

23-Oct-2018

HNI Corp. (HNI)

Q3 2018 Earnings Call

CORPORATE PARTICIPANTS

Jack D. Herring
Treasurer, Director of Finance and Investor Relations, HNI Corp.

Marshall H. Bridges
Senior Vice President and Chief Financial Officer, HNI Corp.

Jeffrey Lorenger
President & Chief Executive Officer, HNI Corp.

OTHER PARTICIPANTS

Matt McCall
Analyst, Seaport Global Securities LLC

Greg J. Burns
Analyst, Sidoti & Co. LLC

Beryl Bugatch
Analyst, Raymond James & Associates, Inc.

Steven Ramsey
Analyst, Thompson Research Group LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Kelly and I will be your conference operator today. I would like to welcome everyone to the HNI Corporation Third Quarter Fiscal 2018 Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session.
[Operator Instructions]

As a reminder, today's conference is being recorded. Thank you. Mr. Herring, you may begin your conference.

Jack D. Herring
Treasurer, Director of Finance and Investor Relations, HNI Corp.

Good morning. I am Jack Herring, Treasurer and Director of Investor Relations for HNI Corporation. Thank you for joining us to discuss our third quarter fiscal 2018 results. Here with me are Jeff Lorenger, President and CEO; and Marshall Bridges, Senior Vice President and CFO.

Copies of our financial news release, earnings presentation, and non-GAAP reconciliations are posted on our website. Statements made during this call that are not strictly historical facts are forward-looking statements, which are subject to known and unknown risk. Actual results could differ materially. The earnings presentation posted on our website includes additional factors that could affect actual results. The corporation assumes no obligation to update any forward-looking statements made during the call.

I'm pleased to turn the call over to Jeff Lorenger.

Jeffrey Lorenger
President & Chief Executive Officer, HNI Corp.

Thanks, Jack. Good morning, everyone. We'll share our assessment of the third quarter and provide some thoughts on our outlook for the fourth quarter. We'll then open up the call for questions. We are pleased with our

overall results. The third quarter was an important time for us. We continued our market momentum, turned the corner on our BST transition, and drove \$10 million of net productivity and cost savings benefit. Our team is focused on delivering consistent, flawless execution to our customers, while reducing cost through rapid, continuous improvement. We remain confident our investments will continue providing strong returns for our shareholders.

In our supplies-driven business, we delivered strong results, growing 12% in the quarter, while generating strong profit improvement. This business is focused on selling to small- and medium-sized companies, and over the last several years, we have invested significantly to enhance our market-leading position.

In the last 12 months, this market has become more active and we have seen strong returns from our investments. During a very dynamic period, we have strengthened our relationships with our channel partners and accelerated our market momentum, while adapting our business models to evolving customer needs.

Our hearth business grew sales and delivered profitable results as expected. We continue to be excited about our market position and growth potential, as that business remains on track for another year of record profits. In our contract business, we did see softer sales, primarily due to timing. Contract was down 3% compared to the 22% increase we delivered in the third quarter of last year. We are still seeing solid overall activity in the contract business and a growing sales funnel, but projects are being delayed and generally taking longer to move through the sales cycle. We have confidence in our competitive position and maintain a positive market outlook.

Looking at our operating expenses, we were able to smartly manage them below our expectations, helping improve our profit for the quarter. We did this while continuing to invest in growth and fulfillment initiatives. Overall, I feel good about our momentum and our path forward to drive long-term shareholder value.

I'll now turn the call over to Marshall to review some financial details on the third quarter. Marshall?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

Thanks, Jeff. Third quarter consolidated organic net sales grew 4.6% versus the prior year. Including the impacts from closing and divesting small office furniture companies, sales increased 1.9%. In the office furniture segment, sales increased 4.7% organically or 1.4% in total. Within the office furniture segment, sales in our supplies-driven business increased 12%, sales in our contract business were down 3% organically or down 9% in total.

In our hearth segment, sales increased 3.9%; new construction sales increased 6%; sales of retail products increased 2%. Non-GAAP net income per diluted share was \$0.90, compared to \$0.82 in the third quarter of 2017. The benefit of productivity gains improved price realization and the impacts from the tax change more than offset higher input cost in the quarter.

Jeff?

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

Thanks, Marshall. Let's shift to our fourth quarter outlook. Overall, we expect strong profit growth, primarily driven by cost savings and productivity gains. We're also expecting solid organic sales growth of 5% to 8% on a consolidated basis.

