

Bassett Furniture Industries (Q4 2025 Earnings)
February 5, 2026

Corporate Speakers:

- J. Michael Daniel; Bassett Furniture Industries; Chief Financial Officer
- Robert Spilman; Bassett Furniture Industries; Chief Executive Officer

Participants:

- Anthony Lebiedzinski; Sidoti; Analyst
- Douglas Lane; Water Tower Research; Analyst

PRESENTATION

Operator^ Good day and thank you for standing by. Welcome to the Bassett Furniture Fourth Quarter 2025 Earnings Conference Call (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Mike Daniel, CFO. Please go ahead.

J. Michael Daniel^ Thank you, [Didi], for the introduction. Welcome to the Bassett Furniture Industries Earnings Call for the Fourth Quarter of Fiscal 2025, which ended November 29, 2025. Joining me today is our Chairman and CEO, Rob Spilman. We issued our earnings release for the fourth quarter yesterday after the market closed, and it's available on our website. We plan to file our Form 10-K with the Securities and Exchange Commission in the next couple of days. After today's remarks, Rob and I will open up for questions. We will also post a transcript of this call on Bassett's Investor Relations website following the call.

During this call certain statements we make may be considered forward-looking statements and inherently involve risks and uncertainties that could cause actual results to differ materially from management's present view. These statements are made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. The company cannot guarantee the accuracy of any forecast or estimate nor does it undertake any obligation to update such forward-looking statements. Other filings with the SEC describing risks related to our business are available on our corporate website under the Investors tab.

Now I'll turn things over to Rob. Rob?

Robert Spilman^ Okay. Good morning, everyone. Thank you, Mike. The reality is that the market has not changed much from what we saw throughout the first three quarters of fiscal 2025. Housing sales is very slow, and this of course impacts our business. So we're pleased that given this environment and with our fourth quarter close on November 29, the day after Black Friday, we increased sales and profits.

Last year at this time we noted that our 2024 restructuring plan was mostly complete. But I want to point out that the restructuring mindset and the focus of running a leaner, smarter business is as much on the front burner today as it was then. We're still at it, taking costs out, driving operating efficiencies, integrating technology, emphasizing product newness, innovation and design, along with adapting to a changing marketplace.

We managed through the tariffs and Bassett's flexible sourcing model is central to our company's ability to be resilient. We are hopeful that the tariff situation has stabilized, but we will react again if that changes.

Bassett finished the year with a solid fourth quarter, increasing consolidated revenue 5.1%. And excluding the impact of last year's Noa Home closure, consolidated revenues were up 6.4%. Wholesale sales were up 8.3%. Retail sales were strong as well, increasing 7.9%.

Two years ago, we invested in a fresh approach to Bassett Casegoods, and those investments have begun to pay off for us. Our wood business needed to be reinvented, and we're pleased with the progress we've made. Sales of these offerings were up over 50% in the quarter. The Copenhagen line has been in retail locations for a year now and is a top seller across all product categories. Our HomeWork line of desk and related office products has successfully repositioned us in the home office category.

On the domestic front, our U.S.-made HideAway Solid Dining program, solid wood dining was a good start. In upholstery, sales of true custom leather that we launched in 2023 continues to exceed expectations and sales of that program were up 19% in the quarter. We are also selling better fabrics, and we have consolidated our grading system to simplify the special order transaction and to offer more obvious values on better fabrics. The reception to our new styles at the High Point Market indicates that club-level motion is poised for further growth in 2026 and we are also excited about the innovation behind our Z4 Sleeper program that makes for easy opening with this European hardware.

Our Bassett Outdoor line is being absorbed into the Lane Venture outdoor collection which we have owned for eight years, resulting in the Lane Venture brand being offered in the Bassett Home Furnishing stores starting this month. Lane Venture has very strong brand recognition in outdoor. This will be a more efficient operating model for us with fewer assets to support and will generate better inventory turns.

We tweaked our marketing activities in the quarter, again supplementing digital with print and spot TV. We provide assets to our licensed stores and many took the opportunity to run local TV ads to drive traffic in their markets. We were encouraged by the ROI we saw on our direct mail pieces in the third and fourth quarter, and this is important to our strategy for 2026. We're moving from one catalog to two this year to supplement our digital plans. During the past year, our teams worked hard on enhancing the consumer-facing ecommerce site and ecommerce sales were up 14% in the quarter. Conversion rates continue to rise double digits.

For the full year, ecommerce sales were up 27%. We will continue to add stores in 2026 with Cincinnati opening in the second quarter and Orlando opening in the third quarter. Both are new markets for us. We will also relocate our existing Long Island store in Westbury to Melville, New York in September.

