



# News Release

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## HNI CORPORATION REPORTS STRONG PROFITABILITY FOR FOURTH QUARTER FISCAL YEAR 2019

MUSCATINE, Iowa (February 19, 2020) – **HNI Corporation** (NYSE: HNI) today announced sales for the full year ended December 28, 2019 of \$2.247 billion and net income of \$111 million. GAAP net income per diluted share was \$2.54, compared to \$2.11 in the prior year. Non-GAAP net income per diluted share was \$2.59, compared to \$2.41 in the prior year. GAAP to non-GAAP reconciliations follow the financial statements in this release.

Fourth quarter sales of \$616 million were up 3% from year-ago levels, and fourth quarter net income was \$48 million. GAAP net income per diluted share was \$1.10, compared to \$0.73 in the prior year. Non-GAAP net income per diluted share was \$1.12, compared to \$0.97 in the prior year.

### Highlights

- Fourth quarter non-GAAP operating margin expanded 80 basis points year-over-year, driven by solid cost control.
- Fourth quarter free cash flow exceeded expectations, strengthening the Corporation's financial flexibility.
- Fiscal year 2020 guidance assumes relatively stable domestic end markets, benefits of annual productivity and cost savings, and significant investments in future growth and margin expansion.

### Fourth Quarter Summary Comments

"Our teams delivered a strong fourth quarter. We generated our best top line growth rate of the year and expanded operating margins despite choppy demand and tariff challenges. Our annual productivity and cost savings initiatives continue to gain momentum and drive improved profitability. Overall, our results show the performance our organization can drive and I am optimistic about what we can accomplish in the future," said Jeff Lorenger, HNI Corporation, Chairman, President, and Chief Executive Officer.

| <b>Fourth Quarter - Financial Performance</b> |                      |                      |          |
|---|----------------------|----------------------|----------|
| (Dollars in millions, except per share data)  |                      |                      |          |
|   | Three Months Ended   |                      | Change   |
|   | December 28,<br>2019 | December 29,<br>2018 |          |
| <b>GAAP</b>                                   |                      |                      |          |
| Net Sales                                     | \$616.1              | \$598.1              | 3.0%     |
| Gross Profit %                                | 38.0%                | 37.4%                | 60 bps   |
| SG&A %  | 27.4%                | 27.9%                | -50 bps  |
| Restructuring and impairment charges %        | 0.2%                 | 2.2%                 | -200 bps |
| Operating Income                              | \$63.8               | \$43.8               | 45.6%    |
| Operating Income %                            | 10.3%                | 7.3%                 | 300 bps  |
| Effective Tax Rate                            | 23.1%                | 22.4%                |          |
| Net Income %                                  | 7.7%                 | 5.4%                 | 230 bps  |
| EPS – diluted                                 | \$1.10               | \$0.73               | 50.7%    |
| <b>Non-GAAP</b>                               |                      |                      |          |
| Gross Profit %                                | 38.0%                | 37.5%                | 50 bps   |
| Operating Income                              | \$64.9               | \$57.8               | 12.3%    |
| Operating Income %                            | 10.5%                | 9.7%                 | 80 bps   |
| EPS – diluted                                 | \$1.12               | \$0.97               | 15.5%    |

#### Fourth Quarter Summary Comments

- Consolidated net sales increased \$18.0 million or 3.0% from the prior-year quarter to \$616.1 million. On an organic basis, sales increased 3.9% or \$23.1 million year-over-year. The net impact of divesting several small office furniture companies decreased sales \$5.1 million or 0.9% compared to the prior-year quarter. A reconciliation of organic sales, a non-GAAP measure, follows the financial statements in this release.
- GAAP gross profit margin expanded 60 basis points compared to the prior-year quarter. On a non-GAAP basis, gross profit margin expanded 50 basis points year-over-year, driven by price realization and net productivity, partially offset by lower volume and higher input costs.
- Selling and administrative expenses as a percent of sales decreased 50 basis points compared to the prior-year quarter. This decrease was primarily due to lower core SG&A spend and leverage from higher net sales, partially offset by higher variable compensation.
- The Corporation recorded \$1.2 million of restructuring costs in the fourth quarter in connection with structural realignments in the office furniture segment. In the prior-year quarter, the Corporation recorded \$0.9 million of one-time costs associated with previously announced facility closures and structural realignments, as well as a \$13.1 million impairment of goodwill, intangibles, and long-lived assets.
- Non-GAAP net income per diluted share was \$1.12 compared to \$0.97 in the prior-year quarter. The \$0.15 increase was due to price realization, net productivity, and lower core SG&A spend, partially offset by lower volume and higher input costs.

