

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-14225

HNI Corporation

Iowa  
(State of Incorporation)

600 East Second Street  
P.O. Box 1109  
Muscatine , Iowa 52761-0071  
( 563 ) 272-7400

42-0617510  
(I.R.S. Employer Identification No.)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|-------------------|---|
| Common Stock        | HNI               | New York Stock Exchange                   |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Smaller reporting company  Non-accelerated filer   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$1 Par Value Outstanding as of September 30, 2023 46,579,442

HNI Corporation and Subsidiaries  
Quarterly Report on Form 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HNI Corporation and Subsidiaries  
**Condensed Consolidated Statements of Comprehensive Income**  
(In millions, except per share data)  
(Unaudited)

|  | Three Months Ended    |                    | Nine Months Ended     |                    |
|--|-----------------------|--------------------|-----------------------|--------------------|
|  | September 30,<br>2023 | October 1,<br>2022 | September 30,<br>2023 | October 1,<br>2022 |
| Net sales  | \$ 711.6              | \$ 598.8           | \$ 1,754.2            | \$ 1,792.9         |
| Cost of sales  | 426.3                 | 389.3              | 1,079.0               | 1,165.9            |
| Gross profit   | 285.3                 | 209.5              | 675.2                 | 627.0              |
| Selling and administrative expenses  | 223.3                 | 178.2              | 602.2                 | 544.3              |
| Gain on sale of subsidiary   | —                     | (50.6)             | —                     | (50.6)             |
| Restructuring and impairment charges                                       | 5.3                   | —                  | 13.4                  | 1.0                |
| Operating income   | 56.8                  | 81.9               | 59.6                  | 132.2              |
| Interest expense, net  | 9.4                   | 2.4                | 17.5                  | 6.5                |
| Income before income taxes   | 47.4                  | 79.5               | 42.1                  | 125.8              |
| Income taxes   | 9.6                   | 16.4               | 15.6                  | 18.2               |
| Net income   | 37.8                  | 63.1               | 26.5                  | 107.6              |
| Less: Net income (loss) attributable to non-controlling interest           | 0.0                   | (0.0)              | 0.0                   | (0.0)              |
| Net income attributable to HNI Corporation                                 | \$ 37.8               | \$ 63.1            | \$ 26.5               | \$ 107.6           |
| Average number of common shares outstanding – basic                        | 46.6                  | 41.3               | 43.8                  | 41.8               |
| Net income attributable to HNI Corporation per common share – basic        | \$ 0.81               | \$ 1.53            | \$ 0.60               | \$ 2.57            |
| Average number of common shares outstanding – diluted                      | 47.3                  | 41.8               | 44.5                  | 42.3               |
| Net income attributable to HNI Corporation per common share – diluted      | \$ 0.80               | \$ 1.51            | \$ 0.60               | \$ 2.54            |
| Foreign currency translation adjustments                                   | \$ (0.2)              | \$ (3.7)           | \$ (0.2)              | \$ (5.5)           |
| Change in unrealized gains (losses) on marketable securities, net of tax   | (0.0)                 | (0.3)              | 0.1                   | (0.8)              |
| Change in derivative financial instruments, net of tax                     | —                     | (0.1)              | (0.1)                 | 0.9                |
| Other comprehensive income (loss), net of tax                              | (0.2)                 | (4.0)              | (0.2)                 | (5.4)              |
| Comprehensive income   | 37.5                  | 59.1               | 26.3                  | 102.2              |
| Less: Comprehensive income (loss) attributable to non-controlling interest | 0.0                   | (0.0)              | 0.0                   | (0.0)              |
| Comprehensive income attributable to HNI Corporation                       | \$ 37.5               | \$ 59.1            | \$ 26.3               | \$ 102.2           |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Amounts may not sum due to rounding.

HNI Corporation and Subsidiaries  
**Condensed Consolidated Balance Sheets**  
(In millions)  
(Unaudited)

|   | September 30,<br>2023 | December 31,<br>2022 |
|---|-----------------------|----------------------|
| <b>Assets</b>                             |                       |                      |
| Current Assets:                           |                       |                      |
| Cash and cash equivalents                 | \$ 24.4               | \$ 17.4              |
| Short-term investments                    | 5.8                   | 2.0                  |
| Receivables                               | 262.2                 | 218.4                |
| Allowance for doubtful accounts           | (3.4)                 | (3.2)                |
| Inventories, net                          | 228.9                 | 180.1                |
| Prepaid expenses and other current assets | 54.5                  | 54.4                 |
| <b>Total Current Assets</b>               | <b>572.4</b>          | <b>469.2</b>         |
| Property, Plant, and Equipment:           |                       |                      |
| Land and land improvements                | 58.7                  | 30.8                 |
| Buildings                                 | 403.1                 | 275.4                |
| Machinery and equipment                   | 689.2                 | 602.6                |
| Construction in progress                  | 32.9                  | 34.2                 |
|   | 1,184.0               | 942.9                |
| Less: Accumulated depreciation            | (624.2)               | (590.3)              |
| <b>Net Property, Plant, and Equipment</b> | <b>559.8</b>          | <b>352.5</b>         |
| Right-of-use Finance Leases               | 12.1                  | 11.4                 |
| Right-of-use Operating Leases             | 119.4                 | 88.4                 |
| Goodwill and Other Intangible Assets, net | 693.3                 | 439.8                |
| Other Assets                              | 60.0                  | 53.2                 |
| <b>Total Assets</b>                       | <b>\$ 2,017.0</b>     | <b>\$ 1,414.5</b>    |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Amounts may not sum due to rounding.

HNI Corporation and Subsidiaries  
**Condensed Consolidated Balance Sheets**  
(In millions)  
(Unaudited)

|   | September 30,<br>2023 | December 31,<br>2022 |
|---|-----------------------|----------------------|
| <b>Liabilities and Equity</b>                     |                       |                      |
| Current Liabilities:                              |                       |                      |
| Accounts payable and accrued expenses             | \$ 450.8              | \$ 367.7             |
| Current maturities of debt                        | 15.4                  | 1.3                  |
| Current maturities of other long-term obligations | 7.5                   | 2.1                  |
| Current lease obligations - Finance               | 4.3                   | 3.7                  |
| Current lease obligations - Operating             | 24.3                  | 20.3                 |
| Total Current Liabilities                         | 502.3                 | 395.1                |
| Long-Term Debt                                    | 493.2                 | 188.8                |
| Long-Term Lease Obligations - Finance             | 7.9                   | 7.7                  |
| Long-Term Lease Obligations - Operating           | 109.0                 | 78.9                 |
| Other Long-Term Liabilities                       | 81.2                  | 66.3                 |
| Deferred Income Taxes                             | 82.3                  | 61.0                 |
| Total Liabilities                                 | 1,275.9               | 797.7                |
| Equity:   |                       |                      |
| HNI Corporation shareholders' equity              | 740.8                 | 616.5                |
| Non-controlling interest                          | 0.3                   | 0.3                  |
| Total Equity                                      | 741.1                 | 616.8                |
| Total Liabilities and Equity                      | \$ 2,017.0            | \$ 1,414.5           |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Amounts may not sum due to rounding.

HNI Corporation and Subsidiaries  
**Condensed Consolidated Statements of Equity**  
(In millions, except per share data)  
(Unaudited)

| Three Months Ended - September 30, 2023                                       |                 |                               |                      |   |                                 |                                  |        |
|---|-----------------|-------------------------------|----------------------|---|---------------------------------|----------------------------------|--------|
|   | Common<br>Stock | Additional<br>Paid-in Capital | Retained<br>Earnings | Accumulated Other<br>Comprehensive<br>Income (Loss) | Non-<br>controlling<br>Interest | Total<br>Shareholders'<br>Equity |        |
| Balance, July 1, 2023   | \$ 46.5         | \$ 182.5                      | \$ 493.9             | \$ (8.0)  | \$ 0.3                          | \$                               | 715.3  |
| Comprehensive income:   |                 |                               |                      |   |                                 |                                  |        |
| Net income  | —               | —                             | 37.8                 | —   | 0.0                             | —                                | 37.8   |
| Other comprehensive income (loss), net of tax                                 | —               | —                             | —                    | (0.2)   | —                               | —                                | (0.2)  |
| Dividends payable   | —               | —                             | (0.3)                | —   | —                               | —                                | (0.3)  |
| Cash dividends; \$0.32 per share  | —               | —                             | (14.9)               | —   | —                               | —                                | (14.9) |
| Common shares – treasury:   |                 |                               |                      |   |                                 |                                  |        |
| Shares purchased  | —               | —                             | —                    | —   | —                               | —                                | —      |
| Shares issued under Members' Stock Purchase Plan and stock awards, net of tax | 0.0             | 3.4                           | —                    | —   | —                               | —                                | 3.4    |
| Balance, September 30, 2023   | \$ 46.6         | \$ 185.9                      | \$ 516.5             | \$ (8.2)  | \$ 0.3                          | \$                               | 741.1  |

| Nine Months Ended - September 30, 2023  |                 |                               |                      |   |                                 |                                  |        |
|---|-----------------|-------------------------------|----------------------|---|---------------------------------|----------------------------------|--------|
|   | Common<br>Stock | Additional<br>Paid-in Capital | Retained<br>Earnings | Accumulated Other<br>Comprehensive<br>Income (Loss) | Non-<br>controlling<br>Interest | Total<br>Shareholders'<br>Equity |        |
| Balance, December 31, 2022  | \$ 41.4         | \$ 49.1                       | \$ 534.0             | \$ (8.0)  | \$ 0.3                          | \$                               | 616.8  |
| Comprehensive income:   |                 |                               |                      |   |                                 |                                  |        |
| Net income  | —               | —                             | 26.5                 | —   | 0.0                             | —                                | 26.5   |
| Other comprehensive income (loss), net of tax                                 | —               | —                             | —                    | (0.2)   | —                               | —                                | (0.2)  |
| Dividends payable   | —               | —                             | (0.9)                | —   | —                               | —                                | (0.9)  |
| Cash dividends; \$0.96 per share  | —               | —                             | (43.1)               | —   | —                               | —                                | (43.1) |
| Common shares – treasury:   |                 |                               |                      |   |                                 |                                  |        |
| Shares purchased  | —               | —                             | —                    | —   | —                               | —                                | —      |
| Shares issued in connection with Kimball International, Inc. acquisition      | 4.7             | 116.1                         | —                    | —   | —                               | —                                | 120.8  |
| Shares issued under Members' Stock Purchase Plan and stock awards, net of tax | 0.4             | 20.7                          | —                    | —   | —                               | —                                | 21.2   |
| Balance, September 30, 2023   | \$ 46.6         | \$ 185.9                      | \$ 516.5             | \$ (8.2)  | \$ 0.3                          | \$                               | 741.1  |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Amounts may not sum due to rounding.

HNI Corporation and Subsidiaries  
**Condensed Consolidated Statements of Equity**  
(In millions, except per share data)  
(Unaudited)

| Three Months Ended - October 1, 2022  |                 |                               |                      |   |                                 |                                  |  |
|---|-----------------|-------------------------------|----------------------|---|---------------------------------|----------------------------------|--|
|   | Common<br>Stock | Additional<br>Paid-in Capital | Retained<br>Earnings | Accumulated Other<br>Comprehensive<br>Income (Loss) | Non-<br>controlling<br>Interest | Total<br>Shareholders'<br>Equity |  |
| Balance, July 2, 2022   | \$ 41.3         | \$ 47.4                       | \$ 481.1             | \$ (8.1)  | \$ 0.3                          | \$ 562.0                         |  |
| Comprehensive income:   |                 |                               |                      |   |                                 |                                  |  |
| Net income (loss)   | —               | —                             | 63.1                 | —   | (0.0)                           | 63.1                             |  |
| Other comprehensive income (loss), net of tax                                 | —               | —                             | —                    | (4.0)   | —                               | (4.0)                            |  |
| Dividends payable   | —               | —                             | 0.2                  | —   | —                               | 0.2                              |  |
| Cash dividends; \$0.32 per share  | —               | —                             | (13.2)               | —   | —                               | (13.2)                           |  |
| Common shares – treasury:   |                 |                               |                      |   |                                 |                                  |  |
| Shares purchased  | —               | —                             | —                    | —   | —                               | —                                |  |
| Shares issued under Members' Stock Purchase Plan and stock awards, net of tax | 0.0             | (1.6)                         | —                    | —   | —                               | (1.6)                            |  |
| Balance, October 1, 2022  | \$ 41.4         | \$ 45.8                       | \$ 531.1             | \$ (12.2)   | \$ 0.3                          | \$ 606.4                         |  |

| Nine Months Ended - October 1, 2022   |                 |                               |                      |   |                                 |                                  |  |
|---|-----------------|-------------------------------|----------------------|---|---------------------------------|----------------------------------|--|
|   | Common<br>Stock | Additional<br>Paid-in Capital | Retained<br>Earnings | Accumulated Other<br>Comprehensive<br>Income (Loss) | Non-<br>controlling<br>Interest | Total<br>Shareholders'<br>Equity |  |
| Balance, January 1, 2022  | \$ 42.6         | \$ 39.2                       | \$ 514.6             | \$ (6.8)  | \$ 0.3                          | \$ 590.0                         |  |
| Comprehensive income:   |                 |                               |                      |   |                                 |                                  |  |
| Net income (loss)   | —               | —                             | 107.6                | —   | (0.0)                           | 107.6                            |  |
| Other comprehensive income (loss), net of tax                                 | —               | —                             | —                    | (5.4)   | —                               | (5.4)                            |  |
| Dividends payable   | —               | —                             | (0.3)                | —   | —                               | (0.3)                            |  |
| Cash dividends; \$0.95 per share  | —               | —                             | (39.7)               | —   | —                               | (39.7)                           |  |
| Common shares – treasury:   |                 |                               |                      |   |                                 |                                  |  |
| Shares purchased  | (1.7)           | (11.1)                        | (51.1)               | —   | —                               | (63.9)                           |  |
| Shares issued under Members' Stock Purchase Plan and stock awards, net of tax | 0.5             | 17.7                          | —                    | —   | —                               | 18.1                             |  |
| Balance, October 1, 2022  | \$ 41.4         | \$ 45.8                       | \$ 531.1             | \$ (12.2)   | \$ 0.3                          | \$ 606.4                         |  |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Amounts may not sum due to rounding.

