



## Bassett Furniture Industries, Inc. (BSET)

**4Q:F22 Results Above Expectations; Adjust F2022, F2023 EPS Estimates As BSET Divests Zenith Logistics; Maintain Moderately Risky Rating, \$36 Price Target**

	F2020	F2021E		F2022E		F2023E	
		OLD	NEW	OLD	NEW	OLD	NEW
Feb.	\$0.12	\$0.40A		\$0.42	\$0.36	\$0.57	\$0.54
May	(1.23)	0.60A		0.51	0.46	0.67	0.62
Aug.	0.22	0.31A		0.41	0.52	0.48	0.65
Nov.	<u>0.65</u>	<u>0.35</u>	<u>0.52A</u>	<u>0.58</u>	<u>0.56</u>	<u>0.65</u>	<u>0.57</u>
<b>EPS (FY)</b>	<b>(\$0.23)</b>	<b>\$1.66</b>	<b>\$1.83A</b>	<b>\$1.91</b>	<b>\$1.89</b>	<b>\$2.37</b>	
<b>P/E (FY)</b>				<b>9.9x</b>	<b>7.9x</b>		

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. Fiscal year ends on the last Saturday in November. \*Estimated net cash per share includes operating lease obligations through F2023. F2020-F2023E include \$0.06-\$0.07 of annual stock-based compensation expense. 2Q:F20 excludes \$0.81 of non-recurring charges (mostly asset impairment). Sum of quarterly results may not equal full-year total due to rounding and/or changes in the diluted share count. BSET is included in the Russell 2000 Index. NC=Not Covered by Sidoti & Co., LLC. NM = Not Meaningful

Year	F2014	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Rev.(Mil.)	\$340.7	\$430.9	\$432.0	\$452.5	\$456.9	\$452.1	\$385.9	\$486.5	\$451.9	\$457.5
GAAP EPS	\$0.87	\$1.90	\$1.46	\$1.70	\$0.77	(\$0.19)	(\$1.05)	\$1.83	\$1.89	\$2.37

**Description:** Bassett Furniture Industries, Inc. (www.bassettfurniture.com) is a vertically integrated manufacturer, importer and retailer of high-quality, upper-mid priced home furnishings. At the end of 3Q:F21, Bassett operated 97 retail stores (63 company-operated and 34 licensee-operated) that sell custom-order furniture. In addition, BSET operates a logistics operation called Zenith. Headquarters are in Bassett, VA.

- **Reported 4Q:F22 EPS of \$0.52 easily exceeded our estimate of \$0.35 (consensus was \$0.45), as total revenue of \$129.9 million beat our projection of \$122.9 million and the operating margin of 5.5% topped our expectation of 4.0%.**
- **Even with a moderation in wholesale orders, the company's wholesale backlog was \$90.1 million at the end of F2021, versus \$54.9 million at yearend F2020 and \$20.0 million at the end of F2019.**
- **In a separate and joint press release, J.B. Hunt Transport Services Inc. (NASDAQ: JBHT, NC) announced the acquisition of Zenith Freight Lines, LLC, a wholly-owned subsidiary of BSET, for approximately \$87 million.**
- **In F2021, Zenith generated \$87 million of total revenue to BSET (\$55.6 million in sales to external customers) but only produced \$1.7 million of operating income given higher than historical operating costs. Hence, we view the sales price favorably.**
- **From a strategic point of view, we think that the sale of Zenith will enable BSET to better improve its focus on its core furniture manufacturing and retail operations.**
- **We suspect the primary uses of sale proceeds will be a combination of a special cash dividend and a likely higher regular dividend, although it is difficult to project the exact timing and size of such cash distributions.**
- **We maintain our \$36 price target, which is based on 15x our F2023 EPS estimate of \$2.37. We maintain a Moderately Risky rating on BSET shares.**

**Reported 4Q:F21 EPS totaled \$0.52.** We expected EPS of \$0.35 compared with the FactSet consensus estimate of \$0.45. Total revenue increased almost 10% year over year to \$129.9 million (we estimated \$122.9 million), due to an 8.5% revenue gain in the furniture segment to \$114.4 million (we expected \$109.3 million) and a 19.5% sales increase in the Zenith logistics segment to \$15.5 million (we estimated \$13.7 million). As per FactSet, the consensus revenue forecast was \$122.5 million. While the overall gross margin declined 80 basis points

**NR**

Price Target: \$36

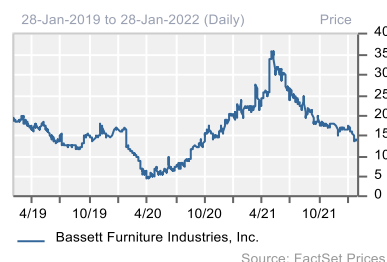
Price: \$18.63

Risk Rating: M

**Anthony C. Lebedzinski**  
(212) 453-7015  
(alebiedzinski@sidoti.com)

### Key Statistics

Analysts Covering	1
Market Cap (Mil)	\$180
Enterprise Value	\$211
52-Week Range (NASDAQ)	37-13
5-Year EPS CAGR	16%
Avg. Daily Trading Volume	53,000
Shares Out (Mil)	9.756
Float Shares (Mil)	9.046
Insider Ownership	5%
Institutional Holdings	76%
Annualized Dividend	\$0.55
Dividend Yield	3.9%
FCF Per Share (F2023E)	\$1.84
FCF Yield (F2023E)	9.9%
Net Cash Per Share (F2023E) *	\$3.03
Price to Book Value	0.9x
Return on Equity (F2023E)	12.5%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	3.3%
Short Interest Days To Cover	7.1
Russell 2000	2,012
Russell 2000 – Last 12 Months	-6.6%
BSET – Last 12 Months	-31.1%



from 4Q:F20 to 56.6% (and was 30 basis points less than we expected), the operating margin of 5.5% exceeded our estimate of 4.0% but was down from 8.5% in 4Q:F20, largely due to margin pressure in the company's wholesale and logistics operations and higher spending for technology initiatives.