| <b>Full Year - Financial Performance</b>     |                      |                      |         |
|--|----------------------|----------------------|---------|
| (Dollars in millions, except per share data) |                      |                      |         |
|  | Twelve Months Ended  |                      | Change  |
|  | December 28,<br>2019 | December 29,<br>2018 |         |
| <b>GAAP</b>                                  |                      |                      |         |
| Net Sales                                    | \$2,246.9            | \$2,257.9            | (0.5%)  |
| Gross Profit %                               | 37.1%                | 37.0%                | 10 bps  |
| SG&A %                                       | 30.3%                | 30.6%                | -30 bps |
| Restructuring and impairment charges %       | 0.1%                 | 0.7%                 | -60 bps |
| Operating Income                             | \$151.3              | \$128.2              | 18.1%   |
| Operating Income %                           | 6.7%                 | 5.7%                 | 100 bps |
| Effective Tax Rate                           | 22.6%                | 21.4%                |         |
| Net Income %                                 | 4.9%                 | 4.1%                 | 80 bps  |
| EPS – diluted                                | \$2.54               | \$2.11               | 20.4%   |
| <b>Non-GAAP</b>                              |                      |                      |         |
| Gross Profit %                               | 37.1%                | 37.1%                | — bps   |
| Operating Income                             | \$153.9              | \$146.2              | 5.3%    |
| Operating Income %                           | 6.8%                 | 6.5%                 | 30 bps  |
| EPS – diluted                                | \$2.59               | \$2.41               | 7.5%    |

### Full Year Summary Comments

- Consolidated net sales decreased \$10.9 million or 0.5% from the prior year to \$2.247 billion. On an organic basis, sales increased 0.5% year-over-year. The net impact of closing and divesting several small office furniture companies decreased sales \$23.1 million or 1.0% compared to the prior year.
- GAAP gross profit margin expanded 10 basis points compared to the prior year. On a non-GAAP basis, gross profit margin was flat year-over-year as price realization and net productivity were offset by lower volume and higher input costs.
- Selling and administrative expenses as a percent of sales decreased 30 basis points compared to the prior year. This decrease was primarily due to improved SG&A efficiency.
- The Corporation recorded \$2.6 million of costs in the current year in connection with structural realignments in the office furniture segment. In the prior year, the Corporation recorded \$4.6 million of costs in connection with previously announced facility closures and structural realignments, as well as net charges of \$13.4 million related to impairments of goodwill, intangibles, and long-lived assets.
- Non-GAAP net income per diluted share was \$2.59, compared to \$2.41 in the prior year. The \$0.18 increase was due to price realization, net productivity, and improved SG&A efficiency, partially offset by lower volume and higher input costs.

| <b>Office Furniture – Financial Performance</b> |                      |                      |         |                      |                      |         |
|---|----------------------|----------------------|---------|----------------------|----------------------|---------|
| (Dollars in millions)                           |                      |                      |         |                      |                      |         |
|   | Three Months Ended   |                      |         | Twelve Months Ended  |                      |         |
|   | December 28,<br>2019 | December 29,<br>2018 | Change  | December 28,<br>2019 | December 29,<br>2018 | Change  |
| <b>GAAP</b>                                     |                      |                      |         |                      |                      |         |
| Net Sales                                       | \$449.4              | \$429.6              | 4.6%    | \$1,697.2            | \$1,706.1            | (0.5%)  |
| Operating Profit                                | \$35.7               | \$11.1               | 222.7%  | \$103.9              | \$76.0               | 36.8%   |
| Operating Profit %                              | 7.9%                 | 2.6%                 | 530 bps | 6.1%                 | 4.5%                 | 160 bps |
| <b>Non-GAAP</b>                                 |                      |                      |         |                      |                      |         |
| Operating Profit                                | \$36.9               | \$26.5               | 39.0%   | \$106.5              | \$94.0               | 13.3%   |
| Operating Profit %                              | 8.2%                 | 6.2%                 | 200 bps | 6.3%                 | 5.5%                 | 80 bps  |