HNI Corporation and Subsidiaries  
**Condensed Consolidated Statements of Cash Flows**  
(In millions)  
(Unaudited)

|   | Nine Months Ended     |                    |
|---|-----------------------|--------------------|
|   | September 30,<br>2023 | October 1,<br>2022 |
| <b>Net Cash Flows From (To) Operating Activities:</b>                 |                       |                    |
| Net income  | \$ 26.5               | \$ 107.6           |
| Non-cash items included in net income:                                |                       |                    |
| Depreciation and amortization   | 68.3                  | 63.5               |
| Other post-retirement and post-employment benefits                    | 0.8                   | 1.0                |
| Stock-based compensation  | 11.3                  | 6.4                |
| Deferred income taxes   | (6.0)                 | (10.4)             |
| Gain on sale of subsidiary  | —                     | (50.6)             |
| Other – net   | 5.2                   | (0.4)              |
| Net increase (decrease) in cash from operating assets and liabilities | 63.0                  | (79.7)             |
| Increase (decrease) in other liabilities                              | (6.7)                 | (3.5)              |
| Net cash flows from operating activities                              | <u>162.5</u>          | <u>33.9</u>        |
| <b>Net Cash Flows From (To) Investing Activities:</b>                 |                       |                    |
| Capital expenditures  | (61.9)                | (41.7)             |
| Capitalized software  | (0.9)                 | (7.0)              |
| Acquisition spending, net of cash acquired                            | (369.7)               | (9.2)              |
| Purchase of investments   | (3.8)                 | (2.3)              |
| Sales or maturities of investments                                    | 4.0                   | 1.9                |
| Proceeds from sale of subsidiary, net of cash divested                | 3.1                   | 71.4               |
| Other – net   | 1.5                   | 0.0                |
| Net cash flows from (to) investing activities                         | <u>(427.6)</u>        | <u>13.2</u>        |
| <b>Net Cash Flows From (To) Financing Activities:</b>                 |                       |                    |
| Payments of debt  | (304.3)               | (298.5)            |
| Proceeds from debt  | 625.3                 | 321.6              |
| Dividends paid  | (43.5)                | (39.9)             |
| Purchase of HNI Corporation common stock                              | —                     | (65.2)             |
| Proceeds from sales of HNI Corporation common stock                   | 1.8                   | 4.0                |
| Other – net   | (7.1)                 | (0.4)              |
| Net cash flows from (to) financing activities                         | <u>272.1</u>          | <u>(78.3)</u>      |
| Net increase (decrease) in cash and cash equivalents                  | 6.9                   | (31.2)             |
| Cash and cash equivalents at beginning of period                      | 17.4                  | 52.3               |
| Cash and cash equivalents at end of period                            | <u>\$ 24.4</u>        | <u>\$ 21.1</u>     |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Amounts may not sum due to rounding.

HNI Corporation and Subsidiaries

**Notes to Condensed Consolidated Financial Statements (Unaudited)**  
September 30, 2023

**Note 1. Basis of Presentation**

The accompanying unaudited, condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. The December 31, 2022, consolidated balance sheet included in this Form 10-Q was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included. Operating results for the nine-month period ended September 30, 2023, are not necessarily indicative of the results expected for the fiscal year ending December 30, 2023. For further information, refer to the consolidated financial statements and accompanying notes included in HNI Corporation's (the "Corporation") Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Certain reclassifications have been made within the interim financial information to conform to the current presentation. All dollar amounts presented are in millions, except per share data or where otherwise indicated. Amounts may not sum due to rounding.

On June 1, 2023 the Corporation acquired Kimball International, Inc. ("Kimball International"). The Corporation included the financial results of Kimball International in the Condensed Consolidated Financial Statements starting as of the date of acquisition. See "Note 3. Acquisition and Divestitures" in the Notes to Condensed Consolidated Financial Statements for further information.

**Note 2. Revenue from Contracts with Customers**

*Disaggregation of Revenue*

Revenue from contracts with customers disaggregated by product category is as follows:

|                               | Three Months Ended    |                    | Nine Months Ended     |                    |
|-------------------------------|-----------------------|--------------------|-----------------------|--------------------|
|                               | September 30,<br>2023 | October 1,<br>2022 | September 30,<br>2023 | October 1,<br>2022 |
| Systems and storage           | \$ 320.7              | \$ 224.9           | \$ 754.4              | \$ 673.9           |
| Seating                       | 160.5                 | 114.8              | 377.3                 | 354.7              |
| Other                         | 55.6                  | 35.5               | 117.8                 | 106.4              |
| Total workplace furnishings   | 536.8                 | 375.2              | 1,249.5               | 1,135.0            |
| Residential building products | 174.8                 | 223.6              | 504.7                 | 657.9              |
| Net sales                     | \$ 711.6              | \$ 598.8           | \$ 1,754.2            | \$ 1,792.9         |

Sales by product category are subject to similar economic factors and market conditions. See "Note 14. Reportable Segment Information" in the Notes to Condensed Consolidated Financial Statements for further information about operating segments.

*Contract Assets and Contract Liabilities*

In addition to trade receivables, the Corporation has contract assets consisting of funds paid up-front to certain workplace furnishings dealers in exchange for their multi-year commitment to market and sell the Corporation's products. These contract assets are amortized over the term of the contracts and recognized as a reduction of revenue. The Corporation has contract liabilities consisting of customer deposits and rebate and marketing program liabilities.

Contract assets and contract liabilities were as follows:

|  | September 30,<br>2023 | December 31,<br>2022 |
|--|-----------------------|----------------------|
| Trade receivables (1)  | \$ 262.2              | \$ 218.4             |
| Contract assets (current) (2)                                    | \$ 3.1                | \$ 2.9               |
| Contract assets (long-term) (3)                                  | \$ 29.1               | \$ 29.8              |
| Contract liabilities - Customer deposits (4)                     | \$ 45.2               | \$ 27.3              |
| Contract liabilities - Accrued rebate and marketing programs (4) | \$ 29.8               | \$ 31.3              |

During the current year to date period, increases in Trade receivables and Contract liabilities - Customer deposits balances are primarily due to the acquisition of Kimball International.

The index below indicates the line item in the Condensed Consolidated Balance Sheets where contract assets and contract liabilities are reported:

- (1) "Receivables"
- (2) "Prepaid expenses and other current assets"
- (3) "Other Assets"
- (4) "Accounts payable and accrued expenses"

Contract liabilities for customer deposits paid to the Corporation prior to the satisfaction of performance obligations are recognized as revenue upon completion of the performance obligations. The contract liability balance related to customer deposits was \$27.3 million as of December 31, 2022, of which, \$21.0 million was recognized as revenue in the first nine months of 2023.

#### *Performance Obligations*

The Corporation recognizes revenue for sales of workplace furnishings and residential building products at a point in time following the transfer of control of such products to the customer, which typically occurs upon shipment of the product. In certain circumstances, transfer of control to the customer does not occur until the goods are received by the customer or upon installation and/or customer acceptance, depending on the terms of the underlying contracts. Contracts typically have a duration of less than one year and normally do not include a significant financing component. Generally, payment is due within 30 days of invoicing.

The Corporation's backlog of orders are typically cancellable for a period of time and almost all contracts have an original duration of one year or less. As a result, the Corporation has elected the practical expedient permitted in the revenue accounting standard not to disclose the unsatisfied performance obligation as of period end. The backlog is typically fulfilled within a few months.

#### *Significant Judgments*

The amount of consideration the Corporation receives and revenue recognized varies with changes in rebate and marketing program incentives, as well as early pay discounts, offered to customers. The Corporation uses significant judgment throughout the year in estimating the reduction in net sales driven by variable consideration for rebate and marketing programs. Judgments made include expected sales levels and utilization of funds. However, this judgment factor is significantly reduced at the end of each year when sales volumes and the impact to rebate and marketing programs are known and recorded as the programs typically end near the Corporation's fiscal year end.

### **Note 3. Acquisitions and Divestitures**

#### *Acquisition - Kimball International*

On June 1, 2023, the Corporation completed its acquisition of Kimball International, a leading commercial furnishings company with expertise in workplace, health, and hospitality, resulting in Kimball International becoming a wholly-owned subsidiary of the Corporation. Immediately following the close of the transaction, Kimball International shareholders owned approximately 10 percent of the combined company. The Corporation incurred acquisition-related expenses of \$2.8 million and \$37.5 million in the three months and nine months ended September 30, 2023, respectively, that are included in "Selling and administrative expenses" in the Condensed Consolidated Statements of Comprehensive Income. Additionally, acquisition-related financing costs of \$2.7 million and \$0.2 million were recorded to the Condensed Consolidated Balance Sheet in "Long-

term debt" and "Other assets", respectively, while \$0.3 million of acquisition-related stock issuance costs were recorded to "Additional paid-in capital". The acquired assets and assumed liabilities and results of Kimball International's operations are included in the Corporation's workplace furnishings reportable segment. The excess of purchase consideration over the fair value of net assets acquired was recorded as goodwill, which is not expected to be tax-deductible, and has not yet been assigned to the new reporting units created. Goodwill is primarily attributed to the assembled workforce of Kimball International and anticipated synergies.

Under the terms of the Agreement and Plan of Merger, the Corporation acquired all outstanding shares of Kimball International's common stock and holders of Kimball International's outstanding common stock received \$9.00 in cash and 0.1301 shares of the Corporation's common stock for each share of Kimball International's common stock. For fair value purposes, shares of the Corporation's common stock were valued at \$25.50, the closing market price on May 31, 2023, the day preceding the transaction's close.

The total preliminary fair market value of consideration was approximately \$503.7 million, which is allocated as follows:

|  | Kimball<br>International<br>Shares | HNI Shares<br>Exchanged | Fair Value      |
|--|------------------------------------|-------------------------|-----------------|
| <b>Cash Consideration:</b>   |                                    |                         |                 |
| Shares of Kimball International stock issued and outstanding as of June 1, 2023  | 36.4                               |                         | \$ 327.8        |
| Kimball International equivalent shares  | 0.2                                |                         | 2.3             |
| Total number of Kimball International shares for cash consideration  | 36.6                               |                         | 330.0           |
| Consideration for payment to settle Kimball International's outstanding debt   |                                    |                         | 50.2            |
| <b>Share Consideration:</b>  |                                    |                         |                 |
| Shares of Kimball International stock issued and outstanding as of June 1, 2023  | 36.4                               | 4.7                     | 120.8           |
| <b>Replacement Share-Based Awards:</b>   |                                    |                         |                 |
| Outstanding awards of Kimball International restricted stock units relating to Kimball International Common Stock as of June 1, 2023 | 0.5                                | 0.2                     | 2.6             |
| Total preliminary acquisition date fair value of purchase consideration  |                                    |                         | <u>\$ 503.7</u> |

Consideration provided in the form of HNI Corporation shares and HNI Corporation replacement share-based awards represent non-cash consideration and thus are not included in the acquisition spending presented in the Condensed Consolidated Statement of Cash Flows.

The preliminary purchase price allocation of identifiable tangible and intangible assets and liabilities as of the date of acquisition is as follows:

|   | <u>Fair Value</u> |
|---|-------------------|
| <b>Assets</b>                             |                   |
| Cash and cash equivalents                 | \$ 10.5           |
| Short-term investments                    | 4.2               |
| Receivables                               | 47.2              |
| Inventories, net                          | 75.0              |
| Prepaid expenses and other current assets | 12.7              |
| Assets held for sale                      | 13.2              |
| Property, plant, and equipment            | 201.4             |
| Right-of-use operating leases             | 22.7              |
| Goodwill                                  | 189.6             |
| Intangible assets                         | 85.5              |
| Other assets                              | 7.1               |
| <b>Total Assets</b>                       | <b>\$ 669.1</b>   |
| <b>Liabilities</b>                        |                   |
| Accounts payable and accrued expenses     | \$ 95.1           |
| Current lease obligations - operating     | 3.9               |
| Liabilities held for sale                 | 10.1              |
| Long-term lease obligations - operating   | 19.0              |
| Other long-term liabilities               | 10.0              |
| Deferred income taxes                     | 27.3              |
| <b>Total Liabilities</b>                  | <b>\$ 165.4</b>   |
| <b>Net Assets and Liabilities</b>         | <b>\$ 503.7</b>   |

The following table summarizes the acquired identified intangible assets and weighted average useful lives:

| <u>Category</u>                               | <u>Weighted-average useful life</u> | <u>Fair Value</u> |
|---|-------------------------------------|-------------------|
| Software                                      | 3 years                             | \$ 11.8           |
| Customer lists and other                      | 10 years                            | 37.3              |
| Acquired technology                           | 17 years                            | 16.5              |
| Trademarks and trade names - Definite-lived   | 17 years                            | 1.9               |
| Trademarks and trade names - Indefinite-lived | Indefinite-lived                    | 18.0              |
| <b>Total intangible assets</b>                |                                     | <b>\$ 85.5</b>    |

The valuation analysis requires the use of complex management estimates and assumptions such as property appraisals, future cash flows, discount rates, royalty rates, long-term growth rates, and technology build costs. At this time, assets and liabilities are recorded based on preliminary data and assumptions as the Corporation is in the process of reviewing information related to the determination of the fair values. The provisional assets and liabilities may be adjusted to reflect the finally determined amounts, and those adjustments may be material. The Corporation expects to finalize the purchase price allocation in the first half of 2024. During the current quarter, revisions were made to the purchase price allocation resulting in a net increase to goodwill of \$2.3 million, primarily due to provisional valuation adjustments to inventory, personal property, right-of-use operating leases, and deferred tax liabilities. Additionally, the Corporation is currently reviewing technical income tax matters in connection with the acquisition, which may have a material impact on the financial statements as the analysis is completed.

