



FOURTH QUARTER FISCAL 2018 RESULTS

February 26, 2019



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 trade policy; changes in raw material, component, or commodity pricing; market acceptance and demand for the Corporation's new products; 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; impacts of 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

4th Quarter Assessment

Review of 4th Quarter Financials

Outlook

Q&A



4th Quarter Results

Income Statement	4Q18	4Q17	\$ change F/(U)	% change Basis Pt Change
Net Sales	\$598.1	\$584.3	\$13.8	2.4%
Non-GAAP Gross Profit (excluding restructuring and transition costs)	224.5	211.2	13.3	6.3%
% of Net Sales ⁽¹⁾	37.5%	36.1%		140
Restructuring and Transition Costs ⁽²⁾	0.6	6.9	6.3	
GAAP Gross Profit	\$223.9	\$204.3	\$19.7	9.6%
% of Net Sales	37.4%	35.0%		240
Freight & Distribution	56.8	56.2	(0.6)	1.0%
% of Net Sales	9.5%	9.6%		-10
Non-GAAP Other SG&A (excluding F&D; restructuring charges)	109.9	119.7	9.8	(8.2%)
% of Net Sales	18.4%	20.5%		-210
Restructuring Charges ⁽²⁾	0.3	2.9	2.6	
Impairment Charges ⁽³⁾	13.1	20.9	7.8	
Valuation Allowance of Long-term Note Receivable		10.3	10.3	
Loss on Sale and Disposal of Assets		4.8	4.8	
Operating Income	\$43.8	(\$10.6)	\$54.4	NM
% of Net Sales	7.3%	-1.8%		910
Non-GAAP Operating Income	\$57.8	\$35.2	\$22.5	64.2%
% of Net Sales	9.7%	6.0%		370
Net Income attributable to HNI Corp	\$32.4	\$33.8	(\$1.5)	(4.4%)
% of Net Sales	5.4%	5.8%		-40
EPS (diluted) - GAAP	\$0.73	\$0.77	(\$0.04)	(5.2%)
EPS (diluted) - Non-GAAP	\$0.97	\$0.47	\$0.50	106.4%
Shares (diluted)	44.3	44.2		

(1) Gross profit margin increased compared to prior year primarily driven by improved price realization and productivity partially offset by input cost inflation.

(2) Includes costs related to previously announced facility closures and structural realignments of hearth and office furniture production facilities.

(3) CY impairment charges related to goodwill on small office furniture company. PY impairment charges primarily related to goodwill and other intangibles from Paoli closure.

See GAAP to Non-GAAP reconciliations in appendix.



4th Quarter Results – Segments

Segment Breakdown	4Q18	4Q17	\$ change F/(U)	% change Basis Pt Change
Sales				
Office Furniture ⁽¹⁾	\$429.6	\$429.0	\$0.6	0.1%
Hearth Products ⁽²⁾	\$168.5	\$155.3	\$13.2	8.5%
Total	\$598.1	\$584.3	\$13.8	2.4%
Operating Profit				
Office Furniture ⁽³⁾	\$11.8	(\$15.7)	\$27.5	NM
Office Furniture Operating Margin ⁽⁴⁾	2.7%	-3.7%		640
Hearth Products ⁽⁵⁾	\$36.1	\$31.0	\$5.1	16.5%
Hearth Operating Margin ⁽⁶⁾	21.4%	20.0%		140
General Corporate	(\$4.1)	(\$25.9)	\$21.8	84.1%
Interest Income (Expense)	(\$2.1)	(\$2.3)	\$0.2	
Income Before Taxes	\$41.7	(\$12.9)	\$54.6	

(1) Organic up +4.3%. Supplies driven channel up +3.5%; Contract and International organic sales were up +5.2% (-3.2% as reported)

(2) New construction up +2.6%; retail products up +13.6%

(3) Excluding restructuring and transition costs, impairments of goodwill and intangibles, and loss on sale and disposal of assets, non-GAAP operating profit was \$27.3M vs \$18.4M prior year.

(4) Non-GAAP operating margin of 6.3% was up from PY due to improved price realization, reduced spending, lower incentive based compensation, and the impact of closing small office furniture companies, partially offset by lower volume and input cost inflation.

(5) Excluding restructuring and transition costs, non-GAAP operating profit was \$36.4M vs \$32.4M prior year.

