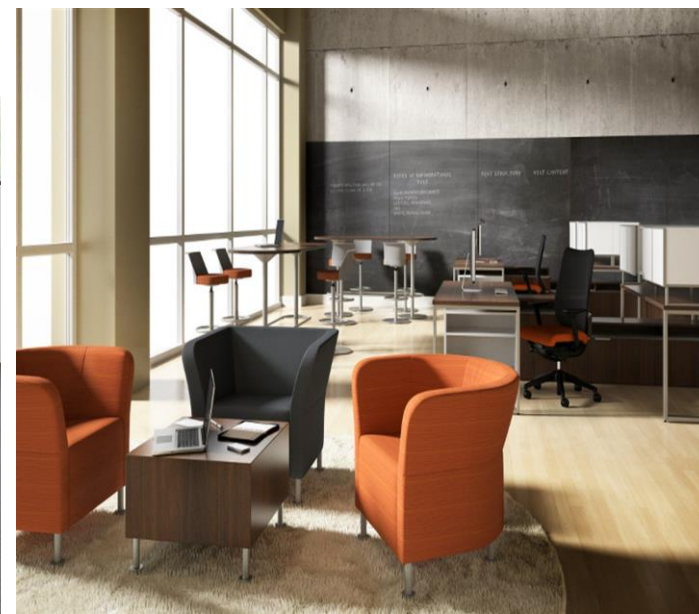


**HNI**



# FIRST QUARTER FISCAL 2016 RESULTS

April 22, 2016



# Forward Looking Statements

This presentation contains "forward-looking" statements based on current expectations regarding future plans, events, outlook, objectives and financial performance, expectations for future sales growth and earnings per diluted share (GAAP and non-GAAP) for the second quarter and full year fiscal 2016. Forward-looking statements can be identified by words including "expect," "believe," "anticipate," "estimate," "may," "will," "would," "could," "confident" or other similar words, phrases or expressions. Forward-looking statements involve known and unknown risks and uncertainties, which may cause the Corporation's actual future results and performance to differ materially from expected results. These risks include but are not limited to: general economic conditions in the United States and internationally; unfavorable changes in the United States housing market; industry and competitive conditions; a decline in corporate spending on office furniture; changes in raw material, component or commodity pricing; future acquisitions, divestitures or investments; the cost of energy; changing legal, regulatory, environmental and healthcare conditions; the Corporation's ability to successfully complete its business software system implementation; the Corporation's ability to implement price increases; changes in the sales mix of products; the Corporation's ability to achieve the anticipated benefits from closures and structural alignment initiatives; and force majeure events outside the Corporation's control. A description of these risks and additional risks can be found in the Corporation's annual and quarterly reports filed with the Securities and Exchange Commission on Forms 10-K and 10-Q. The Corporation undertakes no obligation to update, amend or clarify forward-looking statements.



# Conference Call Agenda

1<sup>st</sup> Quarter Assessment

Review of 1<sup>st</sup> Quarter Financials

Outlook

Q&A

| Income Statement  | 1Q16    | 1Q15    | \$ change | % change Basis Pt Change |
|---|---------|---------|-----------|--------------------------|
| <b>Net Sales</b>  | 501.0   | 523.5   | (22.5)    | (4.3%)                   |
| Non-GAAP Gross Profit (excluding restructuring and transition costs)      | 187.5   | 185.6   | 1.9       | 1.0%                     |
| % of Net Sales <sup>(1)</sup>   | 37.4%   | 35.5%   |           | 190                      |
| Restructuring and Transition Costs <sup>(2)</sup>                         | 1.8     | 1.1     | 0.7       | 58.7%                    |
| <b>GAAP Gross Profit</b>  | 185.7   | 184.5   | 1.2       | 0.7%                     |
| % of Net Sales  | 37.1%   | 35.2%   |           | 190                      |
| Freight & Distribution  | 48.3    | 49.4    | (1.1)     | (2.2%)                   |
| % of Net Sales  | 9.6%    | 9.4%    |           | 20                       |
| Non-GAAP Other SG&A (excluding F&D; restructuring charges) <sup>(3)</sup> | 116.8   | 119.3   | (2.5)     | (2.1%)                   |
| % of Net Sales  | 23.3%   | 22.8%   |           | 50                       |
| Restructuring Charges <sup>(2)</sup>                                      | 1.1     | 0.4     | 0.7       | 188.3%                   |
| GAAP SG&A   | 166.2   | 169.1   | (2.9)     | (1.7%)                   |
| % of Net Sales  | 33.2%   | 32.3%   |           | 90                       |
| <b>Non-GAAP Operating Income</b>  | 22.4    | 16.9    | 5.5       | 32.3%                    |
| % of Net Sales  | 4.5%    | 3.2%    |           | 130                      |
| <b>Operating Income</b>   | 19.5    | 15.4    | 4.1       | 26.6%                    |
| % of Net Sales  | 3.9%    | 2.9%    |           | 100                      |
| <b>Net Income attributable to HNI Corp</b>                                | 11.8    | 8.5     | 3.3       | 39.7%                    |
| % of Net Sales  | 2.4%    | 1.6%    |           | 80                       |
| <b>EPS (diluted) - GAAP</b>   | \$ 0.26 | \$ 0.19 | 0.07      | 36.8%                    |
| <b>EPS (diluted) - Non-GAAP</b>   | \$ 0.31 | \$ 0.21 | 0.10      | 47.6%                    |
| Shares (diluted)  | 45.0    | 45.5    | (0.5)     | -1.1%                    |