#### Fourth Quarter Summary Comments - Office Furniture

- Office furniture net sales increased \$19.8 million or 4.6% from the prior-year quarter to \$449.4 million. On an organic basis, sales increased 5.9%, driven by increases in the supplies and contract businesses. The net impact of divesting several small office furniture companies decreased sales \$5.1 million or 1.3% compared to the prior-year quarter.
- Office furniture GAAP operating profit margin expanded 530 basis points versus the prior-year period. On a non-GAAP basis, segment operating margin expanded 200 basis points year-over-year, driven by price realization, net productivity, and lower core SG&A spend, partially offset by lower volume, higher input costs, and unfavorable product mix.

#### Full Year Summary Comments - Office Furniture

- Office furniture net sales decreased \$8.9 million or 0.5% from the prior year to \$1.697 billion. On an organic basis, sales increased 0.8% primarily driven by growth in the contract business. The net impact of closing and divesting several small office furniture companies decreased sales \$23.1 million or 1.3% compared to the prior year.
- Office furniture GAAP operating profit margin expanded 160 basis points. On a non-GAAP basis, segment operating margin expanded 80 basis points year-over-year, driven by price realization, net productivity, and improved SG&A efficiency, partially offset by lower volume and higher input costs.

| <b>Hearth Products – Financial Performance</b> |                      |                      |         |                      |                      |        |
|--|----------------------|----------------------|---------|----------------------|----------------------|--------|
| (Dollars in millions)                          |                      |                      |         |                      |                      |        |
|  | Three Months Ended   |                      |         | Twelve Months Ended  |                      |        |
|  | December 28,<br>2019 | December 29,<br>2018 | Change  | December 28,<br>2019 | December 29,<br>2018 | Change |
| <b>GAAP</b>                                    |                      |                      |         |                      |                      |        |
| Net Sales                                      | \$166.7              | \$168.5              | (1.1%)  | \$549.8              | \$551.8              | (0.4%) |
| Operating Profit                               | \$39.6               | \$36.1               | 9.6%    | \$94.3               | \$91.4               | 3.2%   |
| Operating Profit %                             | 23.8%                | 21.4%                | 240 bps | 17.2%                | 16.6%                | 60 bps |
| <b>Non-GAAP</b>                                |                      |                      |         |                      |                      |        |
| Operating Profit                               | \$39.6               | \$36.4               | 8.6%    | \$94.3               | \$93.1               | 1.3%   |
| Operating Profit %                             | 23.8%                | 21.6%                | 220 bps | 17.2%                | 16.9%                | 30 bps |

#### Fourth Quarter Summary Comments - Hearth Products

- Hearth products net sales decreased \$1.8 million or 1.1% from the prior-year quarter to \$166.7 million.
- Hearth products operating profit margin expanded 240 basis points. On a non-GAAP basis, segment operating margin expanded 220 basis points, driven by price realization, net productivity benefits, and lower variable compensation, partially offset by lower volume.

#### Full Year Summary Comments - Hearth Products

- Hearth products net sales decreased \$2.0 million or 0.4% from the prior year to \$549.8 million.
- Hearth products GAAP operating profit margin expanded 60 basis points. On a non-GAAP basis, segment operating margin expanded 30 basis points year-over-year, driven by price realization, lower variable compensation, and improved SG&A efficiency, partially offset by lower volume and higher input costs.

**Outlook**

The Corporation estimates full year 2020 sales to be \$2.30 billion to \$2.35 billion, represents growth of 2.5% to 4.5% versus the prior year. Full year non-GAAP earnings per diluted share is expected to be in the range of \$2.60 to \$2.90.

"Looking ahead to 2020, we expect solid revenue growth in both Office Furniture and Hearth Products. Our key markets are showing greater stability; our e-commerce efforts are driving growth; and our recent investments are generating results.

We expect higher volume and our annual productivity and cost savings initiatives to drive improvement in gross profit margin. In line with our long-term strategy, we are increasing our level of investment in key go-to-market initiatives. As a result, operating margin expansion will be less robust over the near-term. These initiatives will support top line growth, margin expansion, and free cash flow generation in the coming years. I am optimistic about the results we can drive in the future," said Mr. Lorenger.

