



Hooker Furnishings Corp. (HOFT)

Updated April 23rd, 2025, by Aristofanis Papadatos

Key Metrics

| | | | | | |
|-----------------------------|-------|--|------------------------|--------------------------------------|---------|
| Current Price: | \$9.2 | 5 Year CAGR Estimate: | 13.5% | Market Cap: | \$95 M |
| Fair Value Price: | \$6.3 | 5 Year Growth Estimate: | 15.0% | Ex-Dividend Date¹: | 6/13/25 |
| % Fair Value: | 147% | 5 Year Valuation Multiple Estimate: | -7.4% | Dividend Payment Date: | 6/27/25 |
| Dividend Yield: | 10.0% | 5 Year Price Target | \$12.6 | Years Of Dividend Growth: | 9 |
| Dividend Risk Score: | F | Sector: | Consumer Discretionary | Rating: | Hold |

Overview & Current Events

Hooker Furnishings is a designer, marketer and importer of casegoods (wooden and metal furniture), leather furniture, fabric-upholstered furniture, lighting, accessories and home décor for residential, hospitality and contract markets. The company also domestically manufactures premium residential custom leather and fabric-upholstered furniture. Hooker Furnishings is the largest supplier of casegoods and upholstery in the U.S. and has access to more than 75% of all retail furniture distribution. It was founded in 1924, it is headquartered in Martinsville, Virginia, and currently trades with a market capitalization of \$95 million.

In mid-April, Hooker Furnishings reported (4/17/25) financial results for the fourth quarter of fiscal 2025 (the fiscal year of the company ends at the end of January 2025). Net sales grew 8% over the prior year's quarter, mostly thanks to a low comparison base. The combination of high interest rates and high home prices have been exerting pressure on the business of Home Furnishings over the last two years. As a result, the company switched from earnings-per-share of \$0.06 to a loss per share of -\$0.22 and missed the analysts' consensus by a massive \$0.37. The company has missed the analysts' estimates for 5 consecutive quarters.

Management attributed the weak performance to challenging business conditions, such as weak new home sales and persistent inflation. We note that the company has reported weak sales and earnings in each of the last 7 quarters. If the government does not impose excessive tariffs on major trading partners, the company has good chances of improving its business performance this year. The stock has plunged -34% this year due to the risk of low margins amid high tariffs.

Growth on a Per-Share Basis

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|---------------------------|--------|--------|--------|--------|--------|---------|--------|--------|--------|---------|---------------|---------------|
| EPS | \$1.49 | \$2.18 | \$2.42 | \$3.38 | \$1.44 | -\$0.88 | \$0.97 | \$1.10 | \$0.91 | -\$0.77 | \$0.50 | \$1.01 |
| DPS | \$0.40 | \$0.42 | \$0.50 | \$0.57 | \$0.61 | \$0.66 | \$0.74 | \$0.82 | \$0.89 | \$0.92 | \$0.92 | \$0.97 |
| Shares² | 10.8 | 11.6 | 11.7 | 11.8 | 11.8 | 11.8 | 12.0 | 11.2 | 10.7 | 10.5 | 10.5 | 10.0 |

Hooker Furnishings has exhibited a remarkably volatile business performance and has failed to grow its earnings over the last decade. The company grew its earnings consistently until 2020 but it was then severely hurt by the coronavirus crisis. When that crisis subsided, Hooker Furnishings partly recovered but it was then hit by the surge of inflation, which led the Fed to raise interest rates to a 23-year high. High home prices and high interest rates, which reduce the demand for new houses, have formed a strong headwind to the business of Hooker Furnishings.

Fortunately, the future looks brighter than the last few years for Hooker Furnishings. Inflation has moderated and the Fed is likely to reduce interest rates in the upcoming years. If this proves correct, demand for new houses is likely to strengthen. As a result, Hooker Furnishings is likely to enjoy a recovery of its sales and its earnings in the upcoming years. On the other hand, it is prudent to be somewhat conservative in growth expectations, given the volatility of this business. Overall, we expect 15.0% average annual growth of earnings-per-share over the next five years vs. the markedly low comparison base this year.

¹ Estimated date.

² In millions.

