



# FOURTH QUARTER FISCAL 2015 RESULTS

February 11, 2016



# 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) for the first quarter and full year fiscal 2016. 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; 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

4<sup>th</sup> Quarter Assessment

Review of 4<sup>th</sup> Quarter Financials

Outlook

Q&A

Income Statement	4Q15	4Q14	\$ change	% change Basis Pt Change
<b>Net Sales</b>	596.9	646.7	(49.8)	(7.7%)
Non-GAAP Gross Profit (excluding restructuring and transition costs)	226.1	230.7	(4.6)	(2.0%)
% of Net Sales <sup>(1)</sup>	37.9%	35.7%		220
Restructuring and Transition Costs <sup>(2)</sup>	0.9	2.8	(1.8)	(65.8%)
<b>GAAP Gross Profit</b>	225.1	228.0	(2.8)	(1.2%)
% of Net Sales	37.7%	35.3%		240
Freight & Distribution	51.7	56.4	(4.7)	(8.4%)
% of Net Sales	8.7%	8.7%		0
Non-GAAP Other SG&A (excluding F&D; restructuring and impairment charges) <sup>(3)</sup>	113.9	125.9	(12.0)	(9.6%)
% of Net Sales	19.1%	19.5%		(40)
Restructuring and Impairment Charges <sup>(2) (4)</sup>	11.8	21.8	(10.0)	(45.8%)
Non-operating Gain on Sale	-	(1.0)	1.0	
GAAP SG&A	177.4	203.1	(25.8)	(12.7%)
% of Net Sales	29.7%	31.4%		(170)
<b>Non-GAAP Operating Income</b>	60.5	48.4	12.1	25.1%
% of Net Sales	10.1%	7.5%		260
<b>Operating Income</b>	47.8	24.8	22.9	92.4%
% of Net Sales	8.0%	3.8%		420
<b>Net Income attributable to HNI Corp</b>	32.2	7.1	25.1	355.1%
% of Net Sales	5.4%	1.1%		430
<b>EPS (diluted) - GAAP</b>	\$ 0.71	\$ 0.16	\$ 0.55	343.8%
<b>EPS (diluted) - Non-GAAP</b>	\$ 0.91	\$ 0.65	\$ 0.26	39.4%
Shares (diluted)	45.2	45.2	(0.0)	0.0%

(1) Margin improvement driven by strong operational performance, structural cost reductions, favorable material costs and price realization partially offset by lower volume

(2) Includes costs related to consolidation of hearth and office furniture production facilities

(3) Change from prior year due to cost reductions and lower incentive based compensation

(4) 4Q15 and 4Q14 include goodwill and intangible impairment charges related to small office furniture businesses



# 4<sup>th</sup> Quarter Results – Segments

Segment Breakdown	4Q15	4Q14	\$ change	% change Basis Pt Change
<b>Sales</b>				
Office Furniture <sup>(1)</sup>	\$443.8	\$468.6	(\$24.9)	(5.3%)
Hearth Products <sup>(2)</sup>	\$153.1	\$178.0	(\$24.9)	(14.0%)
<b>Total</b>	<b>\$596.9</b>	<b>\$646.7</b>	<b>(\$49.8)</b>	<b>(7.7%)</b>
<b>Operating Profit</b>				
Office Furniture <sup>(3)</sup>	\$28.3	\$9.6	\$18.7	195.5%
Office Furniture Operating Margin <sup>(4)</sup>	6.4%	2.0%		440
Hearth Products <sup>(5)</sup>	\$31.0	\$33.1	(\$2.1)	(6.3%)
Hearth Operating Margin <sup>(6)</sup>	20.3%	18.6%		170
Unallocated Corporate Expense <sup>(7)</sup>	(\$12.6)	(\$19.7)	\$7.1	-35.9%
Income Before Taxes	\$46.6	\$22.9	\$23.7	103.3%

(1) Supplies driven channel down 7.3%; all other down 3.2%

(2) New construction channel up 4.0% and remodel/retrofit down 23.0%

(3) Excluding restructuring and impairment charges, transition costs and gain on sale of assets, non-GAAP Operating Profit is \$40.9M vs \$33.1M prior year

(4) Non-GAAP operating margin of 9.2% improved due to strong operational performance, structural cost reductions, favorable material costs and price realization partially offset by lower volume

(5) Excluding restructuring and transition costs, non-GAAP Operating Profit is \$31.1M vs \$33.1M prior year

(6) Operating margin positively impacted by cost reductions, favorable material costs and price realization partially offset by lower volume

(7) Decrease from prior year driven by incentive based compensation and cost reductions



# Financial Outlook

## 1<sup>st</sup> Quarter

<b>Net Sales – Consolidated</b>	<b>Down -3% to -7%</b>
Office Furniture Sales	Down -4% to -8%
Hearth Sales	Up +1% to down -3%
Interest Expense	\$1.8 Million
Annual Effective Tax Rate	35%
<b>Non-GAAP Earnings Per Diluted Share <sup>(1)</sup></b>	<b>\$0.16 - \$0.21</b>

## Fiscal Year 2016

<b>Non-GAAP Earnings Per Diluted Share <sup>(1)</sup></b>	<b>\$2.20 - \$2.60</b>
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(1) Excludes restructuring and transition costs.



# Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures. A "non-GAAP financial measure" is a numerical measure of a company's financial performance that excludes or includes amounts different than the most directly comparable measure calculated and presented in accordance with GAAP in the statements of income, balance sheets or statements of cash flow of the company. We have provided a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measure.

