



FOURTH QUARTER FISCAL 2016 RESULTS

February 9, 2017



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: 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

4th Quarter Assessment

Review of 4th Quarter Financials

Outlook

Q&A



4th Quarter Results

Income Statement	4Q16	4Q15	\$ change F/(U)	% change Basis Pt Change
Net Sales	581.3	596.9	(15.6)	(2.6%)
Non-GAAP Gross Profit (excluding restructuring and transition costs)	224.4	226.0	(1.6)	(0.7%)
% of Net Sales ⁽¹⁾	38.6%	37.9%		70
Restructuring and Transition Costs ⁽²⁾	5.6	0.9	(4.7)	
GAAP Gross Profit	218.8	225.1	(6.3)	(2.8%)
% of Net Sales	37.6%	37.7%		(10)
Freight & Distribution	49.5	51.7	2.2	(4.2%)
% of Net Sales	8.5%	8.7%		(20)
Non-GAAP Other SG&A (excluding F&D; restructuring and impairment charges; charitable donation of building)	118.5	113.9	(4.6)	4.0%
% of Net Sales	20.4%	19.1%		130
Restructuring and Impairment Charges ^{(2) (3)}	8.9	11.8	2.9	(24.1%)
Charitable Donation of Building ⁽⁴⁾	2.8	-	(2.8)	
Loss on Sale ⁽⁵⁾	22.6	-	(22.6)	
Non-GAAP Operating Income	56.4	60.5	(4.1)	(6.8%)
% of Net Sales	9.7%	10.1%		(40)
Operating Income	16.5	47.8	(31.3)	(65.5%)
% of Net Sales	2.8%	8.0%		(520)
Net Income attributable to HNI Corp	10.9	32.2	(21.3)	(66.2%)
% of Net Sales	1.9%	5.4%		(350)
EPS (diluted) - GAAP	\$ 0.24	\$ 0.71	(0.47)	(66.2%)
EPS (diluted) - Non-GAAP	\$ 0.82	\$ 0.91	(0.09)	(9.9%)
Shares (diluted)	45.6	45.2	0.4	0.9%

- (1) Margin improvement driven by favorable material productivity and price realization, partially offset by lower volume
- (2) Includes costs related to consolidation of hearth and office furniture production facilities
- (3) Includes goodwill and intangible impairment charges related to a small office furniture business
- (4) Accelerated depreciation associated with the donation of a building
- (5) Non-cash loss on the sale of Artcobell



4th Quarter Results – Segments

Segment Breakdown	4Q16	4Q15	\$ change F/(U)	% change Basis Pt Change
Sales				
Office Furniture ⁽¹⁾	\$433.5	\$443.8	(\$10.3)	(2.3%)
Hearth Products ⁽²⁾	\$147.8	\$153.1	(\$5.3)	(3.4%)
Total	\$581.3	\$596.9	(\$15.6)	(2.6%)
Operating Profit				
Office Furniture ⁽³⁾	\$8.0	\$28.3	(\$20.3)	(71.7%)
Office Furniture Operating Margin ⁽⁴⁾	1.8%	6.4%		(460)
Hearth Products ⁽⁵⁾	\$28.3	\$31.0	(\$2.7)	(8.7%)
Hearth Operating Margin ⁽⁶⁾	19.2%	20.3%		(110)
Unallocated Corporate Expense	(\$20.8)	(\$12.6)	(\$8.2)	65.1%
Income Before Taxes	\$15.6	\$46.6	(\$31.0)	(66.5%)

- (1) Organic down 4.6%. Supplies driven channel up 0.6% (organic down 3.2%); all other down 5.3%; North American Contract down 2.0% (organic down 2.6%); International down 23.8%
- (2) New construction up 3.3%; Retail Wood / Gas down 1.7%; Retail Pellet down 18.8%
- (3) Excluding restructuring and transition costs from structural realignment, previously announced closures, loss on sale, goodwill and intangible impairment charges, non-GAAP operating profit is \$43.0M vs \$40.9M prior year
- (4) Non-GAAP operating margin of 9.9% up from PY due to material productivity and lower freight costs partially offset by lower volume
- (5) Excluding restructuring and transition costs from previously announced closures, non-GAAP operating profit is \$30.5M vs \$31.1M prior year
- (6) Non-GAAP operating margin of 20.6% up from PY due to price realization and cost reductions, partially offset by lower volume and higher material and freight costs



