



THIRD QUARTER FISCAL 2018 RESULTS

October 23, 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

3rd Quarter Assessment

Review of 3rd Quarter Financials

Outlook

Q&A



3rd Quarter Results

Income Statement	3Q18	3Q17	\$ change F/(U)	% change Basis Pt Change
Net Sales	611.1	599.5	11.7	1.9%
Non-GAAP Gross Profit (excluding restructuring and transition costs)	233.5	226.4	7.1	3.2%
% of Net Sales ⁽¹⁾	38.2%	37.8%		40
Restructuring and Transition Costs ⁽²⁾	0.2	5.1	4.9	
GAAP Gross Profit	233.3	221.2	12.1	5.5%
% of Net Sales	38.2%	36.9%		130
Freight & Distribution	59.6	55.5	(4.1)	7.4%
% of Net Sales	9.8%	9.3%		50
Non-GAAP Other SG&A (excluding F&D; restructuring charges)	120.0	114.1	(5.9)	5.2%
% of Net Sales	19.6%	19.0%		60
Restructuring Charges ⁽²⁾	0.1	0.8	0.7	(87.5%)
Gain on Sale and License of Assets ⁽³⁾	-	(6.8)	(6.8)	(100.0%)
Operating Income	53.6	57.7	(4.1)	(7.1%)
% of Net Sales	8.8%	9.6%		-80
Non-GAAP Operating Income	53.9	56.8	(2.9)	(5.1%)
% of Net Sales	8.8%	9.5%		-70
Net Income attributable to HNI Corp	39.9	37.3	2.6	6.9%
% of Net Sales	6.5%	6.2%		30
EPS (diluted) - GAAP	\$ 0.89	\$ 0.84	\$ 0.05	6.0%
EPS (diluted) - Non-GAAP	\$ 0.90	\$ 0.82	\$ 0.08	9.8%
Shares (diluted)	44.7	44.5	0.2	4.5%

(1) Gross profit margin increased compared to prior year primarily driven by productivity gains and improved price realization, partially offset by increased input costs and lower volume in the contract office furniture business.

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

(3) Includes a non-recurring gain related to the sale and license of an intangible asset and a gain on the sale of a closed facility.

See GAAP to Non-GAAP reconciliations in appendix.



3rd Quarter Results – Segments

Segment Breakdown	3Q18	3Q17	\$ change F/(U)	% change Basis Pt Change
Sales				
Office Furniture ⁽¹⁾	\$471.7	\$465.3	\$6.4	1.4%
Hearth Products ⁽²⁾	\$139.4	\$134.1	\$5.3	3.9%
Total	\$611.1	\$599.5	\$11.7	1.9%
Operating Profit				
Office Furniture ⁽³⁾	\$46.1	\$39.7	\$6.4	16.0%
Office Furniture Operating Margin ⁽⁴⁾	9.8%	8.5%		130
Hearth Products ⁽⁵⁾	\$21.8	\$28.7	(\$6.9)	(24.1%)
Hearth Operating Margin ⁽⁶⁾	15.7%	21.4%		(570)
General Corporate	(\$14.3)	(\$10.7)	(\$3.5)	(32.8%)
Interest Income (Expense)	(\$2.6)	(\$1.8)	(\$0.8)	
Income Before Taxes	\$51.1	\$56.0	(\$4.9)	

(1) Organic up +4.7%. Supplies driven channel up +11.5%; Contract and International down -2.9% (-9.3% as reported)

(2) New construction up +5.8%; Retail Products up +2.0%

(3) Excluding restructuring and transition costs, non-GAAP operating profit was \$46.1M vs \$44.5M prior year.

(4) Non-GAAP operating margin of 9.8% was up from PY due to productivity gains, improved price realization, and the impact of closing and divesting small office furniture companies, partially offset by increased input costs, lower volume in the contract business, strategic investments, and amortization from the BST investment.

