomy Extension Presentation

Exhibit 104. Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

BASSETT FURNITURE INDUSTRIES, INCORPORATED

/s/ ROBERT H. SPILMAN, JR.  
Robert H. Spilman, Jr., Chairman and Chief Executive Officer  
June 29, 2023

/s/ J. MICHAEL DANIEL  
J. Michael Daniel, Senior Vice President and Chief Financial Officer  
June 29, 2023

## CERTIFICATIONS

I, Robert H. Spilman, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bassett Furniture Industries, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 29, 2023

/s/           ROBERT H. SPILMAN, JR.            
Robert H. Spilman, Jr., Chairman and Chief Executive Officer

## CERTIFICATIONS

I, J. Michael Daniel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bassett Furniture Industries, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 29, 2023

/s/ J. MICHAEL DANIEL

J. Michael Daniel, Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Bassett Furniture Industries, Incorporated (the "Company") on Form 10-Q for the period ending May 27, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert H. Spilman, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 29, 2023

/s/           ROBERT H. SPILMAN, JR.            
Robert H. Spilman, Jr.,  
Chairman and Chief Executive Officer

*A signed original of this written statement required by Section 906 has been provided to Bassett Furniture Industries, Incorporated and will be retained by Bassett Furniture Industries, Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.*

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Bassett Furniture Industries, Incorporated (the "Company") on Form 10-Q for the period ending May 27, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Michael Daniel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 29, 2023

/s/ J. MICHAEL DANIEL

J. Michael Daniel,  
Senior Vice President and Chief Financial Officer

*A signed original of this written statement required by Section 906 has been provided to Bassett Furniture Industries, Incorporated and will be retained by Bassett Furniture Industries, Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.*