**Exhibit 1: Bassett Furniture Industries, Inc. Results Variance Analysis**

in thousands of dollars except per share amounts	4Q:F21 Actual	4Q:F21 Estimate	Variance	% Variance	4Q:F20 Actual	% Y-O-Y Change
Revenue-furniture	\$ 114,364	\$ 109,254	\$5,110	4.7%	\$ 105,389	8.5%
Revenue-logistics	15,532	13,689	\$1,843	13.5%	12,994	19.5%
<b>Total revenue</b>	<b>\$ 129,896</b>	<b>\$ 122,942</b>	<b>\$6,954</b>	<b>5.7%</b>	<b>\$ 118,383</b>	<b>9.7%</b>
<b>Gross profit</b>	<b>73,523</b>	<b>69,985</b>	<b>3,538</b>	<b>5.1%</b>	<b>67,956</b>	<b>8.2%</b>
<i>gross margin (%)</i>	<i>56.6%</i>	<i>56.9%</i>	<i>-0.3%</i>	<i>-0.6%</i>	<i>57.4%</i>	
<b>Operating income</b>	<b>7,109</b>	<b>4,893</b>	<b>2,216</b>	<b>45.3%</b>	<b>10,049</b>	<b>-29.3%</b>
<i>operating margin (%)</i>	<i>5.5%</i>	<i>4.0%</i>	<i>1.5%</i>		<i>8.5%</i>	
<b>Net income - adjusted</b>	<b>5,041</b>	<b>3,310</b>	<b>1,731</b>	<b>52.3%</b>	<b>6,543</b>	<b>-23.0%</b>
<b>Diluted EPS - adjusted</b>	<b>\$0.52</b>	<b>\$0.35</b>	<b>\$0.18</b>	<b>50.1%</b>	<b>\$0.65</b>	<b>-19.9%</b>

Source: Company reports, Sidoti & Co., LLC estimates; NM = Not Meaningful

**BSET is divesting its Zenith logistics segment, which we think makes strategic and financial sense.** J.B. Hunt will acquire Zenith Freight Lines, LLC, a wholly-owned subsidiary of BSET, for approximately \$87 million. In F2021, Zenith generated total revenue of \$87.0 million, although after adjusting for services provided to Bassett's own wholesale segment, Zenith's revenue from external customers was \$55.6 million. Operating income for Zenith in F2021 was only \$1.7 million in F2021, as BSET contended with increased warehouse labor costs with Zenith challenged to find and retain freight-handling personnel in its warehousing operation. By comparison, in F2017, Zenith contributed \$17.5 million to the company's operating income. As part of this deal, J.B. Hunt and Bassett will enter into a long-term master services agreement with J.B. Hunt providing logistics services to BSET. By teaming up with the largest intermodal transport company in the U.S., we think ultimately BSET will be able to improve its service levels and enhance its focus on its core furniture business.

**We adjust our EPS estimates.** With the Zenith divestiture likely to be finalized by the end of February (Zenith will be part of discontinued operations starting in 1Q:F22) and our expectation that BSET's furniture segment will continue to benefit from its high backlogs and demand remaining above pre-COVID levels, we reduce our F2022 and F2023 revenue estimates to \$451.9 million and \$457.5 million respectively (from \$482.6 million and \$497.2 million previously). As we update our operating margin assumptions to 5.9% in F2022 and 7.2% in F2023 (from respective estimates of 5.5% and 6.6%), we now expect F2022 EPS of \$1.89 (was \$1.91) and F2023 EPS of \$2.37 (unchanged).

**In our view, BSET's financials are likely to remain in great shape.** At the end of F2021, Bassett had zero bank debt and \$52.1 million of cash and short-term investments, or \$5.29 per share. After a free cash *outflow* of \$7.6 million (\$0.74 per share) in F2019, BSET's free cash flow jumped to \$30.6 million (\$3.07 per share) in F2020 mostly given lower inventory purchases and higher customer deposits. With "normalized" cash from operations in F2021 (due to less favorable working capital management partly offset by higher net income) and higher cap-ex, F2021 free cash flow totaled \$3.8 million (\$0.38 per share) in F2021. In F2022, BSET will increase cap-ex spending to about \$30 million (from \$10.8 million) due to planned spending for technology, retail, manufacturing and outdoor furniture initiatives. As we see it, free cash flow will total \$7.9 million (\$0.79 per share) in F2022 and \$18.0 million (\$1.84 per share) in F2023. We think BSET will remain shareholder-friendly with its excess cash flow, especially given the pending divestiture of Zenith. After raising the quarterly cash dividend to \$0.14 per share in July 2021 (from \$0.125 per share), we expect the cash dividend will be further increased to \$0.17 per share in 2Q:F22 and to \$0.18 per share in 3Q:F23. Bassett also has a history of paying special cash dividends; the last one was a \$0.25 per-share payment in December 2020. Another special cash dividend is likely after the Zenith transaction though not included yet in our projections due to uncertainty about exact timing and size of such a cash distribution.

<b>Valuation</b>	<b>We maintain our Moderately Risky rating on BSET shares and \$36 price target.</b> Despite the approximate 35% intraday rebound of Bassett's share price, we argue that BSET shares remain undervalued. We still expect Bassett to profit from higher demand and backlogs that are higher than pre-COVID levels, along with previous unprofitable store closings and the leveraging of its largely domestic manufacturing footprint. In addition, we think Bassett's management will judiciously use the net proceeds from the sale of Zenith to reward shareholders. During the past five years, shares of Bassett Furniture have traded in a range of 5x-23x two-year forward consensus EPS estimates, with an average of roughly 15x. Our \$36 price target is based on 15x (consistent with the historical average) our F2023 EPS forecast of \$2.37.		
<b>Key Risks</b>	The economy	Raw material price inflation	Longer-than expected supply chain constraints

BASSETT FURNITURE INDUSTRIES, INC.

Table 1: Bassett Furniture Industries Inc., Income Statement  
(\$ in thousands, except per share data)  
Fiscal year ends the last Saturday in November