(1) Organic sales down -5.2%; Margin improvement driven by very strong operational performance, favorable materials costs and price realization partially offset by lower volume

(2) Includes costs related to consolidation of hearth and office furniture production facilities

(3) Change from prior year due to broad based cost reductions partially offset by incentive based compensation



# 1<sup>st</sup> Quarter Results – Segments

| Segment Breakdown                                | 1Q16           | 1Q15           | \$ change     | % change Basis<br>Pt Change |
|--|----------------|----------------|---------------|-----------------------------|
| <b>Sales</b>                                     |                |                |               |                             |
| Office Furniture <sup>(1)</sup>                  | \$387.3        | \$407.4        | (\$20.1)      | (4.9%)                      |
| Hearth Products <sup>(2)</sup>                   | \$113.7        | \$116.0        | (\$2.4)       | (2.0%)                      |
| <b>Total</b>                                     | <b>\$501.0</b> | <b>\$523.5</b> | <b>\$22.5</b> | <b>4.3%</b>                 |
| <b>Operating Profit</b>                          |                |                |               |                             |
| Office Furniture <sup>(3)</sup>                  | \$21.3         | \$20.2         | \$1.1         | 5.7%                        |
| Office Furniture Operating Margin <sup>(4)</sup> | 5.5%           | 4.9%           |               | 60                          |
| Hearth Products <sup>(5)</sup>                   | \$12.6         | \$12.5         | \$0.1         | 0.5%                        |
| Hearth Operating Margin <sup>(6)</sup>           | 11.0%          | 10.8%          |               | 20                          |
| Unallocated Corporate Expense <sup>(7)</sup>     | (\$16.1)       | (\$19.1)       | \$3.0         | -15.7%                      |
| Income Before Taxes                              | \$17.7         | \$13.5         | \$4.2         | 31.1%                       |

(1) Organic sales down -6.1%; Supplies channel down -5.9% (Organic down -8.2%); all other down -4.0%

(2) New construction up +9.9%; Retail Non-Pellet down -4.2%; Retail Pellet down -34.5%

(3) Excluding restructuring charges and transition costs, Non-GAAP Operating Profit is \$23.0M vs \$21.7M prior year

(4) Non-GAAP operating margin of 5.9% improved due to strong operational performance, lower material costs, price realization and cost reductions partially offset by lower volume and higher incentive based compensation

(5) Excluding restructuring charges and transition costs, Non-GAAP Operating Profit is \$13.8M vs \$12.5M prior year

(6) Non-GAAP operating margin of 12.1% improved due to strong operational performance, lower material costs, price realization and cost reductions partially offset by lower volume and higher incentive based compensation

(7) Decrease from PY driven by cost reductions and timing partially offset by higher incentive based compensation



# Financial Outlook

## 2<sup>nd</sup> Quarter

|   |                        |
|---|------------------------|
| <b>Net Sales – Consolidated</b>                           | <b>Down -4% to -7%</b> |
| Office Furniture Sales                                    | Down -4% to -8%        |
| Hearth Sales  | Flat to down -4%       |
| Interest Expense  | 0.8 Million            |
| Annual Effective Tax Rate                                 | 35%                    |
| <b>Non-GAAP Earnings Per Diluted Share <sup>(1)</sup></b> | <b>\$0.54 - \$0.59</b> |

## Fiscal Year 2016

|   |                        |
|---|------------------------|
| <b>Non-GAAP Earnings Per Diluted Share <sup>(1)</sup></b> | <b>\$2.40 - \$2.70</b> |
|---|------------------------|

(1) Excludes restructuring charges and transition costs



# Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures. A "non-GAAP financial measure" is a numerical measure of a company's financial performance that excludes or includes amounts different than the most directly comparable measure calculated and presented in accordance with GAAP in the statements of income, balance sheets or statements of cash flow of the company. We have provided a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measure.