The following table summarizes the results of Kimball International operations since the acquisition date that are included in the Corporation's Condensed Consolidated Statements of Comprehensive Income for the three- and nine-month periods ended September 30, 2023. These amounts include the results of Poppin Furniture, Inc. ("Poppin") for the respective period during which it was owned by the Corporation. Poppin was determined not to require discontinued operations presentation as this entity is not material to the consolidated results of the periods presented.

|                   | Three Months Ended |       | Nine Months Ended  |        |
|-------------------|--------------------|-------|--------------------|--------|
|                   | September 30, 2023 |       | September 30, 2023 |        |
| Net sales         | \$                 | 158.0 | \$                 | 214.0  |
| Net income (loss) | \$                 | 0.7   | \$                 | (20.6) |

*Pro Forma Results of Operations - Kimball International Acquisition:*

The following table provides pro forma results of operations for the three- and nine-month periods ended September 30, 2023 and October 1, 2022, as if Kimball International had been acquired as of January 2, 2022, the first day of the Corporation's 2022 fiscal year. The pro forma results include certain purchase accounting adjustments such as: reclassifications to conform Kimball International's results to HNI's financial statement presentation; estimated depreciation and amortization expense on acquired tangible and intangible assets; estimated share based compensation expense for Kimball International awards converted to HNI awards; interest associated with additional borrowings to finance the acquisition; non-recurring transaction costs as outlined above; and the impact to income tax expense. This pro forma information is not necessarily reflective of what the Corporation's results would have been had the acquisition occurred on the date indicated, nor is it indicative of future results.

|            | Three Months Ended |                 | Nine Months Ended  |                 |
|------------|--------------------|-----------------|--------------------|-----------------|
|            | September 30, 2023 | October 1, 2022 | September 30, 2023 | October 1, 2022 |
| Net sales  | \$ 711.6           | \$ 770.6        | \$ 2,018.3         | \$ 2,312.3      |
| Net income | \$ 42.0            | \$ 64.2         | \$ 55.4            | \$ 79.5         |

*Acquisition - Dickerson*

In June 2022, the Corporation acquired Dickerson Hearth Products ("Dickerson"), an installing fireplace distributor in the Raleigh, North Carolina area, for approximately \$8 million. The transaction, which aligns with the Corporation's vertical integration strategy in the residential building products market, was structured as an asset acquisition and was consummated entirely in cash. The purchase price allocation includes \$7.6 million of goodwill. The remaining assets and liabilities acquired were not material to the consolidated financial statements. The purchase accounting was finalized in the second quarter of 2023.

The above acquisitions were accounted for using the acquisition method pursuant to ASC 805, with goodwill being recorded as a result of the purchase price exceeding the fair value of identifiable tangible and intangible assets and liabilities.

*Divestiture - Poppin*

On September 12, 2023, the Corporation closed on the sale of substantially all of the assets of Poppin for \$3.1 million in cash, net of selling costs; the transaction was structured as an asset sale. Poppin had been acquired as part of the Kimball International transaction in June 2023 and was a component of the workplace furnishings segment. Balances divested include \$10.2 million of inventory, \$2.9 million of various other assets, \$7.1 million of accounts payable and accrued expenses, and \$3.0 million of operating lease obligations.

*Divestiture - Lamex*

In July 2022, the Corporation closed on the sale of its China- and Hong Kong-based Lamex office furniture business ("Lamex"), which was a component of the workplace furnishings segment, to Kokuyo Co., Ltd, a leading manufacturer and provider of office furniture in Japan and across Asia. The transaction was valued at approximately \$75 million plus standard post-closing working capital adjustments, net of cash acquired by the buyer. The Corporation recorded a pre-tax gain on sale in the second half of 2022 of \$50.4 million that included transaction-related expenses of approximately \$6 million as well as a cumulative foreign currency translation benefit of \$3.3 million that was reclassified from accumulated other comprehensive income.

The assets and liabilities of Lamex which were disposed of in conjunction with the sale are as follows:

|   | As of<br>July 20, 2022 |             |
|---|------------------------|-------------|
| <b>Assets:</b>                            |                        |             |
| Cash and cash equivalents                 | \$                     | 5.5         |
| Receivables                               |                        | 20.1        |
| Allowance for doubtful accounts           |                        | (0.5)       |
| Inventories, net                          |                        | 6.9         |
| Prepaid expenses and other current assets |                        | 6.4         |
| Buildings                                 |                        | 6.2         |
| Machinery and equipment                   |                        | 25.9        |
| Accumulated depreciation                  |                        | (17.0)      |
| Right-of-use - Operating Leases           |                        | 5.8         |
| Goodwill and Other Intangible Assets, net |                        | 10.9        |
| <b>Total Assets</b>                       | <b>\$</b>              | <b>70.4</b> |
| <b>Liabilities:</b>                       |                        |             |
| Accounts payable and accrued expenses     | \$                     | 36.1        |
| Current lease obligations - Operating     |                        | 1.7         |
| Long-Term Lease Obligations - Operating   |                        | 4.9         |
| Deferred Income Taxes                     |                        | 0.1         |
| <b>Total Liabilities</b>                  | <b>\$</b>              | <b>42.7</b> |

#### Note 4. Inventories

The Corporation's residential building products inventories, and a majority of its workplace furnishings inventories, are valued at cost, on the "last-in, first-out" (LIFO) basis. Remaining inventories are generally valued at the lower of cost, on the "first-in, first-out" (FIFO) basis, or net realizable value. Inventories included in the Condensed Consolidated Balance Sheets consisted of the following:

|  | September 30,<br>2023 | December 31,<br>2022 |
|--|-----------------------|----------------------|
| Finished products, net                             | \$ 142.6              | \$ 121.0             |
| Materials and work in process, net                 | 140.6                 | 112.8                |
| LIFO allowance                                     | (54.3)                | (53.7)               |
| <b>Total inventories, net</b>                      | <b>\$ 228.9</b>       | <b>\$ 180.1</b>      |
| <b>Inventory valued by the LIFO costing method</b> | <b>91 %</b>           | <b>91 %</b>          |

The increase in inventory during the current year-to-date period is primarily due to the acquisition of Kimball International.

In addition to the LIFO allowance, the Corporation recorded inventory allowances of \$13.9 million and \$14.9 million as of September 30, 2023 and December 31, 2022, respectively, to adjust for excess and obsolete inventory or otherwise reduce FIFO-basis inventory to net realizable value.

## Note 5. Goodwill and Other Intangible Assets

Goodwill and other intangible assets included in the Condensed Consolidated Balance Sheets consisted of the following:

|   | September 30,<br>2023 | December 31,<br>2022 |
|---|-----------------------|----------------------|
| Goodwill, net                                   | \$ 495.6              | \$ 305.9             |
| Definite-lived intangible assets, net           | 164.3                 | 118.4                |
| Indefinite-lived intangible assets              | 33.5                  | 15.5                 |
| Total goodwill and other intangible assets, net | <u>\$ 693.3</u>       | <u>\$ 439.8</u>      |

### Goodwill

The changes in the carrying amount of goodwill, by reporting segment, are as follows:

|   | Workplace<br>Furnishings | Residential<br>Building Products | Total           |
|---|--------------------------|----------------------------------|-----------------|
| Balance as of December 31, 2022               |                          |                                  |                 |
| Goodwill                                      | \$ 148.7                 | \$ 222.4                         | \$ 371.1        |
| Accumulated impairment losses                 | (65.0)                   | (0.1)                            | (65.2)          |
| Net goodwill balance as of December 31, 2022  | <u>83.6</u>              | <u>222.3</u>                     | <u>305.9</u>    |
| Goodwill acquired                             | 189.6                    | —                                | 189.6           |
| Balance as of September 30, 2023              |                          |                                  |                 |
| Goodwill                                      | 338.3                    | 222.4                            | 560.7           |
| Accumulated impairment losses                 | (65.0)                   | (0.1)                            | (65.2)          |
| Net goodwill balance as of September 30, 2023 | <u>\$ 273.3</u>          | <u>\$ 222.3</u>                  | <u>\$ 495.6</u> |

Goodwill acquired in the current year relates to the acquisition of Kimball International. See "Note 3. Acquisitions and Divestitures" in the Notes to Condensed Consolidated Financial Statements for further information.

### Definite-lived intangible assets

The table below summarizes amortizable definite-lived intangible assets, which are reflected in "Goodwill and Other Intangible Assets, net" in the Condensed Consolidated Balance Sheets:

|                                      | September 30, 2023 |                             |                 | December 31, 2022 |                             |                 |
|--------------------------------------|--------------------|-----------------------------|-----------------|-------------------|-----------------------------|-----------------|
|                                      | Gross              | Accumulated<br>Amortization | Net             | Gross             | Accumulated<br>Amortization | Net             |
| Software                             | \$ 206.8           | \$ 138.9                    | \$ 67.9         | \$ 194.4          | \$ 122.5                    | \$ 71.9         |
| Trademarks and trade names           | 16.2               | 6.9                         | 9.2             | 14.3              | 5.9                         | 8.4             |
| Customer lists and other             | 134.0              | 46.8                        | 87.1            | 80.2              | 42.1                        | 38.1            |
| Net definite-lived intangible assets | <u>\$ 356.9</u>    | <u>\$ 192.7</u>             | <u>\$ 164.3</u> | <u>\$ 288.8</u>   | <u>\$ 170.4</u>             | <u>\$ 118.4</u> |

The increase in gross definite-lived intangible assets is due to the acquisition of Kimball International.

Amortization expense is reflected in "Selling and administrative expenses" in the Condensed Consolidated Statements of Comprehensive Income and was as follows:

|                                  | Three Months Ended |                 | Nine Months Ended  |                 |
|----------------------------------|--------------------|-----------------|--------------------|-----------------|
|                                  | September 30, 2023 | October 1, 2022 | September 30, 2023 | October 1, 2022 |
| Capitalized software             | \$ 5.9             | \$ 6.1          | \$ 16.8            | \$ 18.4         |
| Other definite-lived intangibles | \$ 2.3             | \$ 1.6          | \$ 5.8             | \$ 4.9          |

The occurrence of events such as acquisitions, dispositions, or impairments may impact future amortization expense. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the following five years is as follows:

|                      | 2023    | 2024    | 2025    | 2026    | 2027    |
|----------------------|---------|---------|---------|---------|---------|
| Amortization expense | \$ 30.5 | \$ 31.0 | \$ 28.0 | \$ 23.3 | \$ 17.5 |

#### *Indefinite-lived intangible assets*

The Corporation also owns certain intangible assets, which are deemed to have indefinite useful lives because they are expected to generate cash flows indefinitely. These indefinite-lived intangible assets are reflected in "Goodwill and Other Intangible Assets, net" in the Condensed Consolidated Balance Sheets:

|                            | September 30, 2023 | December 31, 2022 |
|----------------------------|--------------------|-------------------|
| Trademarks and trade names | \$ 33.5            | \$ 15.5           |

The increase in indefinite-lived trademarks and trade names is due to the acquisition of Kimball International.

#### *Impairment Analysis*

The Corporation evaluates its goodwill and indefinite-lived intangible assets for impairment on an annual basis during the fourth quarter, or whenever indicators of impairment exist. The Corporation also evaluates long-lived assets (which include definite-lived intangible assets) for impairment if indicators exist.

#### **Note 6. Product Warranties**

The Corporation issues certain warranty policies on its workplace furnishings and residential building products that provide for repair or replacement of any covered product or component that fails during normal use because of a defect in design, materials, or workmanship. The duration of warranty policies on the Corporation's products varies based on the type of product. Allowances have been established for the anticipated future costs associated with the Corporation's warranty programs.

A warranty allowance is determined by recording a specific allowance for known warranty issues and an additional allowance for unknown claims expected to be incurred based on historical claims experience. Actual claims incurred could differ from the original estimates, requiring adjustments to the allowance.