(6) Non-GAAP operating margin of 21.6% was up from PY due to improved price realization, higher sales volume, and lower restructuring and transition costs, partially offset by input cost inflation.



Financial Outlook

1st Quarter

Net Sales – Consolidated	Down -2% to -4% organic (Down -3% to -5% as reported)
Office Furniture Sales	Down -3% to -5% organic (Down -5% to -7% as reported)
Hearth Sales	Flat to Up +3%
Earnings Per Diluted Share	\$(0.02) - \$0.04

Fiscal Year 2019

Net Sales – Consolidated	Up +3% to +7% organic (Up +2% to +6% as reported)
Office Furniture Sales	Up +3% to +7% organic (Up +2% to +6% as reported)
Hearth Sales	Up +3% to +7%
Annual Effective Tax Rate	22.5%
Earnings Per Diluted Share	\$2.50 - \$2.90



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 fourth quarter 2017, the effective tax rate applied to most non-GAAP items was adjusted for one-time tax impacts that cause a variation in the effective tax rate, including the one-time tax credit due to the revaluation of deferred tax items relating to the recently enacted tax legislation..

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 release 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 2018 excluded for purposes of our other non-GAAP financial information included in this earnings release include the impairments of closed manufacturing facilities held for sale, a nonrecurring gain on the recovery of an impaired long-lived asset, and impairments of goodwill, intangibles, and other long-lived assets. Specific transactions in 2017 excluded for purposes of our other non-GAAP financial information included in this earnings release include the impairment of goodwill and other intangibles, a valuation reserve on a long-term note receivable, the loss on the disposal of a manufacturing facility, the tax impact related to the recently enacted tax legislation, 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 first quarter and fiscal year 2019. 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 12/29/2018		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$429.6	\$168.5	\$598.1
0.1%	8.5%	2.4%
-	-	-
\$429.6	\$168.5	\$598.1
4.3%	8.5%	5.4%

Three Months Ended 12/30/2017		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$429.0	\$155.3	\$584.3
17.1	-	17.1
\$411.9	\$155.3	\$567.2



Non-GAAP Reconciliations (Cont.)

(Dollars in millions, except per share data)

As reported (GAAP)

% of net sales

Tax %

Restructuring charges

Impairment charges

Transition costs

Results (non-GAAP)

% of net sales

Tax %

Three Months Ended 12/29/2018				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$223.9	\$43.8	\$9.4	\$32.4	\$0.73
37.4%	7.3%	22.4%	5.4%	
-	0.3	0.1	0.3	0.01
-	13.1	3.3	9.7	0.22
0.6	0.6	0.1	0.4	0.01
\$224.5	\$57.8	\$12.9	\$42.8	\$0.97
37.5%	9.7%	23.2%	7.2%	

(Dollars in millions, except per share data)

As reported (GAAP)

% of net sales

Tax %

Restructuring charges

Impairment charges

Transition costs

Valuation allowance of long-term note receivable

Loss on disposal of assets

Tax legislation

Results (non-GAAP)

% of net sales

Tax %

Three Months Ended 12/30/2017				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$204.3	(\$10.6)	(\$46.9)	\$33.8	\$0.77
35.0%	-1.8%	359.9%	5.8%	
1.6	4.5	1.5	3.0	0.07
-	20.9	7.2	13.8	0.31
5.3	5.3	1.8	3.5	0.08
-	10.3	0.4	9.8	0.22
-	4.8	3.0	1.8	0.04
-	-	44.8	(44.8)	(1.02)
\$211.2	\$35.2	\$11.8	\$20.9	\$0.47
36.1%	6.0%	36.4%	3.6%	



Non-GAAP Reconciliations (Cont.)

