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**HNI Corp.** (HNI)

Q2 2020 Earnings Call

## CORPORATE PARTICIPANTS

### Matthew McCall

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

### Jeffrey D. Lorenger

*Chairman, President & Chief Executive Officer, HNI Corp.*

### Marshall H. Bridges

*Senior Vice President & Chief Financial Officer, HNI Corp.*

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## OTHER PARTICIPANTS

### Reuben Garner

*Analyst, The Benchmark Co. LLC*

### Steven Ramsey

*Analyst, Thompson Research Group LLC*

### Greg J. Burns

*Analyst, Sidoti & Co. LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning. My name is Jason and I will be your conference operator today. I would like to welcome everyone to the HNI Corporation's Second Quarter Fiscal 2020 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] As a reminder, today's conference call is being recorded.

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

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### Matthew McCall

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

Thank you. 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 second quarter fiscal 2020 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, 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 now pleased to turn the call over to Jeff Lorenger. Jeff?

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### Jeffrey D. Lorenger

*Chairman, President & Chief Executive Officer, HNI Corp.*

Thanks, Matt. Good morning, everyone. Let me start by saying our members did a great job of managing through challenging second quarter conditions. We aggressively managed costs and drove productivity, offsetting much of the impact from lower volumes. We kept our focus on our customers and also played offense, generating and

seizing market opportunities where we could. Moreover, through this experience, we have developed new and better ways to operate our businesses that will benefit us in the future.

We delivered solid profitability in the second quarter. Our cost containment efforts combined with the top line benefits from our diversified revenue streams, the breadth of our price points, our channel reach and our ability to quickly pivot all contributed to the better than expected results. While we told you in the first quarter call that we expected a loss in the second quarter, the combination of these items helped us deliver a quarterly profit. Moreover, given our solid results in the second quarter, our year-to-date earnings per share is actually up slightly versus the first half of 2019. This is a great accomplishment given the many headwinds we are facing and it demonstrates again what is unique about HNI.

Last quarter, we told you we had two priorities when it comes to our pandemic response. First is the health and wellbeing of all HNI members. Second is to successfully navigate the pandemic in the short-term by supporting cash flow and maintaining our strong balance sheet while remaining focused on our long-term strategies. So far, we have successfully navigated both priorities. We quickly adjusted our facilities and were able to operate safely and effectively to serve our customers. In addition, as we began returning to our offices, we implemented multiple safety measures to ensure a safe process for all members. Our members' safety remains paramount. We also further strengthened our balance sheet. We generated free cash flow in excess of prior year levels and significantly lowered our already modest debt level. We have the financial strength and cost structure to successfully weather this crisis and any aftershocks for a prolonged period.

Given our financial strength and demonstrated ability to flex costs, we are making two changes. First, we are restoring salaries to their pre-pandemic levels, 60 to 90 days earlier than initially anticipated. If you recall, we implemented temporary salary reductions as part of our balanced approach to the pandemic. Our members over-delivered on multiple fronts in the second quarter. I'm grateful for their efforts and happy that we are able to restore salary levels about a quarter earlier than originally anticipated. Second, we are accelerating our investment levels. I would like to note that these actions are a direct result of our financial position and the efforts of our members. It is not an indication that the crisis is over and we acknowledge our markets continue to be dynamic. That notwithstanding, we see opportunities and are using our strong financial position to invest.

I will now share some thoughts on the demand picture across our businesses, what we experienced in Q2, what we are experiencing currently and how we view the future. First, our Q2 year-over-year order activity. Here's what we have been seeing recently. Orders in domestic Workplace Furnishings excluding our e-commerce business were down 36% in Q2. Over the past five weeks, they are down 33%. We are generally seeing a seasonal uptick in orders, but our year-over-year declines have remained relatively constant and are in line with what we have experienced in previous recessions. E-commerce orders were up 114% in Q2 and up 87% over the past five weeks. We are confident this business will still deliver strong growth both in the near and long-term.