Activity associated with warranty obligations was as follows:

|                                  | Nine Months Ended  |                 |
|----------------------------------|--------------------|-----------------|
|                                  | September 30, 2023 | October 1, 2022 |
| Balance at beginning of period   | \$ 14.8            | \$ 16.0         |
| Accruals related to acquisitions | 3.5                | —               |
| Accruals for warranties issued   | 8.8                | 7.5             |
| Settlements and other            | (8.4)              | (7.3)           |
| Balance at end of period         | \$ 18.7            | \$ 16.3         |

The current and long-term portions of the allowance for estimated settlements are included within "Accounts payable and accrued expenses" and "Other Long-Term Liabilities," respectively, in the Condensed Consolidated Balance Sheets. The following table summarizes when these estimated settlements are expected to be paid:

|                                     | September 30,<br>2023 | December 31,<br>2022 |
|-------------------------------------|-----------------------|----------------------|
| Current - in the next twelve months | \$ 6.5                | \$ 5.4               |
| Long-term - beyond one year         | 12.2                  | 9.4                  |
| <b>Total</b>                        | <b>\$ 18.7</b>        | <b>\$ 14.8</b>       |

#### Note 7. Debt

Debt is as follows:

|   | September 30,<br>2023 | December 31,<br>2022 |
|---|-----------------------|----------------------|
| Revolving credit facility with interest at a variable rate<br>(September 30, 2023 - 6.9%; December 31, 2022 - 5.6%) | \$ 111.0              | \$ 89.1              |
| Term loan with interest at a variable rate (September 30, 2023 - 6.9%)  | 300.0                 | —                    |
| Fixed-rate notes due in 2025 with an interest rate of 4.2%  | 50.0                  | 50.0                 |
| Fixed-rate notes due in 2028 with an interest rate of 4.4%  | 50.0                  | 50.0                 |
| Other amounts   | 0.4                   | 1.3                  |
| Deferred debt issuance costs  | (2.8)                 | (0.3)                |
| <b>Total debt</b>   | <b>508.6</b>          | <b>190.1</b>         |
| Less: Current maturities of debt  | 15.4                  | 1.3                  |
| <b>Long-term debt</b>   | <b>\$ 493.2</b>       | <b>\$ 188.8</b>      |

The aggregate carrying value of the Corporation's variable-rate, long-term debt obligations under the revolving credit and term loan facilities at September 30, 2023, was \$411 million, which approximated fair value. The fair value of the fixed rate notes was estimated based on a discounted cash flow method using current market rates (Level 2) to be \$95 million at September 30, 2023.

As of September 30, 2023, the Corporation's revolving credit facility borrowings were under the amended and restated credit agreement entered into on June 14, 2022, as further amended on March 14, 2023 and June 1, 2023 with a scheduled maturity of June 2027. The Corporation deferred the related debt issuance costs, which are classified as assets, and is amortizing them over the term of the credit agreement. The current portion of debt issuance costs of \$0.4 million is the amount to be amortized over the next twelve months, based on the current credit agreement, and is reflected in "Prepaid expenses and other current assets" in the Condensed Consolidated Balance Sheets. The long-term portion of debt issuance costs of \$1.0 million is reflected in "Other Assets" in the Condensed Consolidated Balance Sheets.

As of September 30, 2023, there was \$111 million outstanding under the \$425 million revolving credit facility. The entire amount drawn under the revolving credit facility is considered long-term as the Corporation assumes no obligation to repay any of the amounts borrowed in the next twelve months. Based on current earnings before interest, taxes, depreciation, and amortization, the Corporation can access the full remaining \$314 million of borrowing capacity available under the revolving credit facility and maintain compliance with applicable covenants.

In addition to cash flows from operations, the revolving credit facility under the credit agreement is the primary source of daily operating capital for the Corporation and provides additional financial capacity for capital expenditures, repurchases of common stock, payment of dividends, and investments in strategic initiatives.

Additionally, the Corporation has borrowings outstanding under a term loan credit facility and private placement notes.

The Corporation has \$300 million of borrowings outstanding under a term loan agreement entered into on March 31, 2023, as further amended on May 25, 2023. The proceeds of the term loan were used to support funding of the Corporation's acquisition of Kimball International on June 1, 2023. The principal amount under the term loan is subject to amortization beginning June

30, 2024, with incremental amounts due each quarter until the expiration of the term loan on the fifth year of the funding date, defined as June 1, 2028, with \$15 million due within the next twelve months. The Corporation deferred the debt issuance costs related to the agreement, which are classified as a reduction of long-term debt, and is amortizing them over the term of the agreement. The deferred debt issuance costs do not reduce the amount owed by the Corporation under the terms of the agreement. As of September 30, 2023, the deferred debt issuance costs balance of \$2.5 million related to the agreement is reflected in "Long-Term Debt" in the Condensed Consolidated Balance Sheets.

The Corporation also has \$100 million of borrowings outstanding under private placement note agreements entered into on May 31, 2018. Under the agreements, the Corporation issued \$50 million of seven-year fixed-rate notes with an interest rate of 4.2 percent, due May 31, 2025, and \$50 million of ten-year fixed-rate notes with an interest rate of 4.4 percent, due May 31, 2028. The Corporation deferred the debt issuance costs related to the private placement note agreements, which are classified as a reduction of long-term debt, and is amortizing them over the terms of the private placement note agreements. The deferred debt issuance costs do not reduce the amount owed by the Corporation under the terms of the private placement note agreements. As of September 30, 2023, the deferred debt issuance costs balance of \$0.2 million related to the private placement note agreements is reflected in "Long-Term Debt" in the Condensed Consolidated Balance Sheets. The Corporation has the option to repay the private placement notes upon providing 10-day notice to the noteholders. Such repayment is subject to payment of any accrued but yet unpaid interest in addition to a make-whole provision which is calculated based on current market interest rates. As of September 30, 2023, due to current market rates, the Corporation would not owe any amounts to the note holders for the make-whole provision.

The revolving credit facility, term loan credit facility, and private placement notes all contain financial and non-financial covenants. Non-compliance with covenants under the agreements could prevent the Corporation from being able to access further borrowings, require immediate repayment of all amounts outstanding, and/or increase the cost of borrowing. The covenants under all the agreements are substantially the same. In the event the private placement notes are repaid by the Corporation, the revolving credit facility and term loan credit facility include certain fall-away provisions to allow for modification of the covenant measures whereby the Corporation shall have increased financial flexibility. Namely, the definition of consolidated EBITDA and the maximum leverage under the consolidated leverage ratio would adjust to a more flexible definition while the interest coverage ratio would no longer be an included measure.

Covenants require maintenance of financial ratios as of the end of any fiscal quarter, including:

- a consolidated interest coverage ratio (as defined in the credit agreement) of not less than 4.0 to 1.0, based upon the ratio of (a) consolidated EBITDA for the last four fiscal quarters to (b) the sum of consolidated interest charges; and
- a consolidated leverage ratio (as defined in the credit agreement) of not greater than 3.5 to 1.0, based upon the ratio of (a) the quarter-end consolidated funded indebtedness to (b) consolidated EBITDA for the last four fiscal quarters.

The most restrictive of the financial covenants is the consolidated leverage ratio requirement of 3.5 to 1.0. Under the credit agreement, consolidated EBITDA is defined as consolidated net income before interest expense, income taxes, depreciation, and amortization of intangibles, as well as non-cash items that increase or decrease net income. As of September 30, 2023, the Corporation was below the maximum allowable ratio and was in compliance with all of the covenants and other restrictions in the credit agreement. The Corporation expects to remain in compliance with all of the covenants and other restrictions in the credit agreement over the next twelve months.

## Note 8. Income Taxes

The Corporation's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items. The following table summarizes the Corporation's income tax provision:

|                            | Three Months Ended    |                    | Nine Months Ended     |                    |
|----------------------------|-----------------------|--------------------|-----------------------|--------------------|
|                            | September 30,<br>2023 | October 1,<br>2022 | September 30,<br>2023 | October 1,<br>2022 |
| Income before income taxes | \$ 47.4               | \$ 79.5            | \$ 42.1               | \$ 125.8           |
| Income taxes               | \$ 9.6                | \$ 16.4            | \$ 15.6               | \$ 18.2            |
| Effective tax rate         | 20.3 %                | 20.7 %             | 37.1 %                | 14.5 %             |

The Corporation's effective tax rate was comparable in the three months ended September 30, 2023 and October 1, 2022. The effective tax rate was higher in the nine-month period ended September 30, 2023 compared to October 1, 2022, primarily due to non-deductible transaction costs in the current year related to the acquisition of Kimball International, as well as tax benefits

recognized in the prior-year period for valuation adjustments related to existing deferred tax assets and basis differences tied to the sale of Lamex in July 2022.

### Note 9. Fair Value Measurements of Financial Instruments

For recognition purposes, on a recurring basis, the Corporation is required to measure at fair value its marketable securities, put option liabilities, and deferred stock-based compensation. The marketable securities are comprised of money market funds, government securities, corporate bonds, and mutual funds. When available, the Corporation uses quoted market prices to determine fair value and classifies such measurements within Level 1. Where market prices are not available, the Corporation makes use of observable market-based inputs (prices or quotes from published exchanges and indexes) to calculate fair value using the market approach, in which case the measurements are classified within Level 2. Significant unobservable inputs, which are classified within Level 3, are used in the estimation of the fair value of put options related to private entities, determined using a simulation model based on assumptions including future cash flows, discount rates, and volatility.

In connection with the Kimball International transaction in the second quarter of 2023, the Corporation acquired Kimball International's supplemental employee retirement plan ("SERP"). SERP investment assets consist of mutual fund holdings classified as trading securities which are recognized on the Condensed Consolidated Balance Sheets at fair value, along with a corresponding liability of the same amount which represents the obligation to distribute SERP funds to participants.

Financial instruments measured at fair value were as follows:

|  | Fair value as of<br>measurement date | Quoted prices in<br>active markets for<br>identical assets<br>(Level 1) | Significant other<br>observable inputs<br>(Level 2) | Significant<br>unobservable inputs<br>(Level 3) |
|--|--------------------------------------|---|---|---|
| <b>Balance as of September 30, 2023</b>                      |                                      |   |   |   |
| Cash and cash equivalents (including money market funds) (1) | \$ 24.4                              | \$ 24.4   | \$ —  | \$ —  |
| Mutual funds in SERP (2)                                     | \$ 10.9                              | \$ 10.9   | \$ —  | \$ —  |
| Government securities (2)                                    | \$ 5.5                               | \$ —  | \$ 5.5  | \$ —  |
| Corporate bonds (2)  | \$ 7.1                               | \$ —  | \$ 7.1  | \$ —  |
| SERP liabilities (3)   | \$ (10.9)                            | \$ (10.9)   | \$ —  | \$ —  |
| Deferred stock-based compensation (3)                        | \$ (5.5)                             | \$ —  | \$ (5.5)  | \$ —  |
| Put option liability (4)                                     | \$ (5.1)                             | \$ —  | \$ —  | \$ (5.1)  |
| <b>Balance as of December 31, 2022</b>                       |                                      |   |   |   |
| Cash and cash equivalents (including money market funds) (1) | \$ 17.4                              | \$ 17.4   | \$ —  | \$ —  |
| Government securities (2)                                    | \$ 5.6                               | \$ —  | \$ 5.6  | \$ —  |
| Corporate bonds (2)  | \$ 7.2                               | \$ —  | \$ 7.2  | \$ —  |
| Deferred stock-based compensation (3)                        | \$ (4.7)                             | \$ —  | \$ (4.7)  | \$ —  |
| Put option liability (4)                                     | \$ (5.1)                             | \$ —  | \$ —  | \$ (5.1)  |

Amounts in parentheses indicate liabilities.

The index below indicates the line item in the Condensed Consolidated Balance Sheets where the financial instruments are reported:

- (1) "Cash and cash equivalents"
- (2) Current portion - "Short-term investments"; Long-term portion - "Other Assets"
- (3) Current portion - "Current maturities of other long-term obligations"; Long-term portion - "Other Long-Term Liabilities"
- (4) "Other Long-Term Liabilities"

## Note 10. Accumulated Other Comprehensive Income (Loss) and Shareholders' Equity

The following tables summarize the components of accumulated other comprehensive income (loss) and the changes in accumulated other comprehensive income (loss), net of tax, as applicable:

|   | Foreign<br>Currency<br>Translation<br>Adjustment | Unrealized<br>Gains (Losses)<br>on Debt<br>Securities | Pension and Post-<br>retirement<br>Liabilities | Derivative<br>Financial<br>Instrument | Accumulated Other<br>Comprehensive<br>Income (Loss) |
|---|--|---|--|---------------------------------------|---|
| Balance as of December 31, 2022   | \$ (6.4)   | \$ (0.6)  | \$ (1.1)                                       | \$ 0.1                                | \$ (8.0)  |
| Other comprehensive income (loss) before reclassifications                          | (0.2)  | (0.0)   | —  | —                                     | (0.2)   |
| Tax (expense) or benefit  | —  | 0.0   | —  | —                                     | 0.0   |
| Amounts reclassified from accumulated other comprehensive income (loss), net of tax | —  | 0.1   | —  | (0.1)                                 | (0.0)   |
| Balance as of September 30, 2023  | \$ (6.5)   | \$ (0.6)  | \$ (1.1)                                       | \$ —                                  | \$ (8.2)  |

Amounts in parentheses indicate reductions to equity.

|   | Foreign<br>Currency<br>Translation<br>Adjustment | Unrealized<br>Gains (Losses)<br>on Debt<br>Securities | Pension and Post-<br>retirement<br>Liabilities | Derivative<br>Financial<br>Instrument | Accumulated Other<br>Comprehensive<br>Income (Loss) |
|---|--|---|--|---------------------------------------|---|
| Balance as of January 1, 2022   | \$ (0.7)   | \$ 0.1  | \$ (5.4)                                       | \$ (0.7)                              | \$ (6.8)  |
| Other comprehensive income (loss) before reclassifications                          | (2.2)  | (1.0)   | —  | 1.1                                   | (2.1)   |
| Tax (expense) or benefit  | —  | 0.2   | —  | (0.3)                                 | (0.1)   |
| Amounts reclassified from accumulated other comprehensive income (loss), net of tax | (3.3)  | (0.0)   | —  | 0.0                                   | (3.3)   |
| Balance as of October 1, 2022   | \$ (6.2)   | \$ (0.7)  | \$ (5.4)                                       | \$ 0.2                                | \$ (12.2)   |

Amounts in parentheses indicate reductions to equity.