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

(Dollars in millions)

Operating profit as reported (GAAP)

% of net sales

Restructuring charges

Impairment Charges

Transition costs

Gain/loss on sale and disposal of assets

Operating profit (non-GAAP)

% of net sales

	Office Furniture		
	Three Months Ended		Percent Change
	12/29/2018	12/30/2017	
Operating profit as reported (GAAP)	\$11.8	(\$15.7)	NM
<i>% of net sales</i>	2.7%	-3.7%	
Restructuring charges	0.2	3.8	
Impairment Charges	14.9	20.9	
Transition costs	0.4	4.6	
Gain/loss on sale and disposal of assets	-	4.8	
Operating profit (non-GAAP)	\$27.3	\$18.4	48.4%
<i>% of net sales</i>	6.3%	4.3%	

	Hearth Products		
	Three Months Ended		Percent Change
	12/29/2018	12/30/2017	
Operating profit as reported (GAAP)	\$36.1	\$31.0	16.5%
<i>% of net sales</i>	21.4%	20.0%	
Restructuring charges	0.2	0.7	
Impairment Charges	-	-	
Transition costs	0.1	0.7	
Gain/loss on sale and disposal of assets	-	-	
Operating profit (non-GAAP)	\$36.4	\$32.4	12.3%
<i>% of net sales</i>	21.6%	20.9%	



Non-GAAP Reconciliations

	Twelve Months Ended 12/29/18			Twelve Month Ended 12/30/17		
	<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>	<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
<i>Sales as reported</i>	\$1,706.1	\$551.8	\$2,257.9	\$1,660.7	\$515.2	\$2,175.9
<i>% change from PY</i>	2.7%	7.1%	3.8%			
Less: Impact of Acquisitions and Divestures	4.2	-	4.2	61.8	-	61.8
<i>Organic sales</i>	\$1,701.9	\$551.8	\$2,253.7	\$1,599.0	\$515.2	\$2,114.1
<i>% change from PY</i>	6.4%	7.1%	6.6%			



Non-GAAP Reconciliations (Cont.)

Dollars in millions except per share data

	Twelve Months Ended 12/29/2018				
	<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
As reported (GAAP)	\$835.0	\$128.2	\$25.4	\$93.4	\$2.11
<i>% of net sales</i>	37.0%	5.7%		4.1%	
<i>Tax %</i>			21.4%		
Restructuring charges	-	2.3	0.6	1.7	0.04
Impairment charges	-	13.4	3.5	9.9	0.22
Transition costs	2.3	2.3	0.5	1.7	0.04
Valuation allowance of long-term note receivable	-	-	-	-	-
(Gain)/loss on sale, disposal, and license of assets	-	-	-	-	-
Tax legislation	-	-	-	-	-
Results (non-GAAP)	\$837.3	\$146.2	\$30.0	\$106.7	\$2.41
<i>% of net sales</i>	37.1%	6.5%	22.0%	4.7%	

	Twelve Months Ended 12/30/2017				
	<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
	\$784.0	\$76.7	(\$19.3)	\$89.8	\$2.00
<i>% of net sales</i>	36.0%	3.5%		4.1%	
<i>Tax %</i>			-27.4%		
Restructuring charges	10.3	16.5	5.6	10.9	0.25
Impairment charges	-	20.9	7.1	13.9	0.31
Transition costs	17.0	17.0	5.7	11.2	0.25
Valuation allowance of long-term note receivable	-	10.3	0.4	9.8	0.22
(Gain)/loss on sale, disposal, and license of assets	-	(2.0)	0.7	(2.7)	(0.06)
Tax legislation	-	-	44.8	(44.8)	(1.00)
Results (non-GAAP)	\$811.3	\$139.4	\$45.0	\$88.1	\$1.97
<i>% of net sales</i>	37.3%	6.4%	33.9%	4.1%	



Non-GAAP Reconciliations (Cont.)

Full Year – Non-GAAP Financial Measures
 (Reconciled with most comparable GAAP financial measures)

Dollars in millions	Office Furniture			Hearth Products		
	Twelve Months Ended		Percent	Twelve Months Ended		Percent
	<u>12/29/2018</u>	<u>12/30/2017</u>	<u>Change</u>	<u>12/29/2018</u>	<u>12/30/2017</u>	<u>Change</u>
Operating profit as reported (GAAP)	\$79.3	\$50.2	58.1%	\$91.4	\$83.6	9.2%
<i>% of net sales</i>	4.6%	3.0%		16.6%	16.2%	
Restructuring charges	1.5	11.6		0.8	4.9	
Impairment charges	14.9	20.9		0.3	-	
Transition costs	1.6	13.7		0.6	3.3	
(Gain)/loss on sale of assets	-	4.8		-	(6.8)	
Operating profit (non-GAAP)	\$97.3	\$101.2	(3.9%)	\$93.1	\$85.0	9.5%
<i>% of net sales</i>	5.7%	6.1%		16.9%	16.5%	