Residential Building Products orders were up 2% in Q2 and we continue to see positive growth rates over the past five weeks. We believe the secular trends discussed last quarter, which I will detail again in a moment, are providing consistent tailwinds. We are keeping an eye on land and labor shortages for builders which could slow down production. However, indications are encouraging thus far. Again, [ph] our diversified (00:06:26) revenue streams, price point breadth and channel reach are unique to HNI, and our recent growth rates reflect these benefits.

Next, as we discussed last quarter, we are seeing several positive trends that should provide near-term and post-pandemic revenue support. In our Workplace Furnishings segment, we see the potential for multiple supportive secular trends. First, increased office floorplate resets as organizations work to adjust to the new social distancing

environment. Second, increased demand for our architectural products platform which can quickly create physical separation with minimal construction time while maintaining natural light. And third, more demand tied to work from home and from increased smaller satellite office locations. HNI is uniquely positioned to benefit from these trends given the value orientation of many of our brands.

Generally, these trends will take some time to gain momentum. Most of them will require a broader and more meaningful return to the office than we are currently seeing. Customers are generally assessing their options right now and are still in a mode of figuring out next steps. These trends won't be enough to offset near-term cyclical pressure especially with the new growth in COVID cases nationally. However, HNI is particularly well-positioned to take advantage of these secular opportunities as they develop.

In our Residential Building Products segment, the positive order trends reflect our strong competitive position in the market and specifically with large national builders. In addition, trends tied to de-urbanization, elevated nesting and work from home trends, record low mortgage rates and low housing inventory all support positive demand patterns and should provide cyclical and secular support going forward. We're excited about the cyclical strength, secular opportunities and company-specific initiatives within our Residential Building Products segment.

I will now turn the call over to Marshall to discuss our second quarter results and our current financial position. I will then come back to give some concluding thoughts. Marshall?

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## Marshall H. Bridges

*Senior Vice President & Chief Financial Officer, HNI Corp.*

Thanks, Jeff. Consolidated non-GAAP net income per diluted share was \$0.20. That was down from the \$0.38 we reported in the second quarter of 2019. Second quarter consolidated organic sales decreased 21.2% versus the prior year. Including the benefit of acquisitions, sales were down 20.6%. Consolidated non-GAAP operating income declined \$9.4 million versus prior year on a sales decline of \$109 million, which means our deleverage rates or decremental margin was 8.6%. That's well below our targeted range of 25% which includes the benefits of cost actions. Given the circumstances, our members did a great job of limiting the impact of declining volume.

In the Workplace Furnishing segment, first quarter sales decreased 24.8% year-over-year. Despite the top line pressure, we were able to generate \$7.8 million of non-GAAP operating income in the segment. While that is down from the \$19.7 million in the prior year quarter, the decremental margin was only 11%. Sales in our Residential Building Products segment decreased 8.6% year-over-year organically and 6.1% when including acquisitions. Within the segment, new residential construction revenue declined 5% organically and sales of remodel and retrofit products were down 15% year-over-year. Despite the year-over-year sales pressure in Q2, we delivered higher operating profit and expanded operating margin versus the prior year. Operating profit totaled \$14.4 million compared to \$13.4 million in the prior year period; and operating margin was 13.1%, up from 11.5% in the second quarter of 2019.

For HNI overall, second quarter gross profit margin was 36.1%. This was down 50 basis points year-over-year primarily due to volume. Our second quarter non-GAAP tax rate was 32.5%. This was abnormally high driven by changes to our full year earnings outlook. We expect that tax rates return to more normalized levels moving forward. I should note that the only difference between second quarter GAAP and non-GAAP EPS was tax. Non-GAAP EPS excludes the tax impact from one-time charges that we recorded in the first quarter of 2020. So overall, our second quarter results again demonstrated the strength of our operating platform.