Looking at our outlook for each business, we expect our supplies-driven business to be up 5% to 8%. We continue to have strong momentum and see positive market conditions in supplies. Sales in our contract business will grow 3% to 6% organically. As we have discussed in the past, our contract business is inherently volatile due to our high mix of projects. Over the short-term, we can see significant fluctuations in our growth rates that are not necessarily indicative of the overall market or our competitive strength. I continue to feel good about how we are competing and our long-term prospects for growth.

We expect the hearth business will be up 8% to 11%. We're seeing solid growth in both new construction and retail products. We have attractive opportunities in front of us and I'm excited about what we can achieve.

I will now have Marshall provide some details on our outlook. Marshall?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

Looking to the fourth quarter, we expect consolidated organic sales to be up 5% to 8%, or up 2% to 5% when including the effects of closures and divestitures. Office furniture sales are expected to be up 4% to 7% organically or flat to up 3% in total. Sales in our supplies-driven business are projected to be up 5% to 8%.

We're forecasting sales in our contract office furniture business to be up 3% to 6% organically or down 2% to 5% in total. We expect hearth sales to be up 8% to 11%, with new construction sales up 5% to 8% and sales of retail hearth products at 10% to 13%.

Non-GAAP gross profit margin is expected to be between 38% and 38.5%. Non-GAAP SG&A, which includes freight and distribution expense, is expected to be \$175 million to \$180 million. Our estimate of non-GAAP earnings per diluted share for the fourth quarter is in the range of \$0.91 to \$1.01. This results in a full-year estimate of non-GAAP earnings per diluted share of \$2.35 to \$2.45. This compares to our prior guidance of \$2.35 to \$2.55. The primary driver of the narrowed full-year outlook is lower than previously expected sales in our contract furniture business.

Our full-year tax rate is expected to be approximately 22.5%. We now expect full-year free cash flow will be in the range of \$135 million to \$140 million, including \$65 million to \$70 million of capital expenditures. Jeff?

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

Thanks, Marshall. We remain positive about our markets and prospects for growth. We have strong brands, strong operating platform and the financial capacity to drive significant long-term value for our shareholders. With those comments complete, I'll open it up for questions.

QUESTION AND ANSWER SECTION

Operator: And at this time, as a reminder, [Operator Instructions] . So our first question comes from the line of Matt McCall from Seaport Global Securities. Your line is open.

Matt McCall

Analyst, Seaport Global Securities LLC

Thanks. Good morning, everybody.

Q

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

Good morning, Matt.

A

Matt McCall

Analyst, Seaport Global Securities LLC

Jeff, could you talk a little bit about the comment you made on the contract side, you said you're seeing projects delayed. I think that's some new commentary we haven't heard at least recently. Can you expand on those comments, what you're seeing, what you think is driving that shift?

Q

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

Yeah, Matt. As you know, the business is inherently lumpy on any quarterly basis. We did see in the quarter projects slide out. It's – mostly they're taking longer to go through the sales cycle. We're still seeing strong growth. We have seen strong growth over the last several quarters and our comps are getting a little more difficult as well. Overall, the market still is active. We like our competitive position and the outlook is still good, but we just saw a little bit of a slowdown in getting projects through the pipe.

A

Matt McCall

Analyst, Seaport Global Securities LLC

So are these – I'm just making sure I understand the projects being delayed, are these projects where the awards are being delayed or are these projects where you've been awarded the business and it's being pushed out into next quarter? Just to make sure I understand the terminology you're using.

Q

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

Yeah, Matt, it's a little bit of both. It's kind of all across the map. Sometimes some things are just taking longer. People are busy, and it's taking longer to get through the sales cycle, it's taking longer to get decisions made, decisions are coming later in the cycle. And so, it's a little bit of both.

A

Matt McCall

Analyst, Seaport Global Securities LLC

Okay. Can you talk about the hearth segment margin outlook in your guidance, and it was a little lower than we expected in the quarter, but what's in the guidance? How long the pressures are expected to persist? And maybe how, beyond Q4, is there anything to think about?

