

BASSETT FURNITURE INDUSTRIES INC  
Form DEFA14A  
April 03, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

**Bassett Furniture Industries, Incorporated**

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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Bassett  
Investor Presentation  
April 2008  
NASDAQ: BSET

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Agenda  
Business Overview & Industry  
Update  
Retail Growth Strategy  
Rollout & Repositioning Plan  
Balance Sheet

Costa Brava s Bid for Control

3

Business Overview

130 stores

32 corporate & 98 licensed

75% of sales through store network

3 regional distribution centers

Wholesale sales nearly 60% import, 40%



domestic

2 domestic manufacturing facilities focused on  
executing our unique merchandising strategy

1,420 employees

570 in corporate retail  
stores

Becoming a hybrid between specialty &  
furniture store

Offering alternative to more expensive  
competition

Local design center

Ethan Allen

Thomasville

4

Furniture Industry Update

From 1999

2007, China's furniture exports (1)

have grown 640% from approximately \$3bn to  
over \$20bn

Mass merchandisers (e.g., Wal-Mart, Target,

Costco) have taken share and pressured  
margins of pure Home Furnishings retailers  
Slowdown within the housing industry has put  
added pressure on the home furnishings  
industry

Source

U.S. Dept. of Labor

5  
China Furniture Exports &  
U.S. Furniture Employment  
1999 -  
2007  
-  
2.0

4.0  
6.0  
8.0  
10.0  
12.0  
14.0  
16.0  
18.0  
20.0  
22.0  
'99  
'00  
'01  
'02  
'03  
'04  
'05  
'06  
'07  
500  
550  
600  
650  
700  
750

Chinese exports data per the China National Furniture Association.  
U.S. employment data per the U.S. Bureau of Labor Statistics.

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Home Furnishing Consolidatio

Difficult industry conditions have led to  
consolidation

209 bankruptcies since 1999; 171 in the last five  
years (\*)

Numerous M&A transactions

November

8,

2007

-

Levitz

Furniture

Inc.

declared its third bankruptcy in ten years

The furniture chain is undergoing outright liquidation  
of its assets

February

4,

2008

Wickes

Furniture,

retail

furniture chain with 40 stores across the  
country, filed for Chapter 11 bankruptcy

(\*) Source -

CapitalIQ

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Industry Undergoing Change

Numerous domestic manufacturing closures;  
companies shift to outsourced production

Renewed retail focus with dedication to  
improving/attaining profitability, store  
presentation and improved customer service



New financial strategies

Capital raise (e.g., STLY s

\$25m private placements)

Credit facilities refinanced (e.g., FNB and LZB)

Dividend decreases (e.g., FBN 75% decrease and LZB  
67% decrease)

Share repurchase authorization and purchase (e.g.,  
ETH, HOFT, LEG and STLY)

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Retail Growth Strategy

Building a Specialty Furniture Retail Brand

Strengthen retail talent

Execute new product strategy

A new store prototype

Modernize marketing effort

Strengthen our Design Services  
Build national consistency in our network

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Strengthen Retail Talent

Retail Leadership

Hired Jason Camp as SVP Retail

Restoration Hardware

Hired Barbara Kurgan as Creative Advisor

Martha Stewart, Elle Decor

Upgraded talent in key retail leadership roles.

Retail Store Talent

Investing heavily in recruitment and development of high quality retail talent

Leveraging monthly sessions of Bassett University for both retail managers and design consultants

10

New Product Strategy

Become a style leader within 4  
lifestyles

Strengthen offering in custom furniture

Create a clear price / value point of  
differentiation from EA, Thomasville

and Pottery Barn

Strengthen design capabilities with a  
fully coordinated assortment

Grow accessory / drapery business

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A New Store Prototype

Create 3 custom workshops

Upholstery, Dining and Storage

Showcase our 4 lifestyles

More residential scale and design

Create authority in Design Services



Create a Home Entertainment  
destination

Sectionals, Motion and Wall Units

Build authority in Accessories

Draperies, Rugs, Lighting and Mirrors

New Store Format  
3 custom workshops  
4 Lifestyles  
More residential scale  
Design Services  
Authority in Accessories  
Home Entertainment

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A New Store Prototype

Early results are very encouraging

5 new stores are now open

Higher average volume

Higher average transaction

Higher conversion rate

14

Modernize Marketing Effort

Website

A critical research tool for furniture  
shoppers

Piloting web commerce this summer

Catalog

Will mail 9m across 8 drops this year

Design Resource Guide

Launch first bi-annual book this fall

Television

Gain national strength and consistency  
through TV

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Strengthen our Design

Services

Thoughtful accents and accessories

Wall art and mirrors

Lighting & decorative accessories

Fully coordinated textiles assortment

Upholstery Fabrics  
Leather Assortment  
Rugs / Rug Squares  
Custom Drapery in 30 days  
Stocked top of bed  
Stocked pillows

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Strengthen our Design  
Services  
Talented Design Consultants  
Aggressively recruiting and developing  
high quality Design Consultants  
Launching Bassett University