### Interest Rate Swap Termination

In April 2022, the Corporation terminated its interest rate swap agreement and received cash proceeds of \$0.4 million, the fair value of the swap on the termination date. The proceeds were recorded as cash provided by operating activities in the Condensed Consolidated Statement of Cash Flows. The \$0.4 million gain from the termination of this interest rate swap agreement was recorded to "Accumulated other comprehensive income (loss)" and has been fully amortized to interest expense as of April 1, 2023.

The following table details the reclassifications from accumulated other comprehensive income (loss):

| Details about Accumulated Other Comprehensive Income (Loss) Components | Affected Line Item in the Statement Where Net Income is Presented | Three Months Ended |                 | Nine Months Ended  |                 |
|--|---|--------------------|-----------------|--------------------|-----------------|
|  |   | September 30, 2023 | October 1, 2022 | September 30, 2023 | October 1, 2022 |
| <b>Derivative financial instrument</b>                                 |   |                    |                 |                    |                 |
| Interest rate swap   | Interest expense, net   | \$ —               | \$ 0.1          | \$ 0.1             | \$ (0.1)        |
|  | Income taxes  | —                  | (0.0)           | (0.0)              | 0.0             |
| <b>Unrealized gains (losses) on debt securities</b>                    |   |                    |                 |                    |                 |
| Gain (loss) on sale of debt securities                                 | Selling and administrative expenses                               | 0.0                | —               | (0.1)              | 0.0             |
|  | Income tax expense  | (0.0)              | —               | 0.0                | (0.0)           |
| <b>Foreign currency translation</b>                                    |   |                    |                 |                    |                 |
| Lamex divestiture  | Gain on sale of subsidiary  | —                  | 3.3             | —                  | 3.3             |
|  | Net of tax  | \$ 0.0             | \$ 3.4          | \$ 0.0             | \$ 3.3          |

Amounts in parentheses indicate reductions to profit.

### Dividend

The Corporation declared and paid cash dividends per common share as follows:

|                            | Nine Months Ended     |                    |
|----------------------------|-----------------------|--------------------|
|                            | September 30,<br>2023 | October 1,<br>2022 |
| Dividends per common share | \$ 0.96               | \$ 0.95            |

### Stock Repurchase

The following table summarizes shares repurchased and settled by the Corporation:

|  | Nine Months Ended     |                    |
|--|-----------------------|--------------------|
|  | September 30,<br>2023 | October 1,<br>2022 |
| Shares repurchased                           | —                     | 1.7                |
| Average price per share                      | \$ —                  | \$ 38.11           |
| Cash purchase price                          | \$ —                  | \$ (63.9)          |
| Prior year purchases settled in current year | —                     | (1.3)              |
| Shares repurchased per cash flow             | \$ —                  | \$ (65.2)          |

As of September 30, 2023, \$234.0 million of the Corporation's Board of Directors' ("Board") current repurchase authorizations remained unspent.

### Note 11. Earnings Per Share

The following table reconciles the numerators and denominators used in the calculation of basic and diluted earnings per share ("EPS"):

|   | Three Months Ended    |                    | Nine Months Ended     |                    |
|---|-----------------------|--------------------|-----------------------|--------------------|
|   | September 30,<br>2023 | October 1,<br>2022 | September 30,<br>2023 | October 1,<br>2022 |
| Numerator:  |                       |                    |                       |                    |
| Numerator for both basic and diluted EPS attributable to HNI Corporation net income | \$ 37.8               | \$ 63.1            | \$ 26.5               | \$ 107.6           |
| Denominators:   |                       |                    |                       |                    |
| Denominator for basic EPS weighted-average common shares outstanding                | 46.6                  | 41.3               | 43.8                  | 41.8               |
| Potentially dilutive shares from stock-based compensation plans                     | 0.8                   | 0.5                | 0.7                   | 0.5                |
| Denominator for diluted EPS   | 47.3                  | 41.8               | 44.5                  | 42.3               |
| Earnings per share – basic  | \$ 0.81               | \$ 1.53            | \$ 0.60               | \$ 2.57            |
| Earnings per share – diluted  | \$ 0.80               | \$ 1.51            | \$ 0.60               | \$ 2.54            |

The year-over-year increase in shares outstanding is primarily due to the issuance of 4.7 million shares in June 2023 as part of the consideration to acquire Kimball International.

The weighted-average common stock equivalents presented above do not include the effect of the common stock equivalents in the table below because their inclusion would be anti-dilutive:

|  | Three Months Ended |                 | Nine Months Ended  |                 |
|--|--------------------|-----------------|--------------------|-----------------|
|  | September 30, 2023 | October 1, 2022 | September 30, 2023 | October 1, 2022 |
| Common stock equivalents excluded because their inclusion would be anti-dilutive | 2.1                | 2.0             | 2.1                | 1.9             |

## Note 12. Stock-Based Compensation

The Corporation measures stock-based compensation expense at grant date, based on the fair value of the award. Forms of awards issued under shareholder approved plans include stock options, restricted stock units based on a service condition ("restricted stock units"), restricted stock units based on both performance and service conditions ("performance stock units"), and shares issued under member stock purchase plans. Stock-based compensation expense related to stock options, restricted stock units, and performance stock units is recognized over the employees' requisite service periods, adjusted for an estimated forfeiture rate for those shares not expected to vest. Additionally, expense related to performance stock units is periodically adjusted for the probable number of shares to be awarded based on Corporation achievement within an established target range of cumulative profitability over a multi-year period.

In the second quarter of 2023, the Corporation assumed the Kimball International, Inc. Stock Incentive Plan and its remaining share pool. The plan was renamed the "HNI Corporation Stock Incentive Plan for Legacy Kimball Employees". Under this plan the Corporation may grant equity compensation awards using the plan's share pool. At inception, there were approximately 1.1 million shares of the Corporation's stock available for issuance under this plan.

The following table summarizes expense associated with these plans:

|                             | Three Months Ended |                 | Nine Months Ended  |                 |
|-----------------------------|--------------------|-----------------|--------------------|-----------------|
|                             | September 30, 2023 | October 1, 2022 | September 30, 2023 | October 1, 2022 |
| Compensation cost (benefit) | \$ 3.7             | \$ (2.1)        | \$ 11.3            | \$ 6.4          |

In the third quarter of 2022, management's estimate of cumulative profitability in connection with various tranches of performance stock units was reduced, resulting in a decrease to the aggregate expense recognized in the prior year periods.

The units granted by the Corporation had fair values as follows:

|                         | Nine Months Ended  |                 |
|-------------------------|--------------------|-----------------|
|                         | September 30, 2023 | October 1, 2022 |
| Restricted stock units  | \$ 13.8            | \$ 7.0          |
| Performance stock units | \$ 6.3             | \$ 6.2          |

Included in the current year period restricted stock units total above is \$6.1 million of fair value associated with replacement awards issued in the second quarter of 2023 in connection with the Kimball International acquisition. Approximately 48 percent of the fair value of the replacement awards is attributed to service provided by Kimball International employees prior to the acquisition by the Corporation and is accounted for as purchase consideration. See "Note 3. Acquisitions and Divestitures" for further information.

The following table summarizes unrecognized compensation expense and the weighted-average remaining service period for non-vested stock units as of September 30, 2023:

|                                    | Unrecognized<br>Compensation Expense | Weighted-Average<br>Remaining<br>Service Period (years) |
|------------------------------------|--------------------------------------|---|
| Non-vested restricted stock units  | \$ 6.1                               | 0.8   |
| Non-vested performance stock units | \$ 7.2                               | 1.1   |

**Note 13. Guarantees, Commitments, and Contingencies**

The Corporation utilizes letters of credit and surety bonds in the amount of approximately \$39 million to back certain insurance policies and payment obligations. Additionally, the Corporation periodically utilizes trade letters of credit and bankers' acceptances to guarantee certain payments to overseas suppliers; as of September 30, 2023, there were no outstanding amounts related to these types of guarantees. The letters of credit, bonds, and bankers' acceptances reflect fair value as a condition of their underlying purpose and are subject to competitively determined fees.

The Corporation periodically guarantees borrowing arrangements involving certain workplace furnishings dealers and third-party financial institutions. The terms of these guarantees, which range from less than one year to five years, generally require the Corporation to make payments directly to the financial institution in the event that the dealer is unable to repay its borrowings in accordance with the stated terms. The aggregate amount guaranteed by the Corporation in connection with these agreements is approximately \$8 million as of September 30, 2023. The Corporation has determined the likelihood of making future payments under these guarantees is not considered probable and therefore no liability has been accrued.

The Corporation has contingent liabilities which have arisen in the ordinary course of its business, including liabilities relating to pending litigation, environmental remediation, taxes, and other claims. It is the Corporation's opinion, after consultation with legal counsel, that liabilities, if any, resulting from these matters are not expected to have a material adverse effect on the Corporation's financial condition, cash flows, or on the Corporation's quarterly or annual operating results when resolved in a future period.

In the first quarter of 2022, the Corporation entered into an agreement to lease a new facility. The lease requires approximately \$61 million of legally binding minimum payments over the approximate 15-year term of the agreement. The lease accounting, which includes recording right-of-use assets, lease obligations (liabilities), and lease expense, commenced during the second quarter of 2023 and thus the asset and liability related to this agreement were recorded in the Condensed Consolidated Balance Sheet as of that time.

**Note 14. Reportable Segment Information**

Management views the Corporation as two reportable segments based on industries: workplace furnishings and residential building products.

The aggregated workplace furnishings segment, which includes the newly acquired Kimball International business, manufactures and markets a broad line of commercial furniture, which includes panel-based and freestanding furniture systems, seating, storage, tables, and architectural products. The residential building products segment manufactures and markets a full array of gas, wood, electric, and pellet-fueled fireplaces, inserts, stoves, facings, and accessories.

For purposes of segment reporting, intercompany sales between segments are not material, and operating profit is income before income taxes exclusive of certain unallocated general corporate expenses. These unallocated general corporate expenses include the net costs of the Corporation's corporate operations. Management views interest income and expense as corporate financing costs and not as a reportable segment cost. In addition, management applies an effective income tax rate to its consolidated income before income taxes so income taxes are not reported or viewed internally on a segment basis. Identifiable assets by segment are those assets applicable to the respective industry segments. Corporate assets consist principally of cash and cash equivalents, short-term investments, long-term investments, IT infrastructure, and corporate office real estate and related equipment.

No geographic information for revenues from external customers or for long-lived assets is disclosed since the Corporation's primary market and capital investments are concentrated in the United States.

Reportable segment data reconciled to the Corporation's condensed consolidated financial statements was as follows:

|   | Three Months Ended    |                    | Nine Months Ended     |                    |
|---|-----------------------|--------------------|-----------------------|--------------------|
|   | September 30,<br>2023 | October 1,<br>2022 | September 30,<br>2023 | October 1,<br>2022 |
| <b>Net Sales:</b>   |                       |                    |                       |                    |
| Workplace furnishings   | \$ 536.8              | \$ 375.2           | \$ 1,249.5            | \$ 1,135.0         |
| Residential building products                                 | 174.8                 | 223.6              | 504.7                 | 657.9              |
| Total   | \$ 711.6              | \$ 598.8           | \$ 1,754.2            | \$ 1,792.9         |
| <b>Income (Loss) Before Income Taxes:</b>                     |                       |                    |                       |                    |
| Workplace furnishings   | \$ 47.3               | \$ 5.6             | \$ 59.2               | \$ 11.1            |
| Residential building products                                 | 30.9                  | 39.6               | 74.5                  | 117.0              |
| General corporate   | (21.4)                | (14.0)             | (74.0)                | (46.5)             |
| Gain on sale of subsidiary                                    | —                     | 50.6               | —                     | 50.6               |
| Operating income  | 56.8                  | 81.9               | 59.6                  | 132.2              |
| Interest expense, net   | 9.4                   | 2.4                | 17.5                  | 6.5                |
| Total   | \$ 47.4               | \$ 79.5            | \$ 42.1               | \$ 125.8           |
| <b>Depreciation and Amortization Expense:</b>                 |                       |                    |                       |                    |
| Workplace furnishings   | \$ 16.8               | \$ 11.3            | \$ 41.7               | \$ 34.6            |
| Residential building products                                 | 3.5                   | 3.2                | 10.2                  | 9.3                |
| General corporate   | 5.4                   | 6.5                | 16.4                  | 19.6               |
| Total   | \$ 25.6               | \$ 21.0            | \$ 68.3               | \$ 63.5            |
| <b>Capital Expenditures (including capitalized software):</b> |                       |                    |                       |                    |
| Workplace furnishings   | \$ 18.8               | \$ 10.0            | \$ 50.6               | \$ 26.4            |
| Residential building products                                 | 2.7                   | 3.6                | 10.1                  | 12.1               |
| General corporate   | 0.1                   | 1.8                | 2.1                   | 10.2               |
| Total   | \$ 21.6               | \$ 15.5            | \$ 62.8               | \$ 48.7            |
| <b>Identifiable Assets:</b>                                   |                       |                    |                       |                    |
| Workplace furnishings   |                       |                    | \$ 1,385.5            | \$ 761.5           |
| Residential building products                                 |                       |                    | 488.6                 | 493.0              |
| General corporate   |                       |                    | 142.9                 | 160.0              |
| Total   |                       |                    | \$ 2,017.0            | \$ 1,414.5         |

#### Note 15. Supplier Finance Program

The Corporation adopted ASU 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations* in the first fiscal quarter of 2023, which enhances the transparency of supplier finance programs

by requiring the disclosure of key terms, amounts outstanding, a rollforward of outstanding amounts, and a description of where in the financial statements outstanding amounts are presented. The rollforward disclosure is not required until fiscal 2024.