	F2018	F2019	Feb.	May	Aug.	Nov.	F2020	Feb.	May	Aug.	Nov	F2021	Feb E	May E	Aug E	Nov E	F2022 E	Feb E	May E	Aug E	Nov E	F2023 E
Revenue-furniture	\$ 402,469	\$ 403,865	\$ 98,942	\$ 53,000	\$ 80,341	\$ 105,389	\$ 337,672	\$ 101,655	\$ 109,997	\$ 104,870	\$ 114,364	\$ 430,886	\$ 110,272	\$ 113,910	\$ 109,571	\$ 118,136	\$ 451,890	\$ 109,604	\$ 114,713	\$ 111,707	\$ 121,451	\$ 457,475
Logistics revenue	54,386	48,222	13,178	10,801	11,218	12,994	48,191	12,018	14,062	14,036	15,532	55,648	-	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>456,855</b>	<b>452,087</b>	<b>112,120</b>	<b>63,801</b>	<b>91,559</b>	<b>118,383</b>	<b>385,863</b>	<b>113,673</b>	<b>124,059</b>	<b>118,906</b>	<b>129,896</b>	<b>486,534</b>	<b>110,272</b>	<b>113,910</b>	<b>109,571</b>	<b>118,136</b>	<b>451,890</b>	<b>109,604</b>	<b>114,713</b>	<b>111,707</b>	<b>121,451</b>	<b>457,475</b>
Cost of furniture and accessories sold	(179,581)	(179,244)	(45,270)	(29,452)	(38,418)	(50,427)	(163,567)	(48,252)	(52,911)	(52,263)	(56,373)	(209,799)	(54,823)	(55,053)	(52,244)	(54,317)	(216,437)	(51,053)	(51,380)	(50,787)	(55,620)	(208,839)
<b>Gross profit</b>	<b>277,274</b>	<b>272,843</b>	<b>66,850</b>	<b>34,349</b>	<b>53,141</b>	<b>67,956</b>	<b>222,296</b>	<b>65,421</b>	<b>71,148</b>	<b>66,643</b>	<b>73,523</b>	<b>276,735</b>	<b>55,448</b>	<b>58,858</b>	<b>57,328</b>	<b>63,819</b>	<b>235,453</b>	<b>58,552</b>	<b>63,333</b>	<b>60,920</b>	<b>65,831</b>	<b>248,636</b>
SG&A expenses	(260,339)	(264,280)	(64,640)	(50,373)	(50,394)	(57,907)	(223,314)	(59,400)	(62,769)	(62,153)	(66,414)	(250,736)	(50,307)	(52,351)	(50,108)	(56,128)	(208,894)	(51,085)	(54,637)	(52,052)	(58,092)	(215,865)
New store pre-opening costs and other	(2,851)	(1,952)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating income</b>	<b>14,084</b>	<b>6,611</b>	<b>2,210</b>	<b>(16,024)</b>	<b>2,747</b>	<b>10,049</b>	<b>(1,018)</b>	<b>6,021</b>	<b>8,379</b>	<b>4,490</b>	<b>7,109</b>	<b>25,999</b>	<b>5,141</b>	<b>6,507</b>	<b>7,219</b>	<b>7,692</b>	<b>26,559</b>	<b>7,467</b>	<b>8,696</b>	<b>8,868</b>	<b>7,739</b>	<b>32,771</b>
Remeasurement gain/litigation gain	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income (loss)	(1,878)	(1,145)	(362)	(765)	697	(133)	(563)	(337)	(332)	(347)	(743)	(1,759)	(345)	(440)	(325)	(420)	(1,530)	(345)	(440)	(325)	(420)	(1,530)
<b>Pretax income</b>	<b>12,206</b>	<b>5,466</b>	<b>1,848</b>	<b>(16,789)</b>	<b>3,444</b>	<b>9,916</b>	<b>(1,581)</b>	<b>5,684</b>	<b>8,047</b>	<b>4,143</b>	<b>6,366</b>	<b>24,240</b>	<b>4,796</b>	<b>6,067</b>	<b>6,894</b>	<b>7,272</b>	<b>25,029</b>	<b>7,122</b>	<b>8,256</b>	<b>8,543</b>	<b>7,319</b>	<b>31,241</b>
Income tax	(3,988)	(1,534)	(638)	4,533	(1,266)	(3,373)	(744)	(1,673)	(2,073)	(1,127)	(1,325)	(6,198)	(1,271)	(1,608)	(1,813)	(1,891)	(6,583)	(1,887)	(2,188)	(2,247)	(1,903)	(8,225)
Net income (loss) - GAAP	8,218	(1,928)	1,210	(20,352)	2,178	6,543	(10,421)	4,011	5,974	3,016	5,041	18,042	3,525	4,459	5,081	5,381	18,447	5,235	6,068	6,296	5,416	23,016
Earnings per share - diluted - GAAP	\$0.77	(\$0.19)	\$0.12	(\$2.04)	\$0.22	\$0.65	(\$1.05)	\$0.40	\$0.60	\$0.31	\$0.52	\$1.83	\$0.36	\$0.46	\$0.52	\$0.56	\$1.89	\$0.54	\$0.62	\$0.65	\$0.57	\$2.37
