HAVERTY FURNITURE COMPANIES INC
Form 10-K
March 16, 2015
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
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 number: 1-1445

HAVERTY FURNITURE COMPANIES, INC.

Maryland	58-0281900
(State of Incorporation)	(IRS Employer Identification Number)
780 Johnson Ferry Road, Suite 800	
Atlanta, Georgia	30342
(Address of principal executive offices)	(Zip Code)

(404) 443-2900
(Registrant's telephone number, including area code)

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

Title of each Class	Name of each exchange on which registered
Common Stock ($1.00 Par Value)	New York Stock Exchange, Inc.
Class A Common Stock ($1.00 Par Value)	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer o	Accelerated filer	x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o	

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

As of June 30, 2014, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $541,601,095 (based on the closing sale prices of the registrant's two classes of common stock as reported by the New York Stock Exchange).

There were 20,568,283 shares of common stock and 2,080,620 shares of Class A common stock, each with a par value of $1.00 per share outstanding at February 28, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Stockholders to be held May 11, 2015 are incorporated by reference in Part III.

HAVERTY FURNITURE COMPANIES, INC.

Annual Report on Form 10-K for the year ended December 31, 2014

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FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition. These statements are within the meaning of Section 27A of the Securities Act of 1933 and Section 21F of the Securities Exchange Act of 1934.

Forward-looking statements include, but are not limited to:

- projections of sales or comparable store sales, gross profit, SG&A expenses, capital expenditures or other financial measures;
- descriptions of anticipated plans or objectives of our management for operations or products;
- forecasts of performance; and
- assumptions regarding any of the foregoing.

Because these statements involve anticipated events or conditions, forward-looking statements often include words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would," or similar expressions.

These forward-looking statements are based upon assessments and assumptions of management in light of historical results and trends, current conditions and potential future developments that often involve judgment, estimates, assumptions and projections. Forward-looking statements reflect current views about our plans, strategies and prospects, which are based on information currently available.

Although we believe that our plans, intentions and expectations as reflected in or suggested by any forward-looking statements are reasonable, they are not guarantees. Actual results may differ materially from our anticipated results described or implied in our forward-looking statements, and such differences may be due to a variety of factors. Our business could also be affected by additional factors that are presently unknown to us or that we currently believe to be immaterial to our business.

Discussed elsewhere in further detail in this report are some important risks, uncertainties and contingencies which could cause our actual results, performance or achievements to be materially different from any forward-looking statements made or implied in this report.

Forward-looking statements are only as of the date they are made and they might not be updated to reflect changes as they occur after the forward-looking statements are made. We assume no obligations to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In evaluating forward-looking statements, you should consider these risks and uncertainties, together with the other risks described from time to time in our other reports and documents filed with the Securities and Exchange Commission, or SEC, and you should not place undue reliance on those statements.

We intend for any forward-looking statements to be covered by, and we claim the protection under, the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

ITEM 1. BUSINESS

Unless otherwise indicated by the context, we use the terms "Havertys," "we," "our," or "us" when referring to the consolidated operations of Haverty Furniture Companies, Inc.

Overview

Havertys is a specialty retailer of residential furniture and accessories. Our founder, J.J. Haverty began the business in 1885 in Atlanta, Georgia with one store and made deliveries using horse-drawn wagons. The Company grew to 18 stores and accessed additional capital for growth through its initial public offering in October 1929.

Havertys has grown to 119 stores in 16 states in the Southern and Midwest regions. All of our retail locations are operated using the Havertys name and we do not franchise our stores. Our customers are generally college educated women in middle to upper-middle income households. Our brand recognition is very high in the markets we serve and consumer surveys indicate Havertys is associated with a high level of quality, fashion, value and service.

Merchandise and Revenues

We develop our merchandise selection with the tastes of the diverse "on trend" consumer in mind. A wide range of styles from traditional to contemporary are in our core assortment and most of the furniture merchandise we carry bears the Havertys brand. We also tailor our product offerings to the needs and tastes of the local markets we serve emphasizing more "coastal," "western" or "urban" looks as appropriate. Our custom upholstery programs and eclectic looks are an important part of our product mix and allow the on trend consumer more self-expression.

We have avoided offering lower quality, promotional price-driven merchandise favored by many regional and national chains, which we believe would devalue the Havertys brand with the consumer. We carry nationally well-known mattress product lines such as Sealy®, Serta®, Stearns & Foster®, and Tempur-Pedic®.

The following table sets forth the approximate percentage contributions by product and service to our gross revenues for the past three years:

	Year ended December 31, 2014	2013	2012
Merchandise:			
Case Goods			
Bedroom Furniture	17.0 %	18.3 %	19.4 %
Dining Room Furniture	11.1	11.2	10.7
Occasional	10.6	11.0	11.0
	38.7	40.5	41.1
Upholstery	39.9	38.8	38.2
Mattresses	10.9	10.8	11.5
Accessories and Other [1]	10.5	9.9	9.2
	100.0 %	100.0 %	100.0 %

(1) Includes delivery charges and product protection.

Our customers use varying methods to purchase or finance their sales. As an added convenience to our customers, we offer financing by a third-party finance company or through an internal revolving charge credit plan. Sales financed by the third-party provider are not Havertys' receivables; accordingly, we do not have any credit risk or servicing responsibility for these accounts, and there is no credit or collection recourse to Havertys. The most popular programs offered through the third-party provider for 2014 were no interest offers requiring monthly payments over periods of 18 to 36 months. The fees we pay to the third-party are included in SG&A expense. We also maintain a small in-house financing program for our customers with the offer most frequently chosen carrying no interest for 12 months and requiring equal monthly payments. This program generates very minor credit revenue and is for credit worthy customers who prefer financing with the retailer directly or who are not able to quickly establish sufficient credit with other providers on comparable terms.

The following summarizes the different purchasing methods used as a percent of amount due from customers including sales tax:

	Year Ended December 31,		
	2014	2013	2012
Cash or check	8.6 %	9.5 %	9.3 %
Credit or debit cards	56.1	54.7	54.2
Third-party financed	32.1	32.2	31.9
Havertys financed	3.2	3.6	4.6
	100.0%	100.0%	100.0%

Stores

As of December 31, 2014, we operated 119 stores serving 80 cities in 16 states with approximately 4.3 million retail square feet. Our stores range in size from 19,000 to 66,000 selling square feet with the average being approximately 35,000 square feet. We strive to have our stores reflect the distinctive style and comfort consumers expect to find when purchasing their home furnishings. The store's curb appeal is important to the type of middle to upper-middle income consumer that we target and our use of classical facades and attractive landscaping complements the quality and style of our merchandise. Interior details are also important for a pleasant and inviting shopping experience. We have been refreshing our locations with improved merchandise layouts, new paint colors and in-store signage. This effort, which we named "Bright Inspirations," began in late 2010 and will be completed in 2015. Elements of the concept include creating impact zones, merchandise stories and destination departments. We reduced the number of items on display to open up shopping space and disciplined merchandise display creates uniformity of presentations in-store, on-line and in our advertising.

We opened a new urban scaled store, Havertys Style Studio in late 2014. The smaller retail floor space is divided into lifestyle themes: contemporary, classic and industrial chic. The merchandise presentation is eclectic and leaner and there is a strong emphasis on design and special order opportunities.

We currently are looking for available "empty boxes" and new construction opportunities in existing or new markets where our target customers shop within our distribution footprint. Our position in southeast Florida will be strengthened as we open two additional stores in 2015. We are also evaluating certain existing stores for expansion, relocation or closure. We expect a net increase of approximately 3.8% in our retail square footage in 2015.

Internet

We know that most consumers use the internet to pre-shop and we strive for havertys.com to be an extension of our stores and brand. Our website features a variety of helpful tools including suggested accessories, upholstery customizations and 3D room planners. We also provide information on which showroom has an item and delivery availability. A large number of product reviews written by our customers is also provided which some consumers find important in the decision making process. Our site allows consumers to develop "wish lists," and to place orders on-line and set delivery of their purchases. We limit on-line sales of our furniture to within our delivery network, and accessories to the continental United States. Sales placed through our website are approximately at the level of a single large store and sales increased 13.6% in 2014 compared to 2013.

Our sales associates also use havertys.com in the store as a tool to further engage the customer while she is in the store and extend her shopping experience when she returns home. Our site is undergoing changes in 2015 to have responsive sizing when accessed using mobile devices and provide more interactive opportunities with the customer. We believe that a direct-to-customer business complements our retail store operations by building brand awareness.

Suppliers

We buy our merchandise from numerous foreign and domestic manufacturers and importers, the largest ten of which accounted for approximately 53% of our product purchases during 2014. Most of our wood products, or "case goods," are imported from Asia. Upholstered items are largely produced domestically, with the exception of our leather products which are primarily imported from Asia or Mexico.

We purchase our furniture merchandise produced in Asia through sourcing companies and also buy direct from manufacturers. We have developed a growing direct import program which works with industry designers and manufacturers in some of the best factories throughout Asia. We have dedicated quality control specialists on-site during production to ensure the items meet our specifications. Approximately 17% of our furniture merchandise sales in 2014 were generated by our direct imports.

Supply Chain and Distribution

The longer lead times required for deliveries from overseas factories and the production of merchandise exclusively for Havertys makes it imperative for us to have both warehousing capabilities and effective supply chain control. Our merchandising team provides input to the ordering process in an effort to maintain overall inventory levels within an appropriate range and reduce the amount of written sales awaiting product delivery. We use real-time information to closely follow our import orders from the manufacturing plant through each stage of transit and using this data can more accurately set customer delivery dates prior to receipt of product.

