



FOURTH QUARTER FISCAL 2017 RESULTS

February 9, 2018



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 our products; general economic and market conditions in the United States and internationally; industry and competitive conditions; the consolidation and concentration of our customers; our reliance on our network of independent dealers; changes in raw material, component or commodity pricing; market acceptance and demand for our new products; our ability to successfully implement our business software system implementation; our ability to achieve desired results from closures and structural cost reduction initiatives; our ability to achieve the anticipated benefits from integrating our acquired businesses and alliances; changing legal, regulatory, environmental and healthcare conditions; the risks associated with international operations; the potential impact of product defects; the various restrictions on our financing activities; an inability to protect our intellectual property; the impact of recent 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 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

Income Statement	4Q17	4Q16	\$ change F/(U)	% change Basis Pt Change
Net Sales	584.3	581.3	3.0	0.5%
Non-GAAP Gross Profit (excluding restructuring and transition costs)	211.2	224.4	(13.2)	(5.9%)
% of Net Sales ⁽¹⁾	36.1%	38.6%		-250
Restructuring and Transition Costs ⁽²⁾	6.9	5.6	(1.3)	
GAAP Gross Profit	204.3	218.8	(14.5)	6.7%
% of Net Sales	35.0%	37.6%		-260
Freight & Distribution	56.2	49.5	(6.7)	13.5%
% of Net Sales	9.6%	8.5%		110
Non-GAAP Other SG&A (excluding F&D; restructuring charges, and non-recurring gain)	119.7	118.5	(1.2)	1.0%
% of Net Sales	20.5%	20.4%		10
Restructuring Charges ⁽²⁾	2.9	3.1	0.2	(6.5%)
Impairment Charges ⁽³⁾	20.9	5.8	(15.1)	
Valuation Allowance of Long-term Note Receivable	10.3	-	(10.3)	
Loss on Sale and Disposal of Assets	4.8	22.6	17.8	
Charitable Donation of Building	-	2.8	2.8	
Operating Income	(10.6)	16.5	(27.1)	(164.4%)
% of Net Sales	-1.8%	2.8%		-460
Non-GAAP Operating Income	35.2	56.4	(21.2)	(37.6%)
% of Net Sales	6.0%	9.7%		-370
Net Income attributable to HNI Corp	33.8	10.9	22.9	210.7%
% of Net Sales	5.8%	1.9%		390
EPS (diluted) - GAAP	\$ 0.77	\$ 0.24	\$ 0.53	220.8%
EPS (diluted) - Non-GAAP	\$ 0.47	\$ 0.82	\$ (0.35)	(42.5%)
Shares (diluted)	44.2	45.6	(1.4)	-3.1%

- (1) Gross profit margin decreased compared to prior year primarily driven by input cost inflation, operational transformations, and unfavorable business/product mix, partially offset by higher organic volume and the impact of divestitures.
- (2) Includes costs related to structural realignment and consolidation of hearth and office furniture production facilities.
- (3) Impairment charges primarily related to goodwill and other intangibles from Paoli closure.



4th Quarter Results – Segments

Segment Breakdown	4Q17	4Q16	\$ change F/(U)	% change Basis Pt Change
Sales				
Office Furniture ⁽¹⁾	\$429.0	\$433.5	(\$4.5)	(1.0%)
Hearth Products ⁽²⁾	\$155.3	\$147.8	\$7.5	5.1%
Total	\$584.3	\$581.3	\$3.0	0.5%
Operating Profit				
Office Furniture ⁽³⁾	(\$15.7)	\$8.0	(\$23.7)	(296.0%)
Office Furniture Operating Margin ⁽⁴⁾	-3.7%	1.8%		-550
Hearth Products ⁽⁵⁾	\$31.0	\$28.3	\$2.7	9.4%
Hearth Operating Margin ⁽⁶⁾	20.0%	19.2%		80
Unallocated Corporate Expense	(\$28.2)	(\$20.8)	(\$7.5)	(36.1%)
Income Before Taxes	(\$12.9)	\$15.6	(\$28.5)	

(1) Organic up +3.7%. Supplies driven channel flat (-4.0% as reported); Contract and International up +6.9% (+2.2% as reported)

(2) New construction up +5.9%; Retail Products up +4.3%.

(3) Excluding restructuring and transition costs, impairments of goodwill and intangibles, a nonrecurring loss and a valuation reserve, non-GAAP operating profit was \$18.4M vs \$43.0M prior year.

