



THIRD QUARTER FISCAL 2017 RESULTS

October 24, 2017



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: 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; the Corporation's ability to achieve the anticipated benefits from closures and structural alignment initiatives; 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

3rd Quarter Assessment

Review of 3rd Quarter Financials

Outlook

Q&A



3rd Quarter Results

Income Statement	3Q17	3Q16	\$ change F/(U)	% change Basis Pt Change
Net Sales	599.5	584.6	14.8	2.5%
Non-GAAP Gross Profit (excluding restructuring and transition costs)	226.4	223.9	2.5	1.1%
% of Net Sales ⁽¹⁾	37.8%	38.3%		-50
Restructuring and Transition Costs ⁽²⁾	5.2	2.3	(2.9)	
GAAP Gross Profit	221.2	221.6	(0.4)	(0.1%)
% of Net Sales	36.9%	37.9%		-100
Freight & Distribution	55.5	51.1	(4.4)	8.6%
% of Net Sales	9.3%	8.7%		60
Non-GAAP Other SG&A (excluding F&D; restructuring charges, and non-recurring gain)	114.1	116.8	2.7	(2.3%)
% of Net Sales	19.0%	20.0%		-100
Restructuring Charges ⁽²⁾	0.8	0.4	(0.4)	96.2%
Gain on Sale and License of Assets ⁽³⁾	(6.8)	-	6.8	
Charitable Donation of Building	-	1.6	1.6	
Operating Income	57.7	51.7	6.0	11.7%
% of Net Sales	9.6%	8.8%		80
Non-GAAP Operating Income	56.8	56.0	0.8	1.5%
% of Net Sales	9.5%	9.6%		(10)
Net Income attributable to HNI Corp	37.3	33.8	3.5	10.2%
% of Net Sales	6.2%	5.8%		40
EPS (diluted) - GAAP	\$ 0.84	\$ 0.74	\$ 0.10	13.5%
EPS (diluted) - Non-GAAP	\$ 0.82	\$ 0.80	\$ 0.02	2.5%
Shares (diluted)	44.5	45.8	(1.3)	-3.0%

- (1) Gross profit margin decreased compared to prior year primarily driven by unfavorable product and business mix and input cost inflation, partially offset by higher volume and the impact of divestitures.
- (2) Includes costs related to structural realignment and consolidation of hearth and office furniture production facilities.
- (3) Includes a non-recurring gain related to the sale and license of an intangible asset and a gain on the sale of a closed facility.

See GAAP to Non-GAAP reconciliations in appendix.



3rd Quarter Results – Segments

Segment Breakdown	3Q17	3Q16	\$ change F/(U)	% change Basis Pt Change
Sales				
Office Furniture ⁽¹⁾	\$465.3	\$454.9	\$10.4	2.3%
Hearth Products ⁽²⁾	\$134.1	\$129.7	\$4.4	3.4%
Total	\$599.5	\$584.6	\$14.8	2.5%
Operating Profit				
Office Furniture ⁽³⁾	\$39.7	\$44.7	(\$5.0)	(11.2%)
Office Furniture Operating Margin ⁽⁴⁾	8.5%	9.8%		-130
Hearth Products ⁽⁵⁾	\$28.7	\$19.1	\$9.6	50.4%
Hearth Operating Margin ⁽⁶⁾	21.4%	14.7%		670
Unallocated Corporate Expense	(\$12.5)	(\$13.2)	\$0.7	5.1%
Income Before Taxes	\$56.0	\$50.6	\$5.4	

(1) Organic up +12.9%. Supplies driven channel up +5.2% (-5.9% as reported); all other organic up +22.4% (+12.6% as reported); North American Contract up +22.6% (+11.4% as reported); International up +21.1%.

(2) New construction up +5.4%; Retail Wood / Gas down -3.6%; Retail Pellet up +18.3%.

(3) Excluding restructuring and transition costs from structural realignment and previously announced closures, non-GAAP operating profit was \$44.5M vs \$46.1M prior year.

(4) Non-GAAP operating margin of 9.6% was down from PY due to unfavorable product and business mix, input cost inflation, and strategic investments, partially offset by higher 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 \$23.0M vs \$20.5M prior year.