Financial Outlook

1st Quarter

Net Sales – Consolidated	Down -5% to -8% (organic down -3% to -6%)
Office Furniture Sales	Down -7% to -10% (organic down -5% to -8%)
Hearth Sales	Up +1% to +4%
Interest Expense	0.7 Million
Annual Effective Tax Rate	34.0%
Non-GAAP Earnings Per Diluted Share ⁽¹⁾	\$0.17 - \$0.24

Fiscal Year 2017

Non-GAAP Earnings Per Diluted Share ⁽¹⁾	\$2.80 - \$3.15
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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. HNI's management believes providing investors with this information gives additional insights into HNI's financial performance and operations. While HNI's management believes that the non-GAAP financial measures herein are useful in evaluating HNI's operations, this information should be considered supplemental and should not be considered 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. Non-GAAP EPS is calculated using HNI's overall effective tax rate for the period.

The sales adjustments to arrive at our non-GAAP organic sales information included in this earnings presentation include the impacts of acquisitions and divestitures. The transactions excluded for purposes of our other non-GAAP financial information included in this earnings presentation include restructuring and transition costs, the impairment of goodwill and other intangibles, the accelerated depreciation in conjunction with the donation of a building, the loss on the sale of Artcobell, a K-12 furniture company, and a nonrecurring gain on a litigation settlement. The restructuring and transition costs are costs incurred as part of the previously announced closures of the hearth manufacturing facility in Paris, Kentucky and the office furniture manufacturing facility in Orleans, Indiana and structural realignments between office furniture facilities in Muscatine, Iowa and China. Specific items incurred include severance, accelerated depreciation and production move costs.

This earnings presentation also contains a forward-looking estimate of non-GAAP earnings per diluted share for the fiscal year. 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 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

	Three Months Ended 12/31/2016			Three Months Ended 1/2/2016		
	<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>	\$433.5	\$147.8	\$581.3	\$443.8	\$153.1	\$596.9
<i>% change from PY</i>	(2.3%)	(3.4%)	(2.6%)			
Less: Impact of Acquisitions and Divestures	\$13.1	-	\$13.1	\$3.1	-	\$3.1
<i>Organic sales</i>	\$420.4	\$147.8	\$568.2	\$440.7	\$153.1	\$593.8
<i>% change from PY</i>	(4.6%)	(3.4%)	(4.3%)			



Non-GAAP Reconciliations (Cont.)

Three Months Ended 12/31/2016					
	<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
Dollars in millions except per share data					
As reported (GAAP)	\$218.8	\$16.5	\$4.6	\$10.9	\$0.24
<i>% of net sales</i>	37.6%	2.8%		1.9%	
<i>Tax %</i>			29.8%		
Restructuring and impairment charges	\$3.1	\$12.0	\$4.0	\$8.1	\$0.18
Charitable donation of building	-	\$2.8	\$1.0	\$1.8	\$0.04
Transition costs	\$2.5	\$2.5	\$0.8	\$1.7	\$0.03
(Gain)/loss on sale of assets	-	\$22.6	\$7.6	\$15.0	\$0.33
Results (non-GAAP)	\$224.4	\$56.4	\$18.0	\$37.5	\$0.82
<i>% of net sales</i>	38.6%	9.7%		6.4%	
<i>Tax %</i>			32.5%		

Three Months Ended 1/2/2016					
	<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
Dollars in millions except per share data					
As reported (GAAP)	\$225.1	\$47.8	\$14.4	\$32.2	\$0.71
<i>% of net sales</i>	37.7%	8.0%		5.4%	
<i>Tax %</i>			30.9%		
Restructuring and impairment charges	-	\$11.8	\$3.9	\$8.1	\$0.18
Charitable donation of building	-	-	-	-	-
Transition costs	\$0.9	\$0.9	\$0.2	\$0.7	\$0.02
(Gain)/loss on sale of assets	-	-	-	-	-
Results (non-GAAP)	\$226.0	\$60.5	\$18.5	\$41.0	\$0.91
<i>% of net sales</i>	37.9%	10.1%		6.9%	
<i>Tax %</i>			31.2%		



Non-GAAP Reconciliations (Cont.)

