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HNI Corp. (HNI)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Eric, and I will be your conference operator today. At this time, I would like to welcome everyone to the HNI Corporation First Quarter Fiscal 2025 Results 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]

I would now like to turn the call over to Mr. McCall. Please go ahead.

Matthew McCall

Vice President-Investor Relations & Corporate Development, HNI Corp.

Good morning. My name is Matt McCall. I'm Vice President, Investor Relations and Corporate Development for HNI Corporation. Thank you for joining us to discuss our first quarter fiscal year 2025 results. With me today are Jeff Lorenger, Chairman, President and CEO and VP Berger, Executive Vice President and CFO.

Copies of our financial news release 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 financial news release 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 now pleased to turn the call over to Jeff Lorenger. Jeff?

Jeffrey D. Lorenger

Chairman, President & Chief Executive Officer, HNI Corp.

Thanks, Matt. Good morning, and thank you for joining us. I'm going to divide my commentary today into three sections. First, I'll provide some comments on our first quarter results. Non-GAAP EPS increased nearly 20%

year-over-year, with revenue growth returning in both segments. Next, I will discuss our expectations for 2025. Our earnings outlook remains unchanged from what we provided on last quarter's call. We continue to anticipate a fourth consecutive year of double-digit non-GAAP earnings improvement. And finally, I'll provide additional detail about our EPS growth visibility and discuss how we see our markets playing out over the remainder of the year. In general, we are proceeding with caution, but also with confidence in our strategies. Following those highlights, VP will provide more detail around our second quarter and full-year 2025 outlook. He will also comment on our strong balance sheet. I will conclude with some closing comments before we open the call to your questions.

Let's start with the first quarter. Our members delivered \$0.44 of non-GAAP earnings per share. The 19% year-over-year growth was better than we anticipated. Year-on-year revenue growth returned with both segments reporting improvement, and both modestly exceeding the ranges we discussed last quarter. Workplace Furnishings' revenue increased slightly versus the same period of 2024 and Residential Building Products' revenue grew 7% year-over-year.

Profitability was also better than we anticipated. Consolidated non-GAAP gross and operating margins expanded on a year-on-year basis to 40% and 5.3%, respectively, driven by incremental productivity gains, synergy capture and volume growth. Our non-GAAP operating margin reached the highest first quarter level since 2007. During the quarter, revenue from contract customers increased 4% year-over-year, while shipments to small and medium-sized customers declined approximately 5% versus the same period of 2024. Within SMB, we experienced continued soft transactional purchase activity. As a reminder, these purchases are highly sensitive and react quickly to macroeconomic changes.

From a profitability perspective, Workplace Furnishings segment non-GAAP EBIT margin compressed 20 basis points year-over-year. Our profit transformation efforts and realization of KII synergies continued to benefit first quarter results. However, stronger volume from several large projects in both the commercial and state and local government spaces, which tend to carry higher discounts, was dilutive to segment profit margins. As we reviewed the quarter, this slight compression is a result of a different mix of business during the quarter than we had planned, and in our view, not an indication of increasing competitive discounting.

Finally, in Residential Building Products, first quarter revenue increased 7% year-over-year. Despite challenging housing market dynamics, our new construction revenue increased 3% versus the same period of 2024. Our remodel/retrofit business generated solid year-on-year revenue growth during the first quarter, increasing 13% versus the prior-year period. Segment profitability was also strong in the quarter. Operating profit grew 16% year-over-year. Segment EBIT margin expanded 130 basis points from the same period of 2024 to 15.7%. The consistently strong profit margins in this segment are evidence of the business' unmatched price point breadth and channel reach, along with the benefits of its vertically integrated business model and overall operational agility.

To summarize the first quarter, the return of growth in both segments, despite heightened macroeconomic uncertainty, is evidence of the strength of our strategies and customer-first business model, along with the resilience of our members. Our margin expansion further demonstrates our ability to manage through varying economic conditions. Going forward, we expect continued earnings improvement driven by our margin expansion efforts and continued revenue growth as we move through the year. While we see the likelihood of demand volatility across our businesses over the near term, we remain focused on our strategies and are prepared to adapt to changes in the operating environment.