<b>Net income - adjusted</b>	<b>10,338</b>	<b>4,832</b>	<b>1,210</b>	<b>(12,256)</b>	<b>2,178</b>	<b>6,543</b>	<b>(2,325)</b>	<b>4,011</b>	<b>5,974</b>	<b>3,016</b>	<b>5,041</b>	<b>18,042</b>	<b>3,525</b>	<b>4,459</b>	<b>5,081</b>	<b>5,381</b>	<b>18,447</b>	<b>5,235</b>	<b>6,068</b>	<b>6,296</b>	<b>5,416</b>	<b>23,016</b>
<b>Earnings per share - adjusted</b>	<b>\$0.97</b>	<b>\$0.47</b>	<b>\$0.12</b>	<b>(\$1.23)</b>	<b>\$0.22</b>	<b>\$0.65</b>	<b>(\$0.23)</b>	<b>\$0.40</b>	<b>\$0.60</b>	<b>\$0.31</b>	<b>\$0.52</b>	<b>\$1.83</b>	<b>\$0.36</b>	<b>\$0.46</b>	<b>\$0.52</b>	<b>\$0.56</b>	<b>\$1.89</b>	<b>\$0.54</b>	<b>\$0.62</b>	<b>\$0.65</b>	<b>\$0.57</b>	<b>\$2.37</b>
Dividends per share (including special dividends)	\$0.820	\$0.500	\$0.125	\$0.125	\$0.080	\$0.125	\$0.455	\$0.375	\$0.125	\$0.140	\$0.140	\$0.780	\$0.140	\$0.170	\$0.170	\$0.170	\$0.650	\$0.170	\$0.170	\$0.180	\$0.180	\$0.700
Weighted average shares -diluted	10,692	10,286	10,109	9,957	9,972	10,147	9,970	9,940	9,900	9,785	9,795	9,844	9,780	9,760	9,759	9,746	9,762	9,731	9,711	9,710	9,697	9,713
<b>Margin Analysis</b>																						
Furniture gross margin	55.4%	55.6%	54.2%	44.4%	52.2%	52.2%	51.6%	52.5%	51.9%	50.2%	50.7%	51.3%	50.3%	51.7%	52.3%	54.0%	52.1%	53.4%	55.2%	54.5%	54.2%	54.3%
Consolidated gross margin	60.7%	60.4%	59.6%	53.8%	58.0%	57.4%	57.6%	57.6%	57.4%	56.0%	56.6%	56.9%	50.3%	51.7%	52.3%	54.0%	52.1%	53.4%	55.2%	54.5%	54.2%	54.3%
SG&A expenses as a % of revenue	57.0%	58.5%	57.7%	79.0%	55.0%	48.9%	57.9%	52.3%	50.6%	52.3%	51.1%	51.5%	45.6%	46.0%	45.7%	47.5%	46.2%	46.6%	47.6%	46.6%	47.8%	47.2%
New store opening and other costs as a % of revenue	0.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating margin	3.1%	1.5%	2.0%	-25.1%	3.0%	8.5%	-0.3%	5.3%	6.8%	3.8%	5.5%	5.3%	4.7%	5.7%	6.6%	6.5%	5.9%	6.8%	7.6%	7.9%	6.4%	7.2%
Pretax margin	2.7%	1.2%	1.6%	-26.3%	3.8%	8.4%	-0.4%	5.0%	6.5%	3.5%	4.9%	5.0%	4.3%	5.3%	6.3%	6.2%	5.5%	6.5%	7.2%	7.6%	6.0%	6.8%
Net margin	1.8%	-0.4%	1.1%	-31.9%	2.4%	5.5%	-2.7%	3.5%	4.8%	2.5%	3.9%	3.7%	3.2%	3.9%	4.6%	4.6%	4.1%	4.8%	5.3%	5.6%	4.5%	5.0%
Tax rate	32.7%	28.1%	34.5%	27.0%	36.8%	34.0%	-47.1%	29.4%	25.8%	27.2%	20.8%	25.6%	26.5%	26.5%	26.3%	26.0%	26.3%	26.5%	26.5%	26.3%	26.0%	26.3%
<b>Growth (year-over-year)</b>																						
Revenue-furniture	1.1%	0.3%	-7.8%	-44.7%	-18.3%	3.0%	-16.4%	2.7%	107.5%	30.5%	8.5%	27.6%	8.5%	3.6%	4.5%	3.3%	4.9%	-0.6%	0.7%	1.9%	2.8%	1.2%
Revenue-logistics	0.0%	-11.3%	-2.3%	-12.7%	1.5%	14.8%	-0.1%	-8.8%	30.2%	25.1%	19.5%	15.5%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Total revenue	1.0%	-1.0%	-7.2%	-41.0%	-16.3%	4.2%	-14.6%	1.4%	94.4%	29.9%	9.7%	26.1%	-3.0%	-8.2%	-7.9%	-9.1%	-7.1%	-0.6%	0.7%	1.9%	2.8%	1.2%
Operating income	-47.9%	-53.1%	132.9%	NM	NM	543.8%	NM	172.4%	NM	63.5%	-29.3%	NM	-14.6%	-22.3%	60.8%	8.2%	2.2%	45.2%	33.6%	22.8%	0.6%	23.4%
Net income - adjusted	-33.5%	-53.3%	-19.8%	NM	NM	806.2%	NM	231.5%	NM	38.5%	-23.0%	NM	-12.1%	-25.4%	68.5%	6.7%	2.2%	48.5%	36.1%	23.9%	0.7%	24.8%
EPS - adjusted	-33.2%	-51.4%	-16.8%	NM	NM	821.8%	NM	237.1%	NM	41.1%	-19.9%	NM	-10.7%	-24.3%	68.9%	7.1%	3.1%	49.2%	36.8%	24.5%	1.1%	25.4%

