

BASSETT FURNITURE INDUSTRIES INC  
Form DEFA14A  
March 18, 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)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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**BASSETT FURNITURE INDUSTRIES, INCORPORATED**

**Bassett, Virginia**

**Presentation to Certain Investors**

Beginning March 17, 2008, Robert H Spilman, Jr., President and Chief Executive Officer, Barry C. Safrit, Senior Vice President and Chief Financial Officer, and Jason W. Camp, Senior Vice President, Retail, will be making presentations to certain Institutional Investors of Bassett Furniture Industries, Inc. regarding Bassett's current retail growth strategy. A copy of the presentation is presented below.

Certain of the statements in the presentation that follows, 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.

1  
Bassett  
Investor Presentation  
March 2008  
NASDAQ: BSET

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Agenda  
Business Overview & Industry Update  
Retail Growth Strategy  
Rollout & Repositioning Plan  
Balance Sheet  
Robert Spilman/President & CEO

Jason Camp/SVP, Retail  
Barry Safrit/SVP & CFO

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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

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 Consolidation

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

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

Dated

Traditional

Current

Modern

Contemporary

\$\$\$

\$\$

\$

Updated Styling / Value Positioning

11

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



12

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

Drapery, Rugs, Lighting and Mirrors

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

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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

Store conversions and remodels

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

New store top line target of \$4.0 to \$4.6  
million per year

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

\*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 11

\*7 to 11

4.1

\$

\$10 to \$15

\$10 to \$15

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%

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Actual & Targeted  
Store Performance  
Current  
Targeted  
Targeted  
Bassett Fleet

New Bassett Stores

Total Fleet - 2010

Avg. Sales per square foot

180

275

220

Average Size

17,200

16,000

16,800

Avg. Sales per store

\$3.1 million

\$4.4 million

\$3.7 million



25

Balance Sheet

Our balance sheet is bolstered by  
two significant investments/assets

1.

Investment Portfolio

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

11/24/2007

\$25.1

\$51.8

\$76.9

26

Balance Sheet

This strong balance sheet HAS  
allowed us to:

Pay out more than \$48 million in  
dividends over the past five years

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

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 2 to  
3 years to:

Invest in store program  
real estate

\$10

12 million per year

Return monies to shareholders

Increased dividend

\$.225 for 6/1/08

Increased share repurchase authorization and  
expected activity



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Summary

Conditions are tough but we're not  
standing still

Retail strategies properly executed  
should allow us to take market share

Growth plan as outlined will allow us

to gain consistency and needed scale  
Recent board action signals board  
commitment to enhancing shareholder  
return through this transition and in the  
long-term

Certain of the statements in this release, particularly those preceded by,  
followed by  
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including  
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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.

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