Our distribution system currently uses a combination of three distribution centers (DCs), four home delivery centers (HDCs), and two local market cross-docks. In addition to receiving both domestic product and containers of imported merchandise, the DCs are designed to shuttle prepped merchandise up to 250 miles for next day home deliveries, and serve HDCs and cross-docks within a 500-mile radius. The HDCs provide service to markets within an additional 200 miles. A warehousing management system using radio frequency scanners tracks each piece of inventory in real time and allows for random storage in the warehouse and efficient scheduling and changing of the workflow. The implementation of operating standards in our warehouse and delivery functions, and the use of technology, provide measurements for determining staffing needs and increasing productivity. We use Havertys employees for executing home delivery, and branded this service "Top Drawer Delivery," an important function serving as the last contact with our customers in the purchase process. We believe that our distribution and delivery system is the best in the retail furniture industry and provides us with a significant competitive advantage.

Competition

The retail sale of home furnishings is a highly fragmented and competitive business. The degree and sources of competition vary by geographic area. We compete with numerous individual retail furniture stores as well as chains and certain department stores. Department stores benefit competitively from more established name recognition in specific markets, a larger customer base due to their non-furnishings product lines and proprietary credit cards. Furniture manufacturers have also opened their own dedicated retail stores in an effort to control and protect the distribution prospects of their branded merchandise.

We believe Havertys is uniquely positioned in the marketplace, with a targeted mix of merchandise that appeals to customers who are somewhat more affluent than those of competitive price-oriented furniture store chains. Our ability to make prompt delivery of orders through maintenance of inventory, the expansion of our custom order capabilities and the tailoring of merchandise to customers' desires on a local market basis are we believe significant competitive advantages. We believe our on-line presence provides a seamless omni-channel approach that many of our competitors do not have or can not replicate. We also consider our experienced sales personnel and the addition of in-home designers as important factors in our competitive success.

Employees

As of December 31, 2014, we had 3,388 employees: 2,047 in individual retail store operations, 179 in our corporate and credit operations, 57 in our customer-service call centers, and 1,105 in our warehouse and delivery points. None of our employees is a party to any union contract.

Trademarks and Domain Names

We have registered our various logos, trademarks and service marks. We believe that our trademark position is adequately protected in all markets in which we do business. In addition, we have registered and maintain numerous internet domain names including "havertys.com." Collectively, the trademarks, service marks and domain names that we hold are of material importance to us.

Available Information

Filings with the SEC

As a public company, we regularly file reports and proxy statements with the Securities and Exchange Commission. These reports are available on our website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. Our internet address is www.havertys.com and contains, among other things, our annual report on Form 10-K, proxy statement, quarterly reports on Form 10-Q and current reports on Form 8-K. These reports are reached via the "Investors" tab on the home page and then "SEC filings."

The information on the website listed above is not and should not be considered part of this annual report on Form 10-K and is not incorporated by reference in this document.

ITEM 1A. RISK FACTORS

The following discussion of risk factors contains forward-looking statements. These risk factors may be important to understanding any statement in this annual report on Form 10-K or elsewhere. The following information should be read in conjunction with Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A), and the consolidated financial statements and related notes in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K.

We routinely encounter and address risks, some of which will cause our future results to be different – sometimes materially different – than we presently anticipate. The following factors, as well as others described elsewhere in this report or in our other filings with the SEC, that could materially affect our business, financial condition or operating results should be carefully considered. Below, we describe certain important operational and strategic risks and uncertainties, but they are not the only risks we face. Our reactions to material future developments, as well as our competitors' reactions to those developments, may also impact our business operations or financial results. If any of the following risks actually occur, our business, financial condition or operating results may be adversely affected.

Changes in economic conditions could adversely affect demand for our products.

A large portion of our sales represent discretionary spending by our customers. Demand for our products is generally affected by a number of economic factors including, but not limited to: interest rates, housing starts, sales of new and existing homes, housing values, the level of mortgage refinancing, consumer confidence, debt levels and retail trends. Declining stock market values, rising food and energy costs, and higher personal taxes adversely affect demand. A decline in economic activity and conditions in the markets in which we operate would adversely affect our financial condition and results of operations.

We face significant competition from national, regional and local retailers of home furnishings.
The retail market for home furnishings is highly fragmented and intensely competitive. We currently compete against a diverse group of retailers, including national department stores, regional or independent specialty stores, electronics and appliance retailers with limited furniture products, and dedicated franchises of furniture manufacturers. National mass merchants such as COSTCO also have limited product offerings. We also compete with retailers that market products through store catalogs and the Internet. In addition, there are few barriers to entry into our current and contemplated markets, and new competitors may enter our current or future markets at any time. Our existing competitors or new entrants into our industry may use a number of different strategies to compete against us, including aggressive advertising, pricing and marketing, extension of credit to customers on terms more favorable than we offer.

Competition from any of these sources could cause us to lose market share, revenues and customers, increase expenditures or reduce prices, any of which could have a material adverse effect on our results of operations.

If we fail to anticipate changes in consumer preferences, our sales may decline.
Our products must appeal to our target consumers whose preferences cannot be predicted with certainty and are subject to change. Our success depends upon our ability to anticipate and respond in a timely manner to fashion trends relating to home furnishings. If we fail to identify and respond to these changes, our sales of these products may decline. In addition, we often make commitments to purchase products from our vendors in advance of proposed delivery dates. Significant deviation from the projected demand for products that we sell may have an adverse effect on our results of operations and financial condition, either from lost sales or lower margins due to the need to reduce prices to dispose of excess inventory.

We import a substantial portion of our merchandise from foreign sources. Changes in exchange rates or tariffs could impact the price we pay for these goods, resulting in potentially higher retail prices and/or lower gross profit on these goods.
The product costs of our furniture purchases for goods not produced domestically was approximately 60% in 2014. All of our purchases are denominated in U.S. dollars. As exchange rates between the U.S. dollar and certain other currencies become unfavorable, the likelihood of price increases from our vendors increases. Some of the products we purchase are also subject to tariffs. If tariffs are imposed on additional products or the tariff rates are increased our vendors may increase their prices. Such price increases, if they occur, could have one or more of the following impacts:

- we could be forced to raise retail prices so high that we are unable to sell the products at current unit volumes;
- if we are unable to raise retail prices commensurately with the cost increases, gross profit as recognized under our LIFO inventory accounting method could be negatively impacted; or
- we may be forced to find alternative sources of comparable product, which may be more expensive than the current product, of lower quality, or the vendor may be unable to meet our requirements for quality, quantities, delivery schedules or other key terms.

Significant fluctuations and volatility in the cost of raw materials and components could adversely affect our profits.
The primary materials our vendors use to produce and manufacture our products are various woods and wood products, resin, steel, leather, cotton, and certain oil based products. On a global and regional basis, the sources and prices of those materials and components are susceptible to significant price fluctuations due to supply/demand trends, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, the economic climate, and other unforeseen circumstances. Significant increases in these and other costs in the future could materially affect our vendors' costs and our profits as discussed above.

We are dependent upon the ability of our third-party producers, many of whom are located in foreign countries, to meet our requirements; any failures by these producers to meet our requirements, or the unavailability of suitable producers at reasonable prices may negatively impact our ability to deliver quality products to our customers on a timely basis or result in higher costs or reduced net sales.

We source substantially all of our products from non-exclusive, third-party producers, many of which are located in foreign countries. Although we have long-term relationships with many of our suppliers, we must compete with other companies for the production capacity of these independent manufacturers. We regularly depend upon the ability of third-party producers to secure a sufficient supply of raw materials, a skilled workforce, adequately finance the production of goods ordered and maintain sufficient manufacturing and shipping capacity. Although we monitor production in third party manufacturing locations, we cannot be certain that we will not experience operational difficulties with our manufacturers, such as the reduction of availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines or increases in manufacturing costs. Such difficulties may negatively impact our ability to deliver quality products to our customers on a timely basis, which may, in turn, have a negative impact on our customer relationships and result in lower net sales.

We also require third-party producers to meet certain standards in terms of working conditions, environmental protection and other matters before placing business with them. As a result of costs relating to compliance with these standards, we may pay higher prices than some of our competitors for products. In addition, failure by us or our independent manufacturers to adhere to labor or other laws or business practices accepted as ethical, and the potential litigation, negative publicity and political pressure relating to any of these events, could disrupt our operations or harm our reputation.

Our vendors might fail in meeting our quality control standards or reacting to changes to the legislative or regulatory framework regarding product safety.

All of our vendors must comply with applicable product safety laws and regulations, and we are dependent on them to ensure that the products we buy comply with all safety standards. Any actual, potential or perceived product safety concerns could expose us to government enforcement action or private litigation and result in recalls and other liabilities. These could harm our brand's image and negatively affect our business and operating results.

Our revenue could be adversely affected by a disruption in our supply chain.

Disruptions to our supply chain could result in late arrivals of product. This could negatively affect sales due to increased levels of out-of-stock merchandise and loss of confidence by customers in our ability to deliver goods as promised.

The rise of oil and gasoline prices could affect our profitability.

A significant increase in oil and gasoline prices could adversely affect our profitability. We deliver substantially all of our customers' purchases to their homes. Our distribution system, which utilizes three DCs and multiple home delivery centers to reach our markets across 16 Southern and Midwestern states, is very transportation dependent.

If transportation costs exceed amounts we are able to effectively pass on to the consumer, either by higher prices and/or higher delivery charges, then our profitability will suffer.

Because of our limited number of distribution centers, should one become damaged, our operating results could suffer.
We utilize three large distribution centers to flow our merchandise from the vendor to the consumer. This system is very efficient for reducing inventory requirements, but makes us operationally vulnerable should one of these facilities become damaged.

Our information technology infrastructure is vulnerable to damage that could harm our business.
Our ability to operate our business from day to day, in particular our ability to manage our point-of-sale, credit operations and distribution system, largely depends on the efficient operation of our computer hardware and software systems. We use management information systems to communicate customer information, provide real-time inventory information, manage our credit portfolio and to handle all facets of our distribution system from receipt of goods in the DCs to delivery to our customers' homes. These systems and our operations are vulnerable to damage or interruption from:

- power loss, computer systems failures and internet, telecommunications or data network failures;
- operator negligence or improper operation by, or supervision of, employees;
- physical and electronic loss of data or security breaches, misappropriation and similar events;
- computer viruses;
- intentional acts of vandalism and similar events; and
- tornadoes, fires, floods and other natural disasters.