Things are certainly changing in the open market furniture world outside of the Bassett store network. The retirement of independent furniture store operators is a nationwide generational trend that has picked up steam in the post-pandemic world. We have several strategies in place to adapt and continue to grow our wholesale channels. We are adding new elements to both of our dedicated distribution concepts. The 3,000 to 5,000 square foot Bassett Design Center is our largest channel outside of retail. Sales were up 5% in the BDCs in the quarter. Our Bassett Custom Studio, the 1,000 square foot footprint specializing in true custom upholstery were up 21% in the quarter. We now have 57 Bassett Custom Studio partners. Another important element of our strategy is accelerating our pursuit of America's robust interior design community. We have implemented new programs to address the needs of the design trade, and this is a priority for 2026.

In a similar vein, we have launched a new division, Bassett Hospitality to grow sales we've been building in the boutique hotel, country club and senior living channels. Under experienced leadership, we're building a portfolio of table stakes assets to address this business properly.

Bassett closed the fiscal year with a strong balance sheet. Mike will get into the financial details on the quarter. Our fiscal 2026 is well underway. We believe the tariff situation has stabilized, and we've adjusted prices to account for the impact. We will reassess if that changes.

Industry data points to ongoing challenges with housing and mortgage rates. So we must control what we can, holding a leaner organization and business model to position us well in this environment. Our team is smaller. We reduced headcount by 11% last year, and we recently reduced headcount again by 4%. We made meaningful progress in 2025 on positioning Bassett to weather a marketplace where discretionary demand has moderated. Innovation, change and operating discipline remains critical to our future. After 124 years of history, our future is dependent on these changes, flexibility and new ideas.

Now I'll turn things over to Mike.

J. Michael Daniel^ Thank you, Rob. In my commentary, the comparisons I'll discuss will be the fourth quarter of fiscal 2025 compared to the fourth quarter of fiscal 2024, unless otherwise noted. As Rob previously noted, total consolidated revenue increased \$4.4 million or 5.1%. Excluding sales from Noa Home which closed late in 2024, consolidated revenues increased 6.4%. Gross margin at 56.3% represented a 30 basis point decrease when compared to the prior year, primarily driven by lower retail margins, partially offset by higher margins in the wholesale business.

Selling, general and administrative expenses were 53.2% of sales, 60 basis points lower than the prior year, reflecting benefits from last year's restructuring program, ongoing cost optimization activities and greater leverage of fixed costs due to higher sales levels. Operating income was \$2.3 million or 2.6% of sales as compared to income of \$900,000 in the prior year. Excluding impairments and other restructuring-related costs, operating income would have been \$2.8 million or 3.2% of sales in 2025 compared to \$2.3 million or 2.8% of sales in 2024.

Diluted earnings per share were \$0.18 in 2025 versus \$0.38 in the prior year quarter. The prior year's earnings included a \$2.6 million tax benefit associated with our cumulative investment in Noa Home. Excluding that benefit, diluted earnings per share for 2024 would have been \$0.08.

Now let me touch on the wholesale operations. Again, as Rob pointed out, net sales for the wholesale business increased \$4.4 million or 8.3% over the prior year, consisting of a 14% increase in shipments to our retail store network, a 3.4% increase in shipments to the open market partially offset by a 13% decrease in shipments for Lane Venture. The decrease for Lane Venture was primarily due to timing of receipt of imported goods to fulfill orders as the order rate for the quarter actually increased by 34%. Gross margin increased 60 basis points over the prior year. This increase was driven by improved pricing strategies in both the upholstery and wood operations, coupled with greater leverage of fixed costs from higher sales levels, partially offset by an unfavorable warranty and returns adjustment. SG&A expenses as a percent of sales decreased 50 basis points, primarily due to greater leverage of fixed costs from higher sales levels. Wholesale backlog was \$19.5 million as compared to \$21.8 million on November 30, 2024.

Now moving on to our retail store operations. Net sales increased \$4.2 million or 7.9%. To support sales and to wait until there was greater clarity on tariffs, our retail prices were not adjusted for the cost increases until January 1, 2026. Primarily due to this, the gross margin declined 150 basis points. SG&A expenses as a percent of sales decreased 180 basis points due to several factors, efficiency gains in warehouse and delivery operations, overall lower operating costs due to benefits from the cost reductions implemented during the restructuring and greater leverage of fixed costs due to higher sales levels. Retail backlog was \$34.4 million compared to \$37.1 million at November 30, 2024.

Our liquidity position remains solid with \$59.2 million of cash and short-term investments and no debt. We generated \$7.8 million in operating cash flow during the quarter, and our cash and short-term investments increased \$4.6 million. For the year, we generated \$13.5 million in operating cash flow and \$2 million of free cash flow, demonstrating our ability to manage cash during a tough business cycle for home furnishings.