Sources: Company reports and Sidoti & Company, LLC estimates; 1Q/F19 is a 14-week quarter; all others are 13-week quarters; NM = Not Meaningful

BASSETT FURNITURE INDUSTRIES, INC.

Table 2: Bassett Furniture Industries Inc., Cash Flow Statement  
(\$ in thousands, except per share data)

Fiscal year ends the last Saturday in November

	F2018	Feb.	May	Aug.	Nov.	F2019	Feb.	May	Aug.	Nov.	F2020	Feb.	May	Aug.	Nov.	F2021	F2022 E	F2023 E
<b>Cash flow from operations</b>																		
Net income	\$ 8,218	\$ 608	\$ 445	\$ 2,157	\$ (5,138)	\$ (1,928)	\$ 1,210	\$ (20,352)	\$ 2,178	\$ 6,543	\$ (10,421)	\$ 4,011	\$ 5,974	\$ 3,016	\$ 5,041	\$ 18,042	\$ 18,447	\$ 23,016
Adjustments to reconcile net income to net cash flow:																		
Depreciation and amortization	13,203	3,370	3,365	3,357	3,408	13,500	3,623	3,616	3,010	3,231	13,480	3,331	3,562	3,565	4,139	14,597	14,378	14,220
Impairment of real estate	469	(9)	6	3	-	-	-	12,184	-	-	12,184	-	-	-	-	-	-	-
Tenant improvement allowance	2,462	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurement gain on acquisition of affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of property and equipment	(234)	-	-	(98)	613	515	(58)	97	(152)	32	(81)	(4)	4	-	(367)	(367)	-	-
Goodwill impairment charge (non-cash)	-	-	-	-	1,926	1,926	-	1,971	-	-	1,971	-	-	-	-	-	-	-
Impairment and lease exit charges on retail real estate	-	-	-	-	4,580	4,580	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	4,663	45	(22)	(1)	(2,912)	(2,890)	(125)	(396)	(187)	3,221	2,513	826	375	(148)	492	1,545	(2,417)	(1,525)
Other	1,699	(209)	(67)	437	1,337	1,498	169	4,323	198	(640)	4,050	274	1,038	927	1,302	3,541	(275)	(667)
Decrease (increase) in accounts receivable	1,732	(4,084)	2,260	64	(795)	(2,555)	(1,873)	4,356	(931)	(3,006)	(1,454)	(2,380)	(1,019)	(785)	(1,488)	(5,672)	4,274	(295)
Decrease (increase) in inventory	(5,998)	(3,318)	(37)	1,250	(837)	(2,942)	(1,213)	2,096	3,004	2,607	6,494	(8,050)	(5,465)	(7,401)	(5,171)	(26,087)	705	(49)
Decrease (increase) in other current assets	(961)	(3,163)	(111)	(3,385)	7,717	1,058	(536)	(8,555)	193	(426)	(9,324)	(788)	813	(125)	(2,141)	(2,241)	150	(145)
Operating leases, net	-	-	-	-	-	-	(2,882)	1,418	(662)	(996)	(3,122)	(732)	(644)	20,233	(21,535)	(2,678)	-	-
Increase (decrease) in accounts payable and accrued liabilities	3,445	(8,974)	953	3,099	1,969	(2,953)	(3,558)	(1,262)	16,579	8,626	20,385	8,496	2,428	(17,655)	20,614	13,883	2,593	(560)
<b>Net cash provided by operating activities</b>	<b>\$ 28,698</b>	<b>\$ (15,734)</b>	<b>\$ 6,792</b>	<b>\$ 6,883</b>	<b>\$ 11,868</b>	<b>\$ 9,809</b>	<b>\$ (5,243)</b>	<b>\$ (504)</b>	<b>\$ 23,230</b>	<b>\$ 19,192</b>	<b>\$ 36,675</b>	<b>\$ 4,984</b>	<b>\$ 7,066</b>	<b>\$ 1,627</b>	<b>\$ 886</b>	<b>\$ 14,563</b>	<b>\$ 37,854</b>	<b>\$ 33,994</b>
<b>Cash flow from investing activities</b>																		
Purchase of property and equipment	(18,301)	(5,552)	(2,761)	(2,338)	(6,724)	(17,375)	(1,340)	(451)	(423)	(3,815)	(6,029)	(895)	(2,588)	(3,658)	(3,609)	(10,750)	(30,000)	(16,000)
Proceeds from sales of property and equipment	2,689	-	11	108	1,524	1,643	1,697	648	-	-	2,345	8	88	5	281	382	87,000	-
Proceeds (Purchases) from investments, net	482	-	-	5,000	207	5,207	(241)	-	-	(54)	(295)	-	-	-	-	-	-	-
Other, net	-	117	226	(849)	(142)	(648)	(193)	(18)	(880)	1,323	232	(302)	(33)	(838)	(30)	(1,203)	-	-
Cash paid for business acquisitions, net of cash acquired	(15,556)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash flow (used for) investing activities</b>	<b>\$ (30,686)</b>	<b>\$ (5,435)</b>	<b>\$ (2,524)</b>	<b>\$ 1,921</b>	<b>\$ (5,135)</b>	<b>\$ (11,173)</b>	<b>\$ (77)</b>	<b>\$ 179</b>	<b>\$ (1,303)</b>	<b>\$ (2,546)</b>	<b>\$ (3,747)</b>	<b>\$ (1,189)</b>	<b>\$ (2,533)</b>	<b>\$ (4,491)</b>	<b>\$ (3,358)</b>	<b>\$ (11,571)</b>	<b>\$ 57,000</b>	<b>\$ (16,000)</b>
<b>Cash flow from financing activities</b>																		
Net borrowings under revolving credit facility	(3,455)	(109)	(111)	(72)	-	(292)	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock, net	382	74	85	87	82	328	75	82	60	68	285	83	89	94	(122)	144	370	480
Repurchases of common stock	(5,946)	(1,012)	(1,335)	(4,498)	(500)	(7,345)	(766)	(475)	(301)	(666)	(2,208)	(534)	(2,391)	(2,641)	-	(5,566)	(3,360)	(5,250)
Proceeds from exercise of stock options	-	25	-	-	-	25	-	-	-	-	-	-	42	-	-	42	-	-
Excess tax benefits from stock-based compensation	(674)	-	-	-	-	-	(215)	-	1	(14)	(228)	(219)	-	-	219	-	-	-
Cash dividends	(8,800)	(1,291)	(1,312)	(1,264)	(1,266)	(5,133)	(1,260)	-	(2,046)	(1,238)	(4,544)	(3,718)	(1,236)	(1,367)	(1,368)	(7,689)	(6,345)	(6,799)
Proceeds from equipment loans	-	-	-	-	-	-	(12)	(36)	(47)	(26)	(121)	(173)	(294)	(387)	(494)	(1,348)	-	-
<b>Net cash from (used in) financing activities</b>	<b>\$ (18,493)</b>	<b>\$ (2,313)</b>	<b>\$ (2,673)</b>	<b>\$ (5,747)</b>	<b>\$ (1,684)</b>	<b>\$ (12,417)</b>	<b>\$ (2,178)</b>	<b>\$ (429)</b>	<b>\$ (2,333)</b>	<b>\$ (1,876)</b>	<b>\$ (6,816)</b>	<b>\$ (4,561)</b>	<b>\$ (3,790)</b>	<b>\$ (4,301)</b>	<b>\$ (1,765)</b>	<b>\$ (14,417)</b>	<b>\$ (9,335)</b>	<b>\$ (11,569)</b>
Net increase (decrease) in cash and cash equivalents	(20,481)	(23,482)	1,595	3,057	5,049	(13,781)	(7,498)	(754)	19,594	14,770	26,112	(766)	743	(7,165)	(4,237)	(11,425)	85,519	6,425
Cash and cash equivalents at beginning of year	53,949	33,468	9,986	11,581	14,638	33,468	19,687	12,189	11,435	31,029	19,687	45,799	45,033	45,776	38,611	45,799	34,374	119,893
<b>Cash and cash equivalents at end of year</b>	<b>\$ 33,468</b>	<b>\$ 9,986</b>	<b>\$ 11,581</b>	<b>\$ 14,638</b>	<b>\$ 19,687</b>	<b>\$ 19,687</b>	<b>\$ 12,189</b>	<b>\$ 11,435</b>	<b>\$ 31,029</b>	<b>\$ 45,799</b>	<b>\$ 45,799</b>	<b>\$ 45,033</b>	<b>\$ 45,776</b>	<b>\$ 38,611</b>	<b>\$ 34,374</b>	<b>\$ 34,374</b>	<b>\$ 119,893</b>	<b>\$ 126,318</b>
<b>Free cash flow (operating cash flow less cap-ex)</b>	<b>\$ 10,397</b>	<b>\$ (21,286)</b>	<b>\$ 4,031</b>	<b>\$ 4,545</b>	<b>\$ 5,144</b>	<b>\$ (7,566)</b>	<b>\$ (6,583)</b>	<b>\$ (955)</b>	<b>\$ 22,807</b>	<b>\$ 15,377</b>	<b>\$ 30,646</b>	<b>\$ 4,089</b>	<b>\$ 4,478</b>	<b>\$ (2,031)</b>	<b>\$ (2,723)</b>	<b>\$ 3,813</b>	<b>\$ 7,854</b>	<b>\$ 17,994</b>
<b>Free cash flow/share</b>	<b>\$ 0.97</b>	<b>\$ (2.03)</b>	<b>\$ 0.39</b>	<b>\$ 0.45</b>	<b>\$ 0.51</b>	<b>\$ (0.74)</b>	<b>\$ (0.65)</b>	<b>\$ (0.10)</b>	<b>\$ 2.29</b>	<b>\$ 1.52</b>	<b>\$ 3.07</b>	<b>\$ 0.41</b>	<b>\$ 0.45</b>	<b>\$ (0.21)</b>	<b>\$ (0.28)</b>	<b>\$ 0.38</b>	<b>\$ 0.79</b>	<b>\$ 1.84</b>

Sources: Company reports and Sidoti & Company, LLC estimates

BASSETT FURNITURE INDUSTRIES, INC.