Any failure due to any of these causes, if it is not supported by our disaster recovery plan and redundant systems, could cause an interruption in our operations and result in reduced net sales and profitability.

We may incur costs resulting from security risks we face in connection with our electronic processing and transmission of confidential customer information.
We accept electronic payment cards in our stores and over the internet. Amounts tendered through payment card transactions represented approximately 56% of our business in 2014.

We may in the future become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and we may also be subject to lawsuits or other proceedings in the future relating to these types of incidents. Proceedings related to theft of credit or debit card information may be brought by payment card providers, banks and credit unions that issue cards, cardholders (either individually or as part of a class action lawsuit) and federal and state regulators. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our results and prospects.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Stores

Our retail store space at December 31, 2014 totaled approximately 4.3 million square feet for 119 stores. The following table sets forth the number of stores we operated at December 31, 2014 by state:

State	Number of Stores	State	Number of Stores
Florida	28	Louisiana	4
Texas	22	Maryland	4
Georgia	17	Kentucky	2
North Carolina	8	Arkansas	2
Virginia	7	Ohio	2
Alabama	7	Indiana	1
South Carolina	7	Kansas	1
Tennessee	6	Missouri	1

The 44 retail locations which we owned at December 31, 2014 had a net book value for land and buildings of $88.7 million. Additionally, we had 13 leased locations open with a net book value of $42.6 million which, due to financial accounting rules, are included on our balance sheets. The remaining 62 locations are leased by us with various termination dates through 2032 plus renewal options.

Distribution Facilities

We lease or own regional distribution facilities in the following locations:

Location	Owned or Leased	Approximate Square Footage
Braselton, Georgia	Leased	808,000
Coppell, Texas	Owned	238,000
Lakeland, Florida	Owned	226,000
Colonial Heights, Virginia	Owned	129,000
Fairfield, Ohio	Leased	50,000
Theodore, Alabama	Leased	42,000
Memphis, Tennessee	Leased	30,000

We also use two cross-dock facilities which are attached to retail locations.

Corporate Facilities

Our executive and administrative offices are located at 780 Johnson Ferry Road, Suite 800, Atlanta, Georgia. We lease approximately 48,000 square feet of office space on two floors of a suburban mid-rise office building. We also lease 7,000 square feet of office space in Chattanooga, Tennessee for our credit operations.

For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report under Item 7 of Part II.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which we are a party or of which any of our properties is the subject.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

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EXECUTIVE OFFICERS AND CERTAIN SIGNIFICANT EMPLOYEES OF THE REGISTRANT

The following are the names, ages and current positions of our executive officers and certain significant employees and, if they have not held those positions for the past five years, their former positions during that period with Havertys or other companies.

Name, age and office (at December 31, 2014) and year elected to office				Principal occupation during last five years other than office of the Company currently held
Clarence H. Smith	64	Chairman of the Board President and Chief Executive Officer Director	2012 2002 1989	President and Chief Executive Officer
Steven G. Burdette	53	Executive Vice President, Stores	2008	Has held this position for the last five years
J. Edward Clary	54	Senior Vice President, Distribution and Chief Information Officer	2008	Has held this position for the last five years
Kathleen Daly-Jennings	52	Senior Vice President, Marketing since joining Havertys in June 2014	2014	Head of Industry, Retail Vertical with Google, 2007 - 2014
Allan J. DeNiro	61	Senior Vice President, Chief People Officer	2010	Chief People Officer 2006 - 2010
Dennis L. Fink	63	Executive Vice President, Chief Financial Officer	2006	Has held this position for the last five years
Richard D. Gallagher	53	Executive Vice President, Merchandising	2014	Senior Vice President, Merchandising, 2009- 2014
Rawson Haverty, Jr.	58	Senior Vice President, Real Estate and Development Director	1988 1992	Has held this position for the last five years
Jenny Hill Parker	56	Senior Vice President, Finance, Secretary and Treasurer	2010	Vice President, Finance, Secretary and Treasurer 1998 - 2010
Janet E. Taylor	53	Senior Vice President, General Counsel	2010	Vice President and General Counsel 2006 - 2010

Rawson Haverty, Jr. and Clarence H. Smith are first cousins.

Our executive officers are elected or appointed annually by the Board of Directors for terms of one year or until their successors are elected and qualified, subject to removal by the Board at any time.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our two classes of common stock trade on The New York Stock Exchange ("NYSE"). The trading symbol for the common stock is HVT and for Class A common stock is HVT.A. The table below sets forth the high and low sales prices per share as reported on the NYSE and the dividends declared for the last two years:

	2014					
	Common Stock			Class A Common Stock		
Quarter Ended	High	Low	Dividend Declared	High	Low	Dividend Declared
March 31	$31.57	$25.21	$ 0.08	$31.25	$25.67	$ 0.075
June 30	30.48	23.49	0.08	30.00	23.87	0.075
September 30	26.84	20.68	1.08 (1)	26.54	20.82	1.025 (1)
December 31	23.00	19.54	0.08	23.25	19.61	0.075

(1) includes a special dividend of $1.00 for common stock and $0.95 for Class A common stock.

	2013					
	Common Stock			Class A Common Stock		
Quarter Ended	High	Low	Dividend Declared	High	Low	Dividend Declared
March 31	$21.00	$16.16	$ 0.04	$20.83	$16.31	$0.0375
June 30	25.76	19.88	0.04	25.57	20.17	0.0375
September 30	27.85	21.76	0.08	27.51	21.93	0.0750
December 31	31.67	23.95	0.08	31.58	24.00	0.0750

Stockholders

Based on the number of individual participants represented by security position listings, there are approximately 3,060 holders of our common stock and 180 holders of our Class A common stock as of February 20, 2015.

Dividends

The payment of dividends and the amount are determined by the Board of Directors and depend upon, among other factors, our earnings, operations, financial condition, capital requirements and general business outlook at the time such dividend is considered. We had paid a quarterly cash dividend since 1935, but given the general economic decline, the board suspended the quarterly dividend in the fourth quarter of 2008. The board approved dividends in the fourth quarter of 2009-2011 and reinstated the quarterly dividend in the second quarter of 2012. A special cash dividend was paid in the fourth quarter of 2012 and in the third quarter of 2014.

Equity Compensation Plans

Information concerning the Company's equity compensation plans is set forth under the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2015, to be filed with the Securities and Exchange Commission (the "Company's 2015 Proxy Statement) and is incorporated herein by reference.

Stock Repurchase Program

A program to purchase and retire our common stock and Class A common stock was initially approved on November 3, 1986 by our board of directors with subsequent authorizations made as to the number of shares to be purchased. On August 12, 2014, the board authorized management to purchase up to $10 million of common and Class A common stock after the maximum number of shares previously authorized are acquired. In addition to utilizing cash flow for profitable growth and the payment of dividends, opportunistic repurchases during periods of favorable market conditions is another way to enhance stockholder value.

The following table presents information with respect to our repurchase of Havertys' common stock during the fourth quarter of 2014:

	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet be Purchased and Dollars to be Spent Under the Plans or Programs
December 1 – December 31, 2014	37,076	$ 21.68	37,076	241,988 $10,000,000

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Stock Performance Graph

The following graph compares the performance of Havertys' common stock and Class A common stock against the cumulative return of the NYSE/AMEX/Nasdaq Home Furnishings & Equipment Stores Index (SIC Codes 5700 – 5799) and the S&P Smallcap 600 Index for the period of five years commencing December 31, 2009 and ended December 31, 2014. The graph assumes an initial investment of $100 on January 1, 2009 and reinvestment of dividends.

	2009	2010	2011	2012	2013	2014
HVT	$100.0	$95.41	$81.57	$129.79	$251.52	$186.86
HVT-A	$100.0	$94.93	$81.97	$130.11	$251.44	$184.09
S&P Smallcap 600 Index	$100.0	$126.31	$127.59	$148.42	$209.74	$221.81
SIC Codes 5700-5799	$100.0	$109.58	$102.39	$92.74	$158.18	$145.94

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data and non-GAAP financial measures should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 below and the "Consolidated Financial Statements and Notes thereto" included in Item 8 below.

	Year ended December 31,				
(Dollars in thousands, except per share data)	2014	2013	2012	2011	2010
Results of Operations					
Net sales	$768,409	$ 746,090	$670,073	$620,903	$620,331
Net sales change over prior year	3.0 %	11.3 %	7.9 %	0.1 %	5.5 %
Comp-store sales change over prior year	3.6 %	11.0 %	6.8 %	0.3 %	7.0 %
Gross profit	412,366	401,496	352,035	320,716	318,767
Percent of net sales	53.7 %	53.8 %	52.5 %	51.7 %	51.4 %
Selling, general and administrative expenses	364,654	348,599	328,826	315,865	311,897
Percent of net sales	47.5 %	46.7 %	49.1 %	50.9 %	50.3 %
Income before income taxes(1)	25,257	52,487	23,516	4,603	8,673
Net income (1)(2)	8,589	32,265	14,911	15,463	8,444
Share Data					
Diluted earnings per share					
Common Stock	$0.37	$ 1.41	$0.67	$0.70	$0.38
Class A Common Stock	0.33	1.35	0.59	0.67	0.36
Adjusted diluted earnings per share:(3)					
Common Stock	$0.37	$ 1.41	$0.67	$0.70	$0.38
Pension settlement expense (1)	0.90	—	—	—	—
Out-of-period adjustment(4)	—	(0.02)	0.02	—	—
Adjusted diluted earnings per common share(3)	$1.28	$ 1.39	$0.69	$0.70	$0.38
Cash dividends – amount per share:					
Common Stock(5)	1.3200	$0.2400	1.1200	0.1200	0.1000
Class A Common Stock(5)	1.2500	$0.2250	1.0625	0.1125	0.0950
Shares outstanding (in thousands):					
Common Stock	20,568	20,122	19,471	18,829	18,512
Class A Common Stock	2,081	2,393	2,775	3,120	3,331
Total shares	22,649	22,515	22,246	21,949	21,843
Financial Position					
Inventories	$107,139	$ 91,483	$96,902	$93,713	$91,938
Capital expenditures	$30,882	$ 20,202	$25,014	$17,566	$14,053
Depreciation/amortization expense	22,613	21,450	19,415	18,242	16,859
Total assets	$460,987	$ 417,855	$402,096	$385,100	$370,239
Total debt(6)	49,065	17,155	19,354	13,046	9,099
Stockholders' equity	292,083	298,264	259,428	262,669	253,182
Debt to total capital	14.4 %	5.4 %	6.9 %	4.7 %	3.5 %
Net cash provided by operating activities	55,454	55,889	52,168	19,072	24,201
Other Supplemental Data:					
Employees	3,388	3,266	3,250	3,050	3,100
Retail sq. ft. (in thousands)	4,283	4,259	4,353	4,246	4,230
Annual retail net sales per weighted average sq. ft.	$183	$ 176	$158	$148	$148

Due to rounding amounts may not add to totals.