That leads to my comments about our expectations for the remainder of 2025. As I referenced earlier, we are proceeding with caution, but also with confidence. First, in our Workplace Furnishings business, while segment

orders were relatively unchanged versus the first quarter of 2024, order trends improved as the quarter progressed. Broadly, our internal metrics support our outlook for revenue growth this year, and we continue to focus our investments on driving growth in this segment. However, tariff uncertainty and rising inflation expectations provide reasons to expect ongoing demand volatility, as well as temporary margin pressure.

From a customer perspective, contract customer orders increased 4% year-on-year in the first quarter. Excluding hospitality, contract orders increased 15% versus the same period of 2024. We are excluding hospitality to provide a view of the trends within the commercial market. Hospitality can be lumpy quarter-to-quarter, and the prior-year quarter was especially strong. Thus far, in the second quarter, we experienced solid contract order trends reflective of a supportive demand backdrop, along with some pull-forward activity ahead of tariff-related pricing actions.

In summary, we continue to see supporting trends in our Workplace Furnishings segment. Internally, total segment backlog is up 19% year-over-year. Externally, office sublease activity, as a leading indicator for office furniture demand, is moving in the right direction. Return to office continues to present an opportunity, and we view elevated levels of non-viable space as a positive indicator for future furniture events. So, we continue to see encouraging signs that support our view of volume improvement, while at the same time, we are increasingly focusing our investments on driving revenue growth in the segment.

Moving to Residential Building Products, orders in the first quarter increased 8% year-over-year. Remodel/retrofit order growth was up double-digits versus the same period of 2024, while new construction orders declined slightly. It is clear any real housing recovery continues to push out, as mortgage rates remain elevated and consumer sentiment is trending the wrong way. As is well documented, the dynamics in the housing market remain difficult. Builder sentiment continues to reflect the impacts of elevated interest rates, ongoing affordability issues and weaker consumer confidence. Despite the current environment, we believe in the long-term opportunities tied to the broader housing market and in the strength of our market leading positions and profitable operating model. And we will continue to invest accordingly.

I will finish by making a few comments about our view of our markets and provide additional detail around our elevated 2025 EPS growth visibility. On last quarter's call, we highlighted an increased focus on investing to drive growth in both businesses. Our first quarter revenue strength and encouraging leading indicators provide added support for these initiatives. However, we are paying close attention to the macroeconomic environment and associated risks, and we are approaching the current environment with very intentional initiatives, while staying flexible.

As we look at our Workplace Furnishings segment, we experienced slow activity in the SMB portion in the first quarter, driven primarily by macroeconomic headwinds. SMB is an area of unique strength for us and has delivered consistent order growth in recent years, and we remain bullish about the fundamentals of this business. We believe our strength in the SMB space and our broad price point breadth continue to be competitive differentiators, especially as more cost conscious customers embrace price mixing across projects, increasingly mingling SMB projects – products in these contract settings.

In our contract business, we see growth continuing. We see encouraging signs associated with larger projects across our key verticals, the workplace, health and education end markets saw order outperformance in the first quarter, and we see signs of longer-term demand improvement. While underlying demand drivers are encouraging in the contract space, the level of macro uncertainty will continue to affect how quickly opportunities translate to orders. Looking ahead, we believe we are particularly well positioned to benefit as the Workplace Furnishings market continues to improve. We have a portfolio of brands with unmatched product and pricing

breadth and depth, allowing us to meet any future need a customer has. We have products that work for customers ranging from small businesses to the largest multinationals. Our brands are distributed widely across geographies from tertiary markets to the top MSAs. And we can broadly meet needs of workplaces, schools, healthcare facilities and hotels.

Moving to Residential Building Products, we continue to believe in the positive long-term market fundamentals. The near-term remains challenging given current housing market dynamics. And no doubt, a market-driven revenue recovery will take some time. We are, however, optimistic about our opportunities to increase revenue through our growth initiatives. Specifically, we continue to invest in developing market, leading new products that offer customers more options and features. We are driving new programs to increase consumer awareness of the fireplace options, ensuring our products are considered in all remodel and new construction projects, and we are strengthening our already strong relationships with builders across the country, helping them deliver the best overall value to the homeowner. While we invest in growth, we will continue to deliver attractive margins and strong profits in this business. Longer term, single-family housing remains undersupplied, and demographics will support additional demand growth. The results of our ongoing investments, which will enhance our connection with – to customers and build on our leading brands, will fortify our position of strength in the industry.