Q

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Yeah, Matt, we did see a bit of margin pressure in the third quarter in hearth. As you saw, the vast majority of that was driven by inflationary pressures in excess of net price realizations. We had about \$1 million more inflation than price realization in the third quarter. We have pushed through just another round of pricing in the hearth business. And as we look into the fourth quarter, we expect to close that gap to be basically neutral as we enter the fourth quarter. And we're expecting some good volume growth in hearth in the fourth quarter, which we'll leverage well and create margin expansion versus the prior year.

Matt McCall

Analyst, Seaport Global Securities LLC

Q

Okay. So, neutral there. What about on the tariff front? Last we spoke, I think that you were still evaluating the impact of the 10% going to 25%. Can you give us an update on what the outlook is for your potential pressure, and what you're doing to combat it?

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

A

Yeah, Matt, this is Jeff. We have that time now to review the announced tariffs and they are going to have an impact to different degrees on our various businesses. Near-term, we're implementing pricing actions which include list price adjustments, and in some cases, surcharges. Over the long-term, we expect to remain neutral on a price-cost basis, given the tariffs specifically.

Matt McCall

Analyst, Seaport Global Securities LLC

Q

Can you put any numbers behind that? I think we had some numbers in our notes from kind of the assumption around 10%. What's 25% mean from a dollars perspective?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

It's a number that kind of is moving around a bit, Matt, as we assess what sourcing decisions we need to make. Obviously, with that 25% tariff, can vastly change where you want to source your supply chain from.

That said, it's, roughly speaking, 10% to 12% of cost of goods sold is potential impact, but it's a number that can move around depending on those decisions. And as Jeff said, we expect to be able to offset those pressures with pricing actions as we enter into 2019.

Matt McCall

Analyst, Seaport Global Securities LLC

Q

Okay. Okay. And then, final one from me, the single-family environment is getting very little love out there. Can you talk about what you're seeing from a housing perspective and what you're hearing and kind of the trends and the expected trends, just given the way the market treats some of these housing names?

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

A

Yeah, Matt. This is Jeff again. The indicators we look at are – we still see growth. We are seeing slower activity in permits and some of the same data you look at every day, given some mixed signals. But the builders are still

confident and our team is confident in our market position. So we still like our position and we still see growth there, albeit maybe a little bit mixed.

Matt McCall

Analyst, Seaport Global Securities LLC

Q

So, basically the macro indicators you mentioned or the industry data around permits, is that where you're referencing slowdown or are you hearing your customers actually talk about slower growth expectations?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

I think it's a bit of both, Matt. I mean, it's more on the macro side. We talked to the builders, they still feel pretty confident. I think everyone recognizes that mortgage rates and affordability are headwinds, but we still have some pretty favorable demographic trends, and there's not a lot of inventory out there. So, how it all plays out is yet to be determined, but it doesn't feel like it's dramatically bad, it may be slightly less good.

Matt McCall

Analyst, Seaport Global Securities LLC

Q

Got it. Okay. Thank you all.

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

A

Thanks, Matt.

Operator: Your next question comes from the line of Budd Bugatch from Raymond James. Your line is open.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

Good morning, Jeff. Good morning, Marshall. Good morning, Jack. Let me just try and put some numbers together. The tariff impact, Marshall, you said 10% to 12% of cost of goods sold is potentially impacted. That means you probably have \$140 million to \$150 million of potential product you import now that could be subjected to tariff. Is that the way to read that?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Yeah. But that's correct.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

Okay.

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

And again, as I said with Matt, that's a number that can move around depending on where we decide to source things from after this is implemented at the beginning of the year.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

So, put some color to that, what are you importing that makes up that \$140 million to \$150 million of imports?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

That's a great question. So, more than two-thirds of that is associated with the supplies-driven business. And the supplies-driven business, as you know, competes against a lot of Asian importers and a lot of product that is brought in from China. And what we're seeing is some pricing action pretty consistently across the competitors there. So there's a...

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

What does that mean? They're raising prices?

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

A

Yes, Budd.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

Okay. I'm sorry.

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Yeah. I know, and if you look at what that is, there's a combination of the components in finished goods. The supplies business does have some finished goods, they're coming from China. That's different than our other businesses.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

So you're saying about a \$100 million of it goes to supplies-driven?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Yeah, maybe a bit more than that actually, but that's in the ballpark.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

Okay. All right. Greater than \$100 million. To Matt's question, can you give us maybe an idea of what kind of order growth rate you saw in contract for office?