**Table 3: Bassett Furniture Industries Inc., Balance Sheet**  
(\$ in thousands, except per share data)

Fiscal year ends the last Saturday in November

	F2018	Feb.	May	Aug.	F2019	Feb.	May	Aug.	F2020	Feb.	May	Aug.	F2021	F2022 E	F2023 E
<b>Assets</b>															
Current assets:															
Cash and cash equivalents	\$ 33,468	\$ 9,986	\$ 11,581	\$ 14,638	\$ 19,687	\$ 12,189	\$ 11,435	\$ 31,029	\$ 45,799	\$ 45,033	\$ 45,776	\$ 38,611	\$ 34,374	\$ 119,893	\$ 126,318
Short-term investments	22,643	22,643	22,643	17,643	17,436	17,677	17,673	17,661	17,715	17,715	17,715	17,715	17,715	17,715	17,715
Accounts receivable	19,055	23,222	20,906	20,640	21,378	23,205	17,799	19,099	22,340	24,720	25,882	26,769	28,168	23,894	24,190
Inventory	64,192	66,678	66,715	65,465	66,302	67,515	62,483	58,601	54,886	62,936	67,301	73,827	78,004	77,299	77,348
Other current assets	9,189	14,540	14,652	13,417	11,983	11,173	19,753	19,528	19,938	20,629	19,797	19,889	22,023	21,873	22,018
<b>Total current assets</b>	<b>148,547</b>	<b>137,069</b>	<b>136,497</b>	<b>131,803</b>	<b>136,786</b>	<b>131,759</b>	<b>129,143</b>	<b>145,918</b>	<b>160,678</b>	<b>171,033</b>	<b>176,471</b>	<b>176,811</b>	<b>180,284</b>	<b>260,674</b>	<b>267,589</b>
Long-term assets:															
Property and equipment	104,863	106,880	106,089	104,908	101,724	100,499	91,128	89,031	90,917	92,772	92,581	94,489	94,066	55,659	57,439
Goodwill and other intangible assets	28,480	28,386	28,291	28,196	26,176	26,081	24,016	23,921	23,827	23,732	23,637	23,543	23,448	18,360	18,360
Right of use assets under operating leases	-	-	-	-	-	144,468	130,042	120,889	116,903	111,700	116,357	110,792	114,148	68,890	68,785
Deferred income taxes, net	3,266	3,228	3,250	3,251	5,744	7,123	7,550	7,729	4,587	3,749	3,362	3,498	3,189	5,606	7,131
Other	6,485	6,472	6,374	7,258	5,336	5,304	5,094	6,828	5,637	5,975	6,071	6,900	6,525	7,347	8,269
<b>Total assets</b>	<b>291,641</b>	<b>282,035</b>	<b>280,501</b>	<b>275,416</b>	<b>275,766</b>	<b>415,234</b>	<b>386,973</b>	<b>394,316</b>	<b>402,549</b>	<b>408,961</b>	<b>418,479</b>	<b>416,033</b>	<b>421,660</b>	<b>416,536</b>	<b>427,573</b>
<b>Liabilities and shareholders' equity</b>															
Current liabilities:															
Accounts payable	27,407	21,439	19,587	20,363	23,677	20,331	14,286	19,215	23,426	28,172	28,522	27,951	28,324	27,856	26,320
Accrued compensation and benefits	12,994	10,876	11,299	11,046	11,308	12,108	12,090	14,463	16,964	14,418	14,124	14,603	15,934	15,798	16,183
Current portion of long-term debt	292	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Customer deposits	27,157	24,416	24,910	22,484	25,341	24,049	23,191	35,721	39,762	44,674	47,911	51,103	51,492	49,802	50,417
Dividends payable	-	-	-	-	-	-	1,249	-	-	-	-	-	-	-	-
Current portion of operating lease obligations	-	-	-	-	-	29,516	29,009	28,211	27,078	27,088	27,358	27,545	27,693	20,443	20,193
Other accrued liabilities	13,969	16,546	11,667	11,821	11,945	10,304	15,982	12,874	11,141	13,088	12,534	13,050	10,776	15,663	15,639
<b>Total current liabilities</b>	<b>81,819</b>	<b>73,277</b>	<b>67,463</b>	<b>65,714</b>	<b>72,271</b>	<b>96,308</b>	<b>95,807</b>	<b>110,484</b>	<b>118,371</b>	<b>127,440</b>	<b>130,449</b>	<b>134,252</b>	<b>134,219</b>	<b>129,562</b>	<b>128,752</b>
Long-term liabilities:															
Post-employment benefit obligations	13,173	12,853	12,623	12,716	11,830	11,723	11,817	12,023	12,089	12,347	12,398	12,454	12,968	13,227	13,520
Long-term portion of operating lease obligations	-	-	-	-	-	131,978	126,036	117,009	111,972	105,990	109,832	103,468	105,841	95,716	95,861
Other liabilities	6,340	6,900	13,249	13,040	12,995	1,185	1,132	1,336	2,087	5,483	5,538	6,412	5,900	6,188	6,150
<b>Total liabilities</b>	<b>\$ 101,332</b>	<b>\$ 93,030</b>	<b>\$ 93,335</b>	<b>\$ 91,470</b>	<b>\$ 97,096</b>	<b>\$ 241,194</b>	<b>\$ 234,792</b>	<b>\$ 240,852</b>	<b>\$ 244,519</b>	<b>\$ 251,260</b>	<b>\$ 258,217</b>	<b>\$ 256,586</b>	<b>\$ 258,928</b>	<b>\$ 244,693</b>	<b>\$ 244,283</b>
Shareholders' equity	190,309	189,005	187,166	183,946	178,670	174,040	152,181	153,464	158,030	157,701	160,262	159,447	162,732	171,844	183,290
<b>Total liabilities and shareholders' equity</b>	<b>\$ 291,641</b>	<b>\$ 282,035</b>	<b>\$ 280,501</b>	<b>\$ 275,416</b>	<b>\$ 275,766</b>	<b>\$ 415,234</b>	<b>\$ 386,973</b>	<b>\$ 394,316</b>	<b>\$ 402,549</b>	<b>\$ 408,961</b>	<b>\$ 418,479</b>	<b>\$ 416,033</b>	<b>\$ 421,660</b>	<b>\$ 416,536</b>	<b>\$ 427,573</b>
Accounts receivable, days	15.2	17.5	17.6	17.2	17.3	18.9	25.5	19.0	21.1	19.8	19.0	20.5	21.1	19.3	19.3
Inventory turnover	2.8	3.0	2.5	2.6	2.7	2.7	1.9	2.6	3.0	3.1	3.1	2.8	2.7	2.8	2.7
Accounts payable, days	22.7	16.5	16.7	17.6	19.5	16.9	16.3	19.7	22.1	23.9	22.5	22.3	22.4	22.5	21.0
<b>Selected Financial Data</b>															
Total debt/total capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash and short-term investments	56,111	32,629	34,224	32,281	37,123	29,866	29,108	48,690	63,514	62,748	63,491	56,326	52,089	137,608	144,033
Net cash and investments per share	\$ 5.22	\$ 3.11	\$ 3.27	\$ 3.01	\$ 3.61	\$ 2.95	\$ 2.92	\$ 4.88	\$ 6.37	\$ 6.31	\$ 6.41	\$ 4.98	\$ 5.29	\$ 14.10	\$ 14.83
Net cash and investments, including lease obligations, per share	\$ (2.48)	\$ (4.74)	\$ (3.56)	\$ (3.20)	\$ (4.40)	\$ (13.02)	\$ (12.65)	\$ (9.75)	\$ (7.58)	\$ (7.08)	\$ (7.44)	\$ (7.63)	\$ (8.27)	\$ 2.20	\$ 2.88
Current ratio	1.82	1.87	2.02	2.01	1.89	1.37	1.35	1.32	1.36	1.34	1.35	1.32	1.34	2.01	2.08
Book value per share	\$17.80	\$18.03	\$17.89	\$17.59	\$17.37	\$17.22	\$15.28	\$15.39	\$15.85	\$15.87	\$16.19	\$16.29	\$16.53	\$17.60	\$18.87
Tangible book value per share	\$15.14	\$15.32	\$15.19	\$14.89	\$14.83	\$14.64	\$12.87	\$12.99	\$13.46	\$13.48	\$13.80	\$13.89	\$14.15	\$15.72	\$16.98
ROA	2.8%	2.1%	0.6%	0.6%	NM	1.2%	NM	2.2%	NM	3.9%	5.7%	2.9%	4.3%	4.4%	5.4%
ROE	4.3%	3.2%	1.0%	1.0%	NM	2.8%	NM	5.7%	NM	10.2%	14.9%	7.6%	11.1%	10.7%	12.6%