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

Dollars in millions	Office Furniture			Hearth Products		
	Three Months Ended		Percent	Three Months Ended		Percent
	<u>12/31/2016</u>	<u>1/2/2016</u>	<u>Change</u>	<u>12/31/2016</u>	<u>1/2/2016</u>	<u>Change</u>
Operating profit as reported (GAAP)	\$8.0	\$28.3	(71.7%)	\$28.3	\$31.0	(8.7%)
<i>% of net sales</i>	1.8%	6.4%		19.2%	20.3%	
Restructuring and impairment charges	\$10.5	\$11.8		\$1.6	-	
Transition costs	\$1.9	\$0.8		\$0.6	\$0.1	
(Gain)/loss on sale of assets	\$22.6	-				
Operating profit (non-GAAP)	\$43.0	\$40.9	5.1%	\$30.5	\$31.1	(1.9%)
<i>% of net sales</i>	9.9%	9.2%		20.6%	20.3%	



Non-GAAP Reconciliations (Cont.)

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

	Twelve Months Ended 12/31/2016			Twelve Months Ended 1/2/2016		
	<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>	\$1,703.9	\$499.6	\$2,203.5	\$1,777.8	\$526.6	\$2,304.4
<i>% change from PY</i>	(4.2%)	(5.1%)	(4.4%)			
Less: Impact of Acquisitions and Divestures	\$38.4	-	\$38.4	\$11.2	-	\$11.2
<i>Organic sales</i>	\$1,665.5	\$499.6	\$2,165.1	\$1,766.6	\$526.6	\$2,293.2
<i>% change from PY</i>	(5.7%)	(5.1%)	(5.6%)			



Non-GAAP Reconciliations (Cont.)

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

	Twelve Months Ended 12/31/2016			Twelve Months Ended 1/2/2016		
	Gross Profit	Operating Income	Diluted EPS	Gross Profit	Operating Income	Diluted EPS
Dollars in millions except per share data						
As reported (GAAP)	\$835.0	\$133.7	\$1.88	\$847.4	\$163.7	\$2.32
<i>% of net sales</i>	37.9%	6.1%		36.8%	7.1%	
Restructuring and impairment charges	\$5.3	\$16.3	\$0.24	\$0.8	\$12.6	\$0.19
Charitable donation of building	-	\$4.4	\$0.06	-	-	-
Transition costs	\$9.3	\$9.3	\$0.14	\$4.7	\$4.7	\$0.07
Non-recurring gain	-	(\$2.0)	(\$0.03)	-	-	-
(Gain)/loss on sale of assets	-	\$22.6	\$0.33	-	-	-
Results (non-GAAP)	\$849.6	\$184.3	\$2.62	\$852.9	\$181.0	\$2.58
<i>% of net sales</i>	38.6%	8.4%		37.0%	7.9%	



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>12/31/2016</u>	<u>1/2/2016</u>	<u>Change</u>	<u>12/31/2016</u>	<u>1/2/2016</u>	<u>Change</u>
Operating profit as reported (GAAP)	\$117.4	\$136.6	(14.1%)	\$70.0	\$78.2	(10.5%)
<i>% of net sales</i>	6.9%	7.7%		14.0%	14.8%	
Restructuring and impairment charges	\$10.9	\$11.6		\$5.4	\$0.9	
Transition costs	\$7.1	\$3.3		\$2.2	\$1.3	
(Gain)/loss on sale of assets	\$22.6	-		-	-	
Operating profit (non-GAAP)	\$158.0	\$151.5	4.3%	\$77.6	\$80.4	(3.5%)
<i>% of net sales</i>	9.3%	8.5%		15.5%	15.3%	