Finally and importantly, we continue to have elevated earnings visibility this year and next. Our earnings expectation for 2025 is unchanged and includes revenue improvement in both segments. We continue to have high visibility to significant profit growth, driven by operational efficiencies. As a reminder, we have two initiatives underway, Mexico and KII synergies, that will deliver a total of \$0.70 to \$0.80 of additional EPS through 2026. That represents approximately 25% EPS growth on top of our 2024 earnings, with the savings expected to be divided roughly equally over the next two years. Taking all these factors into account, without help from the cycle, we expect our double-digit earnings growth to extend to at least five years.

I will now turn the call over to VP to discuss our outlook for 2025.

Vincent Paul Berger

Executive Vice President & Chief Financial Officer, HNI Corp.

Thanks, Jeff. I'll start by discussing our outlook for revenue and profit. Beginning with top line, second quarter revenue in Workplace Furnishings is expected to increase at a mid-single-digit rate year-over-year when including the impact of tariff-related pricing actions. The benefits of improving orders in backlog are expected to drive revenue growth again in the second quarter to 2025. The Residential Building Products' second quarter 2025 net sales are projected to increase at a low-single-digit rate compared to the same period in 2024. We expect pricing actions to drive the majority of the growth with remodel/retrofit and new home construction volume growth returning in the back half of the year. We will be watching several key housing market drivers, including interest rates, home affordability and consumer confidence as the year progresses.

Shifting to our second quarter profit outlook, similar to last quarter, we expect temporary price cost pressure related to tariffs. First quarter pressure was lower than previously expected given the delays of tariff implementation. However, we now expect total tariff related price cost margin pressure in the second quarter to total \$3 million to \$5 million. As we look to the full year and based on what we know today, we continue to expect to offset the majority of the first half drag in the second half of 2025. And even when including the anticipated impact of tariffs, we are still expecting non-GAAP earnings per share in the second quarter of 2025 to increase solidly from 2024 levels. This projected improvement is driven by productivity benefits and volume growth, partially offset by investments.

The tariff situation remains fluid. However, we have the flexibility to adjust and expect to be able to manage the estimated impact for the full year. We have utilized the surcharge to allow us to adjust quickly to the dynamic environment. Going forward, we are also implementing list price adjustments in combination with the surcharge approach. In the second quarter, we expect operating margin in Workplace Furnishings to be relatively flat year-over-year, as the dilutive impact of tariffs offset volume improvement and continued profit transformational benefits. Residential Building Products operating margin is expected to compress slightly year-over-year in the second quarter as a result of lower volume, increased investments and tariffs. Again, when including the anticipated impact of tariffs, we're still expecting the non-GAAP earnings per share in the second quarter of 2025 to increase solidly from 2024 levels.

Moving to the full year of 2025. For the full year, we continue to expect volume growth in both segments. In Workplace Furnishings, we expect quarterly year-over-year revenue growth rates in the mid-single digits, excluding the benefit of an extra week in the fourth quarter.

In Residential Building Products, we expect quarterly year-over-year revenue growth rates in the low- to mid-single digits, excluding the benefit of the extra week. From an earnings perspective, our outlook is unchanged from what we provided last quarter. We expect another year of double-digit non-GAAP EPS growth, driven by KII synergies, the ramp-up of our Mexico facility and increased profits from volume growth. Our projections for 2025 net sales and earnings are based on current order patterns and leading indicators, with an acknowledgement that both are subject to elevated levels of uncertainty given the current conditions.

I'll wrap up with a few comments on our balance sheet and cash flow. Quarter ending gross debt leverage was 1.3 times as calculated in accordance with our debt agreements. The ratio was up modestly from the end of the fourth quarter of 2024, consistent with normal seasonal borrowing patterns. During the quarter, we continue to deploy cash through our long standing quarterly dividend and through the repurchase of stock in the amount of \$40 million, demonstrating our continued confidence in our future earnings and cash flow generation. The combination of our strong balance sheet and consistent cash flow generation will continue to provide a high degree of financial flexibility and capacity for investment. Our capital priorities remain reinvesting in the business, paying dividends, pursuing share buybacks and exploring M&A opportunities.

I'll now turn the call back over to Jeff.

Jeffrey D. Lorenger

Chairman, President & Chief Executive Officer, HNI Corp.