Tools, Technology and Resources  
Presentation Rooms in new stores  
Prevue & Room Planner in stores/web  
Design Resource Guide  
Marketing the Capability  
Web, catalog, DRG, TV and Stores

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Retail Strategy Summary

Early results are encouraging

New products are selling briskly

New stores are delivering better  
performance

Design Services are increasing

Our national network is gaining  
consistency

18  
Growth Strategy  
Rollout Plan  
(2008  
2010)  
Closing underperforming stores  
20 to 25 stores over next three

years

Investing in new stores

13 to 19

Converting and remodeling a certain  
number of stores

19

Retail Store Network

(includes both Corporate and Licensee owned stores)

Targeting improvement in average annual  
sales per store

\$3.1 million in 2007 to \$3.7 million in 2010

Based on achieving a new store annual top

line target of \$4.0 to \$4.6 million

20  
Rollout & Repositioning Plan  
Targeted  
Today  
End of 2010  
Corporate  
New prototype



3  
15 to 20  
Old prototype  
29  
16 to 18  
(100% remodeled)  
32  
31 to 38  
Licensed  
New prototype  
2  
6 to 10  
Old prototype  
96  
78 to 88  
(50% remodeled)  
98  
84 to 98  
130  
115 to 136

21

Store Conversions &  
Remodels

Conversion is a complete store redesign to incorporate all of the facets of the new store prototype. This represents a significant capital investment.

Remodel is a redesign that is less in scope and incorporates

only certain facets of the new store prototype. The capital investment is considerably less.

Target

Target

2008

2009

2010

Corporate Conversions

2

2

2

Corporate Remodels

3

4

4

Licensee Remodels

10 to 12

10 to 15

10 to 15

22  
Planned Capital Spending  
for  
New Prototype Stores

2009 and 2010 targets based on new stores  
achieving targeted performance levels. Our Board

has not approved 2009 and 2010 capital spending.

Based on certain percentage of leases versus owned real estate on new stores. New store real estate could be financed with mortgages.

Target

Target

2008

2009

2010

Conversions/Remodels

2.6

\$

\$3 to \$4

\$3 to \$4

New Stores

1.5

\*7 to 8

\*7 to 8

4.1

\$

\$10 to \$12

\$10 to \$12

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Targeted Store Economics

Assumes 16,000 square foot retail stores  
built for \$100 per square foot

Approximately \$53 per square foot of tenant  
improvements and initial inventory costs of  
\$0.5 million

Total new store investment of \$4.5 million

Buy \$4.5m, Lease \$1.4m

Retail segment growth drives Wholesale revenue and enables the Company to capitalize on the Bassett brand

Wholesale Contribution -

\$400k on a \$4.4

million store

Retail Contribution -

\$200k to \$500k for store

depending on real estate

Targeted Pretax Returns

Buy 18

22%, Lease 35 to 40%

Conversion 18

22%

24  
Actual & Targeted  
Store Performance  
Current  
Targeted New  
Targeted Total  
Bassett Fleet



Bassett Stores

Fleet - 2010

Avg. Sales per sq.ft.

\$180

\$275

\$220

Average Size

17,200

16,000

16,800

Avg. Sales per store

\$3.1 mil.

\$4.4 mil.

\$3.7 mil.

Note - Five new stores are currently achieving targeted levels on average.

25

Balance Sheet

Our balance sheet is bolstered by two significant investments/assets

1.

Investment Portfolio (Q1 est.)

Marketable Securities

Alternative Asset Fund

2.

International Home Furnishings Center  
Listed on the balance sheet as a liability due  
to dividends received being in excess of  
earnings recorded

3/1/2008

\$21.2

\$46.8

\$68.0

26

Balance Sheet

This strong balance sheet HAS  
allowed us to:

Pay out more than \$48 million in  
dividends over the past five years  
(very important to many of our long-

term shareholders)

Invest in store real estate

Sign leases for store expansion

\$96 million commitment at 11/24/07

Guarantee leases for certain licensees

\$13 million at 11/24/07

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Balance Sheet

We anticipate our strong balance  
sheet WILL allow us to:

Continue paying an attractive dividend

Weather current difficult industry  
conditions

Prudently execute our long-term retail  
growth strategies  
New stores  
Conversions and remodels

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March 17, 2008 Release

Reinforces our belief in long-term  
viability of the furniture business and  
continued expansion of the retail  
program

Will liquidate significant portion of our



investment portfolio over the next two  
years to:

Invest in store program  
real estate

\$10

12 million per year

Subject to the success of new stores

Return monies to shareholders

Increased

dividend

\$.225

for

6/1/08

Increased share repurchase authorization  
and more aggressive repurchase program

29  
April Release  
Since  
the  
March  
17  
release,

Bassett  
shareholders  
have offered strong support for the increased ongoing  
dividend and aggressive continuation of share  
repurchase program  
have expressed strong sentiment for immediate return  
have noted concern over level of capital spending  
Bassett adjusts its financial plan by reducing capital  
spending by \$15 million over next four years  
Bassett's Board's intent is to support additional  
dividend of \$1.25 per share representing nearly \$15  
million in additional shareholder return, for a total of  
\$35 million over the next year or so  
Bassett's Board and advisors conclude that a  
substantially larger dividend at this time would impair  
the Company's strong balance sheet and would be  
imprudent given the downturn in the furniture industry  
and tight credit conditions

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Who is Costa Brava?