One of the Corporation's third-party financial institutions offers a supply chain finance ("SCF") program by which it allows eligible Corporation suppliers the opportunity to sell their trade receivables due from the Corporation. Supplier participation in the SCF program is voluntary and requires an agreement between the supplier and the financial institution, to which the Corporation is not a party. Any sales of supplier receivables to the financial institution is at the sole discretion of the supplier and is priced at a rate that leverages the Corporation's credit rating and thus may be more beneficial to the supplier. The Corporation's responsibility is limited to making payment on the terms originally negotiated with each supplier, regardless of whether the supplier sells its receivables to the financial institution.

The Corporation's payments to the financial institution to settle obligations related to suppliers that elected to participate in the SCF program are reflected in cash flows from operating activities in the Condensed Consolidated Statements of Cash Flows. Additionally, SCF program payment obligations due by the Corporation to the financial institution are recorded in "Accounts payable and accrued expenses" in the Condensed Consolidated Balance Sheets as follows:

|                                      | As of<br>September 30, 2023 | As of<br>December 31, 2022 |
|--------------------------------------|-----------------------------|----------------------------|
| Supplier finance program obligations | \$ 28.3                     | \$ 27.4                    |

## Note 16. Restructuring and Impairment

Restructuring charges relate to exit costs in connection with the Poppin divestiture, costs tied to the closure of a small workplace furnishings eCommerce brand, and start up costs at a manufacturing facility in Mexico. Long-lived asset charges relate to asset disposals in the current year, while the corporate charge relates to impairment of an equity investment in the prior year.

|                                 | Classification                       | Three Months Ended    |                    | Nine Months Ended     |                    |
|---------------------------------|--------------------------------------|-----------------------|--------------------|-----------------------|--------------------|
|                                 |                                      | September 30,<br>2023 | October 1,<br>2022 | September 30,<br>2023 | October 1,<br>2022 |
| <b>Workplace Furnishings</b>    |                                      |                       |                    |                       |                    |
| Inventory valuation             | Cost of sales                        | \$ —                  | \$ 3.3             | \$ (0.3)              | \$ 3.5             |
| Facility set-up costs           | Cost of sales                        | 0.3                   | 0.3                | 0.8                   | 0.5                |
| <b>Long-lived asset charges</b> |                                      |                       |                    |                       |                    |
| Long-lived asset charges        | Restructuring and impairment charges | 0.2                   | —                  | 2.3                   | —                  |
| Exit costs                      | Restructuring and impairment charges | 5.1                   | —                  | 11.1                  | —                  |
| <b>General Corporate</b>        |                                      |                       |                    |                       |                    |
| Investment impairment           | Restructuring and impairment charges | —                     | —                  | —                     | 1.0                |
| <b>Total</b>                    |                                      | <b>\$ 5.6</b>         | <b>\$ 3.6</b>      | <b>\$ 13.9</b>        | <b>\$ 5.0</b>      |

As of September 30, 2023 and December 31, 2022, accrued restructuring expenses of \$9.2 million and \$0.5 million, respectively, were included in "Accounts payable and accrued expenses" in the Consolidated Balance Sheets. Cash payments related to restructuring charges in all periods presented were not significant, and any future costs connected to these current initiatives are not expected to be material.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the Corporation's historical results of operations and of its liquidity and capital resources should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements of the Corporation and related notes included elsewhere in this Quarterly Report on Form 10-Q and with the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. All dollar amounts presented are in millions, except per share data or where otherwise indicated. Amounts may not sum due to rounding. Statements that are not historical are forward-looking and involve risks and uncertainties. See "Forward-Looking Statements" at the end of this section for further information.

### **Overview**

The Corporation has two reportable segments: workplace furnishings and residential building products. The Corporation is a leading global designer and provider of commercial furnishings, and a leading manufacturer and marketer of hearth products. The Corporation utilizes a multi-faceted go-to market business model to deliver value to customers via various brands and selling models. The Corporation is focused on growing its existing businesses while seeking out and developing new opportunities for growth.

Significant developments in the current year include the Corporation's acquisition of Kimball International in a cash and stock transaction valued at approximately \$504 million, which closed on June 1, 2023. Furthermore, in the third quarter of 2023, the Corporation completed its previously announced divestiture of Poppin, a business unit of Kimball International. See "Note 3. Acquisitions and Divestitures" in the Notes to Condensed Consolidated Financial Statements for more details on the Kimball International acquisition, the Poppin divestiture, and other related information.

Consolidated net sales for the third quarter of 2023 were \$711.6 million, an increase of 18.8 percent compared to net sales of \$598.8 million in the prior-year quarter. The change was due to a 43.1 percent increase in the workplace furnishings segment, partially offset by a 21.8 percent decrease in the residential building products segment. The acquisition of Kimball International increased year-over-year sales by \$158.0 million. The sale of the Lamex business in the third quarter 2022 decreased year-over-year sales by \$2.7 million.

Net income attributable to the Corporation in the third quarter of 2023 was \$37.8 million compared to net income of \$63.1 million in the third quarter of 2022. The third quarter of 2022 included a pre-tax gain of \$50.6 million as a result of the divestiture of the Lamex business. Excluding this item, net income increased year-over-year driven by favorable price-cost, improved net productivity, lower core selling and administrative expenses ("SG&A"), and favorable impacts of the Kimball International acquisition, partially offset by lower volume in the legacy HNI businesses that exclude Kimball International, higher variable compensation, and higher interest expense.

## Results of Operations

The following table presents certain results of operations:

|  | Three Months Ended    |                    |          | Nine Months Ended     |                    |          |
|--|-----------------------|--------------------|----------|-----------------------|--------------------|----------|
|  | September 30,<br>2023 | October 1,<br>2022 | Change   | September 30,<br>2023 | October 1,<br>2022 | Change   |
| Net sales  | \$ 711.6              | \$ 598.8           | 18.8 %   | \$ 1,754.2            | \$ 1,792.9         | (2.2) %  |
| Cost of sales  | 426.3                 | 389.3              | 9.5 %    | 1,079.0               | 1,165.9            | (7.5) %  |
| Gross profit   | 285.3                 | 209.5              | 36.2 %   | 675.2                 | 627.0              | 7.7 %    |
| Selling and administrative expenses                        | 223.3                 | 178.2              | 25.3 %   | 602.2                 | 544.3              | 10.6 %   |
| Gain on sale of subsidiary                                 | —                     | (50.6)             | (100) %  | —                     | (50.6)             | (100) %  |
| Restructuring and impairment charges                       | 5.3                   | —                  | 100 %    | 13.4                  | 1.0                | NM       |
| Operating income   | 56.8                  | 81.9               | (30.7) % | 59.6                  | 132.2              | (54.9) % |
| Interest expense, net                                      | 9.4                   | 2.4                | 299 %    | 17.5                  | 6.5                | 172 %    |
| Income before income taxes                                 | 47.4                  | 79.5               | (40.4) % | 42.1                  | 125.8              | (66.5) % |
| Income taxes   | 9.6                   | 16.4               | (41.5) % | 15.6                  | 18.2               | (14.3) % |
| Net income (loss) attributable to non-controlling interest | 0.0                   | (0.0)              | 0.0 %    | 0.0                   | (0.0)              | 0.0 %    |
| Net income attributable to HNI Corporation                 | \$ 37.8               | \$ 63.1            | (40.2) % | \$ 26.5               | \$ 107.6           | (75.4) % |

### As a Percentage of Net Sales:

|  |         |         |          |         |         |          |
|--|---------|---------|----------|---------|---------|----------|
| Net sales                                  | 100.0 % | 100.0 % |          | 100.0 % | 100.0 % |          |
| Gross profit                               | 40.1    | 35.0    | 510 bps  | 38.5    | 35.0    | 350 bps  |
| Selling and administrative expenses        | 31.4    | 29.8    | 160 bps  | 34.3    | 30.4    | 390 bps  |
| Gain on sale of subsidiary                 | —       | 8.5     | -850 bps | —       | 2.8     | -280 bps |
| Restructuring and impairment charges       | 0.7     | —       | 70 bps   | 0.8     | 0.1     | 70 bps   |
| Operating income                           | 8.0     | 13.7    | -570 bps | 3.4     | 7.4     | -400 bps |
| Income taxes                               | 1.4     | 2.7     | -130 bps | 0.9     | 1.0     | -10 bps  |
| Net income attributable to HNI Corporation | 5.3     | 10.5    | -520 bps | 1.5     | 6.0     | -450 bps |

### Results of Operations - Three Months Ended

#### Net Sales

Consolidated net sales for the third quarter of 2023 increased 18.8 percent compared to the same quarter last year. The change was driven by \$158.0 million of favorable impact from the acquisition of Kimball International in the second quarter of 2023, as well as price realization in both the workplace furnishings and residential building products segments, partially offset by lower volume in the legacy HNI businesses due to continued headwinds from macroeconomic conditions. Also included in the sales results for the current quarter is a \$2.7 million unfavorable impact from the divestiture of Lamex in the third quarter of 2022.

#### Gross Profit

Gross profit as a percentage of net sales increased 510 basis points in the third quarter of 2023 compared to the same quarter last year, driven by favorable price-cost, improved net productivity, and the impact of the Kimball International acquisition, partially offset by lower volume in the legacy HNI businesses. Favorable price-cost was attributable to the Corporation's ability to implement price increases over the past several quarters in response to inflationary pressures. Additionally, prior-year quarter cost of sales included charges of \$3.6 million primarily due to strategic restructuring of an eCommerce business in the workplace furnishings segment.

### Selling and Administrative Expenses

Selling and administrative expenses as a percentage of net sales increased 160 basis points in the third quarter of 2023 compared to the same quarter last year. The increase was primarily driven by higher variable compensation, lower volume in the legacy HNI businesses, and the impact of the Kimball International acquisition, partially offset by lower core SG&A and price realization. The current quarter also included \$2.8 million of acquisition-related fees and expenses, while the prior-year quarter included \$5.6 million associated with a company-wide cost reduction initiative.

### Gain on Sale of Subsidiary

In the third quarter of 2022, the Corporation recorded a one-time pretax gain of \$50.6 million as a result of the divestiture of the Lamex business.

### Restructuring and Impairment Charges

In the third quarter of 2023, the Corporation recorded \$5.3 million of restructuring and impairment charges primarily in connection with the divestiture of Poppin.

### Operating Income

In the third quarter of 2023, operating margin decreased 570 basis points compared to the same quarter last year, driven by the gain on the sale of the Lamex business in the prior year. Excluding this item, operating margin increased driven by favorable price-cost, improved net productivity, lower core SG&A, and favorable impact of the acquisition of Kimball International, partially offset by lower volume in the legacy HNI businesses and higher variable compensation.

### Interest Expense, Net

Interest expense, net for the third quarter of 2023 was \$9.4 million, compared to \$2.4 million in the same quarter last year, driven by increased borrowings associated with the acquisition of Kimball International, along with higher average interest rates on the Corporation's variable-rate debt.

### Income Taxes

The Corporation's income tax provision for the third quarter of 2023 was \$9.6 million of expense on pre-tax income of \$47.4 million, or an effective tax rate of 20.3 percent. For the third quarter of 2022, the Corporation's income tax expense was \$16.4 million on pre-tax income of \$79.5 million, or an effective tax rate of 20.7 percent.

### Net Income Attributable to HNI Corporation

Net income attributable to the Corporation was \$37.8 million, or \$0.80 per diluted share in the third quarter of 2023, compared to net income of \$63.1 million, or \$1.51 per diluted share in the third quarter of 2022.

### *Results of Operations - Nine Months Ended*

#### Net Sales

Consolidated net sales for the first nine months of 2023 decreased 2.2 percent compared to the same period last year. The change was driven by lower volume in the legacy HNI business due to continued headwinds from macroeconomic conditions, backlog normalization versus the prior year period, and a \$46.9 million unfavorable impact from the divestiture of Lamex in the third quarter of 2022, partially offset by a \$214.0 million favorable impact from the acquisition of Kimball International and price realization in both the residential building products and workplace furnishings segments. Also included in the sales results for the current period is a \$2.4 million favorable impact from acquiring a residential building products company in the second quarter of 2022.

#### Gross Profit

Gross profit as a percentage of net sales increased 350 basis points in the first nine months of 2023 compared to the same period last year, driven by favorable price-cost, improved operational productivity, and favorable impacts from the acquisition of

Kimball International, partially offset by lower volume in the legacy HNI businesses. Favorable price-cost was attributable to the Corporation's continued ability to implement price increases in response to inflationary pressures.

#### Selling and Administrative Expenses

Selling and administrative expenses as a percentage of net sales increased 390 basis points in the first nine months of 2023 compared to the same period last year. The increase was driven by \$37.5 million in transaction costs associated with the acquisition of Kimball International, as well as lower volume in the legacy HNI businesses. These factors were partially offset by lower core SG&A and price realization.