Thanks, VP. We remain focused on investing to drive revenue growth and on expanding margins. No doubt, the operating environment is dynamic. However, we have multiple avenues to drive growth and are prepared to manage through demand uncertainty and expect to extend our track record of consecutive years of double-digit EPS growth. And beyond 2025, we are positioned for continued success. We have elevated earnings growth visibility through 2026, broad and diverse product and market coverage in Workplace Furnishings, market leading positions in Residential Building Products, and we continue to invest to drive growth. All this is supported by our strong balance sheet and the ability to generate continued free cash flow. I want to thank each and every HNI member for their continued dedication and focus to succeed and congratulate them on another strong quarter.

We will now open the call to your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Greg Burns with Sidoti. Please go ahead.

Gregory Burns

Analyst, Sidoti & Co. LLC

Q

Good morning. Just first, I think you mentioned that contract orders were up 4%. What was the SMB order number last quarter?

Vincent Paul Berger

Executive Vice President & Chief Financial Officer, HNI Corp.

A

Slightly, slightly down 5% for Q1 orders at SMB.

Gregory Burns

Analyst, Sidoti & Co. LLC

Q

Okay. Okay. And it doesn't sound like there's been any kind of meaningful change in order patterns or buying activity. But are you hearing anything given kind of the increased uncertainty that we're seeing out there? Is there anything that maybe gives you pause where you might expect maybe contract demand to slow or catch down to what you're seeing in the SMB market?

Jeffrey D. Lorenger

Chairman, President & Chief Executive Officer, HNI Corp.

A

Greg, look, there's – let's start with, there is a lot of uncertainty out there, but I would tell you our funnel looks good. It's encouraging. Backlog is encouraging. We've been talking quite a bit about how some of these customers have been revising, revamping, relooking at these, at these, their offices and their moves, their orders. And so, right now, we feel that we've got a – it's a bit mixed. But look, those customers are committed. What we see is a lot of people making decisions for the long term. Those customers tend to invest in their businesses, have more wherewithal to invest in their businesses than maybe some of the smaller SMB who turn on and off quickly. So, it could change. But right now, what we see is that momentum holding up in the near term, and customers are hanging in there and are ready to invest in their business.

Gregory Burns

Analyst, Sidoti & Co. LLC

Q

Okay, great. And then I guess, maybe on the hospitality side, you mentioned, there's kind of more lumpiness or volatility there. Was it just against a tough comp this quarter or are you seeing any change in demand environment in the hospitality space?

Jeffrey D. Lorenger

Chairman, President & Chief Executive Officer, HNI Corp.

A

Yeah, look, one, it was a really tough comp this quarter. That's a big chunk of it. And the demand is, it's kind of a tale of two cities here. There's been some pull forward and then some delay. I would say that business really breaks in two ways, what we call program business and then custom business. The program business is kind of set. Those things are really kind of continuing to move forward. Some of the custom stuff is we've seen some

pause on and some reflection on timing and when people want to pull the trigger. So, that business will – we'll probably see that choppiness continue here for a bit, less the tough comp in the first quarter.

Gregory Burns

Analyst, Sidoti & Co. LLC

Q

All right. Thank you.

Operator: Your next question comes from the line of Reuben Garner with Benchmark. Please go ahead.

Reuben Garner

Analyst, The Benchmark Co. LLC

Q

Thank you. Good morning, everyone.

Jeffrey D. Lorenger

Chairman, President & Chief Executive Officer, HNI Corp.

A

Good morning.

Reuben Garner

Analyst, The Benchmark Co. LLC

Q

A question or two questions on the SMB business. Did you see any improvement in the transactional part of that in April when the tariffs were pulled back, or has it kind of remained muted? And then secondarily, I think, if I recall correctly, the low end of that business historically would kind of compete with some product coming in from China. Is that – is that an opportunity for you guys or do you have to bring in enough yourself that it's more of a neutral impact on you?

Vincent Paul Berger

Executive Vice President & Chief Financial Officer, HNI Corp.

A

I think, Reuben, a couple of answers there. I guess the first, the SMB, we talked about Q1 orders being down 5%. Transactional is obviously in there. It's a piece of it, a small piece of it. But it's also the business that goes in first, like we talked about last quarter, when there's macro uncertainty that our quick buying decisions doesn't require a lot of design help. Those are the quickest to go in, but they're also the quickest to go out. So, you asked about April. We actually did see orders start to pick back up over the last five weeks in that business. So, it shows you, it's the resiliency of it. And Jeff mentioned how important it is to us. And we're actually seeing some signs that there's some light to that.