Okay, let's shift and now talk about our liquidity and debt levels. At the end of the second quarter, we had \$183 million in total debt which was down \$47 million from the first quarter and was \$103 million lower than the prior

year quarter. Our gross leverage or gross debt to EBITDA ratio was 0.8 times. This remains well below the 3.5 times gross leverage covenant in our existing loan agreements. From a net debt perspective, our leverage ratio of 0.7 times is down from 0.8 times last quarter and 1.2 times in Q2 of last year.

Our teams have done a nice job of managing the balance sheet and generating cash flow. Free cash flow for the second quarter was \$54 million, more than double the \$23 million we generated in the second quarter of 2019. Given our low leverage ratio, free cash flow levels and ability to quickly adapt our cost structure, we expect to maintain our strong financial flexibility in a variety of scenarios. This means we will remain well within our debt covenants, we expect to reduce year end net debt below last year's level and we project free cash flow will be significantly above our \$52 million dividend.

So as we look forward to the rest of the year, the pandemic has limited our visibility and our ability to provide sales and earnings guidance. However, we will share a few thoughts on what we expect. First, as I just covered, we do feel confident in our ability to generate strong free cash flow and maintain our strong balance sheet under a variety of scenarios. Second, we expect third quarter sales and profit to track ahead of second quarter 2020 levels primarily due to seasonality. Third, we continue to believe 25% is the appropriate deleverage or decremental margin estimate over time; that's higher than what we just achieved in the second quarter. We're expecting the impact of salary restorations, investment acceleration and less favorable business mix to pressure decrementals in the second half. As a result, we expect decrementals to be in the range of 20% for the full year 2020.

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

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## Jeffrey D. Lorenger

*Chairman, President & Chief Executive Officer, HNI Corp.*

Thanks, Marshall. In the quarters leading up to the pandemic, investments made in recent years were delivering returns. You can see evidence in our recent revenue, margin and cash flow trends. Then, this past quarter demonstrated more what is great about HNI. Not only were we able to quickly adjust our cost structure to support cash flow and our balance sheet as our Q2 results indicate, but we also took additional actions during the pandemic that will be additive to our pre-COVID strategic momentum and support our profitable growth strategic framework. Our members remain optimistic, nimble and thoughtful, and our pandemic-driven successes will help our businesses going forward.

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

## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Your first question comes from the line of Reuben Garner from The Benchmark. Your line is open.

**Reuben Garner**

*Analyst, The Benchmark Co. LLC*

Thank you. Good morning, everybody.

Q

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

Good morning.

A

**Reuben Garner**

*Analyst, The Benchmark Co. LLC*

Maybe starting with the two changes that you made on the compensation returning to pre-COVID levels and acceleration in your investments. Can you just talk about what gives you the confidence to do that? It sounds like maybe some of the pressures in the traditional office are still there and may be there a while. Is it the growth in the e-commerce and the Building Products segment that's giving you the most confidence to restore things or is there more to it than that?

Q

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

Well, yeah. I think, Reuben, it's a good question. I think we believe – we see our balance sheet strong, cash flow is strong, the businesses are performing well given the environment, and so our members have worked hard and we don't have – as Marshall just went through the projections, we have confidence in all the businesses actually. Workplace Furnishings, Residential Building, e-comm, kind of across all our platforms. And so we felt strongly that we should pull that investment forward and invest in our members, and we're confident it's the right move and we're confident that we can maintain that.

A

**Reuben Garner**

*Analyst, The Benchmark Co. LLC*

And can – if I missed it, sorry. I'm having connection issues, but can you talk about what investments you're accelerating? Where that investment is going? Where and when I guess we'll see it show up? Are these savings initiatives or are they growth? Is it the combination of the two?

Q

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

Yeah. It's kind of across the business, Reuben. We're accelerating everything from operational productivity investments, e-commerce capability, new product, digital marketing. They're all initiatives that we still had in play; we're just putting more behind them.