(1) Includes for 2014 the impact of the settlement of the pension plan of a $21.6 million increase in expense and a tax benefit of $0.9 million, for a total impact of $20.7 million after tax or $0.90 per share.

(2) We reduced income tax expense $3.1 million and released $2.0 million of the valuation allowance in 2010. The valuation allowance was further reduced and we recorded a benefit to income taxes of $14.1 million in 2011, $1.2 million in 2012, and $1.4 million in 2013.
(3) Adjusted diluted earnings per share is a non-GAAP financial measure.
(4) We recorded an out-of-period adjustment in 2013 related to certain vendors' pricing allowances. The non-cash adjustment increased gross profit by $0.8 million or $0.02 per diluted share.
(5) Includes special dividends of $1.00 for Common Stock and $0.95 for Class A Common Stock paid both in the fourth quarter of 2012 and in the third quarter of 2014.
(6) Debt is comprised completely of lease obligations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Industry

The retail residential furniture industry's results are influenced by new and existing housing sales, consumer confidence, spending on large ticket items, interest rates and availability of credit and the overall strength of the economy. The industry experienced a rebound in 2012 as its drivers have improved. These factors remain tempered by continued high levels of unemployment, lower home values, and reduced access to credit, all of which provide impediments to industry growth.

Our Business

We sell home furnishings in our retail stores and via our website and record revenue when the products are delivered to our customer. Our products are selected to appeal to a middle to upper-middle income consumer across a variety of styles. Our commissioned sales associates receive a high level of product training and are provided a number of tools with which to serve our customers. We also have in-home designers serving 109 stores. These individuals work with our sales associates to provide customers additional confidence and inspiration. We do not outsource the delivery function, something common in the industry, but instead ensure that the "last contact" is handled by a customer-oriented Havertys delivery team. We are recognized as a provider of high quality fashionable products and service in the markets we serve.

2014 Highlights

Sales for 2014 grew 3.0% or $22.3 million over 2013. Gross profit as a percent of net sales decreased 10 basis points, and SG&A increased 80 basis points. We terminated and settled the obligations related to our defined benefit pension plan and recorded a pretax charge of $21.6 million. Our pre-tax income was $25.3 million, and excluding the pension charge and an out-of-period adjustment in 2013 decreased 9.2% or $4.8 million. We experienced import vendor and supply chain disruptions to our business from which we began to recover late in the year. Our fourth quarter results were a pre-tax loss of $5.0 million. Excluding the pension charge, our fourth quarter pre-tax income was $16.6 million, up 5.5% over the prior year period. We continued our focus on cash flow and made important investments in our business and returned cash to our stockholders. We did not use our credit facility during the year and our total debt to total capital was 14.4% at December 31, 2014.

Management Objectives

Management is focused on capturing more market share and increasing sales per square foot of showroom space. This organic growth will be driven by concentrating our efforts on our customers with improved interactions highlighted by new products, enhanced stores and better technology. The Company's strategies for profitability include targeted marketing initiatives, productivity and process improvements, and efficiency and cost-saving measures. Our focus is to serve our customers better and distinguish ourselves in the marketplace.

Key Performance Indicators

We evaluate our performance based on several key metrics which include net sales, comparable store sales, sales per square foot, gross profit, operating costs as a percentage of sales, cash flow, total debt to total capital, and earnings per share. The goal of utilizing these measurements is to provide tools in economic decision-making such as store growth, capital allocation and product pricing. We also employ metrics that are customer focused (customer satisfaction score, on-time-delivery and quality), and internal effectiveness and efficiency metrics (sales per employee, average sale per ticket, closing ratios per customer store visit, exceptions per deliveries, and lost time incident rate). These measurements aid us in determining areas of our operations that are in need of additional attention and in determining compensation.

Operating Results

The following table provides selected data for the periods indicated and reconciles the non-GAAP financial measures to their comparable GAAP measures. See the additional discussion contained in this Item 7 (in thousands, except per share data):

	Year Ended December 31,		
	2014	2013	2012
Statement of Operations Data:			
Net sales	$768,409	$746,090	$670,073
Gross profit	412,366	401,496	352,035
Selling, general and administrative expenses	364,654	348,599	328,826
Pension settlement expense	21,623	—	—
Income before interest and income taxes	26,308	53,594	24,140
Income before income taxes	25,257	52,487	23,516
Net income	$8,589	$32,265	$14,911
Other Financial Data:			
EBIT	$26,308	$53,594	$24,140
Pension settlement expenses	21,623	—	—
Q-1 2013 gross profit adjustment	—	(835)	835
Adjusted EBIT	$47,931	$52,759	$24,975
Adjusted EBIT as a percent of net sales	6.2%	7.1%	3.7%
Adjusted EBIT	$47,931	$52,759	$24,975
Interest expense, net	1,051	1,107	624
Adjusted income before income taxes	$46,880	$51,652	$24,351
Net income	$8,589	$32,265	14,911
Pension settlement expense, net of tax	20,725	—	—
Out-of-period adjustment, net of tax	—	(518)	518
Adjusted net income	$29,314	$31,747	$15,429
Earnings per diluted share	$0.37	$1.41	$0.67
Non-cash pension settlement expense	0.90	—	—
Out-of-period adjustment	—	(0.02)	0.02
Adjusted earnings per diluted share	$1.28	$1.39	$0.69

Due to rounding amounts may not add to the totals.

Net Sales

Comparable-store or "comp-store" sales is a measure which indicates the performance of our existing stores by comparing the growth in sales for these stores for a particular period over the corresponding period in the prior year. Stores are considered non-comparable if open for less than 12 full calendar months or if the selling square footage has been changed significantly during the past 12 full calendar months. Large clearance sales events from warehouses or temporary locations are also excluded from comparable store sales, as are periods when stores are closed or being remodeled. As a retailer, comp store sales is an indicator of relative customer spending and store performance.

Total sales increased $22.3 million or 3.0% in 2014 and $76.0 million or 11.3% in 2013. Comparable store sales increased 3.6% or $26.2 million in 2014 and 11.0% or $72.0 million in 2013. The remaining $3.9 million in 2014 and $4.0 million in 2013 of the changes were from closed, new and otherwise non-comparable stores.

The following outlines our sales and comp-store sales increases and decreases for the periods indicated. (Amounts and percentages may not always add to totals due to rounding.)

	December 31, 2014			2013			2012		
	Net Sales		Comp-Store Sales	Net Sales		Comp-Store Sales	Net Sales		Comp-Store Sales
Period Ended	Dollars in millions	% Increase (decrease) over prior period	% Increase (decrease) over prior period	Dollars in millions	% Increase (decrease) over prior period	% Increase (decrease) over prior period	Dollars in millions	% Increase (decrease) over prior period	% Increase (decrease) over prior period
Q1	$181.7	(2.3)%	(0.9)%	$186.1	13.8%	11.5%	$163.6	6.1%	5.7%
Q2	175.1	2.4	3.2	171.1	12.9	11.2	151.5	5.9	5.6
Q3	198.5	3.0	3.5	192.7	11.6	11.8	172.7	11.1	10.0
Q4	213.0	8.6	8.3	196.2	7.6	9.5	182.3	8.4	6.0
Year	$768.4	3.0%	3.6%	$746.1	11.3%	11.0%	$670.1	7.9%	6.8%

Sales in 2014 were challenged by weather in the first quarter and case goods vendor supply and import flow issues through much of the remainder of the year. The store displays in this important category were not as robust as our merchandise team had planned and began to recover in the fourth quarter. Our improved custom order configurator web based tool helped our specialty upholstery sales to continue to grow with a 10.8% increase over 2013 including a 19.3% growth rate in the fourth quarter. We also expanded our in-home-design service in 2014 which has yielded higher average tickets.

Sales in 2013 increased as the fundamental drivers of home furnishings purchases continued to recover. We capitalized on this trend with improved merchandising and expansion of our complimentary in-home design service. These generated an increase in our average ticket of 7.8% and a 19.8% increase in our custom order upholstery business.

Sales in 2012 increased at a strong pace as our industry began its recovery. Our average ticket was up 7.8% as our customers responded to the value offered in our fashionable better quality merchandise. Sales in the upholstery product category showed strength increasing 12.6% over 2011 including a 17.9% increase in custom and special orders.

2015 Outlook

We believe as the general economy improves and consumer spending and the housing market strengthens, our business will benefit. We have upgraded stores, offer appealing merchandise and expanded special order and service offerings which will be important drivers for our 2015 sales results. We are growing our weighted average square footage approximately 3.4%. We do anticipate headwinds in 2015 for certain of our markets due to changes in the competitive landscape.

Gross Profit

Our cost of sales consist primarily of the purchase price of the merchandise together with inbound freight, handling within our distribution centers and transportation costs to the local markets we serve. Our gross profit is primarily dependent upon vendor pricing, the mix of products sold and promotional pricing activity. Substantially all of our occupancy and home delivery costs are included in selling, general and administrative expenses as is a portion of our warehousing expenses. Accordingly, our gross profit may not be comparable to those entities that include some of these expenses in cost of goods sold.