(6) Non-GAAP operating margin of 17.2% was up from PY due to structural cost reductions and higher volume.



Financial Outlook

4th Quarter

Net Sales – Consolidated	Flat to Up +3% organic (flat to down -3% as reported)
Office Furniture Sales	Down -1% to Up +2% organic (down -2% to -5% as reported)
Hearth Sales	Up +3% to +6%
Interest Expense	\$2.1 Million
Annual Effective Tax Rate	35.5% - 36.0%
Non-GAAP Earnings Per Diluted Share ⁽¹⁾	\$0.38 - \$0.45

Fiscal Year 2017

Non-GAAP Earnings Per Diluted Share ⁽¹⁾	\$1.88 - \$1.95
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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 should not be considered 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. Non-GAAP EPS is calculated using HNI's overall effective tax rate for the period as that is reflective of the tax rate applicable to the non-GAAP adjustments.

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 include restructuring and transition costs, a nonrecurring gain on the sale and license of a previously acquired intangible asset, the gain on the sale of a closed manufacturing facility, and the accelerated depreciation in conjunction with the donation of a building. 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 restructuring items incurred include severance and accelerated depreciation. Specific 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 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, 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 9/30/2017		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$465.3	\$134.1	\$599.5
2.3%	3.4%	2.5%
1.9	-	1.9
\$463.4	\$134.1	\$597.6
12.9%	3.4%	10.6%

Three Months Ended 10/1/2016		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$454.9	\$129.7	\$584.6
44.4	-	44.4
\$410.5	\$129.7	\$540.2



Non-GAAP Reconciliations (Cont.)

(Dollars in millions, except per share data)

As reported (GAAP)

% of net sales

Tax %

Restructuring charges

Transition costs

Nonrecurring gain

Gain on sale of assets

Results (non-GAAP)

% of net sales

Tax %

Three Months Ended 9/30/2017				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$221.2	\$57.7	\$18.6	\$37.3	\$0.84
36.9%	9.6%	33.3%	6.2%	
1.6	2.3	0.8	1.5	0.03
3.6	3.6	1.2	2.4	0.05
-	(6.0)	(2.0)	(4.0)	(0.09)
-	(0.8)	(0.3)	(0.5)	(0.01)
\$226.4	\$56.8	\$18.3	\$36.7	\$0.82
37.8%	9.5%	33.3%	6.1%	

(Dollars in millions, except per share data)

As reported (GAAP)

% of net sales

Tax %

Restructuring charges

Charitable donation of building

Transition costs

Results (non-GAAP)

% of net sales

Tax %

Three Months Ended 10/1/2016				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$221.6	\$51.7	\$16.8	\$33.8	\$0.74
37.9%	8.8%	33.2%	5.8%	
0.7	1.1	0.4	0.8	0.02
-	1.6	0.5	1.1	0.02
1.6	1.6	0.5	1.1	0.02
\$223.9	\$56.0	\$18.3	\$36.7	\$0.80
38.3%	9.6%	33.2%	6.3%	



Non-GAAP Reconciliations (Cont.)

(Dollars in millions, except per share data)

Operating profit as reported (GAAP)

% of net sales

Restructuring charges

Transition costs

Nonrecurring gain

Gain on sale of assets

Operating profit (non-GAAP)

% of net sales

Office Furniture			
	Three Months Ended		Percent Change
	9/30/2017	10/1/2016	
Operating profit as reported (GAAP)	\$39.7	\$44.7	(11.2%)
<i>% of net sales</i>	8.5%	9.8%	
Restructuring charges	2.0	0.1	
Transition costs	2.8	1.2	
Nonrecurring gain	-	-	
Gain on sale of assets	-	-	
Operating profit (non-GAAP)	\$44.5	\$46.1	(3.4%)
<i>% of net sales</i>	9.6%	10.1%	

Hearth Products			
	Three Months Ended		Percent Change
	9/30/2017	10/1/2016	
	\$28.7	\$19.1	50.4%
	21.4%	14.7%	
	0.3	1.0	
	0.8	0.4	
	(6.0)	-	
	(0.8)	-	
	\$23.0	\$20.5	12.6%
	17.2%	15.8%	