#### Gain on Sale of Subsidiary

In the first nine months of 2022, the Corporation recorded a one-time pretax gain of \$50.6 million as a result of the divestiture of the Lamex business.

#### Restructuring and Impairment Charges

In the first nine months of 2023, the Corporation recorded \$13.4 million of restructuring and impairment charges, compared to \$1.0 million in the same period last year. The current period charges are primarily in connection with the divestiture of Poppin.

#### Operating Income

In the first nine months of 2023, operating margin decreased 400 basis points compared to the same period last year. The decrease was driven by the gain on the sale of the Lamex business in the prior year and transaction costs related to the acquisition of Kimball International in the current year. Excluding these items, operating margin increased driven by favorable price-cost, improved net productivity, lower core SG&A, and favorable impacts of the acquisition of Kimball International, partially offset by lower volume in the legacy HNI businesses.

#### Interest Expense, Net

Interest expense, net for the first nine months of 2023 was \$17.5 million, compared to \$6.5 million in the same period last year, driven by increased borrowings associated with the acquisition of Kimball International, along with higher average interest rates on the Corporation's variable-rate debt.

#### Income Taxes

The Corporation's income tax provision for the first nine months of 2023 was \$15.6 million of expense on pre-tax income of \$42.1 million, or an effective tax rate of 37.1 percent. For the first nine months of 2022, the Corporation's income tax provision was \$18.2 million of expense on pre-tax income of \$125.8 million, or an effective tax rate of 14.5 percent. The variation in the rate is primarily due to non-deductible transaction costs in the current year related to the acquisition of Kimball International, as well as tax benefits recognized in the prior-year period for valuation adjustments related to existing deferred tax assets and basis differences tied to the sale of Lamex in 2022.

#### Net Income Attributable to HNI Corporation

Net income attributable to the Corporation was \$26.5 million, or \$0.60 per diluted share in the first nine months of 2023, compared to net income of \$107.6 million, or \$2.54 per diluted share in the first nine months of 2022.

## Workplace Furnishings

The following table presents summarized results of operations in the workplace furnishings segment:

|                    | Three Months Ended    |                    |         | Nine Months Ended     |                    |         |
|--------------------|-----------------------|--------------------|---------|-----------------------|--------------------|---------|
|                    | September 30,<br>2023 | October 1,<br>2022 | Change  | September 30,<br>2023 | October 1,<br>2022 | Change  |
| Net sales          | \$ 536.8              | \$ 375.2           | 43.1 %  | \$ 1,249.5            | \$ 1,135.0         | 10.1 %  |
| Operating income   | \$ 47.3               | \$ 5.6             | 738 %   | \$ 59.2               | \$ 11.1            | 431 %   |
| Operating income % | 8.8 %                 | 1.5 %              | 730 bps | 4.7 %                 | 1.0 %              | 370 bps |

### Three months ended

Third quarter 2023 net sales for the workplace furnishings segment increased 43.1 percent compared to the same quarter last year. The acquisition of Kimball International during the current-year quarter increased net sales by \$158.0 million compared to the prior-year quarter, while the sale of the Lamex business during the third quarter of 2022 decreased net sales by \$2.7 million compared to the prior year quarter. Excluding the impact of these items, segment sales increased 1.7 percent year-over-year, driven by price realization, partially offset by lower volume across most customer segments in the legacy HNI workplace businesses as a result of macroeconomic headwinds.

Operating income as a percentage of net sales in the third quarter of 2023 improved 730 basis points compared to the same period in 2022. The increase was driven by favorable price-cost, improved net productivity, favorable impacts from the Kimball International acquisition, and lower core SG&A. These factors were partially offset by restructuring and impairment costs primarily related to the exit of Poppin, higher variable compensation, and lower volume in the legacy HNI workplace businesses.

### Nine Months Ended

Net sales for the first nine months of 2023 for the workplace furnishings segment increased 10.1 percent compared to the same period last year. The acquisition of Kimball International during the current-year period increased net sales by \$214.0 million compared to the prior-year period, while the sale of the Lamex business during the third quarter of 2022 decreased net sales by \$46.9 million compared to the prior year period. Aside from these items, segment sales decreased 4.8 percent year-over-year, with lower volume across most customer segments in the legacy HNI workplace businesses, partially offset by price realization. In addition to macroeconomic headwinds that have negatively affected volume in the current year period, during much of 2022 the workplace furnishings segment was in the midst of managing through an elevated sales order backlog as a result of supply chain issues and capacity constraints that arose in 2021. These challenges were largely resolved by the end of 2022, resulting in a more normal backlog heading into 2023 and thus lower relative volume in the current year period, compared to the prior year period.

Operating income as a percentage of net sales in the first nine months of 2023 improved 370 basis points compared to the same period in 2022. The increase was driven by favorable price-cost, lower core SG&A, improved operational productivity, and favorable impacts from the Kimball International acquisition, partially offset by lower volume in the legacy HNI workplace businesses, \$11.1 million in acquisition costs, and \$11.1 million in restructuring costs related to the exit of Poppin.

## Residential Building Products

The following table presents summarized results of operations in the residential building products segment:

|                    | Three Months Ended    |                    |          | Nine Months Ended     |                    |          |
|--------------------|-----------------------|--------------------|----------|-----------------------|--------------------|----------|
|                    | September 30,<br>2023 | October 1,<br>2022 | Change   | September 30,<br>2023 | October 1,<br>2022 | Change   |
| Net sales          | \$ 174.8              | \$ 223.6           | (21.8) % | \$ 504.7              | \$ 657.9           | (23.3) % |
| Operating income   | \$ 30.9               | \$ 39.6            | (22.1) % | \$ 74.5               | \$ 117.0           | (36.3) % |
| Operating income % | 17.7 %                | 17.7 %             | 0 bps    | 14.8 %                | 17.8 %             | -300 bps |

### *Three months ended*

Third quarter 2023 net sales for the residential building products segment decreased 21.8 percent compared to the same quarter last year. The decline was driven by lower volume in both the new construction and existing home channels as a result of a drop in housing starts and reduced home remodeling activity due to higher interest rates and broader macroeconomic concerns, partially offset by price realization versus the prior-year quarter.

Operating profit as a percentage of net sales was flat in the third quarter of 2023 compared to the same quarter last year, with the impact of lower volume fully offset by favorable price-cost, improved net productivity, lower core SG&A, and lower variable compensation.

### *Nine months ended*

Net sales for the first nine months of 2023 for the residential building products segment decreased 23.3 percent compared to the same period last year. The decline was driven by lower volume in both the new construction and existing home channels as a result of a drop in housing starts and reduced home remodeling activity due to higher interest rates and broader macroeconomic concerns, partially offset by price realization versus the prior-year period. Sales in the existing home channel were also negatively impacted by the normalization of trade inventory. Included in the sales results for the current year period was a \$2.4 million favorable impact from acquiring a residential building products company in the second quarter of 2022.

Operating profit as a percentage of net sales decreased 300 basis points in the first nine months of 2023 compared to the same period last year, driven by lower volume, which was partially offset by favorable price-cost, improved net productivity, and lower variable compensation.

## **Liquidity and Capital Resources**

Cash, cash equivalents, and short-term investments, coupled with cash flow from future operations, borrowing capacity under the existing credit agreements, and the ability to access capital markets, are expected to be adequate to fund operations and satisfy cash flow needs for at least the next twelve months. Based on current earnings before interest, taxes, depreciation, and amortization, the Corporation can access the full \$425 million of borrowing capacity available under the revolving credit facility, which includes the \$111 million currently outstanding, and maintain compliance with applicable covenants.

### *Cash Flow – Operating Activities*

Operating activities were a source of \$162.5 million of cash in the first nine months of 2023 compared to a source of \$33.9 million of cash in the first nine months of 2022. Cash provided by working capital activity in the current period versus significant working capital cash usage in the prior period was the main driver of the variance. This factor was partially offset by lower net income in the current period driven by costs associated with the acquisition of Kimball International.

### *Cash Flow – Investing Activities*

Capital Expenditures - Capital expenditures, including capitalized software, for the first nine months of 2023 were \$62.8 million compared to \$48.7 million in the same period last year. The increase in capital expenditures over the prior year was driven by the acquisition of Kimball International. These expenditures are primarily focused on machinery, equipment, and tooling required to support new products, continuous improvements, and cost savings initiatives in manufacturing processes. Additionally, in support of the Corporation's long-term strategy to create effortless winning experiences for customers, the Corporation continues to invest in technology and digital assets. For the full year 2023, capital expenditures are expected to be approximately \$80 to \$85 million.

Acquisitions and Divestitures - Investing activities in the current year-to-date period include \$369.7 million spent related to the acquisition of Kimball International, and \$3.1 million received from the sale of Poppin (net of costs to sell). Prior year activity includes \$71.4 million received from the sale of the Lamex business as well as \$9.2 million spent primarily to acquire residential building products companies. See "Note 3. Acquisitions and Divestitures" in the Notes to the Condensed Consolidated Financial Statements for further information.

### *Cash Flow – Financing Activities*

Debt - The Corporation maintains a revolving credit facility as the primary source of committed funding from which the Corporation finances its planned capital expenditures, strategic initiatives, and seasonal working capital needs. Cash flows included in financing activities represent periodic borrowings and repayments under the revolving credit facility.

Additionally, in the current year, the Corporation borrowed \$300 million in connection with a term loan agreement entered into on March 31, 2023, as further amended on May 25, 2023, to support funding of the acquisition of Kimball International, which closed in June 2023.

See "Note 7. Debt" in the Notes to Condensed Consolidated Financial Statements for further information.

**Dividend** - The Corporation is committed to maintaining or modestly growing the quarterly dividend. Cash dividends declared and paid per common share were as follows:

|                            | Three Months Ended    |                    | Nine Months Ended     |                    |
|----------------------------|-----------------------|--------------------|-----------------------|--------------------|
|                            | September 30,<br>2023 | October 1,<br>2022 | September 30,<br>2023 | October 1,<br>2022 |
| Dividends per common share | \$ 0.32               | \$ 0.32            | \$ 0.96               | \$ 0.95            |

During the third quarter, the Board declared the regular quarterly cash dividend on August 15, 2023. The dividend was paid on September 8, 2023, to shareholders of record as of August 25, 2023.

**Stock Repurchase** - The Corporation's capital strategy related to stock repurchase is focused on offsetting the dilutive impact of issuances for various compensation related matters. The Corporation may elect to opportunistically purchase additional shares based on excess cash generation and/or share price considerations. The Board most recently authorized an additional \$200 million on May 17, 2022, for repurchases of the Corporation's common stock. As of September 30, 2023, \$234.0 million remained of the Board's current repurchase authorizations. See "Note 10. Accumulated Other Comprehensive Income (Loss) and Shareholders' Equity" in the Notes to Condensed Consolidated Financial Statements for further information.

**Sales of Stock** - The Corporation records cash flows received from the sale of its common stock held in treasury, primarily in connection with stock option exercises and the HNI Corporation Members' Stock Purchase Plan. See "Note 10. Accumulated Other Comprehensive Income (Loss) and Shareholders' Equity" and "Note 12. Stock-Based Compensation" in the Notes to Condensed Consolidated Financial Statements for further information.

### Cash Requirements

Various commitments and obligations associated with ongoing business and financing activities will result in cash payments in future periods. A summary of the amounts and estimated timing of these future cash payments was provided in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Except for the item described below, there were no material changes outside the ordinary course of business in the Corporation's contractual obligations or the estimated timing of the future cash payments during the first nine months of 2023.

In connection with the acquisition of Kimball International, the Corporation assumed certain cash obligations and commitments. These obligations include contractual commitments for items such as raw materials, supplies, ocean freight, capital expenditures, services, software acquisition and licenses, operating lease liabilities, and SERP liabilities. See "Note 3. Acquisitions and Divestitures" in the Notes to the Condensed Consolidated Financial Statements for further information.

### Commitments and Contingencies

See "Note 13. Guarantees, Commitments, and Contingencies" in the Notes to Condensed Consolidated Financial Statements for further information.

### Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the Consolidated Financial Statements, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on a variety of other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Senior management has discussed the development, selection, and disclosure of these estimates with the Audit Committee of the Board. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant accounting policies requiring the use of estimates and assumptions in preparing

the financial statements is provided in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

## **Looking Ahead**

The Corporation continues to navigate near-term uncertainty driven by macroeconomic conditions. However, management remains optimistic about the long-term prospects in the workplace furnishings and residential building products markets. Management believes the Corporation continues to compete well and remains confident the investments made in the business will continue to generate strong returns for shareholders.

## **Forward-Looking Statements**

Statements in this report to the extent they are not statements of historical or present fact, including statements as to plans, outlook, objectives, and future financial performance, are "forward-looking" statements, within the meaning of Section 21 of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Words such as "anticipate," "believe," "could," "confident," "estimate," "expect," "forecast," "hope," "intend," "likely," "may," "plan," "possible," "potential," "predict," "project," "should," "will," "would," and variations of such words and similar expressions identify forward-looking statements.

