



**HNI Corporation**

**Third Quarter Fiscal 2022 Results Conference Call**

**October 24, 2022**

## CORPORATE PARTICIPANTS

**Matthew McCall**, *Vice President, Investor Relations and Corporate Development*

**Marshall Bridges**, *Senior Vice President and Chief Financial Officer*

**Jeffrey Lorenger**, *Chairman, President and Chief Executive Officer*

## CONFERENCE CALL PARTICIPANTS

**Reuben Garner**, *The Benchmark Company*

**Rex Henderson**, *Water Tower Research*

**Gregory Burns**, *Sidoti & Company*

**Steven Ramsey**, *Thompson Research Group*

## PRESENTATION

### Operator

At this time, I'd like to welcome everyone to the HNI Corporation Third Quarter Fiscal '22 Results Conference Call.

Thank you. Mr. McCall, you may begin your conference.

### Matthew McCall

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 Third Quarter Fiscal 2022 Results. With me today are Jeff Lorenger, Chairman, President and CEO, and Marshall Bridges, Senior 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 risks. Actual risks 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 Lorenger

Thanks, Matt. Good morning, and thank you for joining us. Our members delivered strong earnings growth in the third quarter, despite softer demand tied to the weaker macro environment.

On the call today I will cover three key points. First, despite the softer volume environment, we delivered strong earnings growth in the quarter. Second, our Residential Building Products business posted double-digit organic revenue and earnings growth in the quarter. And third, we are prepared for a difficult near-term environment and remain committed to our core strategies. Following those comments, Marshall will go through our updated 2022 outlook. I will then conclude with some general closing commentary. Finally, we will open the call to your questions.

Moving to our first key point, we delivered strong earnings growth in the quarter driven by positive price costs and improving product mix. Despite the softening demand environment, we generated solid year-over-year margin expansion and 65% year-over-year non-GAAP earnings growth in the third quarter.

Consolidated gross and operating margins improved sequentially and on a year-over-year basis, supported by favorable price costs. We continue to make significant improvement with price costs, and by the end of this year expect to fully recover last year's shortfall that was driven by rapidly rising inflationary pressures.

In workplace furnishings, we made progress on our strategic objective of expanding operating margins. Segment operating margins expanded 150 basis points compared to the prior year, driven by favorable price cost and benefits tied to actions made over the last year to improve product mix.

Organic revenue growth was flat in the quarter. However, when excluding the impacts of the recent restructuring in one of our e-commerce businesses segment, shipments grew 7% driven by price realization. Although that restructuring negatively impacted our top line growth, it contributed to our margin expansion, reflecting our commitment to improving profitability and workplace furnishings.

I will now move on to my second key point. Our Residential Building Products business delivered double-digit organic revenue and earnings growth. Segment revenue grew 10% organically versus the same period last year. We generated revenue growth in both new construction and remodel retrofit with both channels growing at similar rates during that quarter,

While third quarter orders were down modestly on a year-over-year basis, and while we expect and are prepared for near-term challenges in the housing market, our category leading positions and favorable housing demographics continue to reinforce our long-term bullishness for this high margin, high return business.

Segment profitability was robust in the quarter. Operating profit increased 19% year-over-year, and operating margin expanded 50 basis points to 17.7%. Positive price cost accounted for the majority of the profit improvement. Our long-term strategic focus in this business is unchanged. We will grow revenue by expanding the category and taking advantage of our strong competitive positioning and attractive long-term market dynamics, while at the same time maintaining our margins.

Our competitive position is unique and we have a track record of outperforming the market, including during periods of weakening housing demand. There are several factors that differentiate us. First, our vertical integration provides the benefits of a stack margin and better control of our marketing message and service levels. Continued vertical integration through pursuit of organic and inorganic opportunities will remain an important part of our long-term growth strategy. Second, our regional distribution footprint provides unmatched customer service, and limits the need for working capital investments by our channel partners. Third, our price point breadth, product depth and channel reach are unique in the industry and allow us to address the needs of customers of all sizes in all markets. Finally, our lean manufacturing and product development capabilities are unparalleled in the industry, and allow us to continue to expand our competitive differentiation.