(4) Non-GAAP operating margin of 4.3% was down from PY due to input cost inflation, operational transformations, unfavorable business/product mix, and strategic investments, partially offset by higher organic sales volume, lower incentive based compensation, and the impact of divestitures.

(5) Excluding restructuring and transition costs from previously announced closures and other nonrecurring gains, non-GAAP operating profit was \$32.4M vs \$30.5M prior year.

(6) Non-GAAP operating margin of 20.9% was up from PY due to structural cost reductions and higher sales volume.



Financial Outlook

1st Quarter

Net Sales – Consolidated	Up +5% to +8% organic (up +2% to +5% as reported)
Office Furniture Sales	Up +6% to +10% organic (up +2% to +6% as reported)
Hearth Sales	Up +1% to +4%
Interest Expense	\$2.2 Million
Annual Effective Tax Rate	23.5%
Non-GAAP Earnings Per Diluted Share ⁽¹⁾	\$0.01 - \$0.06

Fiscal Year 2018

Non-GAAP Earnings Per Diluted Share ⁽¹⁾	\$2.40 - \$2.80
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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. 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 fourth quarter 2017, the effective tax rate applied to most non-GAAP items was adjusted for one-time tax impacts that cause a variation in the effective tax rate, including the one-time tax credit due to the revaluation of deferred tax items relating to the recently enacted tax legislation.

The sales adjustments to arrive at our non-GAAP organic sales information included in this earnings presentation excludes the impacts of acquisitions and divestitures. The transactions excluded for purposes of our other non-GAAP financial information included in this earnings presentation for both years presented 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 and between office furniture facilities in Muscatine, Iowa. Specific transition items incurred include severance, accelerated depreciation, and production move costs. Specific transactions in 2017 excluded for purposes of our other non-GAAP financial information included in this earnings presentation include the impairment of goodwill and other intangibles, a valuation reserve on a long-term note receivable, the loss on the disposal of a manufacturing facility, the tax impact related to the recently enacted tax legislation, a nonrecurring gain on the sale and license of a previously acquired intangible asset, and the gain on the sale of a closed manufacturing facility. Specific transactions in 2016 excluded for purposes of our other non-GAAP financial information included in this earnings presentation include 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 education furniture company, and a nonrecurring gain on a litigation settlement.

This earnings presentation also contains a forward-looking estimate of non-GAAP earnings per diluted share for the first quarter and fiscal year 2018. 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.



Non-GAAP Reconciliations

(Dollars in millions, except per share data)

Sales as reported (GAAP)

% change from PY

Less: Impact of Acquisitions and Divestures

Organic sales (non-GAAP)

% change from PY

Three Months Ended 12/30/2017		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$429.0	\$155.3	\$584.3
(1.0%)	5.1%	0.5%
4.5	-	4.5
\$424.5	\$155.3	\$579.8
3.2%	5.1%	3.7%

Three Months Ended 12/31/2016		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$433.5	\$147.8	\$581.3
22.3	-	22.3
\$411.2	\$147.8	\$559.0



Non-GAAP Reconciliations (Cont.)

(Dollars in millions, except per share data)

As reported (GAAP)

% of net sales

Tax %

Restructuring charges

Impairment charges

Transition costs

Valuation allowance of long-term note receivable

Loss on disposal of assets

Tax legislation

Results (non-GAAP)

% of net sales

Tax %

Three Months Ended 12/30/2017				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$204.3	(\$10.6)	(\$46.9)	\$33.8	\$0.77
35.0%	-1.8%	359.9%	5.8%	
1.6	4.5	1.5	3.0	0.07
-	20.9	7.2	13.8	0.31
5.3	5.3	1.8	3.5	0.08
-	10.3	0.4	9.8	0.22
-	4.8	3.0	1.8	0.04
-	-	44.8	(44.8)	(1.02)
\$211.2	\$35.2	\$11.8	\$20.9	\$0.47
36.1%	6.0%	36.4%	3.6%	

(Dollars in millions, except per share data)

As reported (GAAP)

% of net sales

Tax %

Restructuring charges

Impairment charges

Charitable donation of building

Transition costs

Loss on sale of assets

Results (non-GAAP)

% of net sales

Tax %

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>
\$218.8	\$16.5	\$4.6	\$10.9	\$0.24
37.6%	2.8%	29.8%	1.9%	
3.1	6.2	2.1	4.3	0.10
-	5.8	1.9	3.8	0.08
-	2.8	1.0	1.8	0.04
2.5	2.5	0.8	1.7	0.03
-	22.6	7.6	15.0	0.33
\$224.5	\$56.4	\$18.0	\$37.5	\$0.82
38.6%	9.7%	32.5%	6.4%	



Non-GAAP Reconciliations (Cont.)