The non-GAAP financial measures used within this presentation are: gross profit, operating income, operating profit, net income per diluted share (i.e., EPS), excluding restructuring and impairment charges, transition costs and (gain)/loss on sale of assets. Non-GAAP EPS is calculated using the Corporation's overall effective tax rate for the period. We present these measures because management uses this information to monitor and evaluate financial results and trends. Management believes this information is also useful for investors. This presentation also contains a forward-looking estimate of non-GAAP earnings per diluted share for the first quarter and full fiscal year 2016. 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 because certain information needed to make a reasonable forward-looking estimate of GAAP earnings per diluted share for the first quarter and full fiscal year is difficult to predict and estimate and is often dependent on future events which may be 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 non-recurring items not reflective of ongoing operations.



# Non-GAAP Reconciliations

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

	Three Months Ended 1/2/2016			Three Months Ended 1/3/2015		
Dollars in millions except per share data as reported (GAAP)	<b>Gross Profit</b>	<b>Operating Income</b>	<b>Diluted EPS</b>	<b>Gross Profit</b>	<b>Operating Income</b>	<b>Diluted EPS</b>
	<b>\$225.1</b>	<b>\$47.8</b>	<b>\$0.71</b>	<b>\$228.0</b>	<b>\$24.8</b>	<b>\$0.16</b>
<i>% of Net Sales</i>	37.7%	8.0%		35.3%	3.8%	
Restructuring and Impairment Charges	\$0.0	\$11.8	\$0.18	\$0.2	\$22.0	\$0.47
Transition Costs	\$0.9	\$0.9	\$0.01	\$2.5	\$2.5	\$0.03
(Gain)/Loss on Sale of Assets	-	-	-	-	(\$1.0)	(\$0.01)
<b>Results (non-GAAP)</b>	<b>\$226.1</b>	<b>\$60.5</b>	<b>\$0.91</b>	<b>\$230.7</b>	<b>\$48.4</b>	<b>\$0.65</b>
<i>% of Net Sales</i>	37.9%	10.1%		35.7%	7.5%	





# 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>1/2/2016</u>	<u>1/3/2015</u>	<u>Change</u>	<u>1/2/2016</u>	<u>1/3/2015</u>	<u>Change</u>
<b>Operating profit as reported (GAAP)</b>	\$28.3	\$9.6	195.5%	\$31.0	\$33.1	(6.3%)
<i>% of Net Sales</i>	6.4%	2.0%		20.2%	18.6%	
Restructuring and Impairment Charges	\$11.8	\$22.0		\$0.0	-	
Transition Costs	\$0.8	\$2.5		\$0.1	-	
(Gain)/Loss on Sale of Assets	-	(\$1.0)	-	-	-	
<b>Operating profit (non-GAAP)</b>	<b>\$40.9</b>	<b>\$33.1</b>	<b>23.4%</b>	<b>\$31.1</b>	<b>\$33.1</b>	<b>(5.9%)</b>
<i>% of Net Sales</i>	9.2%	7.1%		20.3%	18.6%	



# Non-GAAP Reconciliations (Cont.)

## Full Year – Non-GAAP Financial Measures

(Reconciled with most comparable GAAP financial measures)

	Twelve Months Ended 1/2/2016			Twelve Months Ended 1/3/2015		
Dollars in millions except per share data as reported (GAAP)	<b>Gross Profit</b>	<b>Operating Income</b>	<b>Diluted EPS</b>	<b>Gross Profit</b>	<b>Operating Income</b>	<b>Diluted EPS</b>
	<b>\$847.4</b>	<b>\$163.7</b>	<b>\$2.32</b>	<b>\$784.2</b>	<b>\$112.8</b>	<b>\$1.35</b>
<i>% of Net Sales</i>	36.8%	7.1%		35.3%	5.1%	
Restructuring and Impairment Charges	\$0.8	\$12.6	\$0.19	\$5.2	\$38.2	\$0.70
Transition Costs	\$4.7	\$4.7	\$0.07	\$4.9	\$4.9	\$0.07
(Gain)/Loss on Sale of Assets	-	-	-	-	(\$10.7)	(\$0.15)
<b>Results (non-GAAP)</b>	<b>\$852.9</b>	<b>\$180.9</b>	<b>\$2.58</b>	<b>\$794.3</b>	<b>\$145.3</b>	<b>\$1.97</b>
<i>% of Net Sales</i>	37.0%	7.9%		35.7%	6.5%	



# 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>1/2/2016</u>	<u>1/3/2015</u>	<u>Change</u>	<u>1/2/2016</u>	<u>1/3/2015</u>	<u>Change</u>
<b>Operating profit as reported (GAAP)</b>	<b>\$136.6</b>	<b>\$87.1</b>	<b>56.9%</b>	<b>\$78.2</b>	<b>\$77.1</b>	<b>1.4%</b>
<i>% of Net Sales</i>	<i>7.7%</i>	<i>5.0%</i>		<i>14.8%</i>	<i>15.9%</i>	
Restructuring and Impairment Charges	\$11.6	\$38.2		\$0.9	-	
Transition Costs	\$3.3	\$4.9		\$1.4	-	
(Gain)/Loss on Sale of Assets	-	(\$9.4)	-	-	-	
<b>Operating profit (non-GAAP)</b>	<b>\$151.6</b>	<b>\$120.8</b>	<b>25.5%</b>	<b>\$80.4</b>	<b>\$77.1</b>	<b>4.4%</b>
<i>% of Net Sales</i>	<i>8.5%</i>	<i>6.9%</i>		<i>15.3%</i>	<i>15.9%</i>	