We'll finish with my third key point. We are planning and prepared for a difficult near-term environment, and notwithstanding we remain committed to our core strategies. Broader macro indicators point to increasingly challenging operating conditions as we move into 2023. In workplace furnishings, the outlook for corporate profits is softening and executive sentiment is at recessionary levels. As a result, we are seeing companies be more cautious with spending.

In Residential Building Products, we are expecting top line declines in 2023. Higher mortgage rates are negatively impacting affordability, which is pressuring new home construction and remodel retrofit activity. During the quarter, in response to the softer demand trends in anticipation of weaker macro conditions in 2023, and as part of ongoing efforts to improve long-term profitability, we initiated a corporate-wide cost reduction plan.

While these actions will strengthen our earnings and cash flow during what is expected to be a weaker economic period in 2023, they also will provide another source of support as we work toward our core long-term strategy of expanding margins and workplace furnishings and for the Corporation. When fully implemented, the permanent savings associated with these actions are estimated to be \$30 million on an annual basis. Our team is experienced, and will stay focused on our long-term core objectives, despite macroeconomic headwinds.

Before I turn the call over to Marshall, I want to comment on recent market dynamics in workplace furnishings, specifically what we are experiencing and what our research tells us, and why both provide encouragement about future demand trends.

During the third quarter, we faced a wide range of demand patterns in workplace furnishings. Orders from larger contract customers in major markets remained subdued, as business leaders appeared increasingly hesitant to spend given weakening economic conditions.

In addition, many of these customers continue to struggle with how to effectively execute their office re-entry objectives. In general, larger customers are active and engaged with us to understand what working model and furniture applications best fit their objectives. This has resulted in a more complicated sales process, and as these customers iterate and evaluate multiple possibilities. They're also taking longer to reach decisions and in many cases deferring decisions.

At the other end, smaller transactional activity sold through national supply dealers and wholesalers was also weak throughout the third quarter. Historically, this part of the market tends to react quickly to macro uncertainty, consistent with what we are currently experiencing and what we shared with you on our last earnings call. Unlike those two areas of softness, demand from the midmarket where we hold a leading position, shows strength in the quarter.

When compared to contract customers in larger markets, we're finding midmarket customers are more likely to be back in the office utilizing either traditional in-person or hybrid working models, in which employees split time at home and in the office. The positive midmarket activity is indicative of underlying demand tied to return to office and adoption of hybrid work. That demand is driving growth in the midmarket even in the face of increasing economic doubt.

We are encouraged by this trend as it illustrates the underlying strength and demand that will emerge more broadly once the economy stabilizes and as more customers implement office re-entry plans. To that point, our research indicates several trends have developed over the last two to three quarters. First, full time remote work is becoming less favored by both employers and employees with both increasingly realizing the long-term shortcomings of zero face-to-face interaction.

Second, hybrid working models continue to grow in popularity. Again, both employers and employees increasingly see the benefits of this balanced approach, and importantly, our research and our recent experiences both indicate the shift to hybrid comes with a need and willingness to spend more on furniture. While activity with some customers may be paused given current conditions, we believe we are

well-positioned from a market, product and price point perspective to benefit from the eventual market recovery.

I will now turn the call over to Marshall to discuss our outlook for the remainder of the year. Marshall?

### **Marshall Bridges**

Thanks, Jeff.

Demand in most of our markets continues to be negatively impacted by concerns around the economy. As a result, we're lowering our outlook for the rest of the year. In workplace furnishings, we expect fourth quarter revenue to decline at a low teens year-over-year rate, that equates to a full year revenue growth rate in the low to mid single digits. That's lower than our prior expectation of low teens full year growth. The reduced outlook is driven by slower demand activity.

As a reminder, the sale of Lamex and the previously announced restructuring of an e-commerce business, will reduce reported segment growth in 2022. Without these actions, which helped drive our margin expansion efforts, full year growth would be approximately 12 percentage points higher and the fourth quarter revenue growth rate would be in the positive low single digits.

In Residential Building Products, pricing benefits and revenue from acquisitions are expected to drive year-over-year growth rates in the low to mid single digits in the fourth quarter. This implies a full year growth rate in the mid to high teens Residential Building Products; we had previously projected a full year growth rate in the high teens. Again, a lower volume outlook is driving the reduction.

I'd like to point out that our revenue growth rates in Residential Building Products are currently being supported by elevated backlogs. We expected the backlogs to normalize by early next year, after which we expect our growth rates will track more in line with the overall new construction and remodel retrofit markets.