## **Conference Call**

HNI Corporation will host a conference call on Thursday, February 20, 2020 at 10:00 a.m. (Central) to discuss fourth quarter and fiscal year 2019 results. To participate, call 1-877-512-9166 – conference ID number 1077266. A live webcast of the call will be available on HNI Corporation's website at <http://www.hnicorp.com> (under Investors – News Releases & Events). A replay of the webcast will be made available at this website address. An audio replay of the call will be available until Thursday, February 27, 2020, 10:59 p.m. (Central) by dialing 1-855-859-2056 or 1-404-537-3406 – Conference ID number 1077266.

## **About HNI Corporation**

HNI Corporation is an NYSE traded company (ticker symbol: HNI) providing products and solutions for the home and workplace environments. HNI Corporation is a leading global office furniture manufacturer and is the nation's leading manufacturer of hearth products. The Corporation's strong brands have leading positions in their markets. More information can be found on the Corporation's website at [www.hnicorp.com](http://www.hnicorp.com).

## **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 "anticipate," "believe," "could," "confident," "estimate," "expect," "forecast," "hope," "intend," "likely," "may," "plan," "possible," "potential," "predict," "project," "should," "will," "would", 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.

HNI Corporation and Subsidiaries  
**Condensed Consolidated Statements of Income**

(In thousands, except per share data)

(Unaudited)

|  | Three Months Ended   |                      | Twelve Months Ended  |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | December 28,<br>2019 | December 29,<br>2018 | December 28,<br>2019 | December 29,<br>2018 |
| Net sales  | \$616,079            | \$598,092            | \$2,246,947          | \$2,257,895          |
| Cost of sales  | 382,192              | 374,174              | 1,413,185            | 1,422,857            |
| Gross profit   | 233,887              | 223,918              | 833,762              | 835,038              |
| Selling and administrative expenses                                      | 168,969              | 166,695              | 680,049              | 691,140              |
| Restructuring and impairment charges                                     | 1,157                | 13,422               | 2,371                | 15,725               |
| Operating income   | 63,761               | 43,801               | 151,342              | 128,173              |
| Interest expense, net  | 1,833                | 2,073                | 8,628                | 9,448                |
| Income before income taxes   | 61,928               | 41,728               | 142,714              | 118,725              |
| Income taxes   | 14,333               | 9,366                | 32,211               | 25,399               |
| Net income   | 47,595               | 32,362               | 110,503              | 93,326               |
| Less: Net loss attributable to the non-controlling interest              | 0                    | (1)                  | (2)                  | (51)                 |
| Net income attributable to HNI Corporation                               | <u>\$47,595</u>      | <u>\$32,363</u>      | <u>\$110,505</u>     | <u>\$93,377</u>      |
| Average number of common shares outstanding – basic                      | 42,755               | 43,708               | 43,101               | 43,639               |
| Net income attributable to HNI Corporation per common share – basic      | <u>\$1.11</u>        | <u>\$0.74</u>        | <u>\$2.56</u>        | <u>\$2.14</u>        |
| Average number of common shares outstanding – diluted                    | 43,137               | 44,311               | 43,495               | 44,328               |
| Net income attributable to HNI Corporation per common share – diluted    | <u>\$1.10</u>        | <u>\$0.73</u>        | <u>\$2.54</u>        | <u>\$2.11</u>        |
| Foreign currency translation adjustments                                 | \$468                | \$(1,060)            | \$61                 | \$(3,004)            |
| Change in unrealized gains (losses) on marketable securities, net of tax | (1)                  | 75                   | 251                  | (24)                 |
| Change in pension and post-retirement liability, net of tax              | (1,648)              | 2,701                | (2,833)              | 2,701                |
| Change in derivative financial instruments, net of tax                   | 159                  | (1,120)              | (1,953)              | 339                  |
| Other comprehensive income (loss), net of tax                            | (1,022)              | 596                  | (4,474)              | 12                   |
| Comprehensive income   | 46,573               | 32,958               | 106,029              | 93,338               |
| Less: Comprehensive loss attributable to non-controlling interest        | 0                    | (1)                  | (2)                  | (51)                 |
| Comprehensive income attributable to HNI Corporation                     | <u>\$46,573</u>      | <u>\$32,959</u>      | <u>\$106,031</u>     | <u>\$93,389</u>      |



HNI Corporation and Subsidiaries  
**Condensed Consolidated Balance Sheets**

(In thousands)