(5) Excluding restructuring and transition costs from previously announced closures and other nonrecurring gains, non-GAAP operating profit was \$22.1M vs \$23.0M prior year.

(6) Non-GAAP operating margin of 15.9% was down from PY due to increased input costs, higher incentive based compensation, and strategic investments, partially offset by productivity gains, higher sales volume, and improved price realization.



Financial Outlook

4th Quarter

Net Sales – Consolidated	Up +5% to +8% organic (Up +2% to +5% as reported)
Office Furniture Sales	Up +4% to +7% organic (Flat to up +3% as reported)
Hearth Sales	Up +8% to +11%
Interest Expense	\$2.3 Million
Annual Effective Tax Rate - Expected Range	Approximately 22.5%
Non-GAAP Earnings Per Diluted Share ⁽¹⁾	\$0.91 - \$1.01

Fiscal Year 2018

Non-GAAP Earnings Per Diluted Share ⁽¹⁾	\$2.35 - \$2.45
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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.

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. Specific transactions in third quarter 2017 excluded for purposes of our other non-GAAP financial information included in this earnings presentation include a nonrecurring gain on the sale and license of a previously acquired intangible asset and the gain on the sale of a closed manufacturing facility.

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: Closure and Divestitures

Organic sales (non-GAAP)

% change from PY

	Three Months Ended 9/29/2018		
	<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
Sales as reported (GAAP)	\$471.7	\$139.4	\$611.1
<i>% change from PY</i>	1.4%	3.9%	1.9%
Less: Closure and Divestitures	0.1	-	0.1
Organic sales (non-GAAP)	\$471.6	\$139.4	\$611.0
<i>% change from PY</i>	4.7%	3.9%	4.6%

	Three Months Ended 9/30/2017		
	<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
Sales as reported (GAAP)	\$465.3	\$134.1	\$599.5
<i>% change from PY</i>			
Less: Closure and Divestitures	15.1	-	15.1
Organic sales (non-GAAP)	\$450.2	\$134.1	\$584.4
<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 9/29/2018				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$233.3	\$53.6	\$11.2	\$39.9	\$0.89
38.2%	8.8%		6.5%	
		21.9%		
-	0.1	0.0	0.1	0.00
0.2	0.2	0.1	0.1	0.01
\$233.5	\$53.9	\$11.3	\$40.1	\$0.90
38.2%	8.8%		6.6%	
		21.9%		

(Dollars in millions, except per share data)

As reported (GAAP)

% of net sales

Tax %

Restructuring charges

Transition costs

Nonrecurring gain

Gain on sale of assets

Results (non-GAAP)

% of net sales

Tax %

Three Months Ended 9/30/2017				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$221.2	\$57.7	\$18.6	\$37.3	\$0.84
36.9%	9.6%		6.2%	
		33.3%		
1.6	2.3	0.8	1.5	0.03
3.6	3.6	1.2	2.4	0.05
-	(6.0)	(2.0)	(4.0)	(0.09)
-	(0.8)	(0.3)	(0.5)	(0.01)
\$226.4	\$56.8	\$18.3	\$36.7	\$0.82
37.8%	9.5%		6.1%	
		33.3%		



Non-GAAP Reconciliations (Cont.)

Third 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
	9/29/2018	9/30/2017		9/29/2018	9/30/2017	
(Dollars in millions)						
Operating profit as reported (GAAP)	\$46.1	\$39.7	16.0%	\$21.8	\$28.7	(24.1%)
<i>% of net sales</i>	9.8%	8.5%		15.7%	21.4%	
Restructuring charges	0.0	2.0		0.1	0.3	
Transition costs	0.0	2.8		0.2	0.8	
Nonrecurring gain	-	-		-	(6.0)	
Gain on sale of assets	-	-		-	(0.8)	
Operating profit (non-GAAP)	\$46.1	\$44.5	3.5%	\$22.1	\$23.0	(4.0%)
<i>% of net sales</i>	9.8%	9.6%		15.9%	17.2%	