Fourth quarter non-GAAP earnings are expected to decrease sequentially from third quarter 2022 levels, but be modestly above prior year results primarily due to favorable price cost.

From a balance sheet perspective, we expect to maintain a strong financial position in 2022 and beyond. Debt to EBITDA, as calculated per our debt covenants, was 0.8 at the end of the third quarter, and we expect it will improve in the fourth quarter as debt levels further decline. Our strong balance sheet and capacity to generate free cash flow positions us well for the slowing economy.

We have a history of generating strong free cash flow during both periods of economic expansion and recession. Our low leverage and continued free cash flow generation will provide flexibility for the dynamic environment and ample capacity for continued capital deployment.

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

### **Jeffrey Lorenger**

Thanks, Marshall. We remain focused on our two primary long-term objectives, improving the profitability of our workplace furnishing segment by driving margin expansion, and delivering strong top line growth in Residential Building Products by leveraging our differentiated business model. As we move forward, we do so with an experienced team that is prepared to confront an increasingly difficult economic environment, while remaining committed to our long-term core strategic initiatives.

We'll now open up the call to your questions.

### **Operator**

Thank you. Our first question is from Reuben Garner with The Benchmark Company. Your line is open.

**Reuben Garner**

Thank you. Good morning, everybody.

**Jeffrey Lorenger**

Good morning.

**Reuben Garner**

If we could start on the cost saving initiative. First, Marshall, any color on the timing of the realization would be helpful. Then secondly, I guess if you could discuss kind of—you seem to be still pretty optimistic on the long-term story within building products, how you balance or think about your growth investments that you've been making over the last few years in the wake—in the current environment? Thanks.

**Marshall Bridges**

Sure, I'll take that cost savings question first, Ruben. The \$30 million we expect to be basically fully realized in 2023. The first quarter may be a little bit below that run rate as it becomes mature, but it'd become mature during that quarter.

**Jeffrey Lorenger**

Yes, Ruben, it's Jeff. We still like, as I said, the long-term opportunities in Residential Building Products and our efforts continue to expand the category, both in the new construction and remodel retrofit. We've got a new product pipe, that's pretty—that is strong. We're getting into the electric category in a big way. We've done some inorganic growth moves through our distribution footprint. So, 2023, clearly, the economy is in—we're going to face headwinds, particularly in the housing market. But we like our chances to offset some of that anyway with these growth initiatives, and we're seeing that right now even currently.

**Reuben Garner**

Okay, great. Then on the building products side, you mentioned new construction held up better than R&R in the quarter, I think, at least from an orders perspective. Can you talk about on the R&R side, is that a product that's inventoried? Was there a destocking that took place in the channel at all that impacted things? Then I assume as kind of the backlog in new housing unwinds that part of the market, you would expect to kind of see more pressure than R&R moving forward. Is that the right way to think about it?

**Jeffrey Lorenger**

Yes, Ruben, maybe just to take these in order, we did see the R&R orders in the quarter to be down more than the segment average. And that reflected maybe two things. One is timing in that we had a lot of orders placed earlier in the year for fourth quarter deliveries. So, even though orders were down in the third quarter, we expect shipments in the fourth quarter and remodel retrofits to grow pretty decently.

It also probably reflects a little bit of impact from the decline in the consumer spending trends around the house, but there's definitely some timing impact there. Then I think as we look forward, historically remodel retrofit is just less volatile than new construction. So yes, we do expect new construction to decline more than remodel retrofit when all this housing impact hits.

**Reuben Garner**

Okay. As a follow-up to that, as you think about where the business is today versus maybe three, four or five years ago, is there any way for us to gauge how much either increased penetration there is in the use of fireplaces, on the new construction side or your incremental share gains in the segment? Just trying to see maybe what revenue and I guess you could throw pricing in there too, what revenue might look like? If it starts with a return to what we kind of saw back in '17, '18, '19?

**Marshall Bridges**

There's a lot of moving parts to that equation. We're definitely going to fighting affordability and lots of other pressures. We got a lot of good strategic initiatives that Jeff mentioned around (inaudible) expand the category on our new products. But, I think in general, Reuben, the way to think about it is that we should track single family construction, plus or minus a few percent at least over the near-term.