Year-to-Year Comparisons
Gross profit as a percentage of net sales was 53.7% in 2014 compared to 53.8% in 2013. Our LIFO impact was $0.5 million greater in 2014 than in 2013 and during 2014 we had slightly lower delivery fee revenue and higher than normal clearance sale activity resulting from store and local warehouse closings. We recorded an $0.8 million positive out-of-period adjustment in the first quarter 2013 for vendor pricing allowances. Excluding the impact of the out-of-period adjustment, gross profit was 53.7% in 2013.

Gross profit as a percentage of net sales increased to 53.8% in 2013 compared to 52.5% in 2012. Our focus on higher price point products and pricing discipline were key to the gross profit improvement combined with a $1.1 million smaller LIFO impact and the $0.8 million out-of-period adjustment.

2015 Outlook
Our merchandising strategy will be similar to 2014 using promotional pricing selectively and focusing on product fashion and customer service. We expect that annual gross profit margins for 2015 will be approximately 53.3%, down slightly reflecting some higher import costs and the impact of increased competition in certain of our markets.

Selling, General and Administrative Expenses

SG&A expenses are comprised of five categories: selling; occupancy; delivery and certain warehousing costs; advertising and administrative. Selling expenses primarily are comprised of compensation of sales associates and sales support staff, and fees paid to credit card and third-party finance companies. Occupancy costs include rents, depreciation charges, insurance and property taxes, repairs and maintenance expense and utility costs. Delivery costs include personnel, fuel costs, and depreciation and rental charges for rolling stock. Warehouse costs include supplies, depreciation and rental charges for equipment. Advertising expenses are primarily media production and space, direct mail costs, market research expenses, employee compensation and agency fees. Administrative expenses are comprised of compensation costs for store personnel exclusive of sales associates, information systems, executive, accounting, merchandising, advertising, supply chain, real estate and human resource departments.

We classify our SG&A expenses as either variable or fixed and discretionary. Our variable expenses include the costs in the selling and delivery categories and certain warehouse expenses as these amounts will generally move in tandem with our level of sales. The remaining categories and expenses are classified as fixed and discretionary because these costs do not fluctuate with sales. The following table outlines our SG&A expenses by classification:

	2014		2013		2012	
	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales
Variable	$134,168	17.5 %	$124,770	16.7 %	$ 116,933	17.5 %
Fixed and discretionary	230,486	30.0	223,829	30.0	211,893	31.6

$364,654	47.5 %	$348,599	46.7 %	$328,826	49.1 %

Year-to-Year Comparisons
Our SG&A costs as a percent of sales increased 80 basis points to 47.5% for 2014 from 46.7% in 2013. The fixed and discretionary expenses of $230.5 million in 2014 were $6.7 million or 3% above the 2013 level primarily due to increases in spending on advertising of $2.6 million, depreciation and other occupancy costs of $1.8 million and greater communication and data expense of $2.2 million. Variable expense as a percent of sales for 2014 increased to 17.5% from 16.7% in 2013. Our selling costs as a percent of sales increased 47 basis points in 2014 over 2013 due in part to the expansion of our in-home design program. Labor and insurance costs increased in our delivery and certain warehouse operations.

The fixed and discretionary expenses increased $11.9 million in 2013 to $223.8 million from $211.9 million in 2012. This increase was driven by $7.8 million in additional administrative costs primarily from greater incentive and compensation expense and higher health insurance costs. Our new stores and improvements generated a $2.0 million increase in depreciation in 2013 compared to 2012. We also spent $1.2 million more on advertising in 2013 over 2012. Our variable expenses were lower as a percent of net sales in 2013 compared to 2012 primarily due to efficiencies in our warehouse and delivery functions and changes in credit costs.

2015 Outlook
The fixed and discretionary type expenses within SG&A for the full year of 2015 are expected to be approximately $239.0 million to $241.0 million, up approximately 3.5% to 5% over those same costs in 2014. These expenses should average approximately $60.0 million per quarter and are expected to be slightly higher for the second half of the year in connection with our expansion activity. The main increases in this category are expected to be for personnel costs, new store occupancy expense and advertising expenses.

Variable costs within SG&A are expected to be 17.3% to 17.5% as a percent of sales for 2015.

Pension Settlement

We terminated our qualified defined benefit pension plan (the "Plan") effective July 20, 2014 as reported on our Form 8-K filed May 16, 2014. The Plan had been previously amended to freeze benefit accruals for eligible employees under the Plan effective December 31, 2006 when we transitioned to a stronger emphasis on our employee savings/ retirement (401(k)) plan. We informed Plan participants of the termination in May 2014 and they received vested benefits in December via either a lump sum cash distribution, roll-over contribution to other retirement accounts, or the purchase of an annuity contract with a third-party insurance company.

The Plan was fully funded and we made no contributions in 2014. The final settlement of lump sum payments and rollovers of $29.9 million and annuity purchases of $53.6 million were made in December 2014. There were surplus assets of $0.8 million remaining after the Plan's obligations were settled. The remaining Plan assets, less expenses, will be distributed to participants according to provisions of the Plan following final regulatory approvals which is expected to occur in 2015.

The settlement of the Plan's obligations required the recognition of pension settlement expenses in the fourth quarter. We recognized termination and settlement expense of $21.6 million and a related tax benefit of $0.9 million for a total impact on consolidated net income of $20.7 million or $0.90 per diluted earnings per share.

We had approximately $6.8 million of unamortized costs net of $4.2 million of tax related to the Plan included on our balance sheet in accumulated other comprehensive income (loss) ("AOCI") prior to settlement. Also included in AOCI was a debit of $6.9 million resulting from the 'backward-tracing" prohibition related to changes in a valuation allowance from previous periods. See additional discussion in "Provision for Income Taxes" which follows. The settlement of the Plan caused these amounts totaling $13.6 million to be reclassified from AOCI to other comprehensive income.

The impact of the termination and settlement of the Plan did not impact cash flow and resulted in a net reduction of approximately $7.1 million in our total stockholders equity.

Interest Expense

Our interest expense for the years 2012 to 2014 is primarily driven by amounts related to our lease obligations. For leases accounted for as capital and financing lease obligations, we only record straight-line rent expense for the land portion in occupancy costs in SG&A along with depreciation on the additional asset recorded. Rental payments are recognized as a reduction of the obligations and as interest expense. The number of stores, including those under construction, which are accounted for in this manner has increased from eight in 2012, to sixteen in 2014. We expect interest expense for lease obligations will be $2.7 million in 2015.

Provision for Income Taxes

Our effective tax rate was 66.0%, 38.5% and 36.6% for 2014, 2013 and 2012, respectively. Refer to Note 7 of the Notes to the Consolidated Financial Statements for a reconciliation of our income tax expense to the federal income tax rate.

Our 2014 rate includes the reversal of $6.9 million from AOCI to income tax expense. We established a valuation allowance in 2008 against virtually all of our deferred tax assets due to our operating loss in that year and projected loss in 2009. A portion of the allowance was charged to AOCI and was increased in 2009. Our profitability in 2011 was sufficient for us to release the valuation allowance. The "backward-tracing" prohibition in ASC 740, Income Taxes required us to record the total amount of the release as a tax benefit in net income including the portion originally charged to AOCI. This resulted in a debit valuation allowance of $6.9 million remaining in AOCI which would remain until the settlement of the Plan's pension obligations when it was reversed and included in total tax expense. The 2014 rate, excluding this reversal, varies from the 35% U.S federal statutory rate primarily due to state income taxes.

Our 2013 rate varies from the 35% U.S. federal statutory rate primarily due to state income taxes.

Our 2012 rate included a benefit from income taxes of $0.7 million related to the change in our uncertain tax positions. This benefit was partially offset by changes in our receivables and state net operating loss carryforwards of $0.3 million.

Liquidity and Capital Resources

Overview of Liquidity

Our primary cash requirements include working capital needs, contractual obligations, benefit plan contributions, income tax obligations and capital expenditures. We have funded these requirements exclusively through cash generated from operations and have not used our credit facility since 2008. We believe funds generated from our expected results of operations and available cash and cash equivalents will be sufficient to fund our primary obligations and complete projects that we have underway or currently contemplate for the next fiscal and foreseeable future years.

At December 31, 2014, our cash and cash equivalents balance was $65.5 million, a decrease of $17.7 million compared to December 31, 2013. This decrease in cash primarily resulted from strong operating results offset by purchases of property and equipment, the payment of special cash dividends to stockholders and the purchases of certificates of deposit. Additional discussion of our cash flow results, including the comparison of 2014 activity to 2013, is set forth in the Analysis of Cash Flows section.

At December 31, 2014, our outstanding indebtedness was $49.1 million in lease obligations required to be recorded on our balance sheet. We had no amounts outstanding and $43.8 million available under our revolving credit facility.

Capital Expenditures

Our primary capital requirements have been focused on our stores and the development of both proprietary and purchased information systems. Our capital expenditures were $30.9 million in 2014, $10.7 million more than in 2013.

Our future capital requirements will depend in large part on the number of and timing for new stores we open within a given year, the investments we make to the improvement and maintenance of our existing stores, and our investment in distribution improvements and new information systems to support our key strategies. In 2015, we anticipate that our capital expenditures will be approximately $31 million, refer to our Store Expansion and Capital Expenditures discussion below.

Analysis of Cash Flows

The following table illustrates the main components of our cash flows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Net cash provided by operating activities	$55,454	$55,889	$52,168
Capital expenditures	(30,882)	(20,202)	(25,014)
Free cash flow	$24,572	$35,687	$27,154
Net cash used in investing activities	$(41,372)	$(20,120)	$(24,766)
Net cash used in financing activities	$(31,786)	$(6,134)	$(23,437)

Cash flows from operating activities. During 2014, net cash provided by operating activities was $55.5 million. Cash from net income, net of depreciation and amortization, pension settlement expense and stock-based compensation expense was partially reduced by cash used for working capital.

