

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.

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1
Bassett
Investor Presentation
April 2008
NASDAQ: BSET

2
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.

6

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

7

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)

8
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

9

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

11

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

13

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

15

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

16

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

17

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

23

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

27

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

28

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

30

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

31

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

32

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.

33

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

34

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

35

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

36

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.
157

Fair
Value
Measurements.