



Raymond James  
40<sup>th</sup> Annual  
Investors Conference



# Forward Looking Statements

This presentation contains "forward-looking" statements based on current expectations regarding future plans, events, outlook, objectives, and financial performance, expectations for future sales growth, and earnings per diluted share (GAAP and non-GAAP). Forward-looking statements can be identified by words including "expect," "believe," "anticipate," "estimate," "may," "will," "would," "could," "confident", or other similar words, phrases, or expressions. Forward-looking statements involve known and unknown risks and uncertainties, which may cause the Corporation's actual future results and performance to differ materially from expected results. These risks include but are not limited to: 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; impacts of tax legislation; and force majeure events outside the Corporation's control. A description of these risks and additional risks can be found in the Corporation's annual and quarterly reports filed with the Securities and Exchange Commission on Forms 10-K and 10-Q. The Corporation assumes no obligation to update, amend, or clarify forward-looking statements.

# Business Structure



Two Segments

Office Furniture  
76% of sales

Hearth Products  
24% of sales



Three Businesses

**Contract Driven**

**Supplies Driven**

**Hearth Products**



# Contract Driven Business

## Typical Customers

- Larger businesses
- Image driven
- Custom solution



## Multiple Influencers

### External

- Architect & Design
- Real Estate
- Project Manager



### Internal

- C-Suite
- Procurement



- Customization
- Design driven
- Made to order

## Product



Long Cycle



RFP Driven



Complex

## Selling Model

# Supplies Driven Business

## Typical Customers

Small to Mid Size Businesses



## Few Influencers



- Dealer reps
- Delegated process



- Standard product
- Small project
- Fill-in items

## Product



Short Cycle

- Multiple order types
- Dealer driven
- Online



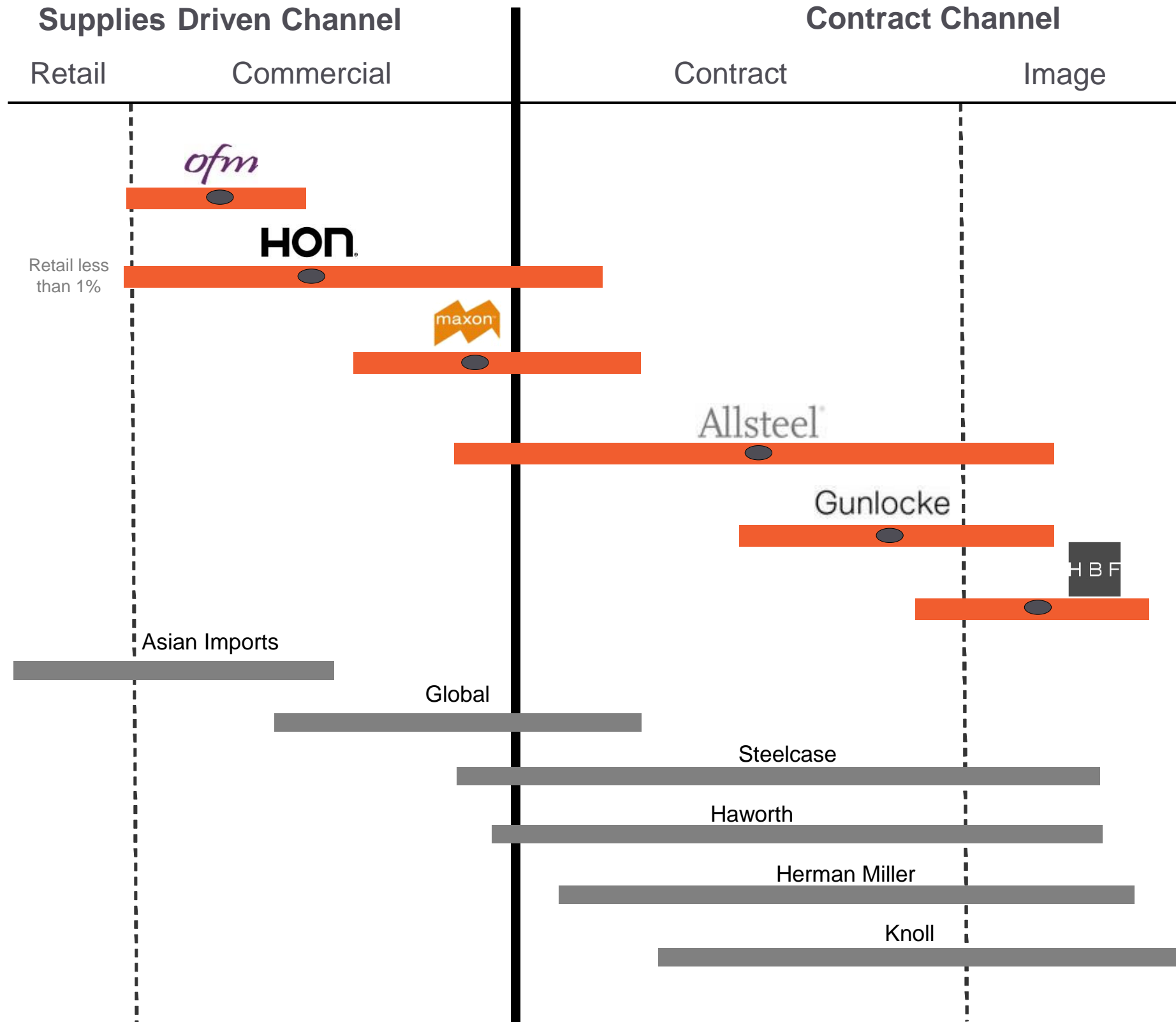
## Selling Model

# Market Coverage

Office Furniture



## North America



**HNI Brands**

**Key Competitors**

● Core, sweet spot



# Office Furniture Industry Dynamics





# Today's Office

## Traditional Workspaces



Private Office



Modular Workstation

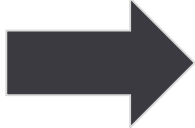


Formal Conference

## Modern Workspaces



Collaboration Spaces



Focused alone time is minority of work day



Open Concepts



70% Americans now work in open environments



Multi-Purpose & Flexible Offices



Increase in multi-use office space



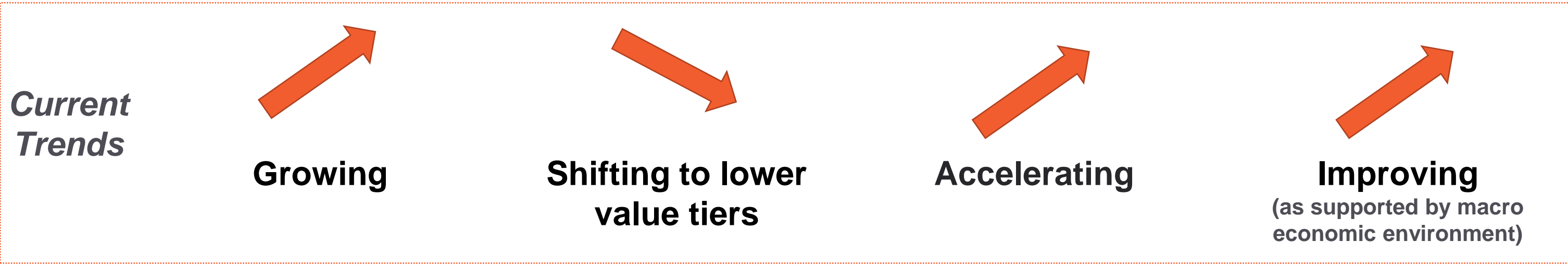
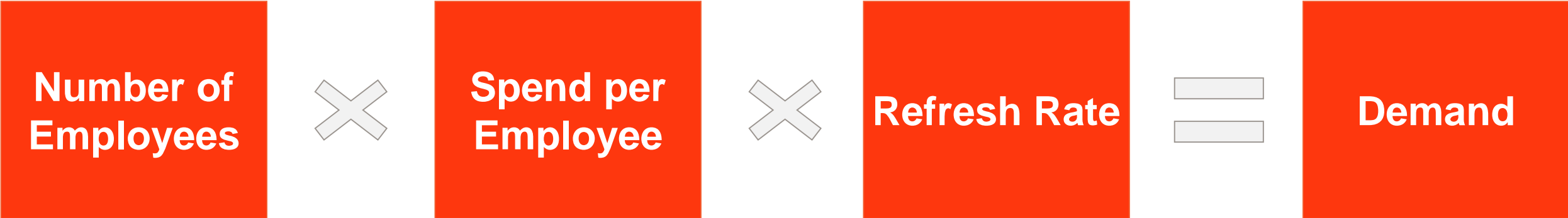
Relaxation & Comfort