As Rob mentioned, we plan to open three new stores during the year which will result in additional capital expenditures. We're forecasting \$8 million to \$12 million of CapEx for

2026, considerably more than the \$4.5 million spent this year. We continue to pay our quarterly dividend and repurchase shares opportunistically. We spent \$1.7 million on dividends and \$600,000 on share buybacks in the fourth quarter. We remain committed to delivering shareholder returns through dividends and when appropriate, share buybacks and our Board recently approved a regular \$0.20 dividend to be paid February 27.

Now we'll open up the line for questions. [Didi], please provide instructions to do so.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And our first question comes from Anthony Lebie dzinski of Sidoti.

Anthony Lebie dzinski^ Certainly, great to see you guys maintaining a very strong balance sheet even with all this volatility. So I guess my first question, just as far as Q4, can you comment on pricing versus unit volumes, how you saw that in the quarter?

Robert Spilman^ Are you referring to the tariffs --

Anthony Lebie dzinski^ Yes, mostly just tariffs. I mean obviously with all the changes that we've seen, you guys did take some pricing actions. So just wondering if you guys can comment on that. It doesn't have to be overly specific.

Robert Spilman^ Back in the spring, when they had Liberation Day we increased prices initially on that and passed that through retail. Then we had some subsequent tariffs and these things have jumped around a lot. But as Mike alluded to in his comments, we made the decision to hold our retail prices in the fourth quarter which did impact our retail gross margins. We basically had a surcharge on top of the wholesale -- the regular wholesale price, we had a tariff surcharge. Then recently here a couple of weeks ago, we rolled the surcharge into a wholesale price and then adjusted that at retail. So basically, we paid the surcharge in our retail division during the quarter, and that's now been run through. Hopefully, this thing will settle down and we know what we're dealing with, although, of course as you may have seen, India's tariffs are coming down. So -- and we do have some nice products from India. So it's been tough to manage, and it's been tough to communicate exactly where we are to our customers through all this. But hopefully, we're going to see some kind of stabilization.

J. Michael Daniel^ And Anthony, when you get down to price versus number of pieces, we don't get too caught up in the number of pieces. We're really tracking the top line cash. But I would say on the wholesale side, when you say we're up 8% in sales dollars, I think the price increase was not 8% given all. So I would say from a unit standpoint, we probably were up a tad.

Anthony Lebie dzinski^ Okay. That's great. Then can you guys comment on the written retail sales that you saw in the quarter? Any sort of comment on demand trends so far in early fiscal '26?

Robert Spilman^ Well we started off the quarter strong with written sales. They did temper somewhat as the quarter went on. We did have another strong Black Friday. But at the end of the day we had a nice written quarter. This year, we started off solid in the first seven weeks of fiscal 2026 and we were pleased with that.

I must say however that these last two weeks with this weather situation has been a real kick in the pants, so to speak. We had to close 40 stores with the ice weekend. We closed several last weekend with the snow. So this has been highly disruptive to everything. So here we are in February and President's Day loom. So these next four weeks will really tell the tale of the quarter. We felt quite good until we couldn't open the stores. So we'll see what happens, but that's my flavor on that.

J. Michael Daniel^ And let me give you another little piece of data that typically we have in the 10-Q and since we don't have a specific SEC report on the fourth quarter, we don't disclose it. Our written sales were up 4% for the quarter.

Anthony Lebiezdinski^ Got it. Then, obviously hopefully, for the President's Day weekend, the weather is kind of more normal. Then as far as the Bassett Design Studios and Design Centers, so I know you guys gave some color commentary on that which sounds like those are doing well. As we look forward here to the balance of fiscal '26, do you guys expect to open more of those locations? How should we think about that?

Robert Spilman^ We do. The Custom Studio is a smaller concept, 1,000 square feet, really specializing in our custom upholstery, true custom program. We should get more action out of that as the design center is a bigger commitment on floor space and inventory. Those don't come along as often as we have been able to open the newer concept. But yes, that's very much a focus for us. What we're really focusing on, too, is the productivity of those concepts, all the metrics that they use. Of course that's how you keep a solid network. I can't tell you exactly how many, but that's something that we talk about constantly around here.

Anthony Lebiezdinski^ Got you. Okay. Then my last question here. So I know you guys talked about opening new stores this year. Longer term, how do you guys think about the retail store network? Just would love to get some color on that subject.

Robert Spilman^ When you say how do we think about it, you mean in terms of size of it or how many stores or that kind of thing?

Anthony Lebiezdinski^ Yes, exactly. What's your kind of long-term goal as far as the number of stores, if you have a goal that you can share with us? Or just any sort of additional color as to how you guys think about the growth of the business in the next three to five years which I would imagine would entail opening more stores, but maybe you guys could provide some additional details on that.