As it relates to products, we can take that on our own. So, a lot of – most of the product, if not the majority of that is stuff that we can build ourselves, and we're not dependent on China for those products. So, we feel like our go-to market and support there is not indicative or needed, depending on anything that happens in Asia. We can handle that right here.

Reuben Garner

Analyst, The Benchmark Co. LLC

Q

Okay. And then the change in the tariff impact you or the impact in the second quarter, was that mostly related to the change in the percentage on China, or was there other factors, maybe reduced surcharge or others that led to that?

Vincent Paul Berger

Executive Vice President & Chief Financial Officer, HNI Corp.

A

I think the easiest way to describe that, it's really a delay from what we talked about three months ago and what happened with tariff delays, and then our order backlog built. And as the order backlog built, we're honoring those orders that are in backlog. We're not actually applying it to them. So, it's really no fundamental change that we talked about before, except we have a bigger order book, and then we have – we're protecting that for our customers. The good news is we have the orders. So, I mentioned the drag of \$3 million to \$5 million. We still fully expect that the actions that we've taken between surcharge and list across all the businesses will cover that from a full-year standpoint.

Jeffrey D. Lorenger

Chairman, President & Chief Executive Officer, HNI Corp.

A

And Reuben, I think, the [ph] 80/20 (00:37:53) to your question is, it's China, that second quarter was China driven for sure.

Reuben Garner

Analyst, The Benchmark Co. LLC

Q

Got it. Very helpful. And last one, I'm going to sneak one more in, if I can, the residential outlook for the second half, some, I guess, loose peers in the Building Products space have kind of been reducing end market assumptions for both new housing and R&R, certainly new housing, maybe less so R&R. But can you talk about what your end market assumptions are for the second half? In other words, what do you have in your control because of the easier comparisons with inventory and the growth investments that you've got internally?

Vincent Paul Berger

Executive Vice President & Chief Financial Officer, HNI Corp.

A

Yeah, I think there's a couple of things. We don't see a lot of help in the market in NCC, Reuben. Permits have been down in the last four months, low-single digit. So, we're not predicting any help there. And we weren't predicting a lot of help on the remodel side from a retail standpoint, but we also didn't see it as a negative. So, the way we see our growth there, Reuben, is our strategic initiatives are kicking in. We started those investments last year. You saw in the first quarter, we grew 7%, primarily in the remodel/retrofit market. As the year progresses, we put out there low-single digits. The new construction piece of that will be on the lower end of that, and the remodel side will be on the mid-single digits. And we see that just based on the initiatives that we have in place and where we made the investments. So, limited market help, yet we still expect low-single-digit growth in Q2 and mid-single-digit for the full year.

Reuben Garner

Analyst, The Benchmark Co. LLC

Q

Great. Thank you, guys, for the help. Appreciate it.

Operator: Your next question comes from line of Steven Ramsey with Thompson Research Group. Please go ahead.

Steven M. Ramsey

Analyst, Thompson Research Group LLC

Q

Hi. Good morning. Maybe, maybe to start out building on that residential topic, one of the focal points at the builders show a couple of months ago was the higher price point products with compelling features for the higher

end consumer. Can you talk about this roll-out thus far, the traction you're getting, and in this macro environment, do you expect that to be resilient or do you expect any kind of pullback in the near term, but maybe not changing your long-term view of where that product set can go?

Jeffrey D. Lorenger

Chairman, President & Chief Executive Officer, HNI Corp.

A

Yes, Steven. I think that's good insight. I think we do believe that's a strong platform for us. And we see that nothing's totally recession proof, so to speak. But that business, that piece of business has held up nicely. And the rate at which we are deploying that platform into the market has been well received. A lot of that product line is well received. And so, we think that can provide, will continue to provide support for us going forward. VP, I don't know if you've got anything else to add?

Vincent Paul Berger

Executive Vice President & Chief Financial Officer, HNI Corp.

A

Yeah. I mean, it's going into a lot of custom homes, and those are relatively resilient. So, I agree.

Steven M. Ramsey

Analyst, Thompson Research Group LLC

Q

Okay. That's helpful. And then wanted to pull up high level, think about Mexico production and with changing or evolving geopolitical situation, is there anything that kind of changes your strategic outlook around your production base there in the near term or long term?

Jeffrey D. Lorenger

Chairman, President & Chief Executive Officer, HNI Corp.