Office environment trending "resimercial"



# Office Furniture Demand Outlook



# Shifting Customer Priorities

Majority of customers seek  
best price to value  
Value growing in importance

Changing office driving  
increased complexity

Higher expectations for more  
convenient purchase process

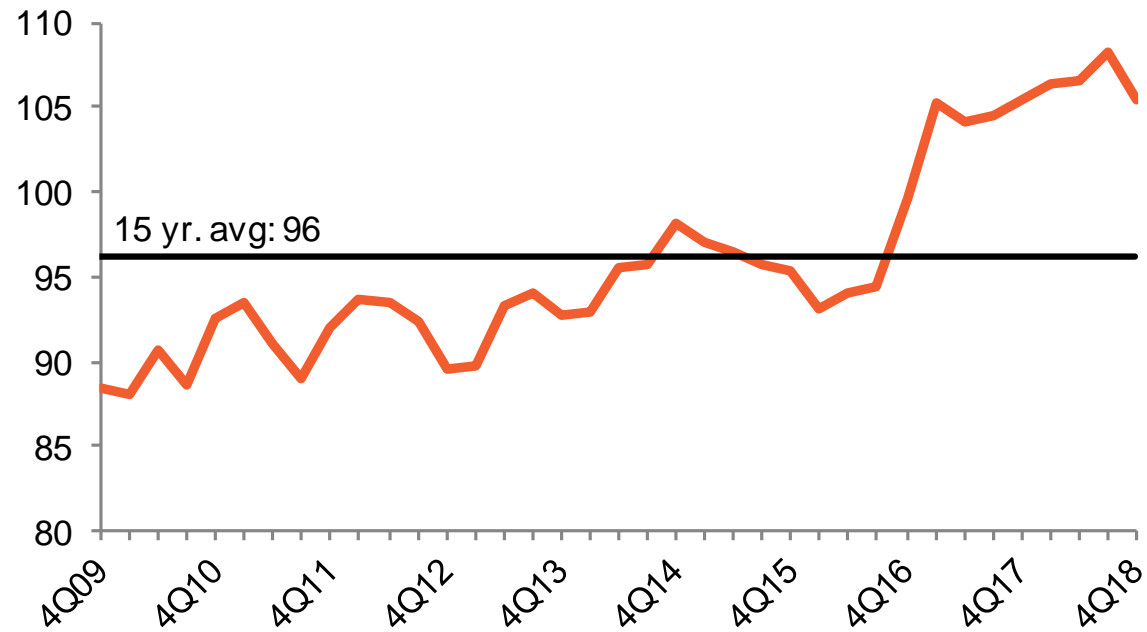
Trends align with HNI's  
operational excellence model