(Unaudited)

|   | December 28,<br>2019 | December 29,<br>2018 |
|---|----------------------|----------------------|
| <b>Assets</b>                                     |                      |                      |
| Current Assets:                                   |                      |                      |
| Cash and cash equivalents                         | \$52,073             | \$76,819             |
| Short-term investments                            | 1,096                | 1,327                |
| Receivables                                       | 274,565              | 255,207              |
| Inventories                                       | 163,465              | 157,178              |
| Prepaid expenses and other current assets         | 37,635               | 41,352               |
| Total Current Assets                              | 528,834              | 531,883              |
| Property, Plant, and Equipment:                   |                      |                      |
| Land and land improvements                        | 29,394               | 28,377               |
| Buildings   | 295,517              | 290,263              |
| Machinery and equipment                           | 581,225              | 565,884              |
| Construction in progress                          | 20,881               | 28,443               |
|   | 927,017              | 912,967              |
| Less accumulated depreciation                     | 545,510              | 528,034              |
| Net Property, Plant, and Equipment                | 381,507              | 384,933              |
| Right-of-use Operating / Finance Leases           | 75,012               | —                    |
| Goodwill and Other Intangible Assets              | 445,709              | 463,290              |
| Deferred Income Taxes                             | 176                  | 1,569                |
| Other Assets                                      | 21,274               | 20,169               |
| Total Assets                                      | \$1,452,512          | \$1,401,844          |
| <b>Liabilities and Equity</b>                     |                      |                      |
| Current Liabilities:                              |                      |                      |
| Accounts payable and accrued expenses             | \$453,202            | \$428,865            |
| Current maturities of long-term debt              | 790                  | 679                  |
| Current maturities of other long-term obligations | 1,931                | 4,764                |
| Current lease obligations - Operating / Finance   | 22,782               | —                    |
| Total Current Liabilities                         | 478,705              | 434,308              |
| Long-Term Debt                                    | 174,439              | 249,355              |
| Long-Term Lease Obligations - Operating / Finance | 59,814               | —                    |
| Other Long-Term Liabilities                       | 67,990               | 72,767               |
| Deferred Income Taxes                             | 87,196               | 82,155               |
| Equity:   |                      |                      |
| HNI Corporation shareholders' equity              | 584,044              | 562,933              |
| Non-controlling interest                          | 324                  | 326                  |
| Total Equity                                      | 584,368              | 563,259              |
| Total Liabilities and Equity                      | \$1,452,512          | \$1,401,844          |

HNI Corporation and Subsidiaries  
**Condensed Consolidated Statements of Cash Flows**

(In thousands)

(Unaudited)

|   | Twelve Months Ended  |                      |
|---|----------------------|----------------------|
|   | December 28,<br>2019 | December 29,<br>2018 |
| Net Cash Flows From (To) Operating Activities:                                    |                      |                      |
| Net income  | \$110,503            | \$93,326             |
| Non-cash items included in net income:  |                      |                      |
| Depreciation and amortization   | 77,427               | 74,788               |
| Other post-retirement and post-employment benefits                                | 1,475                | 1,767                |
| Stock-based compensation  | 6,830                | 7,317                |
| Operating / finance lease interest and amortization                               | 22,936               | —                    |
| Deferred income taxes   | 6,750                | 3,197                |
| Loss on sale and retirement of long-lived assets, net                             | 2,014                | 16,264               |
| Other – net   | 3,593                | (1,736)              |
| Net increase (decrease) in operating assets and liabilities, net of divestitures  | (3,280)              | (10,729)             |
| Increase (decrease) in other liabilities  | (8,868)              | 2,236                |
| Net cash flows from (to) operating activities                                     | 219,380              | 186,430              |
| Net Cash Flows From (To) Investing Activities:                                    |                      |                      |
| Capital expenditures  | (60,826)             | (55,648)             |
| Proceeds from sale and license of property, plant, and equipment, and intangibles | 327                  | 23,767               |
| Acquisition spending, net of cash acquired  | —                    | (2,850)              |
| Capitalized software  | (6,059)              | (8,048)              |
| Purchase of investments   | (6,702)              | (2,676)              |
| Sales or maturities of investments  | 4,845                | 3,100                |
| Other – net   | 5,520                | 1,135                |
| Net cash flows from (to) investing activities                                     | (62,895)             | (41,220)             |
| Net Cash Flows From (To) Financing Activities:                                    |                      |                      |
| Payments of long-term debt  | (215,934)            | (348,987)            |
| Proceeds from long-term debt  | 141,035              | 323,075              |
| Dividends paid  | (52,232)             | (51,085)             |
| Purchase of HNI Corporation common stock  | (83,887)             | (30,452)             |
| Proceeds from sales of HNI Corporation common stock                               | 30,473               | 19,606               |
| Other – net   | (686)                | (3,896)              |
| Net cash flows from (to) financing activities                                     | (181,231)            | (91,739)             |
| Net increase (decrease) in cash and cash equivalents                              | (24,746)             | 53,471               |
| Cash and cash equivalents at beginning of period                                  | 76,819               | 23,348               |
| Cash and cash equivalents at end of period  | \$52,073             | \$76,819             |