The primary components of the changes in working capital are listed below:

- Increase in inventories of $15.7 million, mainly due to the desire for a better stocking position and replenishment efforts in advance of Chinese New Year.
- Increase in other current assets of $3.7 million, primarily from $3.3 million increase in receivables for tenant incentives.
- Decrease in other assets of $5.8 million mainly due to the settlement of pension partly offset by the purchase of certain certificates of deposit.
- Increase in accounts payable of $2.3 million.
- Increase in customer deposits of $4.7 million.

During 2013, net cash provided by operating activities was $55.9 million. Our cash provided by operating activities was mainly the result of pre-tax income generated during 2013. Cash from net income, net of depreciation and amortization and stock-based compensation expense, along with cash provided by working capital, was partially reduced by pension plan contributions. Pension plan contributions in 2013 included a $4.2 million discretionary contribution made to improve the funded status of the plan and as part of our broader pension de-risking strategy.

- Decrease in inventories of $5.4 million, mainly due to timing of sales and replenishment.
- Decrease in other liabilities of $9.0 million, and increase in other assets of $9.9 million mainly due to the shift from a $6.8 million pension plan liability to a $9.4 million pension asset.
- Decrease in accounts payable of $6.4 million.

During 2012, net cash provided by operating activities was $52.2 million. We generated net income of $14.9 million during the year, and depreciation and amortization totaled $19.4 million. Working capital increased and the major components of the change are listed below.

- Increase in customer deposits of $6.4 million as the level of our special order business increased and deliveries at the end of 2012 were hampered by product availability.
- Increase in accounts payable of $7.0 million, offset by increased inventory levels of $3.5 million. These increases were primarily due to our higher level of purchases in advance of the Chinese New Year and in response to our increased sales activity.
- Decrease in other liabilities of $3.5 million as the pension plan liability decreased $4.3 million.

Cash flows used in investing activities. Net cash used in investing activities was $41.4 million, $20.1 million and $24.8 million for 2014, 2013 and 2012, respectively. In each of these years, the amounts of cash used in investing activities consisted principally of capital expenditures related to store construction and improvements and information technology projects, refer to our Store Expansion and Capital Expenditures discussion below. During 2014, in addition to the expenditures for new stores and one store's major expansion, we purchased $10.0 million in certificates of deposit. During 2013, we invested in our distribution system for future expansion and added capacity to our internal cloud architecture to support our sales systems and video communications. During 2012, we completed information technology projects replacing our core network that controls the communication between our stores and data centers and invested in cloud infrastructure.

Cash flows used in financing activities. Net cash used in financing activities was $31.8 million for 2014, $6.1 million for 2013 and $23.4 million for 2012. During 2014 we paid a special dividend of approximately $22.6 million. During 2013 the number of restricted shares vesting increased as the acceleration goals of certain grants were met. This increased the withholding taxes for vested shares and contributed to the tax benefit from stock-based plans. During 2012 we paid a special dividend of approximately $22.0 million and we had expiring in-the-money options which generated additional option exercise activity in 2012. During 2014, 2013, and 2012, we did not make any draws on our revolving credit facility.

Long-Term Debt

In September 2011 Havertys entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with a bank. Refer to Note 5 of the Notes to Consolidated Financial Statements for information about our Credit Agreement.

Off-Balance Sheet Arrangements

We do not generally enter into off-balance sheet arrangements. We did not have any relationships with unconsolidated entities or financial partnerships which would have been established for the purposes of facilitating off-balance sheet financial arrangements for any period during the three years ended December 31, 2014. Accordingly, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Contractual Obligations

The following summarizes our contractual obligations and commercial commitments as of December 31, 2014 (in thousands):

	Payments Due or Expected by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Lease obligations[1]	$68,239	$4,706	$10,079	$10,273	$43,181
Operating leases	202,777	32,148	59,535	48,065	63,029
Purchase orders	90,806	90,806	—	—	—
Total contractual obligations[2]	$361,822	$127,660	$69,614	$58,338	$106,210

(1) These amounts are for our lease obligations recorded in our consolidated balance sheets, including interest amounts. For additional information about our leases, refer to Note 8 of the Notes to the Consolidated Financial Statements.

(2) The contractual obligations do not include any amounts related to retirement benefits. For additional information about our plans, refer to Note 10 of the Notes to the Consolidated Financial Statements.

Store Expansion and Capital Expenditures

We have entered new markets and made continued improvements and relocations of our store base. The following outlines the change in our selling square footage for each of the three years ended December 31 (square footage in thousands):

Store Activity:	2014 # of Stores	2014 Square Footage	2013 # of Stores	2013 Square Footage	2012 # of Stores	2012 Square Footage
Opened	5	167	—	—	4	139
Closed	5	160	3	103	1	32
Year end balances	119	4,283	119	4,259	122	4,353

During 2014 we also had a major remodeling project in our Knoxville, Tennessee store which increased its selling square footage.

The following table summarizes our store activity in 2014 and plans for 2015.

Location	Opening Quarter Actual or Planned	Category
Plano, TX	Q-2-14	Closure
Fayetteville, NC	Q-3-14	Relocation
N. Fort Worth, TX	Q-3-14	Existing Market
Atlanta, GA	Q-4-14	Existing Market
Florence, KY	Q-4-14	Closure
Kissimmee, FL	Q-4-14	Relocation
Winston-Salem, NC	Q-4-14	Relocation
Coconut Creek, FL	Q-1-15	Existing Market
Rogers, AR	Q-2-15	New Market
Waco, TX	Q-2-15	New Market

Ft. Lauderdale, FL	Q-3-15	Existing Market
To be announced, Western Region	Q-4-15	New Market
To be announced, Central Region	Q-4-15	Closure

These plans and other changes should increase net selling space in 2015 by approximately 3.8% assuming the new stores open and existing stores close as planned.

Our investing activities in stores and operations in 2014, 2013 and 2012 and planned outlays for 2015 are categorized in the table below. Capital expenditures for stores in the years noted do not necessarily coincide with the years in which the stores open.

(Approximate in thousands)	Proposed 2015	2014	2013	2012
Stores:				
New or replacement stores	$ 13,000	$ 12,900	$ 100	$ 9,500
Remodels/expansions	8,000	6,900	11,200	5,500
Other improvements	3,000	4,200	3,900	4,600
Total stores	24,000	24,000	15,200	19,600
Distribution	3,500	3,500	2,300	1,600
Information technology	3,500	3,400	2,700	3,800
Total	$ 31,000	$ 30,900	$ 20,200	$ 25,000

Non-GAAP Financial Measures and Reconciliations - Adjusted Net Income and Adjusted Earnings

We have included financial measures that are not prepared in accordance with GAAP. Any analysis of non-GAAP financial measures should be used only in conjunction with results presented in accordance with GAAP. The non-GAAP measures are not intended to be substitutes for GAAP financial measures and should not be used as such. We use the non-GAAP measures "EBIT," "adjusted EBIT," "adjusted net income" and "adjusted earnings per diluted share." Management believes these non-GAAP financial measures provide our board of directors, investors, potential investors, analysts and others with useful information to evaluate the performance of the Company because it excludes the impact of the pension settlement expense and another specific item that management believes are not indicative of the ongoing operating results of the business. The Company and our board of directors use this information to evaluate the Company's performance relative to other periods. We believe that the most directly comparable GAAP measures to EBIT, adjusted net income and adjusted diluted earnings per share are "Income before interest and income taxes," "Net income" and "Diluted earnings per share." Set forth above in our discussion of Operating Results are reconciliations of adjusted net income to net income and adjusted diluted earnings per share to diluted earnings per share. EBIT is equal to income before interest and income taxes and adjusted EBIT is reconciled to EBIT.

Critical Accounting Estimates and Assumptions

Our discussion and analysis is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. On an on-going basis, we evaluate our estimates, including those related to accounts receivable and allowance for doubtful accounts, pension and retirement benefits, self-insurance and realizability of deferred tax assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used or changes in the accounting estimate that are reasonably likely to occur could materially change the financial statements.

We believe the following critical accounting policies reflect our more significant estimates and assumptions used in the preparation of our consolidated financial statements:

Retirement benefits. Our supplemental executive retirement plan ("SERP") costs require the use of assumptions for discount rates, projected salary increases and mortality rates. Management is required to make certain critical estimates related to actuarial assumptions used to determine our expense and related obligation. We believe the most critical assumptions are related to (1) the discount rate used to determine the present value of the liabilities and (2) mortality rates. All of our actuarial assumptions are reviewed annually. Changes in these assumptions could have a material impact on the measurement of our SERP expense and related obligation.

The SERP is not funded so we pay benefits directly to participants. The unfunded obligation increased by $1.3 million between December 31, 2013 and December 31, 2014.

At each measurement date, we determine the discount rate by reference to rates of high quality, long-term corporate bonds that mature in a pattern similar to the future payments we anticipate making under the plans. As of December 31, 2014 and 2013, the weighted-average discount rates used to compute our benefit obligation were 4.09% and 4.96% respectively. This increased the SERP's benefit obligation by 12%. The SERP's mortality tables were updated in 2014 which increased the benefit obligation by 6%.

Refer to Note 10 to the Notes to Consolidated Financial Statements for additional information about our defined benefit pension plan which was terminated and settled in 2014 and other actuarial assumptions.

Self-Insurance. We are self-insured for certain losses related to worker's compensation, general liability and vehicle claims for amounts up to a deductible per occurrence. Our reserve is developed based on historical claims data and contains an actuarially developed incurred but not reported component. The resulting estimate is discounted and recorded as a liability. Our actuarial assumptions and discount rates are reviewed periodically and compared with actual claims experience and external benchmarks to ensure appropriateness. A one-percentage-point change in the actuarial assumption for the discount rate would impact 2014 expense for insurance by approximately $82,000, a 1.3% change.