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

A

No, Budd, we don't generally disclose that. What I would say is our sales funnel is growing and the activity is still strong.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

Well, I understand that Jeff, but if you're going to give us a timing kind of issue, then I think it goes from sales funnel to order, to backlog, to deliver. And how do we get some comfort that the salesman has really got orders at the end of it that goes to backlog and delivery?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Yeah, but we feel pretty confident in the 3% to 6% growth rate that we're anticipating from the fourth quarter in the contract business and the order rate support that. We have seen a recent up-tick in orders here to support that, as well as Jeff said, good funnel activity and preorder activity. As we look into what is going to happen next year, because this delay is going to hit 2019, we're still assessing how that that plays out. Obviously, that's a positive, but there may be other things going on there as well.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

Meaning, in contract, you got a pretty quick backlog movement, that if it's in the backlog, it's delivered within four weeks and typically in most of the contract side. Is that correct still?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

It is. Four weeks, it could be a couple of weeks more than that, but generally you're right.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

Yeah. I mean, most people don't put it in the backlog. So you really got a bonafide specification of how it's going to be configured?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Correct.

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

A

Yeah, right, Budd.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

Okay. All right. All right. When you're looking at the SG&A, and this is the third quarter, you had a \$4.1 million unfavorable variance in freight and distribution, which I take it represents all that we've been hearing about freight. Can we get an idea of what you think fourth quarter will look like on that?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Yeah, part of that freight and distribution that you've seen throughout the year and in the third quarter has to do with our investment in the quick ship fulfillment which we talked about last year. There is still some incremental cost there. But here we have seen inflation as well, which I think what you're alluding to.

For the fourth quarter, we're expecting to be pretty much in line with the prior-year levels of freight, distribution and all that. We're starting to anniversary where we had a lot of that quick shipping and we're getting some productivity there as well as some inflation from the carrier rates.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

Yeah. We were pretty well in place in the fourth quarter last year. Right?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Pretty well. There's always a little bit more incremental there, but for the most part that's correct.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

Okay. And then the other side of SG&A was at \$5.9 million, you talked about increased incentive expense. I don't think you had any LTIP expense last year. What's causing the incentive? What's the accrual for the fourth quarter look like?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Yeah. So, as it relates to the third quarter, we're anniversarying where we really took those programs down last year, given our results. So we're now resetting them to more normalized levels. So, that's what's causing that increase there. We'll still see some of that in the fourth quarter, but not as much.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

So the bulk of that \$6 million delta is incentive comp accrual?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Yeah, there's incentive comp accruals as well as the mark-to-market, the stock price on deferred compensation programs, that's also in there. And then we've got some investments, so they're also in SG&A, related to go-to-market growth initiatives and the fulfillment that we talked about earlier.

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Q

Okay. One of the other areas that hasn't been talked about much is in hearth. As energy costs rise, we get nearer a breakpoint where the heating side of the business starts to get attractive. And I know it's been reduced to a fraction of where it used to be, but can you reflect for us what that looks like, as unfortunately energy costs rise?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

Yeah.

A

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

[indiscernible] (20:53) energy analyst is fortunately as energy costs rise?

Q

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

I suppose it was fortunate for the pellet business, which I think is what you're referring to there. Yeah, no, we've seen – pellet is very small, it's roughly 3% of the total HNI business, but we are expecting some pretty decent growth there in the fourth quarter from that business. That's embedded in our retail estimate that we gave of 10% to 13% growth. I'd say roughly half of that growth is coming from the pellet products. And so we're pretty excited about that trajectory as we enter the fourth quarter here.

A

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Okay. All right. That's interesting. That's a delta from where we've been, right?

Q

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

Yeah. It's been relatively low dollar growth here for the last year or so, but that's right.

A

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Okay. And you have been giving us some new disclosure I think as part of revenue recognition in supplies and contracts. Can we get those numbers for the third and fourth quarter for last year to know what those baselines are, or I can do that with Jack offline if it's okay?

Q

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

Yeah, we can get those and they'll be in our Qs and Ks as we continue to file.

A

Beryl Bugatch

Analyst, Raymond James & Associates, Inc.

Okay. All right. Thank you very much. Appreciate it. Good luck on the fourth quarter and on the balance of the year.

Q

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

Thanks, Budd.

A

Operator: And your next question comes from the line of Greg Burns from Sidoti & Company. Your line is open.