HNI Corporation and Subsidiaries

**Reportable Segment Data**

(In thousands)

(Unaudited)

|   | Three Months Ended   |                      | Twelve Months Ended  |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | December 28,<br>2019 | December 29,<br>2018 | December 28,<br>2019 | December 29,<br>2018 |
| <b>Net Sales:</b>   |                      |                      |                      |                      |
| Office furniture  | \$449,408            | \$429,612            | \$1,697,186          | \$1,706,092          |
| Hearth products   | 166,671              | 168,480              | 549,761              | 551,803              |
| Total   | <u>\$616,079</u>     | <u>\$598,092</u>     | <u>\$2,246,947</u>   | <u>\$2,257,895</u>   |
| <b>Income Before Income Taxes:</b>                            |                      |                      |                      |                      |
| Office furniture  | \$35,714             | \$11,068             | \$103,894            | \$75,965             |
| Hearth products   | 39,586               | 36,117               | 94,329               | 91,367               |
| General corporate   | (11,539)             | (3,384)              | (46,881)             | (39,159)             |
| Operating Income  | <u>\$63,761</u>      | <u>\$43,801</u>      | <u>\$151,342</u>     | <u>\$128,173</u>     |
| Interest expense, net   | 1,833                | 2,073                | 8,628                | 9,448                |
| Total   | <u>\$61,928</u>      | <u>\$41,728</u>      | <u>\$142,714</u>     | <u>\$118,725</u>     |
| <b>Depreciation and Amortization Expense:</b>                 |                      |                      |                      |                      |
| Office furniture  | \$11,348             | \$11,101             | \$44,887             | \$44,303             |
| Hearth products   | 2,363                | 2,091                | 8,884                | 8,171                |
| General corporate   | 5,880                | 5,709                | 23,656               | 22,314               |
| Total   | <u>\$19,591</u>      | <u>\$18,901</u>      | <u>\$77,427</u>      | <u>\$74,788</u>      |
| <b>Capital Expenditures (including capitalized software):</b> |                      |                      |                      |                      |
| Office furniture  | \$11,947             | \$12,539             | \$41,137             | \$47,860             |
| Hearth products   | 1,446                | 2,537                | 12,225               | 8,854                |
| General corporate   | 3,301                | 1,641                | 13,523               | 6,982                |
| Total   | <u>\$16,694</u>      | <u>\$16,717</u>      | <u>\$66,885</u>      | <u>\$63,696</u>      |
| <b>Identifiable Assets:</b>                                   |                      |                      |                      |                      |
| Office furniture  |                      |                      | \$874,913            | \$797,574            |
| Hearth products   |                      |                      | 364,653              | 352,060              |
| General corporate   |                      |                      | 212,946              | 252,210              |
| Total   |                      |                      | <u>\$1,452,512</u>   | <u>\$1,401,844</u>   |

## **Non-GAAP Financial Measures**

This earnings release 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 release. 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 release: 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 release 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 all periods presented include restructuring charges, impairment charges, and/or transition costs. Restructuring charges incurred in the current year periods presented are primarily comprised of severance costs related to a structural realignment in the office furniture segment. Transition costs incurred in connection with this realignment include member relocation costs. In the prior-year periods presented, costs were 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. Prior year restructuring charges include severance costs, while transition costs incurred include production move costs. Specific transactions in the prior-year periods include impairment 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.