We became primarily self-insured for employee group health care claims in 2012. We have purchased insurance coverage in order to establish certain limits to our exposure on both a per claim and aggregate basis. We record an accrual for the estimated amount of self-insured health care claims incurred by all participants but not yet reported (IBNR) using an actuarial method of applying a development factor to the reported monthly claims amounts. The Company's risk management and accounting management utilize a consistent methodology which involves various assumptions, judgment and other factors. The most significant factors which impact the determination of a required accrual are the historical pattern of the timeliness of claims processing, any changes in the nature or types of benefit plans, changes in the plan benefit designs, and medical trends and inflation. Historical experience is continually monitored, and accruals are adjusted when warranted by changes in facts and circumstances. The Company believes that the total health care cost accruals are reasonable and adequate to cover future payments on incurred claims.

Stock-based compensation. We have stock-based compensation plans and since 2004 have made grants of restricted stock, restricted stock units, and stock-settled appreciation rights. See Note 12, Stock Based Compensation Plans, to the Notes to the Consolidated Financial Statements for a complete discussion of our stock-based compensation programs. We recognize stock-based compensation expense based on the fair value of the respective awards. We estimated the fair value of our stock-settled appreciation rights awards as of the grant date based upon a Black-Scholes-Merton option pricing model. We estimate the fair value of our restricted stock awards and units as of the grant date utilizing the closing market price of our stock on that date. The compensation expense associated with these awards is recorded in the consolidated statements of income with a corresponding credit to common stock.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the potential loss arising from adverse changes in the value of financial instruments. The risk of loss is assessed based on the likelihood of adverse changes in fair values, cash flows or future earnings.

In the ordinary course of business, we are exposed to various market risks, including fluctuations in interest rates. To manage the exposure related to this risk, we may use various derivative transactions. As a matter of policy, we do not engage in derivatives trading or other speculative activities. Moreover, we enter into financial instruments transactions with either major financial institutions or high credit-rated counterparties, thereby limiting exposure to credit and performance-related risks.

We have exposure to floating interest rates through our Credit Agreement. Therefore, interest expense will fluctuate with changes in LIBOR and other benchmark rates. We do not believe a 100 basis point change in interest rates would have a significant adverse impact on our operating results or financial position.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of our independent registered public accounting firm, the Consolidated Financial Statements of Havertys and the Notes to Consolidated Financial Statements, and the supplementary financial information called for by this Item 8, are set forth on pages F-1 to F-22 of this report. Specific financial statements and supplementary data can be found at the pages listed in the following index:

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Our management has evaluated, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective for the purpose of providing reasonable assurance that the information we must disclose in reports that we file or submit under the Securities Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

(b) Management's Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that evaluation, our management concluded that our internal control over financial reporting is effective as of December 31, 2014.

Attestation Report of the Independent Registered Public Accounting Firm. Ernst & Young LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

(c) Changes in Internal Control over Financial Reporting. During the fourth quarter of 2014, there were no changes in our internal control over financial reporting that have affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm
on Internal Control over Financial Reporting

The Board of Directors and Stockholders of
Haverty Furniture Companies, Inc.

We have audited Haverty Furniture Companies, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework (the COSO criteria). Haverty Furniture Companies, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Haverty Furniture Companies, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2014 consolidated financial statements of Haverty Furniture Companies, Inc. and our report dated March 16, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 16, 2015

ITEM 9B. OTHER INFORMATION

Not applicable.
PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have adopted a Code of Conduct (the "Code") for our directors, officers (including our principal executive officer, and principal financial and accounting officer) and employees. The Code is available on our website at www.havertys.com. In the event we amend or waive any provisions of the Code applicable to our principal executive officer or principal financial and accounting officer, we will disclose the same by filing a Form 8-K. The information contained on or connected to our Internet website is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we file or furnish to the SEC.

We provide some information about our executive officers in Part I of this report under the heading "Executive Officers and Significant Employees of the Registrant." The remaining information called for by this item is incorporated by reference to "Election of Directors," "Corporate Governance," "Board and Committees" and "Other Information – Section 16(a) Beneficial Ownership Reporting Compliance" in our 2015 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in our 2015 Proxy Statement with respect to executive compensation and transactions under the heading "Compensation Discussion and Analysis" is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained in our 2015 Proxy Statement with respect to the ownership of common stock and Class A common stock by certain beneficial owners and management, and with respect to our compensation plans under which equity securities are authorized for issuance under the headings "Ownership of Company Stock by Directors and Management" and "Equity Compensation Plan Information," is incorporated herein by reference in response to this item.

For purposes of determining the aggregate market value of our common stock and Class A common stock held by non-affiliates, shares held by all directors and executive officers have been excluded. The exclusion of such shares is not intended to, and shall not, constitute a determination as to which persons or entities may be "affiliates" as defined under the Securities Exchange Act of 1934.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information contained in our 2015 Proxy Statement with respect to certain relationships, related party transactions and director independence under the headings "Certain Relationships and Related Transactions" and "Corporate Governance – Director Independence" is incorporated herein by reference in response to this item.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information under the heading "Audit Fees and Related Matters" in our 2015 Proxy Statement is incorporated herein by reference to this item.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements. The following documents are filed as part of this report:

Consolidated Balance Sheets – December 31, 2014 and 2013
Consolidated Statements of Comprehensive Income – Years ended December 31, 2014, 2013 and 2012
Consolidated Statements of Stockholders' Equity – Years ended December 31, 2014, 2013 and 2012
Consolidated Statements of Cash Flows – Years ended December 31, 2014, 2013 and 2012
Notes to Consolidated Financial Statements

(2) Financial Statement Schedule.

The following financial statement schedule of Haverty Furniture Companies, Inc. is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements:

Schedule II – Valuation and Qualifying Accounts

All other schedules have been omitted because they are inapplicable or the required information is included in the Consolidated Financial Statements or notes thereto.

(3) Exhibits:

Reference is made to Item 15(b) of this Report.

Each exhibit identified below is filed as part of this report. Exhibits not incorporated by reference to a prior filing are designated by an "*"; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. Exhibits designated with a "+" constitute a management contract or compensatory plan or arrangement. Our SEC File Number is 1-14445 for all exhibits filed with the Securities Exchange Act reports.

Exhibit No.	Exhibit
3.1	Articles of Amendment and Restatement of the Charter of Haverty Furniture Companies, Inc. effective May 2006 (Exhibit 3.1 to our 2006 Second Quarter Form 10-Q).
3.2	Amended and Restated By-Laws of Haverty Furniture Companies, Inc., as amended effective April 30, 2007 (Exhibit 3.2 to our 2007 First Quarter Form 10-Q).
10.1	Amended and Restated Credit Agreement by and among Haverty Furniture Companies, Inc. and Havertys Credit Services, Inc., as the Borrowers, SunTrust Bank, as the Issuing Bank and Administrative Agent and SunTrust Robinson Humphrey, Inc. as Lead Arranger, dated September 1, 2011 (Exhibit 10.1 to our 2011 Third Quarter Form 10-Q).
10.2	Haverty Furniture Companies, Inc., Class A Shareholders Agreement, made as of June 5, 2012, by and among, Haverty Furniture Companies, Inc., Villa Clare Partners, L.P., Clarence H. Smith, H5, L.P., Rawson Haverty, Jr., Ridge Partners, L.P. and Frank S. McGaughey (Exhibit 10.1 to our Form 8-K filed June 8, 2012); Parties added to the Agreement and Revised Annex I as of November 1, 2012 – Marital Trust FOB Margaret M. Haverty and Marital Trust B FOB Margaret M. Haverty; Parties added to the Agreement as of December 11, 2012 – Margaret Munnerlyn Haverty Revocable Trust (Exhibit 10.1 to our First Quarter 2013 Form 10-Q); Parties added to the Agreement as of July 5, 2013 – Richard McGaughey (Exhibit 10.1 to our Second Quarter 2013 Form 10-Q).

Exhibit No.	Exhibit
+10.3	1998 Stock Option Plan, effective as of December 18, 1997 (Exhibit 10.1 to our Registration Statement on Form S-8, File No. 333-53215); Amendment No. 1 to our 1998 Stock Option Plan effective as of July 27, 2001 (Exhibit 10.2 to our Registration Statement on Form S-8, File No. 333-66012).
+10.4	2004 Long-Term Incentive Plan effective as of May 10, 2004 (Exhibit 10.1 to our Registration Statement on Form S-8, File No. 333-120352); Amendment No. 1 to our 2004 Long-Term Incentive Plan effective as of May 9, 2011 (Exhibit 4.1 to our Registration Statement on Form S-8, File No. 333-176100)
+10.5	2014 Long-Term Incentive Plan effective as of May 12, 2014 (Exhibit 10.1 to our Registration Statement on Form S-8, File No. 333-197969).
+10.6	Amended and Restated Directors' Compensation Plan, effective as of February 18, 2014 (Exhibit 10.5 to our 2013 Form 10-K).
+10.7	Amended and Restated Supplemental Executive Retirement Plan, effective January 1, 2009 (Exhibit 10.9 to our 2009 Form 10-K).
+10.8	Form of Agreement dated December 9, 2011 regarding Change in Control with the Named Executive Officers and a Management Director (Exhibit 10.6 to our 2011 Form 10-K).
+10.9	Form of Agreement dated December 9, 2011, regarding Change in Control with Executive Officers who are not Named Executive Officers or Management Directors (Exhibit 10.7 to our 2011 Form 10-K).
+10.10	Top Hat Mutual Fund Option Plan, effective as of January 15, 1999 (Exhibit 10.15 to our 1999 Form 10-K).
10.11	Lease Agreement dated July 26, 2001; Amendment No. 1 dated November, 2001 and Amendment No. 2 dated July 29, 2002 between Haverty Furniture Companies, Inc. as Tenant and John W. Rooker, LLC as Landlord (Exhibit 10.1 to our 2002 Third Quarter Form 10-Q). Amendment No. 3 dated July 29, 2005 and Amendment No. 4 dated January 22, 2006 between Haverty Furniture Companies, Inc. as Tenant and ELFP Jackson, LLC as predecessor in interest to John W. Rooker, LLC as Landlord (Exhibit 10.15.1 to our 2006 Form 10-K).
10.12	Contract of Sale dated August 6, 2002, between Haverty Furniture Companies, Inc. as Seller and HAVERTACQII LLC, as Landlord (Exhibit 10.2 to our 2002 Third Quarter Form 10-Q).
10.13	Lease Agreement dated August 6, 2002, between Haverty Furniture Companies, Inc. as Tenant and HAVERTACQII LLC, as Landlord (Exhibit 10.3 to our 2002 Third Quarter Form 10-Q).
10.14	Amended and Restated Retailer Program Agreement, dated November 5, 2013, between Haverty Furniture Companies, Inc. and Capital Retail Bank (formerly known as GE Money Bank). Portions of this document have been redacted pursuant to a request for confidential treatment filed pursuant to the Freedom of Information Act.
+10.15	Form of Stock-Settled Appreciation Rights Award Notice in connection with the 2004 Long-Term Incentive Compensation Plan (Exhibit 10.2 to our Current Report on Form 8 K dated February 12, 2008).
+10.16	Form of Stock-Settled Appreciation Rights Award Notice in connection with the 2004 Long-Term Incentive Compensation Plan (Exhibit 10.1 to our Current Report on Form 8 K dated February 2, 2009).