**Jeffrey Lorenger**

I think that's right, Marshall. Reuben, the other thing I would say is, the business is much more in tune to the customer journey and to creating poll (phon) for our products. There's a lot of online selling now. We've deployed a lot of digital assets early in the customer buying process. And despite the fact that we're kind of in a near-term pinch, I think that's a change in the business longer term that's going to pay dividends. So like I said, we're even seeing it now relative to being in touch with customers, being in touch with design aesthetics, and influencing those purchase decisions earlier in the process with much more specificity and, particularly, with our owned footprint and that where we can control that content and work closely with the builders. So, that we've got a lot underway there, which I think if you ask about change from '18, to say, let's project to '24 or '23 even, that's, I think, going to pay dividends. They will be muted, given the overall macro, but those will, I think, accelerate once we get through some of the affordability issues.

**Reuben Garner**

Okay, great. Thanks, guys. Good luck going forward.

**Jeffrey Lorenger**

Thank you.

**Operator**

The next question is from Rex Henderson with Water Tower Research. Your line is open.

**Rex Henderson**

Good morning, and thanks for taking my question and congratulations on the work you've done on margins in bringing them back. That's really quite encouraging and impressive. Let me get to the workplace segment. We've just recently begun to see a little bit of uptick in back to office according to this Capital Systems Index on (inaudible). And I'm wondering if you're seeing any correlation between a market where there's a positive result in that index and positive results in back to office, your customer activity and orders?

**Jeffrey Lorenger**

Well, Rex, that's a good question. I think when I comment on the midmarket, I think that is exactly what we're seeing. I mean, even in the light of the economic outlook, we're seeing—we generated solid growth

in the midmarket. In some of those mid tier cities, they have adopted either the traditional or the hybrid model and they are back to work, and that's why I think: one, we hold a strong position there. And two, I think that's indicative as this continues to work through and swiping starts to get—increase in other markets. That's a solid indicator for demand coming out of this.

**Rex Henderson**

Okay. Interesting. On the residential side, I'm interested in new construction. You said that you think you're tracking new construction starts more or less in orders there? Can you give me a little bit color on what orders—the trend in orders there? Kind of where you see it, say, at the end of the year?

**Marshall Bridges**

Yes, Rex, you're asking about Residential Building Products orders?

**Rex Henderson**

Yes.

**Marshall Bridges**

Yes, so as we stated in the press release, orders were down about 6% in the third quarter versus the prior year. New construction is stronger than remodel retrofit as I said earlier. In that new construction, strength really reflects the builder backlogs, the backlogs at our installing distributors, so there's still orders coming in. We do expect that to fall off and interact more in line with housing permits, and just general housing activity. Remodel retrofit orders have declined more. As I said earlier, there's some timing to that. There's also some probably consumer impact there. But we have a big backlog to work through there. Our backlog and remodel retrofit is elevated due to the orders that were placed earlier in the year. That's going to buffer and soften any kind of decline we have; probably takes the rest of the year maybe into 2023, early 2023 to normalize that backlog.

**Rex Henderson**

Okay. So you think early, by January, February, the backlog will be gone. At current trends what do you think orders are—where are orders going between now and then? Do you have any feel for that?

**Marshall Bridges**

The easier part of that question answer is yes. The backlog should be normalized by, say, January, February. The harder part is to speculate on what orders are going to do. Certainly, we see weakness in the new construction activity around permits, which are running roughly down 20% versus prior year. Remodel retrofits are a little bit harder to gauge and that there's not as many leading indicators to that. But signs show that's going to be soft as well. We're prepared for it to be down, Rex. I don't know that we're able to offer a quantitative outlook, how much it's going to be down right now.

**Rex Henderson**

Okay.

**Jeffrey Lorenger**

Yes, Rex, I would add to that, Rex, just kind of have you step back from the specific where are orders heading in the short-term. Look, everybody knows the economy is in a tough spot as we enter '23. Most of the leading indicators are slowing. We're seeing some of that as well. Now, we're prepared for softer demand. We're adjusting the business with cost savings and other efforts. Now, I will tell you historically,

we have a track record of success managing through downturns. Our balance sheet is in great shape. We generate cash flow. So, it could be challenging short term, but we're encouraged by the opportunities, once the economy stabilizes.