Sources: Company reports and Sidoti & Company, LLC estimates

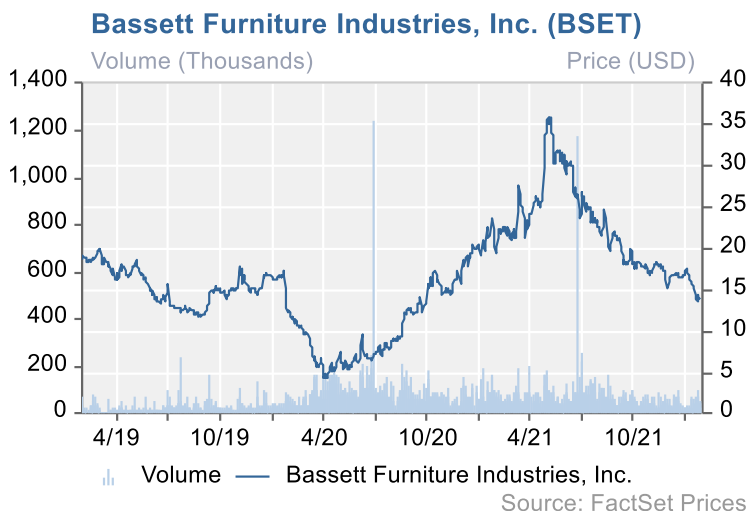
**Appendix**  
Required Disclosures

**Required Disclosures**

**Bassett Furniture Industries, Inc. (BSET-\$18.63) NR Price Target: \$36 Risk Rating: M**

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
PT	7/2/19	13.9		21	
PT	3/20/20	6.3		14	
PT	4/2/20	4.9		10	
PT	8/24/20	12		14	
PT	10/1/20	14.7		17	
PT	11/23/20	16.3		21	
PT	12/4/20	18.2		23	
PT	1/14/21	20.7		26	
PT	1/21/21	21.6		26	
PT	3/11/21	24.6		29	
PT	3/29/21	23.5		29	
PT	4/1/21	23.5		32	
PT	4/26/21	28.9		34	
PT	5/24/21	31.7		34	
PT	6/22/21	27.4		34	
PT	7/1/21	26.5		38	
PT	7/19/21	25		38	
PT	8/17/21	22.1		36	
PT	9/20/21	18.5		36	
PT	9/30/21	18.2		36	
PT	10/20/21	17.8		36	
PT	1/3/22	16.8		36	



<b>Valuation</b>	We maintain our Moderately Risky rating on BSET shares and \$36 price target. Despite the approximate 35% intraday rebound of Bassett's share price, we argue that BSET shares remain undervalued. We still expect Bassett to profit from higher demand and backlogs that are higher than pre-COVID levels, along with previous unprofitable store closings and the leveraging of its largely domestic manufacturing footprint. In addition, we think Bassett's management will judiciously use the net proceeds from the sale of Zenith to reward shareholders. During the past five years, shares of Bassett Furniture have traded in a range of 5x-23x two-year forward consensus EPS estimates, with an average of roughly 15x. Our \$36 price target is based on 15x (consistent with the historical average) our F2023 EPS forecast of \$2.37.		
<b>Key Risks</b>	The economy	Raw material price inflation	Longer-than expected supply chain constraints

**Sidoti & Company.** Sidoti & Company, LLC is a licensed broker/dealer, and publishes research reports about some of the securities it follows. All research published by Sidoti & Company, LLC is based on public information, or on information from the company discussed in the report that that company is required to promptly make public. This report was prepared for market professionals and institutional investor customers. Market professionals and institutional investors should consider this report as only one factor in making their investment decisions. This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. This research report is not a substitute for the exercise of your independent judgment. Information contained herein is based on sources we believe to be reliable but we do not guarantee their accuracy. The stock rating on this report reflects the analyst's recommendation based on a 12-month period. It should be presumed that the analyst who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication.