Forward-looking statements involve known and unknown risks and uncertainties, which may cause the Corporation's actual results in the future to differ materially from expected results. The most significant factors known to the Corporation that may adversely affect the Corporation's business, operations, industries, financial position, or future financial performance are described within Part II, Item 1A of this report and Item 1A of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. The Corporation cautions readers not to place undue reliance on any forward-looking statement, which is based necessarily on assumptions made at the time the Corporation provides such statement, and to recognize forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results due to the risks and uncertainties described elsewhere in this report, including but not limited to: the Corporation's ultimate realization of the anticipated benefits of the acquisition of Kimball International and the sale of Poppin; disruptions in the global supply chain; the effects of prolonged periods of inflation and rising interest rates; labor shortages; the levels of office furniture needs and housing starts; overall demand for the Corporation's products; general economic and market conditions in the United States and internationally; industry and competitive conditions; the consolidation and concentration of the Corporation's customers; the Corporation's reliance on its network of independent dealers; changes in trade policy; changes in raw material, component, or commodity pricing; market acceptance and demand for the Corporation's new products; changing legal, regulatory, environmental, and healthcare conditions; the risks associated with international operations; the potential impact of product defects; the various restrictions on the Corporation's financing activities; an inability to protect the Corporation's intellectual property; cybersecurity threats, including those posed by potential ransomware attacks; impacts of tax legislation; force majeure events outside the Corporation's control, including those that may result from the effects of climate change; and other risks as described in the Corporation's annual and quarterly reports filed with the Securities and Exchange Commission on Forms 10-K and 10-Q, as well as others that the Corporation may consider not material or does not anticipate at this time. The risks and uncertainties described in this report, as well as those described within Item 1A of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, are not exclusive and further information concerning the Corporation, including factors that potentially could have a material effect on the Corporation's financial results or condition, may emerge from time to time.

The Corporation assumes no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable law. The Corporation advises you, however, to consult any further disclosures made on related subjects in future reports filed with or furnished to the SEC.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As of September 30, 2023, there have been no material changes to the financial market risks affecting the quantitative and qualitative disclosures presented in Item 7A of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

#### Item 4. Controls and Procedures

##### *Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are also designed to ensure information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer of the Corporation, the Corporation's management carried out an evaluation of the Corporation's disclosure controls and procedures pursuant to Exchange Act Rules 13a – 15 and 15d – 15. As of September 30, 2023, based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded these disclosure controls and procedures are effective.

##### *Changes in Internal Controls*

There have been no changes in the Corporation's internal controls over financial reporting during the fiscal quarter covered by this quarterly report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

In June 2023, the Corporation acquired Kimball International (see "Note 3. Acquisitions and Divestitures" in the Notes to the Condensed Consolidated Financial Statements). In conducting its evaluation of the effectiveness of internal control over financial reporting, the Corporation has elected to exclude Kimball International from its evaluation as of September 30, 2023, as permitted by the regulations of the Securities and Exchange Commission.

## PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

For information regarding legal proceedings, see "Note 13. Guarantees, Commitments, and Contingencies" in the Notes to Condensed Consolidated Financial Statements, which information is incorporated herein by reference.

#### Item 1A. Risk Factors

In addition to the risk factors disclosed in the "Risk Factors" section of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, the following risks relating to the merger between the Corporation and Kimball International, Inc., among others, could adversely affect the Corporation's business, financial condition, and results of operations.

*The Corporation may not achieve the intended benefits of the merger, and the merger may disrupt its current plans or operations.*

There can be no assurance that the Corporation will be able to successfully integrate Kimball International's assets or otherwise realize the expected benefits of the transaction (including operating and other cost synergies). Difficulties in integrating Kimball International into the Corporation may result in the Corporation performing differently than expected, in operational challenges, in the failure to realize anticipated run-rate cost synergies and efficiencies in the expected time frame or at all, or in the difficulty or failure of utilizing available U.S. tax attributes, in which case the merger may not be accretive to earnings per share, may not improve the Corporation's balance sheet position, may not enhance the Corporation's ability to de-lever and may not generate additional free cash flow due to reduced cash tax payments. The integration of the two companies may result in material challenges, including the diversion of management's attention from ongoing business concerns; retaining key management and other employees; retaining or attracting business and operational relationships; the possibility of faulty assumptions underlying expectations regarding the integration process and associated expenses; consolidating corporate and administrative infrastructures and eliminating duplicative operations; coordinating geographically separate organizations; unanticipated issues in integrating information technology, communications and other systems; as well as potential unknown liabilities, or unforeseen expenses relating to integration.

*The future results of the Corporation may be adversely impacted if the Corporation does not effectively manage its expanded operations following the completion of the merger.*

The Corporation's business is significantly larger than the pre-merger size of either the Corporation's or Kimball International's respective businesses. The Corporation's ability to successfully manage this expanded business will depend, in part, upon management's ability to design and implement strategic initiatives that address not only the integration of two independent stand-alone companies, but also the increased scale and scope of the combined business with its associated increased costs and complexity. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the merger.

*The combined company incurred substantial expenses related to the completion of the merger and expects to continue to incur substantial expenses relating to the integration of the Corporation and Kimball International.*

The combined company incurred substantial expenses in connection with the completion of the merger and is expected to continue to incur substantial expenses in connection with the integration of the Corporation and Kimball International. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, potentially including purchasing, accounting and finance, sales, payroll, pricing, revenue management, marketing and benefits. The substantial majority of these costs are non-recurring expenses related to the merger (including financing of the merger), facilities and systems consolidation. The Corporation may incur additional costs to maintain employee morale and to attract, motivate or retain management personnel and other key employees. The Corporation and Kimball International also incurred transaction fees and costs related to formulating integration plans for the combined business, and the execution of these plans may lead to additional unanticipated costs. These incremental transaction- and merger-related costs may exceed the savings the combined company expects to achieve from the elimination of duplicative costs and the realization of other efficiencies related to the integration of the businesses, particularly in the near term and in the event there are material unanticipated costs.

*Uncertainties associated with the merger may cause a loss of management personnel and other key employees, and the Corporation may have difficulty attracting and motivating management personnel and other key employees, which could adversely affect the future business and operations of the Corporation after the completion of the merger.*

The Corporation is dependent on the experience and industry knowledge of its management personnel and other key employees to execute its business plans. The success of the Corporation after the completion of the merger depends in part upon the ability of the Corporation to attract, motivate and retain key management personnel and other key employees. Current and prospective employees of the Corporation may experience uncertainty about their roles within the combined company, which may have an adverse effect on the ability of the Corporation to attract, motivate or retain management personnel and other key employees. In addition, no assurance can be given that the Corporation will be able to attract, motivate or retain management personnel and other key employees of the Corporation to the same extent that the Corporation and Kimball International have previously been able to attract or retain their own employees prior to the merger.

*The merger may result in a loss of customers, distributors, suppliers, vendors, landlords and other business partners and may result in the termination of existing contracts.*

Some of the customers, distributors, suppliers, vendors, landlords and other business partners of Kimball International may terminate or scale back their current or prospective business relationships with the Corporation. Some customers may not wish to source a larger percentage of their needs from a single company or may feel that the Corporation is too closely allied with one of its former competitors. If relationships with customers, distributors, suppliers, vendors, landlords and other business partners are adversely affected by the merger, or if the Corporation loses the benefits of the contracts of Kimball International, the Corporation's business and financial performance could suffer.

*The combined company has significantly more indebtedness than the indebtedness of the Corporation prior to the merger.*

Upon completion of the merger, the Corporation incurred approximately \$390.2 million in additional indebtedness and has consolidated indebtedness of approximately \$508.6 million, up from \$207.9 million before the merger. The increased indebtedness of the combined company in comparison to that of the Corporation on a historical basis may have the effect, among other things, of reducing the flexibility of the Corporation to respond to changing business and economic conditions and increasing borrowing costs.

*The financing arrangements that the Corporation entered into in connection with the merger contain restrictions and limitations that may, under certain circumstances, significantly impact the Corporation's ability to operate its business.*

The Corporation incurred significant new indebtedness in connection with the merger. The agreements governing the indebtedness that the Corporation incurred in connection with the merger, including, but not limited to, the Term Loan Credit Agreement may, under certain circumstances, impose significant operating and financial restrictions on the Corporation. These

restrictions may affect the Corporation's ability to operate its business and may limit the Corporation's ability to take advantage of potential business opportunities as they arise.

In addition, the agreements governing such indebtedness require the Corporation to comply with a consolidated leverage ratio financial covenant and consolidated interest coverage ratio financial covenant. The Corporation's ability to comply with such covenants will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond the Corporation's control. The ability to comply with these covenants will also depend on the Corporation's ability to successfully implement its overall business strategy and realize the anticipated benefits of the merger, including synergies, cost savings, innovation and operational efficiencies.

Various risks, uncertainties and events beyond the Corporation's control could affect its ability to comply with the covenants contained in its financing agreements. Failure to comply with any of the covenants in its existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of the debt under these agreements. Under these circumstances, the Corporation might not have sufficient funds or other resources to satisfy all of its obligations. In addition, the limitations imposed by financing agreements on the Corporation's ability to incur additional debt and to take other actions might significantly impair its ability to obtain other financing.

If the Corporation incurs additional indebtedness in future periods, the risks related to the substantial indebtedness of the Corporation after the completion of the merger may intensify.

*The market price of the Corporation's common stock after the merger may be affected by factors different from those affecting the price of the Corporation's common stock before the merger.*

As the businesses of the Corporation and Kimball International are different, the results of operations as well as the price of the Corporation's common stock may be affected by factors different from those factors that previously affected the Corporation as an independent stand-alone company. Following the transaction, the Corporation faces additional risks and uncertainties that the Corporation or Kimball International may not have previously been exposed to as independent companies.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### **Issuer Purchases of Equity Securities:**

The Corporation repurchases shares under previously announced plans authorized by the Board. The Corporation's most recent share purchase authorization from May 17, 2022, provides for repurchases of an additional \$200 million with no specific expiration date. The authorization does not obligate the Corporation to purchase any shares and the authorization may be terminated, increased, or decreased by the Board at any time. No repurchase plans expired or were terminated during the third quarter of fiscal 2023, and no current plans are expected to expire or terminate.

The Corporation did not repurchase any of its shares during the quarter. As of September 30, 2023, \$234.0 million was authorized and available for the repurchase of shares by the Corporation.

## Item 5. Other Information

### **Securities Trading Plans of Directors and Executive Officers:**

The following table details “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K, adoptions and terminations by directors and officers of the Corporation during the three months ended September 30, 2023:

| Name and Title   | Action | Date Adopted/<br>Modified/<br>Terminated | Trading Arrangement |                     | Total Shares to<br>be Sold | Expiration Date   |
|--|--------|--|---------------------|---------------------|----------------------------|-------------------|
|  |        |  | Rule 10b5-1         | Non-<br>Rule 10b5-1 |                            |                   |
| Vincent P. Berger, Executive Vice President, and President, Hearth & Home Technologies LLC | Adopt  | August 10, 2023                          | x                   |                     | 4,084                      | February 12, 2024 |
| Steven M. Bradford, Senior Vice President, General Counsel, and Secretary                  | Adopt  | August 10, 2023                          | x                   |                     | 50,471                     | July 25, 2024     |
| Marshall H. Bridges, Senior Vice President and Chief Financial Officer                     | Adopt  | August 10, 2023                          | x                   |                     | 10,440                     | February 12, 2024 |
| Jeffrey D. Lorenger, Chairman, President, and Chief Executive Officer                      | Adopt  | August 10, 2023                          | x                   |                     | 39,617                     | February 12, 2024 |

Item 6. Exhibits

|      |  |
|------|--|
| 2.1* | <a href="#">Agreement and Plan of Merger, by and among HNI Corporation, Ozark Merger Sub, Inc. and Kimball International, Inc., dated as of March 7, 2023 (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed March 10, 2023)</a>   |
| 31.1 | <a href="#">Certification of the CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002+</a>  |
| 31.2 | <a href="#">Certification of the CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002+</a>  |
| 32.1 | <a href="#">Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002+</a>   |
| 101  | The following materials from HNI Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2023 are formatted in Inline XBRL (eXtensible Business Reporting Language) and filed electronically herewith: (i) Condensed Consolidated Statements of Comprehensive Income; (ii) Condensed Consolidated Balance Sheets; (iii) Condensed Consolidated Statements of Equity; (iv) Condensed Consolidated Statements of Cash Flows; (v) Notes to Condensed Consolidated Financial Statements; and (vi) information concerning trading plans appearing in Part II, Item 5 of this report+ |
| 104  | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)   |

+ Filed or furnished herewith.

\* Schedules omitted pursuant to Item 601(b)(2) of Regulation S-K. The Corporation agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request; provided, however, that the Corporation may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any schedules or exhibits so furnished.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**HNI Corporation**

Date: October 31, 2023

By: /s/ Marshall H. Bridges

Marshall H. Bridges

Senior Vice President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
Sarbanes-Oxley Act Section 302

I, Jeffrey D. Lorenger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HNI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a – 15(e) and 15d – 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2023

By: /s/ Jeffrey D. Lorenger

Name: Jeffrey D. Lorenger

Title: Chairman, President, and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
Sarbanes-Oxley Act Section 302

I, Marshall H. Bridges, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HNI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a – 15(e) and 15d – 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2023

By: /s/ Marshall H. Bridges

Name: Marshall H. Bridges

Title: Senior Vice President and Chief Financial Officer

Certification of CEO and CFO Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of HNI Corporation (the "Corporation") for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jeffrey D. Lorenger, as Chairman, President, and Chief Executive Officer of the Corporation, and Marshall H. Bridges, as Senior Vice President and Chief Financial Officer of the Corporation, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation as of the dates and for the periods expressed in the Report.

Date: October 31, 2023

By: /s/ Jeffrey D. Lorenger

Name: Jeffrey D. Lorenger

Title: Chairman, President, and Chief Executive Officer

Date: October 31, 2023

By: /s/ Marshall H. Bridges

Name: Marshall H. Bridges

Title: Senior Vice President and Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.