This earnings release also contains a forward-looking estimate of non-GAAP earnings per diluted share for fiscal year 2020. 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.

| <b>HNI Corporation Reconciliation</b>            |                     |         |         |                     |         |         |
|--|---------------------|---------|---------|---------------------|---------|---------|
| (Dollars in millions)                            |                     |         |         |                     |         |         |
| Three Months Ended                               |                     |         |         |                     |         |         |
|  | December 28, 2019   |         |         | December 29, 2018   |         |         |
|  | Office<br>Furniture | Hearth  | Total   | Office<br>Furniture | Hearth  | Total   |
| Sales as reported (GAAP)                         | \$449.4             | \$166.7 | \$616.1 | \$429.6             | \$168.5 | \$598.1 |
| % change from PY                                 | 4.6%                | (1.1%)  | 3.0%    |                     |         |         |
| Less: Impact of Acquisitions<br>and Divestitures | —                   | —       | —       | 5.1                 | —       | 5.1     |
| Organic Sales (non-GAAP)                         | \$449.4             | \$166.7 | \$616.1 | \$424.4             | \$168.5 | \$592.9 |
| % change from PY                                 | 5.9%                | (1.1%)  | 3.9%    |                     |         |         |

| <b>HNI Corporation Reconciliation</b>            |                     |         |           |                     |         |           |
|--|---------------------|---------|-----------|---------------------|---------|-----------|
| (Dollars in millions)                            |                     |         |           |                     |         |           |
| Twelve Months Ended                              |                     |         |           |                     |         |           |
|  | December 28, 2019   |         |           | December 29, 2018   |         |           |
|  | Office<br>Furniture | Hearth  | Total     | Office<br>Furniture | Hearth  | Total     |
| Sales as reported (GAAP)                         | \$1,697.2           | \$549.8 | \$2,246.9 | \$1,706.1           | \$551.8 | \$2,257.9 |
| % change from PY                                 | (0.5%)              | (0.4%)  | (0.5%)    |                     |         |           |
| Less: Impact of Acquisitions<br>and Divestitures | —                   | —       | —         | 23.1                | —       | 23.1      |
| Organic Sales (non-GAAP)                         | \$1,697.2           | \$549.8 | \$2,246.9 | \$1,682.9           | \$551.8 | \$2,234.8 |
| % change from PY                                 | 0.8%                | (0.4%)  | 0.5%      |                     |         |           |

**HNI Corporation Reconciliation**

(Dollars in millions, except per share data)

Three Months Ended

December 28, 2019

|                       | Gross Profit | Operating Income | Tax    | Net Income | EPS    |
|-----------------------|--------------|------------------|--------|------------|--------|
| As reported (GAAP)    | \$233.9      | \$63.8           | \$14.3 | \$47.6     | \$1.10 |
| % of net sales        | 38.0%        | 10.3%            |        | 7.7%       |        |
| Tax %                 |              |                  | 23.1%  |            |        |
| Restructuring charges | —            | 1.2              | 0.3    | 0.9        | 0.02   |
| Results (non-GAAP)    | \$233.9      | \$64.9           | \$14.6 | \$48.5     | \$1.12 |
| % of net sales        | 38.0%        | 10.5%            |        | 7.9%       |        |
| Tax %                 |              |                  | 23.1%  |            |        |

**HNI Corporation Reconciliation**

(Dollars in millions, except per share data)

Three Months Ended

December 29, 2018

|                       | Gross Profit | Operating Income | Tax    | Net Income | EPS    |
|-----------------------|--------------|------------------|--------|------------|--------|
| As reported (GAAP)    | \$223.9      | \$43.8           | \$9.4  | \$32.4     | \$0.73 |
| % of net sales        | 37.4%        | 7.3%             |        | 5.4%       |        |
| Tax %                 |              |                  | 22.4%  |            |        |
| Restructuring charges | —            | 0.3              | 0.1    | 0.3        | 0.01   |
| Impairment charges    | —            | 13.1             | 3.3    | 9.7        | 0.22   |
| Transition costs      | 0.6          | 0.6              | 0.1    | 0.4        | 0.01   |
| Results (non-GAAP)    | \$224.5      | \$57.8           | \$12.9 | \$42.8     | \$0.97 |
| % of net sales        | 37.5%        | 9.7%             |        | 7.2%       |        |
| Tax %                 |              |                  | 23.2%  |            |        |

