



FIRST QUARTER FISCAL 2018 RESULTS

May 1, 2018



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). 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: the levels of office furniture needs and housing starts; overall demand for the Corporation's products; general economic and market conditions in the United States and internationally; industry and competitive conditions; the consolidation and concentration of the Corporation's customers; the Corporation's reliance on its network of independent dealers; changes in raw material, component, or commodity pricing; market acceptance and demand for the Corporation's new products; the Corporation's ability to successfully execute its business software system integration; the Corporation's ability to achieve desired results from closures and structural cost reduction initiatives; the Corporation's ability to achieve the anticipated benefits from integrating its acquired businesses and alliances; changing legal, regulatory, environmental, and healthcare conditions; the risks associated with international operations; the potential impact of product defects; the various restrictions on the Corporation's financing activities; an inability to protect the Corporation's intellectual property; the impact of recent tax legislation; 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 assumes no obligation to update, amend, or clarify forward-looking statements.



Conference Call Agenda

1st Quarter Assessment

Review of 1st Quarter Financials

Outlook

Q&A



1st Quarter Results

Income Statement	1Q18	1Q17	\$ change F/(U)	% change Basis Pt Change
Net Sales	505.1	477.7	27.4	5.7%
Non-GAAP Gross Profit (excluding restructuring and transition costs)	178.2	181.7	(3.5)	(2.0%)
% of Net Sales ⁽¹⁾	35.3%	38.0%		-270
Restructuring and Transition Costs ⁽²⁾	1.3	8.0	6.7	
GAAP Gross Profit	176.9	173.7	3.2	1.8%
% of Net Sales	35.0%	36.4%		-140
Freight & Distribution	54.1	47.0	(7.1)	15.1%
% of Net Sales	10.7%	9.8%		90
Non-GAAP Other SG&A (excluding F&D; restructuring charges, and non-recurring gain)	117.8	116.7	(1.1)	1.0%
% of Net Sales	23.3%	24.4%		-110
Restructuring Charges ⁽²⁾	1.3	2.1	0.8	(37.0%)
Operating Income	3.7	7.9	(4.2)	(53.5%)
% of Net Sales	0.7%	1.7%		-100
Non-GAAP Operating Income	6.3	18.1	(11.8)	(65.3%)
% of Net Sales	1.2%	3.8%		-260
Net Income attributable to HNI Corp	2.5	4.8	(2.3)	(48.1%)
% of Net Sales	0.5%	1.0%		-50
EPS (diluted) - GAAP	\$ 0.06	\$ 0.11	\$ (0.05)	(45.5%)
EPS (diluted) - Non-GAAP	\$ 0.10	\$ 0.26	\$ (0.16)	(61.5%)
Shares (diluted)	44.1	45.5	(1.4)	-2.9%

(1) Gross profit margin decreased compared to prior year primarily driven by unfavorable business and product mix and input cost inflation, partially offset by higher sales volume.

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

See GAAP to Non-GAAP reconciliations in appendix.



1st Quarter Results – Segments

Segment Breakdown	1Q18	1Q17	\$ change F/(U)	% change Basis Pt Change
Sales				
Office Furniture ⁽¹⁾	\$380.9	\$360.0	\$20.9	5.8%
Hearth Products ⁽²⁾	\$124.2	\$117.7	\$6.5	5.5%
Total	\$505.1	\$477.7	\$27.4	5.7%
Operating Profit (Loss)				
Office Furniture ⁽³⁾	(\$0.4)	\$6.4	(\$6.8)	(106.0%)
Office Furniture Operating Margin ⁽⁴⁾	(0.1%)	1.8%		-190
Hearth Products ⁽⁵⁾	\$17.1	\$11.8	\$5.3	44.9%
Hearth Operating Margin ⁽⁶⁾	13.8%	10.0%		380
Unallocated Corporate Expense	(\$15.3)	(\$11.3)	(\$4.0)	(35.1%)
Income Before Taxes	\$1.5	\$7.0	(\$5.5)	

(1) Organic up +9.7%. Supplies driven channel up +6.9%; Contract and International up +12.8% (+4.8% as reported)

(2) New construction up +3.7%; Retail Products up +8.0%.

(3) Excluding restructuring and transition costs, non-GAAP operating profit was \$1.8M vs \$12.8M prior year.

(4) Non-GAAP operating margin of 0.4% was down from PY due to impacts from the Business Systems Transformation initiative, input cost inflation, and unfavorable business and product mix, partially offset by higher sales volume.

(5) Excluding restructuring and transition costs from previously announced closures, non-GAAP operating profit was \$17.5M vs \$15.6M prior year.

(6) Non-GAAP operating margin of 14.1% was up from PY due to higher sales volume.



Financial Outlook

2nd Quarter

Net Sales – Consolidated	Up +4% to +7% organic (up +1% to +4% as reported)
Office Furniture Sales	Up +4% to +7% organic (Flat to up +4% as reported)
Hearth Sales	Up +3% to +6%
Interest Expense	\$2.8 Million
Annual Effective Tax Rate - Expected Range	23% to 24%
Non-GAAP Earnings Per Diluted Share ⁽¹⁾	\$0.28 - \$0.38

Fiscal Year 2018

Non-GAAP Earnings Per Diluted Share ⁽¹⁾	\$2.40 - \$2.70
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(1) Excludes restructuring charges and transition costs.