Robert Spilman^ Sure. Well we certainly look at the geography of the country and what kind of revenue is derived from each area. We know that when we open a store, we do more business in that area than if we don't have a store. So that's number one. However I would say the post-Covid models for rents and for construction costs, we just had an interesting meeting on that yesterday. The environment has changed. It's more expensive to do these stores today. So what we do, we've got a formula, and we overlay that formula with the geography. We do try to leverage areas where we are currently operating to take advantage of warehousing and that kind of thing if we can add and leverage our investment in the geographic area.

So -- but this pace of, call it, two to four stores a year is one that we foresee us continuing on. In addition to that, of course all these efforts in the open market and now the design trade and the new Bassett Hospitality division, all of these things are -- and Lane Venture are all part of the mix for us to grow the top line.

Operator^ And our next question comes from Doug Lane of Water Tower Research.

Douglas Lane^ Looking at the retail business in 2026 here, you mentioned you raised prices January 1. So will that be enough to get retail gross margins up year-over-year? Or are there other factors that might continue to hold retail margins back a little bit?

Robert Spilman^ Well Doug, really, if you look back in probably a 5-year run, we've had a nice run up in our retail margins. Then, of course this quarter, we went the other way for the reasons that Mike enumerated with eating the surcharge and all that. But I think we're about where we're going to be. We could increase slightly. And I mean we've already seen the first couple of weeks with adjusting the prices that the margins have come up some. But we also want to make sure that we keep our inventory clean, and we're running an inventory reduction sale as we speak.

So all of those factors play in. So we've been running 52%, 53%, 54% in that range for some time. I think that's where we see ourselves for the immediate future.

Douglas Lane^ No. That makes sense. And help me understand how the new stores impact the P&L on the retail side. Is it enough to cause any kind of lumpiness in either sales growth or gross margin in any particular quarter? Or is it just pretty much seamless?

J. Michael Daniel^ Well and I'll take this one. From a gross margin standpoint, really no effect on the gross margin per se. Where you see the impact is on the SG&A side, where, unfortunately, with the way we have to record rent expense, we record rent expense basically when we take control of the building which could be two, three months before we open. So we're hitting a rent expense at that point. Then when we open, we don't ring the register for a sale until the product gets delivered.

So there's occupancy cost and other SG&A that's going on for a 2 to 3-month period before you get that backlog up to a normal level. So from a P&L perspective, SG&A is a hit. I think if I remember right, we used to say in the Qs and the Ks, it was somewhere in

the \$400,000 to \$500,000 range for a new store opening. We referred to that as preopening costs.

Douglas Lane^ Okay. Got it. It still sounds like the macro environment is challenging and yet you're growing wholesale and retail 8%. So congratulations on that. So obviously you're gaining share from somebody. How would you describe where you're taking market share from in the current environment?

Robert Spilman^ Well I just would attribute it to some of the new products that we brought out. And maybe -- well definitely, I would say in a couple of cases, we've needed to really improve our assortment. It's hard for me to really pinpoint who we took it from because there are so many guys doing this in this business. But it's really in our Bassett Casegoods, particularly this quarter, consumers responded to what we had to offer, and that's really made a difference.

So one thing about our business, and this is for everybody, if you get something that's hot that people like, it can affect your sales nicely. Of course the opposite is also true. But that's really what I attribute that to -- and we've been out in the stores here in the last few weeks and the people are excited about these new products. So that's really what's happening.

J. Michael Daniel^ And Doug, I would add one thing Rob pointed out in his comments is kind of the phenomenon of what's happening with the independent retailer. More and more of the generational businesses are going away. And at least on the retail side, it does provide some additional help to our sales. So I'd throw that in there, too.

Douglas Lane^ No. That makes sense. Lastly, on share repurchase. What is the attitude on share repurchase? Is it still opportunistic? Or do you think that 2026 might be a little bit more aggressive than 2025? Just maybe if you could help me think about how you guys think about share repurchases.

Robert Spilman^ Well Mike, his word opportunistic is certainly what drives our decision process on that. We also in quiet periods are prohibited from buying in the open market unless we put some kind of accommodating plan in to allow us to buy at a certain level. So before we close each quarter, we look at those 30 to 40 days that follow the quarter and say well if it reaches a certain level, if it goes down to a certain level, we'll buy. But I would say pretty much stay the course of where we are on the share repurchase is what we're thinking right now.

J. Michael Daniel^ And the other piece to that, Doug, is we're constantly looking at our cash level and the cash generation during the period to make sure that we can, if you want to say afford to make those purchases.

Operator^ I'm showing no further questions at this time. I'd like to turn it back to Rob Spilman for closing remarks.

Robert Spilman^ Well as we said everyone, we have a similar environment here in 2026 that we experienced in 2025, but we are hard at running a smarter business and growing the top line at Bassett in the various ways that we have described. That's what we're going to continue to do. I would say thank you for your participation today and have a great day. Thank you.

Operator^ This concludes today's conference call. Thank you for participating. You may now disconnect.