



THIRD QUARTER FISCAL 2019 RESULTS

October 24, 2019



Forward Looking Statements

This release contains "forward-looking" statements based on current expectations regarding future plans, events, outlook, objectives, financial performance, expectations for 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, except as required by applicable law.



Conference Call Agenda

3rd Quarter Assessment

Review of 3rd Quarter Financials

Outlook

Q&A



3rd Quarter Results

Income Statement	3Q19	3Q18	\$ change F/(U)	% change Basis Pt Change
Net Sales	\$625.4	\$611.1	\$14.3	2.3%
Non-GAAP Gross Profit (excluding transition costs)	237.7	233.5	4.2	1.8%
% of Net Sales ⁽¹⁾	38.0%	38.2%		-20
Transition Costs ⁽²⁾	-	0.2	0.2	
GAAP Gross Profit	\$237.7	\$233.3	\$4.3	1.9%
% of Net Sales	38.0%	38.2%		-20
Freight & Distribution	58.7	59.6	0.9	(1.5%)
% of Net Sales	9.4%	9.8%		-40
Non-GAAP Other SG&A (excluding F&D and restructuring charges)	117.8	120.0	2.1	(1.8%)
% of Net Sales	18.8%	19.6%		-80
Restructuring Charges ⁽²⁾	0.3	0.1	(0.2)	
Transition Costs ⁽²⁾	0.2	-	(0.2)	
Operating Income	\$60.7	\$53.6	\$6.9	13.1%
% of Net Sales	9.7%	8.8%		90
Non-GAAP Operating Income	\$61.1	\$53.9	\$7.2	13.4%
% of Net Sales	9.8%	8.8%		100
Net Income attributable to HNI Corp	\$46.1	\$39.9	\$6.2	15.5%
% of Net Sales	7.4%	6.5%		90
EPS (diluted) - GAAP	\$1.07	\$0.89	\$0.18	20.2%
EPS (diluted) - Non-GAAP	\$1.08	\$0.90	\$0.18	20.0%
Shares (diluted)	43.2	44.7		

(1) Gross profit margin decreased compared to prior year primarily driven by lower volume and higher input costs, partially offset by price realization and productivity, net of investments.

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



3rd Quarter Results – Segments

Segment Breakdown	3Q19	3Q18	\$ change F/(U)	% change Basis Pt Change
Sales				
Office Furniture ⁽¹⁾	\$484.8	\$471.7	\$13.1	2.8%
Hearth Products ⁽²⁾	\$140.6	\$139.4	\$1.2	0.9%
Total	\$625.4	\$611.1	\$14.3	2.3%
Operating Profit				
Office Furniture ⁽³⁾	\$51.2	\$45.7	\$5.4	11.9%
Office Furniture Operating Margin ⁽⁴⁾	10.6%	9.7%		90
Hearth Products ⁽⁵⁾	\$23.8	\$21.8	\$1.9	8.9%
Hearth Operating Margin ⁽⁶⁾	16.9%	15.7%		120
General Corporate	(\$14.3)	(\$13.9)	(\$0.4)	(2.6%)
Interest Income (Expense)	(\$2.2)	(\$2.5)	\$0.3	
Income Before Taxes	\$58.5	\$51.1	\$7.3	

(1) Organic up +3.8%; Supplies driven channel down -2.1%; Contract and International organic sales were up +11.5% (+9.1% as reported)

(2) New construction up +2.1%; retail products down -0.4%

(3) Non-GAAP operating profit of \$51.7M is up compared to prior year non-GAAP operating profit of \$45.7M

(4) Non-GAAP operating margin of 10.7% is up compared to PY non-GAAP operating margin of 9.7%; increase was driven by improved price realization and productivity, net of investments, partially offset by lower sales volume, and higher input costs

(5) Non-GAAP operating profit of \$23.8M is up compared to prior year non-GAAP operating profit of \$22.1M

(6) Non-GAAP operating margin of 16.9% is up from PY non-GAAP operating margin of 15.9% driven by price realization, partially offset by lower sales volume and higher input costs



Financial Outlook

Fiscal Year 2019

Net Sales – Consolidated	Up approximately +1% organic (As reported flat)
Office Furniture Sales	Up approximately +1% organic (As reported flat)
Hearth Sales	Up approximately +1%
Annual Effective Tax Rate	~22.5%
Earnings Per Diluted Share	\$2.50 - \$2.60

4th Quarter

Net Sales – Consolidated	Up +5% to +8% organic (Up mid single digits as reported)
Office Furniture Sales	Up mid to high single digits organic and as reported
Hearth Sales	Up low to mid single digits
Earnings Per Diluted Share	\$1.02 - \$1.12



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, income taxes, net income, and net income per diluted share (i.e., EPS). These measures are adjusted from the comparable GAAP measures to exclude the 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 divesting small office furniture companies. The transactions excluded for purposes of our other non-GAAP financial information included in this earnings presentation for both periods presented include restructuring charges, impairment charges, and/or transition costs. Restructuring charges incurred in the current year period presented are primarily comprised of severance costs related to a structural realignment in the office furniture segment. Transition items incurred in connection with this realignment include member relocation costs. In the prior year period presented, costs were incurred as part of the previously announced closures of the hearth manufacturing facility in Paris, Kentucky, the office furniture manufacturing facility in Orleans, Indiana, and structural realignments in China. Restructuring items incurred include severance, while 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 full fiscal year. We provide such non-GAAP measure 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: Divestitures

Organic sales (non-GAAP)

% change from PY

Three Months Ended 9/28/2019		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$484.8	\$140.6	\$625.4
2.8%	0.9%	2.3%
-	-	-
\$484.8	\$140.6	\$625.4
3.8%	0.9%	3.1%

Three Months Ended 9/29/2018		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$471.7	\$139.4	\$611.1
4.5	-	4.5
\$467.2	\$139.4	\$606.6



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 9/28/2019				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$237.7	\$60.7	\$12.4	\$46.1	\$1.07
38.0%	9.7%		7.4%	
		21.2%		
-	0.3	0.1	0.2	0.01
-	0.2	0.0	0.2	0.00
\$237.7	\$61.1	\$12.5	\$46.5	\$1.08
38.0%	9.8%		7.4%	
		21.2%		

(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 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%		



Non-GAAP Reconciliations (Cont.)

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

(Dollars in millions)

	Office Furniture			Hearth Products		
	Three Months Ended		Percent Change	Three Months Ended		Percent Change
	9/28/2019	9/29/2018		9/28/2019	9/29/2018	
Operating profit as reported (GAAP)	\$51.2	\$45.7	11.9%	\$23.8	\$21.8	8.9%
<i>% of net sales</i>	10.6%	9.7%		16.9%	15.7%	
Restructuring charges	0.3	0.0		-	0.1	
Transition costs	0.2	0.0		-	0.2	
Operating profit (non-GAAP)	\$51.7	\$45.7	13.0%	\$23.8	\$22.1	7.5%
<i>% of net sales</i>	10.7%	9.7%		16.9%	15.9%	