A

**Reuben Garner**

*Analyst, The Benchmark Co. LLC*

Q

Okay. On the Building Products side, margins were obviously very strong in the quarter. Can you talk about the puts and takes going forward on the margin front? And then I think in your last release you talked about an expectation that you might see revenue declines in that business. With your orders now returning to positive growth, is it too soon to expect that revenue growth can return as early as the third quarter? Any other things to think about there?

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**Marshall H. Bridges**

*Senior Vice President & Chief Financial Officer, HNI Corp.*

A

Yeah. Reuben, it's a good question. The outlook for Residential Building Products, we're seeing order growth in the second quarter and we've seen it be positive here more recently as well. There are concerns around just sort of supply constraints, land, labor availability but demand is there. So I'm not – our outlook for Residential Building Products is positive but there could be a pause or maybe not rapid acceleration in the near-term.

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**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Yeah, Reuben. This is Jeff. I think the other thing that the remodel/retro, dealers are reporting consumer online traffic up double digits, in-store traffic actually now above pre-COVID levels and with more motivated buyers. So what we believe we're seeing a lot of the nesting, motivated buyers who have been kind of penned in and decided to remodel. And we're also seeing people who can't find a new move-up home because of the low supply; instead they're remodeling. So we've kind of got two phenomenons going on there, both positive demand drivers on the remodel side.

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**Reuben Garner**

*Analyst, The Benchmark Co. LLC*

Q

Great. That's very helpful. Last one for me I think is the decremental margin. Is it fair to assume that the delta between the performance in the second quarter and your targeted levels, was most of that from the pullback in investments and the comp reductions, and that's why you'll return back to the more normal range or were there any mix elements within the businesses that helped on the margin front in the second quarter? That's it from me. Congrats on the quarter and good luck navigating through the rest of the year.

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**Marshall H. Bridges**

*Senior Vice President & Chief Financial Officer, HNI Corp.*

A

Yeah. Thanks, Reuben. Yeah, there's really three drivers of why the decremental margins will be a little higher in the second half than we saw in the second quarter. And you hit two of them, the return of the salary restoration and the acceleration of investments. The third item is business mix. We are seeing a little bit unfavorable business mix in the second half compared to the second quarter.

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

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**Steven Ramsey**

*Analyst, Thompson Research Group LLC*

Q

Good morning. I guess in Workplace, can you maybe go through the drivers of, maybe for a second setting aside, e-commerce. How has that shaped up? Were the actuals varied versus expectation? And then you discussed pricing as a driver. What was this due? To previously placed orders or is pricing holding up fine in the competitive environment?

**Marshall H. Bridges**

*Senior Vice President & Chief Financial Officer, HNI Corp.*

A

So far, Steven, the pricing has held up pretty well. These are previously implemented pricing actions. They primarily relate to the tariffs that got put in place middle of next – last year, so we're still anniversarying those.

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Yeah, Steven. And on your question just in general, I think the education segment, we had a relatively strong season for us, probably a little above what we had anticipated. Core commercial customers are kind of down in that same range kind of across all verticals, in that kind of low 30s. But I'd say education was a vertical that was strong for us, stronger than we anticipated.

**Steven Ramsey**

*Analyst, Thompson Research Group LLC*

Q

Great. And then the education market benefit, does that help in Q3 or is that past due?

**Marshall H. Bridges**

*Senior Vice President & Chief Financial Officer, HNI Corp.*

A

It's pretty marginal in Q3. Steven, that's a season where it happens all at once and that order period is over and we shipped most of it.

**Steven Ramsey**

*Analyst, Thompson Research Group LLC*

Q

Great. And then just kind of flipping to the e-commerce side. If I remember right, it was maybe the 5% to 10% of Workplace sales in the past. What was it in Q2? And I guess kind of as we go forward with strong growth continuing, is e-commerce a margin headwind still or dilutive for that segment or is it scaling up in the mid-term?