Non-GAAP Financial Measures

This earnings presentation includes certain non-GAAP financial information as defined by Securities and Exchange Commission Regulation G. Pursuant to the requirements of this regulation, reconciliations of this non-GAAP financial information to HNI's financial statements as prepared in accordance with GAAP are included below and throughout this earnings presentation. This information gives investors additional insights into HNI's financial performance and operations. While HNI's management believes the non-GAAP financial measures are useful in evaluating HNI's operations, this information should be considered supplemental and not in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. In addition, these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes.

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures within this earnings presentation: organic sales, gross profit, operating income, operating profit, and net income per diluted share (i.e., EPS). These measures are adjusted from the comparable GAAP measures to exclude the after-tax impacts of the selected items as summarized in the table below. Generally, non-GAAP EPS is calculated using HNI's overall effective tax rate for the period, as this rate is reflective of the tax applicable to most non-GAAP adjustments. In first quarter 2018, the effective tax rate applied to non-GAAP items was adjusted to exclude a one-time tax impact of releasing a valuation allowance.

The sales adjustments to arrive at our non-GAAP organic sales information included in this earnings presentation excludes the impact of closing and divesting small office furniture companies. The transactions excluded for purposes of our other non-GAAP financial information included in this earnings presentation for both years presented include restructuring and transition costs. The restructuring and transition costs are costs incurred as part of the previously announced closures of the hearth manufacturing facilities in Paris, Kentucky and Colville, Washington and the office furniture manufacturing facility in Orleans, Indiana and structural realignments in China and between office furniture facilities in Muscatine, Iowa. Specific restructuring items incurred include severance and accelerated depreciation. Specific transition items incurred include production move costs.

This earnings presentation also contains a forward-looking estimate of non-GAAP earnings per diluted share for the next quarter and full fiscal year. We provide such non-GAAP measures to investors on a prospective basis for the same reasons we provide it 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 without unreasonable efforts because certain information needed to make a reasonable forward-looking estimate of GAAP earnings per diluted share is highly variable and difficult to predict and estimate, and is dependent on future events which are 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 nonrecurring items not reflective of ongoing operations. We expect the variability of these charges to have a potentially unpredictable, and potentially significant, impact on our GAAP earnings per diluted share.



Non-GAAP Reconciliations

(Dollars in millions)

Sales as reported (GAAP)

% change from PY

Less: Impact of Closure and Divestitures

Organic sales (non-GAAP)

% change from PY

	Three Months Ended 3/31/2018		
	<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
Sales as reported (GAAP)	\$380.9	\$124.2	\$505.1
<i>% change from PY</i>	5.8%	5.5%	5.7%
Less: Impact of Closure and Divestitures	4.1	-	4.1
Organic sales (non-GAAP)	\$376.8	\$124.2	\$501.0
<i>% change from PY</i>	9.7%	5.5%	8.6%

	Three Months Ended 4/1/2017		
	<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
Sales as reported (GAAP)	\$360.0	\$117.7	\$477.7
<i>% change from PY</i>			
Less: Impact of Closure and Divestitures	16.5	-	16.5
Organic sales (non-GAAP)	\$343.5	\$117.7	\$461.2
<i>% change from PY</i>			



Non-GAAP Reconciliations (Cont.)

(Dollars in millions, except per share data)

As reported (GAAP)

% of net sales

Tax %

Restructuring charges

Transition costs

Results (non-GAAP)

% of net sales

Tax %

Three Months Ended 3/31/2018				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$176.9	\$3.7	(\$1.0)	\$2.5	\$0.06
35.0%	0.7%	(66.1%)	0.5%	
-	1.3	0.4	1.0	0.02
1.3	1.3	0.3	0.9	0.02
\$178.2	\$6.3	(\$0.3)	\$4.4	\$0.10
35.3%	1.2%	(6.6%)	0.9%	

(Dollars in millions, except per share data)

As reported (GAAP)

% of net sales

Tax %

Restructuring charges

Transition costs

Results (non-GAAP)

% of net sales

Tax %

Three Months Ended 4/1/2017				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$173.7	\$7.9	\$2.2	\$4.8	\$0.11
36.4%	1.7%	31.0%	1.0%	
4.2	6.4	1.9	4.4	0.09
3.8	3.8	1.2	2.6	0.06
\$181.7	\$18.1	\$5.3	\$11.8	\$0.26
38.0%	3.8%	31.0%	2.5%	



Non-GAAP Reconciliations (Cont.)

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

	Office Furniture			Hearth Products		
	Three Months Ended		Percent Change	Three Months Ended		Percent Change
	<u>3/31/2018</u>	<u>4/1/2017</u>		<u>3/31/2018</u>	<u>4/1/2017</u>	
(Dollars in millions)						
Operating profit (loss) as reported (GAAP)	(\$0.4)	\$6.4	(106.0%)	\$17.1	\$11.8	44.9%
<i>% of net sales</i>	<i>(0.1%)</i>	<i>1.8%</i>		<i>13.8%</i>	<i>10.0%</i>	
Restructuring charges	1.2	3.4		0.1	3.0	
Transition costs	1.0	3.0		0.3	0.8	
Operating profit (non-GAAP)	\$1.8	\$12.8	(85.9%)	\$17.5	\$15.6	12.2%
<i>% of net sales</i>	<i>0.4%</i>	<i>3.5%</i>		<i>14.1%</i>	<i>13.3%</i>	