**HNI Corporation Reconciliation**

(Dollars in millions, except per share data)

Twelve Months Ended

December 28, 2019

|                       | Gross Profit | Operating Income | Tax    | Net Income | EPS    |
|-----------------------|--------------|------------------|--------|------------|--------|
| As reported (GAAP)    | \$833.8      | \$151.3          | \$32.2 | \$110.5    | \$2.54 |
| % of net sales        | 37.1%        | 6.7%             |        | 4.9%       |        |
| Tax %                 |              |                  | 22.6%  |            |        |
| Restructuring charges | —            | 2.4              | 0.5    | 1.8        | 0.04   |
| Transition costs      | —            | 0.2              | 0.0    | 0.2        | 0.00   |
| Results (non-GAAP)    | \$833.8      | \$153.9          | \$32.8 | \$112.5    | \$2.59 |
| % of net sales        | 37.1%        | 6.8%             |        | 5.0%       |        |
| Tax %                 |              |                  | 22.6%  |            |        |

**HNI Corporation Reconciliation**

(Dollars in millions, except per share data)

Twelve Months Ended

December 29, 2018

|                       | Gross Profit | Operating Income | Tax    | Net Income | EPS    |
|-----------------------|--------------|------------------|--------|------------|--------|
| As reported (GAAP)    | \$835.0      | \$128.2          | \$25.4 | \$93.4     | \$2.11 |
| % of net sales        | 37.0%        | 5.7%             |        | 4.1%       |        |
| Tax %                 |              |                  | 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   |
| Results (non-GAAP)    | \$837.3      | \$146.2          | \$30.0 | \$106.7    | \$2.41 |
| % of net sales        | 37.1%        | 6.5%             |        | 4.7%       |        |
| Tax %                 |              |                  | 22.0%  |            |        |

### Office Furniture Reconciliation

(Dollars in millions)

|                                     | Three Months Ended   |                      |                   | Twelve Months Ended  |                      |                   |
|-------------------------------------|----------------------|----------------------|-------------------|----------------------|----------------------|-------------------|
|                                     | December 28,<br>2019 | December 29,<br>2018 | Percent<br>Change | December 28,<br>2019 | December 29,<br>2018 | Percent<br>Change |
| Operating profit as reported (GAAP) | \$35.7               | \$11.1               | 222.7%            | \$103.9              | \$76.0               | 36.8%             |
| % of net sales                      | 7.9%                 | 2.6%                 |                   | 6.1%                 | 4.5%                 |                   |
| Restructuring charges               | 1.2                  | 0.2                  |                   | 2.4                  | 1.5                  |                   |
| Impairment charges                  | —                    | 14.9                 |                   | —                    | 14.9                 |                   |
| Transition costs                    | —                    | 0.4                  |                   | 0.2                  | 1.6                  |                   |
| Operating profit (non-GAAP)         | \$36.9               | \$26.5               | 39.0%             | \$106.5              | \$94.0               | 13.3%             |
| % of net sales                      | 8.2%                 | 6.2%                 |                   | 6.3%                 | 5.5%                 |                   |

### Hearth Reconciliation

(Dollars in millions)

|                                     | Three Months Ended   |                      |                   | Twelve Months Ended  |                      |                   |
|-------------------------------------|----------------------|----------------------|-------------------|----------------------|----------------------|-------------------|
|                                     | December 28,<br>2019 | December 29,<br>2018 | Percent<br>Change | December 28,<br>2019 | December 29,<br>2018 | Percent<br>Change |
| Operating profit as reported (GAAP) | \$39.6               | \$36.1               | 9.6%              | \$94.3               | \$91.4               | 3.2%              |
| % of net sales                      | 23.8%                | 21.4%                |                   | 17.2%                | 16.6%                |                   |
| Restructuring charges               | —                    | 0.2                  |                   | —                    | 0.8                  |                   |
| Impairment charges                  | —                    | —                    |                   | —                    | 0.3                  |                   |
| Transition costs                    | —                    | 0.1                  |                   | —                    | 0.6                  |                   |
| Operating profit (non-GAAP)         | \$39.6               | \$36.4               | 8.6%              | \$94.3               | \$93.1               | 1.3%              |
| % of net sales                      | 23.8%                | 21.6%                |                   | 17.2%                | 16.9%                |                   |