Exhibit No.	Exhibit
+10.17	Form of Restricted Stock Units Award Agreement in connection with the 2004 Long-Term Incentive Compensation Plan (Exhibit 10.1 to our Current Report on Form 8-K dated January 22, 2010).
+10.18	Form of Restricted Stock Units Award Notice in connection with the 2004 Long-Term Incentive Compensation Plan (Exhibit 10.1 to our Current Report on Form 8-K dated January 31, 2011).
+10.19	Form of Restricted Stock Units Award Notice in connection with the 2004 Long-Term Incentive Compensation Plan (Exhibit 10.1 to our Current Report on Form 8-K dated January 30, 2012).
+10.20	Form of Restricted Stock Units Award Notice and Form of Stock Settled Appreciation Rights Award Notice in connection with the 2004 Long-Term Incentive Compensation Plan (Exhibits 10.1 and 10.2 to our Current Report on Form 8-K dated January 30, 2013).
+10.21	Form of Restricted Stock Units Award Notice, Form of Performance Restricted Stock Units (EBITDA) Award Notice and Form of Performance Restricted Units (Sales) Award Notice in connection with the 2004 Long-Term Incentive Compensation Plan. (Exhibits 10.1, 10.2 and 10.3 to our Current Report on Form 8-K dated January 24, 2014).
*21	Subsidiaries of Haverty Furniture Companies, Inc.
*23.1	Consent of Independent Registered Public Accounting Firm.
*31.1	Certification pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
*31.2	Certification pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
*32.1	Certification pursuant to 18 U.S.C. Section 1350.
*101	The following financial information from Haverty Furniture Companies, Inc. Report on Form 10-K for the year ended December 31 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets for the years ended December 31, 2014 and 2013, (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012, (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012, (iv) Consolidated Statements of Cash Flow for the years ended December 31, 2014, 2013 and 2012, and (v) the Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 16, 2015.

HAVERTY FURNITURE COMPANIES, INC.

By: /s/ CLARENCE H. SMITH
Clarence H. Smith
Chairman of the Board, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on March 16, 2015.

/s/ CLARENCE H. SMITH
Clarence H. Smith
Chairman of the Board, President and
Chief Executive Officer
(principal executive officer)

/s/ FRANK S. McGAUGHEY, III
Frank S. McGaughey, III
Director

/s/ DENNIS L. FINK
Dennis L. Fink
Executive Vice President and
Chief Financial Officer
(principal financial and accounting officer)

/s/ TERENCE F. McGUIRK
Terence F. McGuirk
Director

/s/ JOHN T. GLOVER
John T. Glover
Director

/s/ VICKI R. PALMER
Vicki R. Palmer
Director

/s/ RAWSON HAVERTY, JR.
Rawson Haverty, Jr.
Director

/s/ FRED L. SCHUERMANN
Fred L. Schuermann
Director

/s/ L. PHILLIP HUMANN
L. Phillip Humann
Lead Director

/s/ AL TRUJILLO
Al Trujillo
Director

/s/ MYLLE H. MANGUM
Mylle H. Mangum
Director

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Haverty Furniture Companies, Inc.

We have audited the accompanying consolidated balance sheets of Haverty Furniture Companies, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Haverty Furniture Companies, Inc. at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Haverty Furniture Companies, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework and our report dated March 16, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 16, 2015

Haverty Furniture Companies, Inc.
Consolidated Balance Sheets

(In thousands, except per share data)	December 31, 2014	2013
Assets		
Current assets		
Cash and cash equivalents	$65,481	$83,185
Investments	7,250	—
Restricted cash and cash equivalents	8,017	7,016
Accounts receivable	7,146	8,172
Inventories	107,139	91,483
Prepaid expenses	6,418	6,494
Other current assets	8,010	4,349
Total current assets	209,461	200,699
Accounts receivable, long-term	731	832
Property and equipment	225,162	189,242
Deferred income taxes	17,610	13,253
Other assets	8,023	13,829
Total assets	$460,987	$417,855
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$24,152	$21,810
Customer deposits	23,687	19,008
Accrued liabilities	39,960	36,338
Deferred income taxes	5,689	—
Current portion of lease obligations	2,387	959
Total current liabilities	95,875	78,115
Lease obligations, less current portion	46,678	16,196
Other liabilities	26,351	25,280
Commitments	—	—
Total liabilities	168,904	119,591
Stockholders' equity		
Capital Stock, par value $1 per share		
Preferred Stock, Authorized – 1,000 shares; Issued: None		
Common Stock, Authorized – 50,000 shares; Issued: 2014 – 28,327; 2013 – 27,853	28,327	27,853
Convertible Class A Common Stock, Authorized – 15,000 shares; Issued: 2014 – 2,603; 2013 – 2,915	2,603	2,915
Additional paid-in capital	79,726	77,406
Retained earnings	260,031	281,222
Accumulated other comprehensive income (loss)	(2,168)	(15,412)
Less treasury stock at cost – Common Stock (2014 – 7,759; 2013 – 7,731) and Convertible Class A Common Stock (2014 and 2013 – 522)	(76,436)	(75,720)
Total stockholders' equity	292,083	298,264
Total liabilities and stockholders' equity	$460,987	$417,855

The accompanying notes are an integral part of these consolidated financial statements.

Haverty Furniture Companies, Inc.
Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
(In thousands, except per share data)	2014	2013	2012
Net sales	$768,409	$746,090	$670,073
Cost of goods sold	356,043	344,594	318,038
Gross profit	412,366	401,496	352,035
Credit service charges	298	320	293
Gross profit and other revenue	412,664	401,816	352,328
Expenses:			
Selling, general and administrative	364,654	348,599	328,826
Pension settlement expense	21,623	—	—
Provision for doubtful accounts	257	120	165
Other income, net	(178)	(497)	(803)
Total expenses	386,356	348,222	328,188
Income before interest and income taxes	26,308	53,594	24,140
Interest expense, net	1,051	1,107	624
Income before income taxes	25,257	52,487	23,516
Income tax expense	16,668	20,222	8,605
Net income	$8,589	$32,265	$14,911
Other comprehensive income, net of tax:			
Defined benefit pension plan adjustments; net of tax expense (benefit) of ($2,954), $4,822 and $921	$13,244	$7,966	$1,501
Other comprehensive income	—	—	117
Total other comprehensive income	13,244	7,966	1,618
Comprehensive income	$21,833	$40,231	$16,529
Basic earnings per share:			
Common Stock	$0.38	$1.45	$0.69
Class A Common Stock	$0.33	$1.37	$0.58
Diluted earnings per share:			
Common Stock	$0.37	$1.41	$0.67
Class A Common Stock	$0.33	$1.35	$0.59

The accompanying notes are an integral part of these consolidated financial statements.

Haverty Furniture Companies, Inc.
Consolidated Statements of Stockholders' Equity

(In thousands, except share and per share data)	Year Ended December 31, 2014 Shares	2014 Dollars	2013 Shares	2013 Dollars	2012 Shares	2012 Dollars
Common Stock:						
Beginning balance	27,853,412	$27,853	27,212,184	$27,212	26,578,193	$26,578
Conversion of Class A Common Stock	311,824	312	382,199	382	344,802	345
Stock compensation transactions, net	161,534	162	259,029	259	289,189	289
Ending balance	28,326,770	28,327	27,853,412	27,853	27,212,184	27,212
Class A Common Stock:						
Beginning balance	2,915,234	2,915	3,297,433	3,297	3,642,235	3,642
Conversion to Common Stock	(311,824)	(312)	(382,199)	(382)	(344,802)	(345)
Ending balance	2,603,410	2,603	2,915,234	2,915	3,297,433	3,297
Treasury Stock:						
Beginning balance (includes 522,410 shares Class A Stock for each of the years presented; remainder are Common Stock)	(8,253,414)	(75,720)	(8,263,557)	(75,816)	(8,271,024)	(75,847)
Directors' Compensation Plan	9,213	88	10,143	96	25,649	249
Purchases	(37,076)	(804)	—	—	(18,182)	(218)
Ending balance	(8,281,277)	(76,436)	(8,253,414)	(75,720)	(8,263,557)	(75,816)
Additional Paid-in Capital:						
Beginning balance		77,406		73,803		69,209
Stock option and restricted stock issuances		(2,232)		(1,928)		1,605
Tax benefit related to stock-based plans		896		1,754		289
Directors' Compensation Plan		337		454		147
Amortization of restricted stock		3,319		3,323		2,553
Ending balance		79,726		77,406		73,803
Retained Earnings:						