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Valuation Analysis

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Now | 2031 |
|-----------|------|------|------|------|------|------|------|------|------|------|-------|------|
| Avg. P/E | 16.3 | 12.6 | 17.1 | 11.1 | 17.1 | --- | 32.3 | 15.7 | 21.8 | --- | 18.4 | 12.5 |
| Avg. Yld. | 1.6% | 1.5% | 1.2% | 1.5% | 2.5% | 2.8% | 2.4% | 4.7% | 4.5% | 5.7% | 10.0% | 7.7% |

Excluding the years in which depressed earnings resulted in abnormally high price-to-earnings ratios, Hooker Furnishings has traded at an average price-to-earnings ratio of 15.0 over the last decade. Due to the choppy performance record of the company and the strong headwinds facing its business, we assume a fair price-to-earnings ratio of 12.5. The stock is currently trading at 18.4 times its expected earnings-per-share this year. If the stock trades at its fair valuation level in five years, it will incur a -7.4% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 27% | 19% | 21% | 17% | 42% | --- | 76% | 75% | 98% | --- | 184% | 96% |

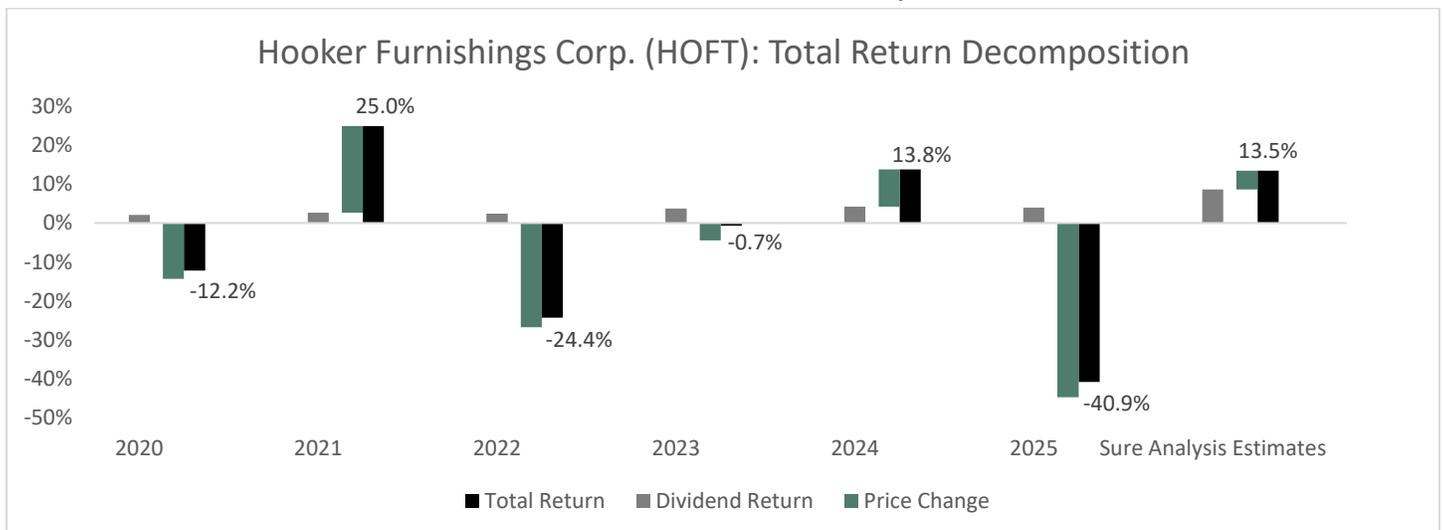
Hooker Furnishings has exhibited highly cyclical business performance and has proved vulnerable to recessions and downturns of the housing industry. It is thus evident that the company lacks a meaningful competitive advantage. The stock is unsuitable for investors who cannot tolerate high stock price volatility and cannot wait patiently for the prolonged downturns of this business to subside. Hooker Furnishings has paid a dividend for 50 years in a row but its management is not committed to a growing dividend; it is committed to “paying a meaningful dividend”. Therefore, the 10.0% dividend is far from safe.

On the bright side, Hooker Furnishings should be praised for maintaining a rock-solid balance sheet, which enables the company to endure the downturns of its business. The retailer has net debt of only \$45 million, which is only 47% of the market cap of the stock and about five times the earnings of the company in fiscal 2024. Thanks to the solid balance sheet of Hooker Furnishings, we expect the company to recover from the ongoing downturn in the upcoming years.