**Marshall H. Bridges**

*Senior Vice President & Chief Financial Officer, HNI Corp.*

A

Yeah. As it relates to it's – the mix of Workplace Furnishings on a trailing 12 months basis, Steven, it's about 7% of Workplace – of HNI actually. Your other question about where it's going, it is accretive to our profit. It has a different sort of economic model so there are different margins involved. And we're still in sort of the growth phase...

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Build.

**Marshall H. Bridges**

*Senior Vice President & Chief Financial Officer, HNI Corp.*

A

Yeah.

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Yeah. We were positive in the second quarter and business has got to be able to deliver, but we're also investing a lot now to keep pushing the growth.

**Steven Ramsey**

*Analyst, Thompson Research Group LLC*

Q

Great. And then I guess a question on the Residential side of the business. Is there a headwind in the second half just from the lack of housing starts in April and May?

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

That's a great question because April-May permits were down about 18% year-over-year, and it's usually a 90-day lag. Now the flip side is permits were up 10% in June and there's a pretty healthy backlog as well. So that's – and remodel. As I commented earlier, remodel/retro is stronger than we think, so it could be but we think it's going to be fairly smooth given all the demand out there.

**Steven Ramsey**

*Analyst, Thompson Research Group LLC*

Q

Great. And last quick one for me on the acquisitions of distributors on the Residential side. Can you discuss kind of the context of making these and was it more strategic or opportunistic in the challenging market or just any color there?

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Yeah. Good question. We have a really strong own distribution network and it was – we had an opportunity to add to that, and when we see those we take them if we can get the deal done. So it adds to our network. We've got a solid operating platform that's profitable, great service levels and it really enhances – it just expands the network out and the operating platform out for that business. So we are always kind of on the lookout for opportunities to do that.

**Steven Ramsey**

*Analyst, Thompson Research Group LLC*

Q

Excellent. Thanks.

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Thank you.

**Operator:** Your next question comes from the line of Greg Burns from Sidoti. Your line is open.

**Greg J. Burns**

*Analyst, Sidoti & Co. LLC*

Q

Good morning.

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Good morning.

**Greg J. Burns**

*Analyst, Sidoti & Co. LLC*

Q

We've seen across the space backlogs being elevated exiting the quarters given the production issues that occurred over the quarter. Where does your backlog stand? Was it up notably at the end of the second quarter?

**Marshall H. Bridges**

*Senior Vice President & Chief Financial Officer, HNI Corp.*

A

Greg, we were pretty consistently operationally open during the second quarter, so we didn't really experience any of those operational issues that you mentioned and our backlog is commensurate with the order and shipment activity that we've had. So there's nothing [ph] abnormal (00:25:25) there.

**Greg J. Burns**

*Analyst, Sidoti & Co. LLC*

Q

And then in your prepared remarks, you mentioned some market opportunities that you were able to take advantage of this quarter. What exactly were those? And then you also mentioned some new and better ways of operating. Could you just maybe give us a little bit more color on those?

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Yeah, Greg. What we have is we have a very agile, nimble culture and we kind of went on the offense. We tipped up some rapid response product teams. We tipped up aggressive home and healthy workplace programs. We tipped up some e-commerce sites, closed-loop for some of our customers, and we partnered with them to deliver products through our e-comm platform to their employees, and so that's kind of what I'm referring to. We just pivoted quickly, used our agile culture and seized the day on some of those opportunities, and they continue. The point is those things continue on. In a time like this, we look for new and better ways to do business, and some of the things are long-lived and we will continue on with those as we go.

**Greg J. Burns**

*Analyst, Sidoti & Co. LLC*

Q

Okay. And then in terms of your e-commerce strategy, can you just talk about how you're approaching that market to capture the work from home opportunity, whether it's – I think it's mostly a wholesale play right now through OFM. But do you have, like, the more direct-to-consumer HNI-branded websites in the pipeline? What's your strategy on e-commerce and capitalizing on work from home?