Sidoti does NOT own securities of the issuers described herein, and Sidoti does not make a market in any securities. Sidoti does not engage in, or receive compensation from, any investment banking or corporate finance-related activities with the company discussed in the report. Sidoti's contracts with issuers protect Sidoti's full editorial control of all research, timing of release of reports, and release from liability for negative reports. To ensure further independence, the company discussed in the report has agreed to a minimum coverage term of one Initiation Report and three Update Reports, which that company cannot unilaterally terminate earlier. Sidoti & Company, LLC takes steps to ensure analyst independence including setting fees in advance and utilizing analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct. Each Sidoti & Company, LLC analyst has full discretion on the rating and revenue target based on his or her own due diligence. Analysts are paid in part based on overall profitability of Sidoti & Company, LLC. Such profitability is derived from a variety of sources and

includes payments received from issuers of securities covered by Sidoti & Company, LLC for services described below. No part of analyst compensation was, or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. All issuers to be considered for research obtain the approval of a stock selection committee comprised of the Director of Research, the Chief Compliance Officer, and an independent outside person for screening applicants.

**Sidoti Company Sponsored Research Rating System** The Sidoti & Company, LLC *Company Sponsored Research* rating system consists of “Moderately Risky” (M) and “Highly Risky” (H) ratings. “Moderately Risky” suggests companies, that while still subject to relatively high price volatility, are characterized by more stable and predictable cash flow, a more established operating history, and an operating environment that is somewhat less competitive with a potential for loss of principal. “Highly Risky” suggests high risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal. As of 01/31/22 and immediately prior to the publication of this report, Company Sponsored Research provides research on 32 companies, of which 27 (84.4%) are rated Moderately Risky and 5 (15.6%) are rated Highly Risky. *Earnings* targets and opinions concerning the composition of market sectors included in this report reflect analyst judgments as of this date and are subject to change without notice. A risk to our *earnings* targets is that the analyst’s estimates or forecasts may not be met. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed in the “Risk Factors” section in the issuer’s SEC filings available in electronic format through SEC Edgar filings at [www.sec.gov](http://www.sec.gov).

Every company in the Microcap sector bears certain inherent risks and Sidoti & Company, LLC will not provide any company subject to those risks with a rating below moderate because stock in the Microcap segment of the market have many risks that are not as prevalent in Large-Cap, Blue Chips, or even Small-Cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the Microcap segment of the market.

Sidoti & Company policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Sidoti & Company Research does not provide individually tailored investment advice. Sidoti & Company Research has been prepared without regard to the circumstances and objectives of those who receive it. Sidoti & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor’s circumstances and objectives. The securities, instruments, or strategies discussed in Sidoti & Company Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Sidoti & Company Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company’s securities/instruments.

These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations. The trademarks and service marks contained in Sidoti & Company Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data.

Investors should consider Sidoti & Company Research as only a single factor in making their investment decision. For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 212-453-7000. Alternatively you may contact your investment representative or Sidoti & Company Research at 1177 Avenue of the Americas 5<sup>th</sup> Floor, (Attention: Director of Research), New York, NY 10036 USA.

**Compensation.** Sidoti & Company, LLC receives a flat fee of \$40,000, renewable annually from the company discussed in Company Sponsored Research reports for the creation and dissemination of an Initiation Report and three Update Reports. The purpose of the fee is to subsidize the high costs of research and monitoring. Sidoti holds multiple conferences a year and charges a fee up to \$6,000 per conference to presenting companies depending on the event. Sidoti does not currently have a current investment banking services relationship with companies discussed in Company Sponsored Research Reports, or contemporaneously with any other companies discussed in other (Sidoti) Company Sponsored Research reports. Investment banking services, as defined under FINRA Rule 2241, include, among other things, acting as an underwriter in, or as a member

of the selling group in, a securities underwriting. Sidoti's role in any issuer's investment banking transaction can be viewed in that issuer's filings at [www.sec.gov](http://www.sec.gov).

Sidoti has non-research employees who will seek compensation for providing institutional investors with securities related services by virtue of commission sharing agreements. Sidoti & Company, LLC has received and expects to continue to receive compensation for non-investment banking services from companies under coverage from attendance fees for conferences sponsored by Sidoti and the arrangement of non-deal roadshow days. Sidoti may receive or seek to receive non-investment banking compensation from covered companies for investor relations-related serves, or certain advisory, research analysis, financial modeling or similar services. BSET has paid a fee to Sidoti & Company, LLC to participate at the August 2021 Micro Cap Virtual Conference. BSET has paid a fee to Sidoti & Company, LLC to participate at the May 2021 Micro Cap Virtual Conference.

**Sidoti Analysts.** Sidoti policy does not allow an analyst or a member of their household (i) to own, trade, or have any beneficial interest in any securities of any company that analyst covers, or (ii) serve as an officer or director of a covered company. Sidoti employees, including research analysts, receive compensation that is based in part upon the overall performance of the firm, including revenues generated by Sidoti's investment banking and brokerage activities, but compensation is not directly related to investment banking or brokerage revenues.

Sidoti maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst. Sidoti research analysts seek to have management of their covered companies meet with investors during non-deal road shows. Analysts' compensation may be related to their success in scheduling non-deal road shows. This approach could be viewed as presenting potential conflicts of interest.

Reprints of Sidoti & Company, LLC reports are prohibited without permission. Additional information is available upon request. For any further questions, please contact the Chief Compliance Officer at Sidoti.

**Analyst Certification.** Anthony C. Lebiezinski certifies that this report accurately reflects his/her personal views about the subject securities and issuers and that none of the research analyst's compensation was, is or will be, directly or indirectly, related to the analyst's specific recommendations or views contained in this research report.

**Source**

Key Statistics data is sourced from FactSet Research Systems