



# FIRST QUARTER FISCAL 2019 RESULTS

April 22, 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; change 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

1st Quarter Assessment

Review of 1st Quarter Financials

Outlook

Q&A



# 1st Quarter Results

Income Statement	1Q19	1Q18	\$ change F/(U)	% change Basis Pt Change
<b>Net Sales</b>	\$479.5	\$505.1	(\$25.6)	(5.1%)
Non-GAAP Gross Profit (excluding restructuring and transition costs)	169.6	178.2	(8.6)	(4.8%)
% of Net Sales <sup>(1)</sup>	35.4%	35.3%		10
Transition Costs <sup>(2)</sup>	-	1.3	1.3	
<b>GAAP Gross Profit</b>	\$169.6	\$176.9	(\$7.3)	(4.1%)
% of Net Sales	35.4%	35.0%		40
Freight & Distribution	50.7	54.1	3.4	(6.2%)
% of Net Sales	10.6%	10.7%		-10
Non-GAAP Other SG&A (excluding F&D; restructuring charges)	115.2	117.8	2.6	(2.2%)
% of Net Sales	24.0%	23.3%		70
Restructuring Charges <sup>(2)</sup>	-	1.3	1.3	
<b>Operating Income</b>	\$3.7	\$3.7	(\$0.0)	(0.2%)
% of Net Sales	0.8%	0.7%		10
<b>Non-GAAP Operating Income</b>	\$3.7	\$6.3	(\$2.7)	(41.5%)
% of Net Sales	0.8%	1.2%		-40
<b>Net Income attributable to HNI Corp</b>	\$1.0	\$2.5	(\$1.4)	(59.3%)
% of Net Sales	0.2%	0.5%		-30
<b>EPS (diluted) - GAAP</b>	\$0.02	\$0.06	(\$0.04)	(66.7%)
<b>EPS (diluted) - Non-GAAP</b>	\$0.02	\$0.10	(\$0.08)	(80.0%)
Shares (diluted)	44.1	44.1		

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

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



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

Segment Breakdown	1Q19	1Q18	\$ change F/(U)	% change Basis Pt Change
<b>Sales</b>				
Office Furniture <sup>(1)</sup>	\$353.5	\$380.9	(\$27.4)	(7.2%)
Hearth Products <sup>(2)</sup>	\$125.9	\$124.2	\$1.8	1.4%
<b>Total</b>	<b>\$479.5</b>	<b>\$505.1</b>	<b>(\$25.6)</b>	<b>(5.1%)</b>
<b>Operating Profit</b>				
Office Furniture <sup>(3)</sup>	(\$1.1)	\$0.1	(\$1.1)	NM
Office Furniture Operating Margin <sup>(4)</sup>	(0.3%)	0.0%		(30)
Hearth Products <sup>(5)</sup>	\$17.6	\$17.1	\$0.5	2.9%
Hearth Operating Margin <sup>(6)</sup>	14.0%	13.8%		20
General Corporate	(\$12.9)	(\$13.5)	\$0.6	4.7%
Interest Income (Expense)	(\$2.1)	(\$2.2)	\$0.1	
Income Before Taxes	\$1.6	\$1.5	\$0.1	

(1) Organic down -5.1%. Supplies driven channel down -7.6%; Contract and International organic sales were down -2.4% (-6.8% as reported)

(2) New construction up +1.1%; retail products up +1.8%

(3) GAAP operating loss of (\$1.1M) is compared to prior year non-GAAP operating profit of \$2.3M. PY excludes restructuring and transition costs.

(4) GAAP operating margin of (0.3%) was down from PY non-GAAP operating margin driven by lower sales volume and input cost inflation, partially offset by improved price realization and lower Business System Transformation costs.

(5) GAAP operating profit of \$17.6M is compared to prior year non-GAAP operating profit of \$17.5M. PY excludes restructuring and transition costs.

(6) GAAP operating margin of 14.0% was up from PY non-GAAP operating margin driven by lower sales volume, input cost inflation and strategic investments, partially offset by improved price realization and lower core spend.



# Financial Outlook

## Fiscal Year 2019

<b>Net Sales – Consolidated</b>	<b>Up +2% to +6% organic (Up +1% to +5% as reported)</b>
Office Furniture Sales	Up +2% to +6% organic (Flat to +4% as reported)
Hearth Sales	Up +1% to +5%
Annual Effective Tax Rate	22.5%
<b>Earnings Per Diluted Share</b>	<b>\$2.50 - \$2.90</b>



# 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 the 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 2018 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. Specific items incurred include severance and production move costs.

This earnings presentation also contains forward-looking estimates of certain non-GAAP measures for the 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 measures forward-looking estimate of GAAP measures without unreasonable efforts because certain information needed to make a reasonable forward-looking estimate of GAAP measures is 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 items 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 3/30/2019		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$353.5	\$125.9	\$479.5
(7.2%)	1.4%	(5.1%)
-	-	-
\$353.5	\$125.9	\$479.5
(5.1%)	1.4%	(3.4%)

Three Months Ended 3/31/2018		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$380.9	\$124.2	\$505.1
8.5	-	8.5
\$372.4	\$124.2	\$496.6





# 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 3/30/2019				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$169.6	\$3.7	\$0.5	\$1.0	\$0.02
35.4%	0.8%	34.8%	0.2%	
-	-	-	-	0.00
-	-	-	-	0.00
\$169.6	\$3.7	\$0.5	\$1.0	\$0.02
35.4%	0.8%	34.8%	0.2%	

(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%	



# Non-GAAP Reconciliations (Cont.)

**First 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

Transition costs

**Operating profit (non-GAAP)**

*% of net sales*

Office Furniture		
Three Months Ended		Percent Change
<u>3/30/2019</u>	<u>3/31/2018</u>	
<b>(\$1.1)</b>	<b>\$0.1</b>	<b>NM</b>
<i>(0.3%)</i>	<i>0.0%</i>	
-	1.2	
-	1.0	
<b>(\$1.1)</b>	<b>\$2.3</b>	<b>(146.5%)</b>
<i>(0.3%)</i>	<i>0.6%</i>	

Hearth Products		
Three Months Ended		Percent Change
<u>3/30/2019</u>	<u>3/31/2018</u>	
<b>\$17.6</b>	<b>\$17.1</b>	<b>2.9%</b>
<i>14.0%</i>	<i>13.8%</i>	
-	0.1	
-	0.3	
<b>\$17.6</b>	<b>\$17.5</b>	<b>0.5%</b>
<i>14.0%</i>	<i>14.1%</i>	