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Yeah. Great. We've got kind of all of the above. We have a robust platform that really right now goes through third party resellers, more of a B2B/B2C. But we have initiatives across the businesses and across the brands that also help them do some direct and then also help our existing dealer base capitalize on the home office work trends. So we kind of got things in flight on all fronts.

**Greg J. Burns**

*Analyst, Sidoti & Co. LLC*

Q

Okay. And then maybe if the market does shift more towards maybe a hybrid working model where work from home becomes more significant in the market, what are maybe some of the advantages that HNI might have over others to capitalize on that? And I'm thinking maybe your distribution price points. Or maybe you could just highlight some of the reasons why you think you might be successful if the market shifts in that direction.

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Yeah. We have great price points. We have broad distribution channels. We're already a strong competitor in the small office space and videogame space for the home, so we've got a good start in this. And our price points, our channels of distribution we think are all going to be – allow us to take advantage of the work from home. The other thing we see candidly is we think as this thing plays out, we're hearing a lot about people are getting kind of burned out from working at home. And as that develops, a lot of people may maintain a more robust work from home office and work in the office as well. So we think over time that's going to be a positive for the industry and really play to our strength as well.

**Greg J. Burns**

*Analyst, Sidoti & Co. LLC*

Q

Okay. And then lastly, you mentioned it's mostly conversations with clients. But what are you seeing in your pipeline? Are you seeing an uptick in cancellations, orders being pushed out? And then I guess the – if you can just maybe give us a little bit more color on those conversations. Are you seeing an uptick in at least conversations with your customers, them showing interest and formulating some kind of plan that they need to implement once things open up? Thanks.

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Yeah, Greg. A couple things there. One, we have not really seen cancellations uptick; it's been minimal. Now, not surprisingly we've seen projects push, and that's mostly driven on the fact that in some cases it's labor availability on new construction either on the Workplace or the Residential Building side. But it's mostly just customers delaying, taking a wait-and-see approach to return to the office. So that's resulted in some push and some delays. Your next question was?

**Greg J. Burns**

*Analyst, Sidoti & Co. LLC*

Q

Just around the conversations you're having with customers.

**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

A

Yeah, yeah, sorry, yeah. I want to make sure I've got that. Yeah. There's a lot of conversations going on in the exploration stage on what people need to do near-term, medium-term or long-term. And the near-term conversations around how do you return to the office safely, screening, spacing, partitions; there's a lot of conversations. I wouldn't say there's been a lot of movement there yet. It's still early for people to pull the trigger. They kind of hurry up and then wait and decide. And then obviously the upticks in infection rates and whatnot have not really – have kind of slowed that down a bit as well. But it's early on how that'll play out, Greg. But I think net-net, it's going to create more furniture events for us because there will be movement on the office front and there's also going to be more robust, as I said earlier, home office programs. So I think that's going to be a positive demand driver over time.

The other thing I think that we're starting to see a little bit of is just kind of the smaller markets are becoming a little more active because they have less challenges with public transportation, elevators and that kind of thing, and we play well on a lot of those markets with some of our businesses and so that's been a real positive for us as well. So I think that they're becoming also early adopters to see for us how this is going to play out, so we'll get some good learnings there as well.

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**Greg J. Burns**

*Analyst, Sidoti & Co. LLC*

Great. Thanks.

Q

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**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

Thank you.

A

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**Operator:** There are no further questions. I'll turn the call over to Mr. Lorenger for closing comments.

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**Jeffrey D. Lorenger**

*Chairman, President & Chief Executive Officer, HNI Corp.*

So thank you everybody. Just a quick comment. The near-term environment definitely remains dynamic and uncertain, but we continue to feel confident in our ability to positively navigate whatever conditions we encounter. Our recent moves to restore salary levels and accelerate investments reflect this confidence. So I just want to say again thank you to all the HNI members out there with this great performance and look forward to talking to you soon. Have a great day.

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**Operator:** That concludes today's conference call. You may now disconnect.

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