A Bassett shareholder for less than  
four months

Nominees appear to have no  
experience or expertise in the home  
furnishings or retail business of any

kind

Sought control without stating any  
plan for the future of the company  
Now presents a platform that unwisely  
promises unachievable short-term

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What Costa Brava Doesn't Say

In just 10 years, while numerous furniture companies have failed, Bassett has moved from manufacturing to retailing with over \$400 million in annualized sales

The Company's retail plan

Is the culmination of more than two years of  
extensive study and consultation

Has been cautiously implemented and will go  
forward based on demonstrated returns

Relies on a continued strong balance sheet  
and a measured approach to new liabilities

Capitalizes on high brand recognition and  
more than a century of consumer trust

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Costa Brava's letter is wrong.

Costa Brava says Bassett's plan is too uncertain and is based on a very short observation period.

Costa Brava is **wrong**. Bassett's plan is the culmination of more than two years of extensive study and consultation.

Costa



Brava  
says  
Bassett s  
plan  
involves  
high  
price  
and  
high  
risk .

Costa Brava is **wrong**. Bassett s plan has proceeded cautiously and will go forward based on demonstrated returns.

Costa Brava says Bassett s plan will lead to increased liabilities.

Costa Brava is **wrong**. Bassett s plan relies on a continued strong balance sheet and the measured assumption of new liabilities.

Costa Brava says Bassett has neither the brand recognition nor the scale necessary to execute its plan.

Costa Brava is **wrong**. Bassett s plan relies on high name recognition

and  
more  
than  
a  
century  
of  
building  
consumer  
trust.

In  
just 10 years, Bassett has built one of the largest furniture retailing networks in the country with over \$400 million in annualized sales.

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What the Company is already  
providing shareholders

Cautious execution of its business plan  
without depletion or deterioration of  
shareholder value

Immediate return of nearly \$15 million of

shareholder value through issuance of a  
\$1.25 dividend plus \$20 million to be used  
for share repurchases

An increased and substantial regular  
quarterly dividend

Continued evaluation of all strategic  
alternatives by the Board

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Bassett's Board of Directors

Deserves Your Support

Overwhelmingly independent (7/9); no  
insiders or affiliated outsiders on key  
committees

Significant home furnishings and retail

experience and expertise

Detailed plan for maximizing and delivering value to shareholders; will use undervalued non-operating

assets:

To return capital to shareholders in the form of an immediate dividend, increased regular dividends and aggressive stock repurchases

To invest prudently in the company's retail growth plan based on the success of the new prototype stores

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Summary

Conditions are tough but your Board has experience and a plan to build shareholder value

Retail strategies properly executed should allow Bassett to take market share without

risking valuable assets

Growth plan as outlined will allow Bassett to  
gain consistency and needed scale

Recent Board action demonstrates  
commitment to providing immediate  
shareholder return while ensuring enhanced  
shareholder value over the long term

Vote FOR the Bassett nominees on the  
Company's WHITE proxy card

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Certain of the statements in this presentation, particularly those preceded by,  
followed

by

or

including

the



words

believes,  
expects,  
anticipates,  
intends,  
should,  
estimates,

or similar expressions, or those relating to or  
anticipating financial results for periods beyond the fiscal year 2007, constitute  
forward looking statements

within the meaning of Section 27A of the

Securities Act of 1933, as amended. For those statements, Bassett claims the  
protection of the safe harbor for forward looking statements contained in the  
Private Securities Litigation Reform Act of 1995. In many cases, Bassett cannot  
predict what factors would cause actual results or future actions to differ  
materially from those indicated in the forward looking statements. Expectations  
included in the forward-looking statements are based on preliminary  
information as well as certain assumptions which management believes to be  
reasonable

at  
this  
time.

The  
following  
important  
factors  
affect

Bassett  
and

could cause actual results or future actions to differ materially from those  
indicated in the forward looking statements: delays or difficulties in converting  
some of its non-operating assets to cash, tax planning considerations,  
negotiations with third parties who have an interest in some of the non-  
operating

assets  
in

which  
the

Company  
has

an  
interest,  
economic,  
competitive,

governmental and other factors identified in Bassett's filings with the Securities  
and Exchange Commission, and the effects of national and global economic or  
other

conditions

and  
future

events  
on  
the  
retail  
demand  
for  
home  
furnishings.

Financial estimates included in this presentation have been prepared in accordance with historical accounting practices and do not reflect the effect of any recent changes in accounting principles or guidance, including the effects, if any,

of  
Statement  
of  
Financial  
Accounting  
Standards  
No.  
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Fair  
Value  
Measurements.