We have unique operating models. As we talked about, as I commented earlier, we're going to stay on our long-term core objective of strategic initiatives. And then workplace, like I said, the midmarket I think is indicative of strength and when return to office activity comes back in earnest and adoption of hybrid continues to grow, there's still a war for talent and our exposure across these markets, and particularly in North America, where we primarily operate, I think is going to bode well for us.

As I commented earlier as well, on residential side, we are just talking about our efforts to—that we've put in investments, pretty significant investments last few years to connect to customers, to expand the category, to create awareness, to understand design patterns, to leverage our strong distribution model, those all point to a really strong opportunistic and outlook, once we kind of get through this near-term headwind.

**Rex Henderson**

Okay. Well, thanks for your time. Good luck.

**Jeffrey Lorenger**

Thanks. Appreciate it.

**Operator**

The next question is from Greg Burns with Sidoti. Your line is open.

**Gregory Burns**

Good morning. What percent of your business is contract midmarket and SMB? Can you just segment out the sizing of those three segments of your business?

**Marshall Bridges**

Yes, Greg, we like to talk about contract and SMB roughly being 50-50 split. It's not a precise split. SMB might be slightly bigger. I think what you're getting at is, SMB actually, we've chosen to break out a couple sub components of SMB here by talking about the midmarket and the transactional business. We don't offer a precise split on that. The midmarket would be larger than the transactional business, but we don't give a precise mix.

**Gregory Burns**

Okay. And then, relative to \$30 million in cost savings, there was a \$5.6 million charge this quarter for some restructuring. Is that tied to the \$30 million? Is that a separate set of cost savings? How should we think about that?

**Marshall Bridges**

No, that's directly related to the \$30 million. The corporate-wide cost savings program will save \$30 million, which fully mature next year, and we incurred \$5.6 million of charges related to it in the quarter.

**Gregory Burns**

Okay. And total SG&A was down. It was lower than we expected; down pretty significantly sequentially. And I'm assuming some of that's variable. But once the '23 rolls around and goals reset, I'm assuming maybe some of that variable comp comes back online. So, I'm just trying to figure out based on the better, the lower-than-expected operating expenses this quarter, what's a good run rate to build off of as we go into '23 and start factoring in some of those cost savings?

**Marshall Bridges**

Yes, that's a good observation, Greg. The third quarter, the P&L did benefit from lower variable compensation. There was an adjustment made there that's sort of one-time in nature. So, in terms of ongoing run rate, none of those numbers have the \$30 million in it. We're going to continue to adjust the business as Jeff mentioned earlier, for the challenging short-term we're expecting. I don't know that we have an estimate on what SG&A is. We're always going to continue to invest a bit. But we are prepared for a more challenging 2023.

What I would offer is that we do have some offsets and actions. Of course, the cost actions that we just talked about, the \$30 million program, is one of three things that can offer some benefit next year. The other two that we would expect price cost to be favorable in 2023, and that we'd also expect net productivity to improve given that supply chains are normalizing and our Mexico operation is maturing. Collectively, those are probably offering benefit in the range of \$80 million next year, which we expect will help offset, partially mitigate the volume pressure. But in terms of SG&A run rate, we don't have an outlook for you.

**Gregory Burns**

Okay. No, that's definitely helpful. I guess, you maybe kind of answered part of this next question. But sounds like you're catching up on price costs. So it seems like inflation is becoming less of a concern. But any update on supply chain freight, any labor, any of these other kind of moving parts that have been impacting the margins over the last year or so? Are you seeing any improvement on that front?

**Marshall Bridges**

Yes, we are. We, in the last call, we talked about price cost for the Corporation being favorable \$60 million to \$70 million. For 2022, we're expecting that to be in the \$75 million to \$80 million range. The reason for the increase is more stabilization in commodities.

**Jeffrey Lorenger**

Yes, I would say, Greg, relative to supply chain, it is stabilized as well, although it's not at pre-pandemic stability. But operationally it's still a bit of a challenge. But it's much more stable than it was a year, two years ago.

**Gregory Burns**

Yes. All right. Thank you.

**Jeffrey Lorenger**

Thanks.

**Operator**

The next question is from Steven Ramsey with Thompson Research Group. Your line is open.