Final Thoughts & Recommendation

Hooker Furnishings has plunged -34% this year due to the impact of high interest rates and inflation on its business. We expect the company to recover in the upcoming years. The stock could offer a 13.5% average annual total return over the next five years thanks to 15.0% growth and a 10.0% dividend, partly offset by a -7.4% valuation drag. It maintains its hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 247 | 621 | 621 | 684 | 611 | 540 | 594 | 583 | 433 | 397 |
| Gross Profit | 69 | 135 | 135 | 147 | 114 | 113 | 102 | 93 | 109 | 89 |
| Gross Margin | 27.8% | 21.7% | 21.7% | 21.5% | 18.7% | 20.9% | 17.1% | 16.0% | 25.1% | 22.3% |
| SG&A Exp. | 44 | 87 | 87 | 92 | 89 | 80 | 84 | 96 | 93 | 100 |
| D&A Exp. | 3 | 7 | 7 | 7 | 7 | 7 | 8 | 9 | 9 | 9 |
| Operating Profit | 24 | 45 | 45 | 53 | 23 | 30 | 15 | (6) | 12 | (15) |
| Operating Margin | 9.8% | 7.3% | 7.3% | 7.7% | 3.7% | 5.5% | 2.5% | -1.0% | 2.9% | -3.8% |
| Net Profit | 16 | 28 | 28 | 40 | 17 | (10) | 12 | (4) | 10 | (13) |
| Net Margin | 6.6% | 4.6% | 4.6% | 5.8% | 2.8% | -1.9% | 2.0% | -0.7% | 2.3% | -3.1% |
| Free Cash Flow | 20 | 25 | 25 | 4 | 36 | 67 | 13 | (26) | 49 | (26) |
| Income Tax | 8 | 18 | 18 | 12 | 5 | (4) | 3 | (2) | 3 | (4) |

Balance Sheet Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---------------------------------|------|------|------|------|------|------|------|------|------|------|
| Total Assets | 182 | 319 | 350 | 370 | 394 | 352 | 375 | 382 | 344 | 314 |
| Cash & Equivalents | 54 | 40 | 31 | 11 | 36 | 66 | 69 | 19 | 43 | 6 |
| Accounts Receivable | 24 | 93 | 93 | 113 | 87 | 83 | 74 | 62 | 51 | 58 |
| Inventories | 44 | 75 | 84 | 105 | 93 | 70 | 75 | 97 | 62 | 71 |
| Goodwill & Int. Ass. | 1 | 49 | 78 | 76 | 73 | 27 | 24 | 47 | 44 | 37 |
| Total Liabilities | 26 | 121 | 121 | 107 | 120 | 95 | 113 | 146 | 118 | 110 |
| Accounts Payable | 9 | 37 | 33 | 41 | 25 | 32 | 31 | 16 | 16 | 20 |
| Long-Term Debt | - | 48 | 53 | 35 | 30 | - | - | 24 | 23 | 22 |
| Shareholder's Equity | 156 | 198 | 229 | 263 | 274 | 258 | 261 | 236 | 226 | 204 |
| LTD/E Ratio | - | 0.24 | 0.23 | 0.13 | 0.11 | - | - | 0.10 | 0.10 | 0.11 |

Profitability & Per Share Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|--------|-------|--------|
| Return on Assets | 9.2% | 11.3% | 8.4% | 11.1% | 4.5% | -2.8% | 3.2% | -1.1% | 2.7% | -3.8% |
| Return on Equity | 10.8% | 16.0% | 13.2% | 16.2% | 6.4% | -3.9% | 4.5% | -1.7% | 4.3% | -5.8% |
| ROIC | 10.8% | 14.1% | 10.7% | 13.7% | 5.7% | -3.7% | 4.5% | -1.7% | 3.9% | -5.3% |
| Shares Out. | 10.8 | 11.6 | 11.7 | 11.8 | 11.8 | 11.8 | 12.0 | 11.2 | 10.7 | 10.5 |
| Revenue/Share | 22.86 | 53.21 | 53.21 | 58.01 | 51.60 | 45.68 | 49.59 | 50.30 | 39.97 | 37.76 |
| FCF/Share | 1.87 | 2.11 | 2.11 | 0.38 | 3.07 | 5.67 | 1.05 | (2.24) | 4.49 | (2.49) |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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