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

(Dollars in millions, except per share data)

	Office Furniture			Hearth Products		
	Three Months Ended		Percent Change	Three Months Ended		Percent Change
	12/30/2017	12/31/2016		12/30/2017	12/31/2016	
Operating profit as reported (GAAP)	(\$15.7)	\$8.0	(296.0%)	\$31.0	\$28.3	9.4%
<i>% of net sales</i>	-3.7%	1.8%		20.0%	19.2%	
Restructuring charges	3.8	4.7		0.7	1.6	
Impairment charges	20.9	5.8		-	-	
Transition costs	4.6	1.9		0.7	0.6	
Loss on sale/disposal of assets	4.8	22.6		-	-	
Operating profit (non-GAAP)	\$18.4	\$43.0	(57.2%)	\$32.4	\$30.5	6.2%
<i>% of net sales</i>	4.3%	9.9%		20.9%	20.6%	



Non-GAAP Reconciliations (Cont.)

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

	Twelve Months Ended 12/30/17			Twelve Month Ended 12/31/16		
	<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>	\$1,660.7	\$515.2	\$2,175.9	\$1,703.9	\$499.6	\$2,203.5
<i>% change from PY</i>	(2.5%)	3.1%	(1.3%)			
Less: Impact of Acquisitions and Divestures	\$17.0	-	\$17.0	\$109.2	-	\$109.2
<i>Organic sales</i>	\$1,643.7	\$515.2	\$2,158.9	\$1,594.7	\$499.6	\$2,094.3
<i>% change from PY</i>	3.1%	3.1%	3.1%			



Non-GAAP Reconciliations (Cont.)

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

	Twelve Months Ended 12/30/2017			Twelve Months Ended 12/31/2016		
	<u>Gross Profit</u>	<u>Operating Income</u>	<u>Diluted EPS</u>	<u>Gross Profit</u>	<u>Operating Income</u>	<u>Diluted EPS</u>
Dollars in millions except per share data						
As reported (GAAP)	\$784.0	\$76.7	\$2.00	\$835.0	\$133.7	\$1.88
<i>% of net sales</i>	36.0%	3.5%		37.9%	6.1%	
Restructuring charges	\$10.3	\$16.5	\$0.25	\$5.3	\$10.5	\$0.16
Impairment charges	-	\$20.9	\$0.31	-	\$5.8	\$0.08
Charitable donation of building	-	-	-	-	\$4.4	\$0.06
Transition costs	\$17.0	\$17.0	\$0.25	\$9.3	\$9.3	\$0.14
Valuation allowance of long-term note receivable	-	\$10.3	\$0.22	-	-	-
Nonrecurring gain	-	-	-	-	(\$2.0)	(\$0.03)
(Gain)/loss on sale, disposal, and license of assets	-	(\$2.0)	(\$0.06)	-	\$22.6	\$0.33
Tax legislation	-	-	(\$1.00)	-	-	-
Results (non-GAAP)	\$811.3	\$139.4	\$1.97	\$849.6	\$184.3	\$2.62
<i>% of net sales</i>	37.3%	6.4%		38.6%	8.4%	



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>12/30/2017</u>	<u>12/31/2016</u>	<u>Change</u>	<u>12/30/2017</u>	<u>12/31/2016</u>	<u>Change</u>
Operating profit as reported (GAAP)	\$50.2	\$117.4	57.3%	\$83.6	\$70.0	19.6%
<i>% of net sales</i>	3.0%	6.9%		16.2%	14.0%	
Restructuring charges	\$11.6	\$5.1		\$4.9	\$5.4	
Impairment charges	\$20.9	\$5.8		-	-	
Transition costs	\$13.7	\$7.1		\$3.3	\$2.2	
(Gain)/loss on sale of assets	\$4.8	\$22.6		(\$6.8)	-	
Operating profit (non-GAAP)	\$101.2	\$158.0	(35.9%)	\$85.0	\$77.6	9.5%
<i>% of net sales</i>	6.1%	9.3%		16.5%	15.5%	