**Steven Ramsey**

Hey, good morning. I'm sorry, I got disconnected for a minute. So sorry, if I'm asking the same question again. Maybe to start with on resi, where is inventory now? Entering the slowing period, do you think the channel and HNI specific inventory is in a good place to adjust for that?

**Marshall Bridges**

Steven, you're asking like channel inventory? Is that kind of your question?

**Steven Ramsey**

Right, on the resi side specifically.

**Marshall Bridges**

Yes, I mean, look, there's probably some inventory there that needs to be adjusted. But recall, we've got this unique regional distribution center network in which we hold inventory and deliver in just a few days to majority of our dealer partners. So I don't know that there's a big inventory correction, although there's probably a little bit there.

**Jeffrey Lorenger**

Yes, I think there's probably a little bit there, but we've kind of been monitoring that. It's been flushing through throughout the year. Distributors, clearly—some of them loaded up based on lead times and supply chain issues, Steven, but they've unwound a big chunk of that. I think we're getting to the end of that here and the backlogs are going to be mostly normalized by the end of the year.

**Steven Ramsey**

Okay, helpful. Then on resi margins increasing again and at their pretty normal high teens levels, can you talk to price cost specifically there, and with the investments, can you talk to the impact on investments for growth in the third quarter and how you think about it in the coming quarters with the near-term slowing?

**Marshall Bridges**

In Residential Building Products, we did generate positive price cost, approximately \$10 million that added to operating margins. We did invest in the quarter. In that segment, it was around a \$1 million of investment. It spread across the go-to-market activities we discussed, grow the category, new products, etc.

**Steven Ramsey**

Okay, helpful. And then looking forward on signals of inflection, you talked about how transactional activity in the workplace segment is moving with the economy. Are you looking for that internally as your key signal for optimism and activity turning up? Or, are there other internal metrics that you're looking at?

**Jeffrey Lorenger**

Steven, we look at all aspects of the business. I think transactional historically has been pretty predictive of general economic trends. But we're in this period of the post-pandemic kind of office redo, and so we're slicing it a lot, multiple different ways, that's why we kind of talked about the midmarket. You're seeing regional differences, you're seeing signs of business differences. And so I think we're going to continue to look at all that.

The midmarket, as I said in my prepared remarks, I think is going to be indicative of maybe—some of the other segments relative to return to office, floor plate (phon) application, hybrid models. Even in this uncertain time, that's showing some strength. So, I think we don't have—we're kind of in uncharted waters there post-pandemic. So, we're going to look at all of it, and the midmarket was our attempt to give you a little bit of a new nuance of how we're going to look at it.

I'll tell you, we're going to continue to—you asked a question just a minute ago about residential, we will continue to invest in our core strategies on expanding workplace furnishing margins and driving top line growth, notwithstanding near-term kind of headwinds in housing.

**Steven Ramsey**

Okay, helpful. Thank you, guys.

**Jeffrey Lorenger**

Thanks.

**Operator**

The next question is from Reuben Garner with The Benchmark Company. Your line is open.

**Reuben Garner**

Thanks, guys. My follow-up question was actually just asked and I couldn't figure out how to get out of the queue. So I'm going to ask one more clarification, while I have you, though. So the last quarter, I think you talked about the smaller businesses turning as the macro conditions worsened. Just to clarify this quarter, have you seen any rebound from them at all? I know you're talking about the middle market—midmarket showing strength, but is that to say that small businesses have improved? Can you just talk about them versus contract on the order front? Thanks.

**Jeffrey Lorenger**

Yes, I think, Reuben, that was the question Greg was kind of asking too, I think is SMB is inclusive of what we call transactional, real day-to-day business and kind of midmarket business. So, what I would say is, as we've said, the midmarket customer, which is some small—a good chunk of small business has been pretty, pretty robust. The transactional business has continued to be down. We commented on that last time, and it is not showing signs of turning. It's very historically driven by macroeconomic trends and that tends to be really small business customers.

**Reuben Garner**

Got it. Thanks. That makes sense. Good luck, guys.

**Marshall Bridges**

Thanks.

**Jeffrey Lorenger**

Thanks.

**Operator**

We have no further questions at this time. We'll turn it over to Mr. Lorenger for any closing remarks.

**Jeffrey Lorenger**

Great. Thanks for your interest in HNI, and thanks for taking the time to join us today to chat about the business. Have a great day. Thanks.

**Operator**

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.