The non-GAAP financial measures used within this presentation are: gross profit, operating income, operating profit, net income per diluted share (i.e., EPS), excluding restructuring and impairment charges and transition costs. Non-GAAP EPS is calculated using the Corporation's overall effective tax rate for the period. We present these measures because management uses this information to monitor and evaluate financial results and trends. Management believes this information is also useful for investors. This presentation also contains a forward-looking estimate of non-GAAP earnings per diluted share for the second quarter and full fiscal year 2016. We provide such non-GAAP measures to investors on a prospective basis for the same reasons we provide them to investors on a historical basis. We are unable to provide a reconciliation of our forward-looking estimate of non-GAAP earnings per diluted share to a forward-looking estimate of GAAP earnings per diluted share because certain information needed to make a reasonable forward-looking estimate of GAAP earnings per diluted share for the second quarter and full fiscal year is difficult to predict and estimate and is often dependent on future events which may be uncertain or outside of our control. These may include unanticipated charges related to asset impairments (fixed assets, intangibles or goodwill), unanticipated acquisition related costs and other unanticipated non-recurring items not reflective of ongoing operations.



# Non-GAAP Reconciliations

## First Quarter – Non-GAAP Financial Measures (Reconciled with most comparable GAAP financial measures)

|  | Three Months Ended 4/2/2016 |                         |                    | Three Months Ended 4/4/2015 |                         |                    |
|--|-----------------------------|-------------------------|--------------------|-----------------------------|-------------------------|--------------------|
| Dollars in millions except per share data as reported (GAAP) | <b>Gross Profit</b>         | <b>Operating Income</b> | <b>Diluted EPS</b> | <b>Gross Profit</b>         | <b>Operating Income</b> | <b>Diluted EPS</b> |
|  | <b>\$185.7</b>              | <b>\$19.5</b>           | <b>\$0.26</b>      | <b>\$184.5</b>              | <b>\$15.4</b>           | <b>\$0.19</b>      |
| <i>% of Net Sales</i>  | 37.1%                       | 3.9%                    |                    | 35.2%                       | 2.9%                    |                    |
| Restructuring Charges  | \$0.0                       | \$1.1                   | \$0.02             | \$0.0                       | \$0.4                   | \$0.01             |
| Transition Costs   | \$1.8                       | \$1.8                   | \$0.03             | \$1.1                       | \$1.1                   | \$0.02             |
| <b>Results (non-GAAP)</b>                                    | <b>\$187.5</b>              | <b>\$22.4</b>           | <b>\$0.31</b>      | <b>\$185.6</b>              | <b>\$16.9</b>           | <b>\$0.21</b>      |
| <i>% of Net Sales</i>  | 37.4%                       | 4.5%                    |                    | 35.5%                       | 3.2%                    |                    |





# Non-GAAP Reconciliations (Cont.)

**First Quarter – Non-GAAP Financial Measures**  
 (Reconciled with most comparable GAAP financial measures)

| Dollars in millions                        | Office Furniture   |               |                | Hearth Products    |               |                |
|--|--------------------|---------------|----------------|--------------------|---------------|----------------|
|  | Three Months Ended |               | Percent Change | Three Months Ended |               | Percent Change |
|  | 4/2/2016           | 4/4/2015      |                | 4/2/2016           | 4/4/2015      |                |
| <b>Operating profit as reported (GAAP)</b> | <b>\$21.3</b>      | <b>\$20.2</b> | <b>5.7%</b>    | <b>\$12.6</b>      | <b>\$12.5</b> | <b>0.5%</b>    |
| <i>% of Net Sales</i>                      | 5.5%               | 4.9%          |                | 11.0%              | 10.8%         |                |
| Restructuring Charges                      | \$0.2              | \$0.4         |                | \$0.9              | -             |                |
| Transition Costs                           | \$1.5              | \$1.1         |                | \$0.3              | -             |                |
| <b>Operating profit (non-GAAP)</b>         | <b>\$23.0</b>      | <b>\$21.7</b> | <b>6.1%</b>    | <b>\$13.8</b>      | <b>\$12.5</b> | <b>10.1%</b>   |
| <i>% of Net Sales</i>                      | 5.9%               | 5.3%          |                | 12.1%              | 10.8%         |                |