A

Steven, no, it really doesn't. We did that for supporting our growth initiative when we went down there, and that's still the case. We built a seeding center of excellence there, and we take the long-term view. And so, we have not – we continue to invest. And we see that as a really big part of our story. And we like our position there. So, we don't – we haven't really changed our view. As we often say, we're a long-term investors, and it's helping our visibility story that we keep talking about as well this year and next.

Steven M. Ramsey

Analyst, Thompson Research Group LLC

Q

Okay, great. And then last one for me, thinking about the earnings visibility that you have for this year and into next year, very solid. How do you expect that to translate into free cash flow over the next couple of years? I know you've got investments you're making, including CapEx, but curious how that translates into free cash flow.

Vincent Paul Berger

Executive Vice President & Chief Financial Officer, HNI Corp.

A

Yeah, we put the number of \$45 million to \$50 million that are going to come from those two transformational efforts. That will obviously generate that from a free cash flow standpoint. We expect that to be split between 2025 and 2026. And all it's going to do is allow us to continue our current [ph] capital investment (00:42:46). It will [ph] allow us (00:42:49) to make more investments that'll allow us to evaluate if we want to do more stock buyback. So, I think it just continues to create the financial flexibility. And the fact that those projects are underway, we're actually able to plan to have that cash flow on what we're doing.

Steven M. Ramsey

Analyst, Thompson Research Group LLC



Great. Thank you.

Operator: Your next question comes from the line of Brian Gordon with Water Tower Research. Please go ahead.

Brian Gordon

Analyst, Water Tower Research LLC



Good morning, everyone, and congratulations on the quarter. I guess, I have a tale of two cities question myself. If we take a look at the softness, especially on the order side with SMB and try and contrast that with the strength that you guys had in renovations for RBP, what do you make of that in terms of what it says about where Main Street and the consumer is? Because they seem to be kind of leading us in slightly different directions?

Jeffrey D. Lorenger

Chairman, President & Chief Executive Officer, HNI Corp.



Yeah, I think part of that is probably, if you look at the people with mortgages under 4% remaining in place, I think, high equity in their homes. And they, they are – the remodel activity has been fairly robust. I think we've seen that. And so, it's a little bit of a different. I wouldn't say they're – I understand your question. I wouldn't say they're exactly the same. They maybe have a small business that they go work out and they want to pull back because they're nervous. But at home, they feel more confident to do that remodel project they've been talking about. That's kind of how I see it. And we've seen this in the past as well. This one, I would tell you, is a little bit more unique relative to remodel side, just because the housing thing has been – has been – it's more of a in place long standing situation relative to people not moving. We all know that that secondary home market has been kind of locked up. And in the other SMB business, it's behaving exactly like it behaves every time we see a kind of a shock to the system in the economy. And so, that doesn't surprise us at all.

Brian Gordon

Analyst, Water Tower Research LLC



Great. Thanks. That definitely makes sense. I guess my second question, and this is kind of shifting focus to supply chain that you guys have. As tariffs have started to affect things, are there any constraints that have come up that have been unexpected and kind of where are you in terms of like the adjustments that you need to make to hit your full-year guidance?

Vincent Paul Berger

Executive Vice President & Chief Financial Officer, HNI Corp.



Yeah. I would say we haven't run into any constraints. In fact, we've got a pretty resilient supply chain, where we're able to move product to other countries. We've talked about this really isn't just about price, there's cost reductions, there's concessions from suppliers, and there's actually our ability to move stuff. So, I would say that, that hasn't been an issue. As it relates to how we're managing, it was just important to get our heads around what it is. What it is today is actually different than it was 90 days ago. That's allowed us to be proactive with our trade and communicate with them. That's important with them, so they can actually give good cost estimates with projects. And all of that's allowing us to be able to navigate it, I would say. And like we mentioned, we expect to offset the costs that we've already seen in the drag in the first half throughout the remainder of the year.

Brian Gordon

Analyst, Water Tower Research LLC



Great. Thank you.

Operator: I'll now turn the call back over to Mr. Lorenger for closing remarks. Please go ahead.

Jeffrey D. Lorenger

Chairman, President & Chief Executive Officer, HNI Corp.

Great. Thanks for everybody taking the time out of their day to join us and get the update on our first quarter. Have a great day.

Operator: Ladies and gentlemen, this concludes today's call. Thank you all for joining and you may now disconnect.

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