Greg J. Burns

Analyst, Sidoti & Co. LLC

Q

Morning. When we look at the 4Q guide, can you just let us know what's embedded in terms of the cost savings realizations that you've been targeting? I know the total I think was \$35 million to \$40 million maybe and you had about \$15 million remaining. So do you expect to get that full number in the fourth quarter?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Yeah. So, just take a step back. As it relates to the benefit for net productivity gains and cost savings in the fourth quarter, we're expecting between \$13 million to \$15 million there. Some of that is driven by I think what you're referring to, Greg, on the structural cost takeout that we talked about two, three years ago, where it was \$35 million to \$40 million, some of that is embedded in that \$13 million to \$15 million number. And that's sort of the last tranche. After we get through the fourth quarter, all of that \$35 million to \$40 million we mentioned a few years ago, it will be in place. But in addition to that structural cost takeout, we are seeing the benefit of just a lot of small projects. We're getting back to what we typically historically been good at, is grinding out good cost savings on a daily basis.

Greg J. Burns

Analyst, Sidoti & Co. LLC

Q

Okay. Great. And then when we look I guess beyond the fourth quarter into 2019, is it going to be more about offsetting kind of some of these headwinds you've been discussing or do you feel like you've got some incremental margin leverage based on some of these ongoing initiatives that you have in place?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Yeah, we do feel like we've got momentum on the cost savings and productivity gains side, but there are a lot of headwinds out there, and how all that mixes up is yet to be determined. As we said earlier, we do think we've got pricing actions to help offset the inflationary and tariff pressures, and we have momentum, but I'm not sure we've got a view on what exactly that does to margins next year yet.

Greg J. Burns

Analyst, Sidoti & Co. LLC

Q

Okay. Great. Thank you.

Operator: Your next question comes from the line of Kathryn Thompson from Thompson Research Group. Your line is open.

Steven Ramsey

Analyst, Thompson Research Group LLC

Q

Good morning. This is Steven Ramsey on for Kathryn. The strategic investments that you called out in the press release, can you maybe talk about these, were they more cost takeout focused or top line growth focused? Were they different than the kinds of investments you've been making in the past year or two?

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

A

Yeah. Steven, this is Jeff. The investments we called out in the release are mostly focused on sale capability and growth in international. There's always ongoing investments on the cost side, as Marshall referenced, we're getting back on the gas relative to our kind of day-to-day, many small project, daily improvements, but investment you're referring to were really selling capacity in international.

Steven Ramsey

Analyst, Thompson Research Group LLC

Q

Great. Thinking about cost of goods sold, the 10% to 12% you called out, is that tariffs-only impact? And if not, can you maybe talk about just more intrinsic inflationary pressures that are impacting you aside from the 10% to 12%?

Marshall H. Bridges

Senior Vice President and Chief Financial Officer, HNI Corp.

A

Well, the 10% to 12% is sort of the amount of Chinese exposure we have. So, that could possibly be subject to the tariff. And as it relates to inflation, we are seeing pressures. They're not getting any better, that's for sure. If you look at what we're expecting in the fourth quarter that's included in our guidance, we're expecting total inflation including the tariff impact from the fourth quarter in the range of \$18 million to \$22 million. And we don't have a great view of how that's going to turn out next year, but we're not expecting it to slow down any.

Steven Ramsey

Analyst, Thompson Research Group LLC

Q

All right. And then, just this is like, maybe more of an intangible kind of broader step-back question. As you think about just visibility in your business and having confidence in an outlook, has visibility changed at all, given there's so much movement in your various end markets, both on the demand/top line side of things and the cost side of things?

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

A

Yeah. Steven, this is Jeff. That's a good question. I don't think – I mean – it's obviously dynamic out there right now, and it's probably more dynamic than it was when we entered the year. But from a pure visibility standpoint, it's about the same kind of across the board, where we look at parts versus supplies versus contract. We have seen, like we talked about, we had some projects slide on the contract side, we've reassessed that and the visibility outlook is pretty similar to what it has been in the last 12 months.

Steven Ramsey

Analyst, Thompson Research Group LLC

Q

Great. Thank you.

Operator: And there are no further questions at this time. I turn the call back over to Mr. Lorenger for closing remarks.

Jeffrey Lorenger

President & Chief Executive Officer, HNI Corp.

Okay, thanks so much. And I'd like to thank everybody for joining us today and have a great day. Thanks.

Operator: And this concludes today's conference call. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2018 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.