# Macro Economic Drivers

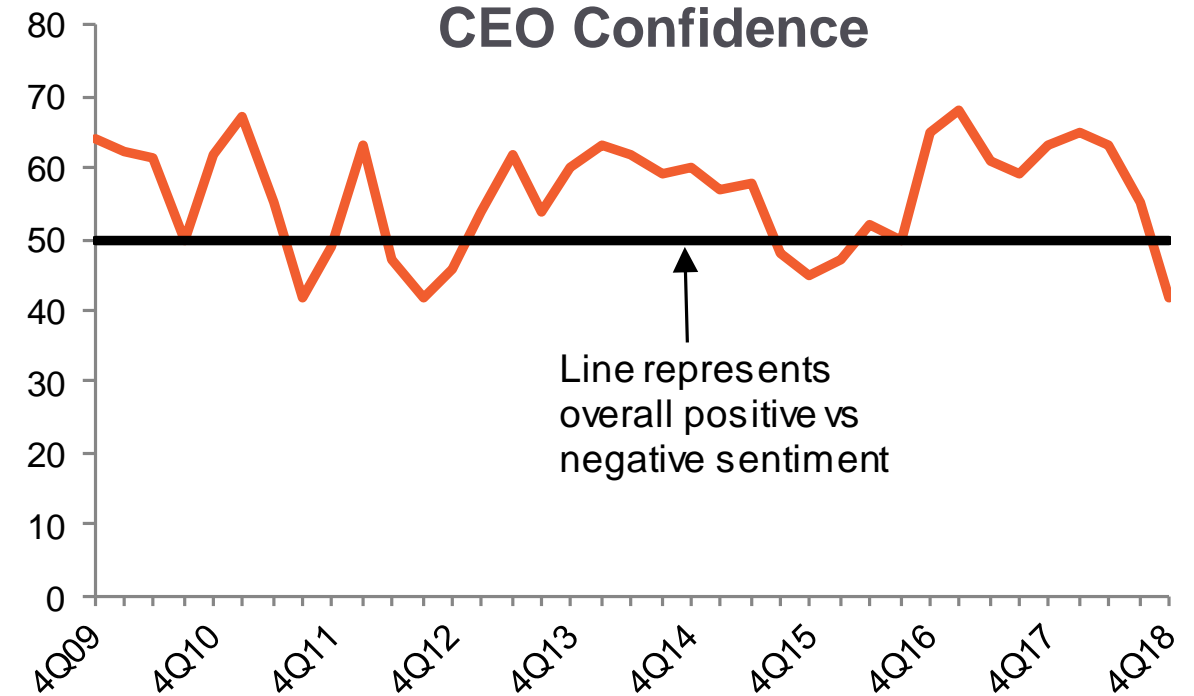
## Office Furniture

### Small Business Confidence



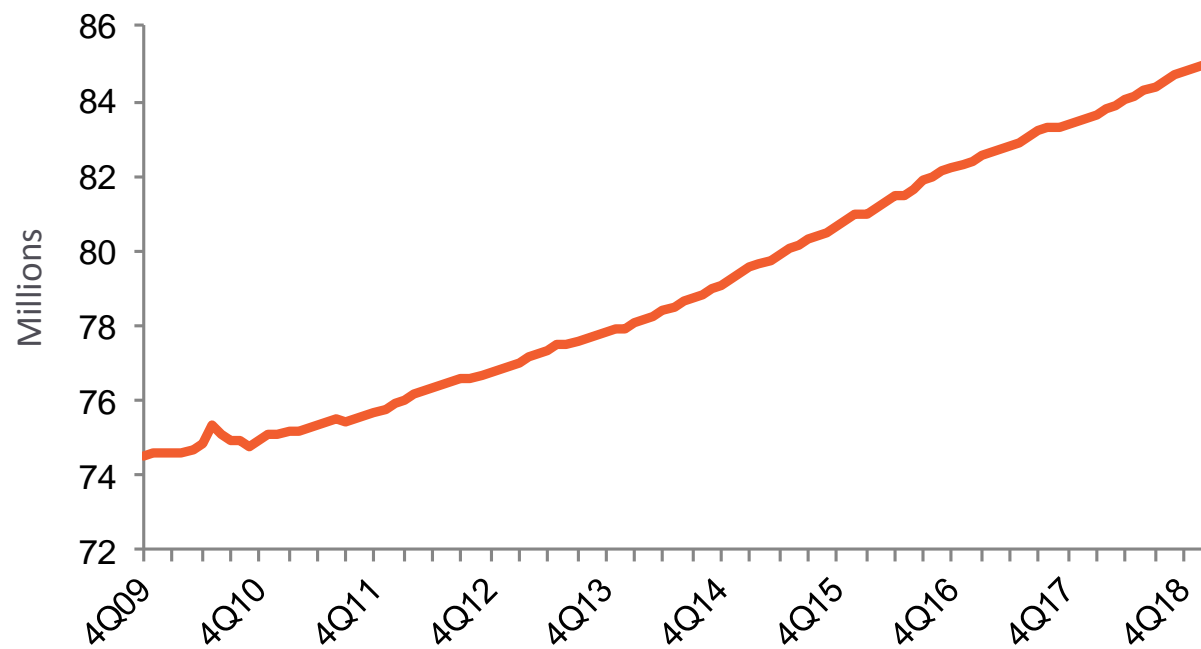
Source: National Federation of Independent Business

### CEO Confidence



Source: The Conference Board

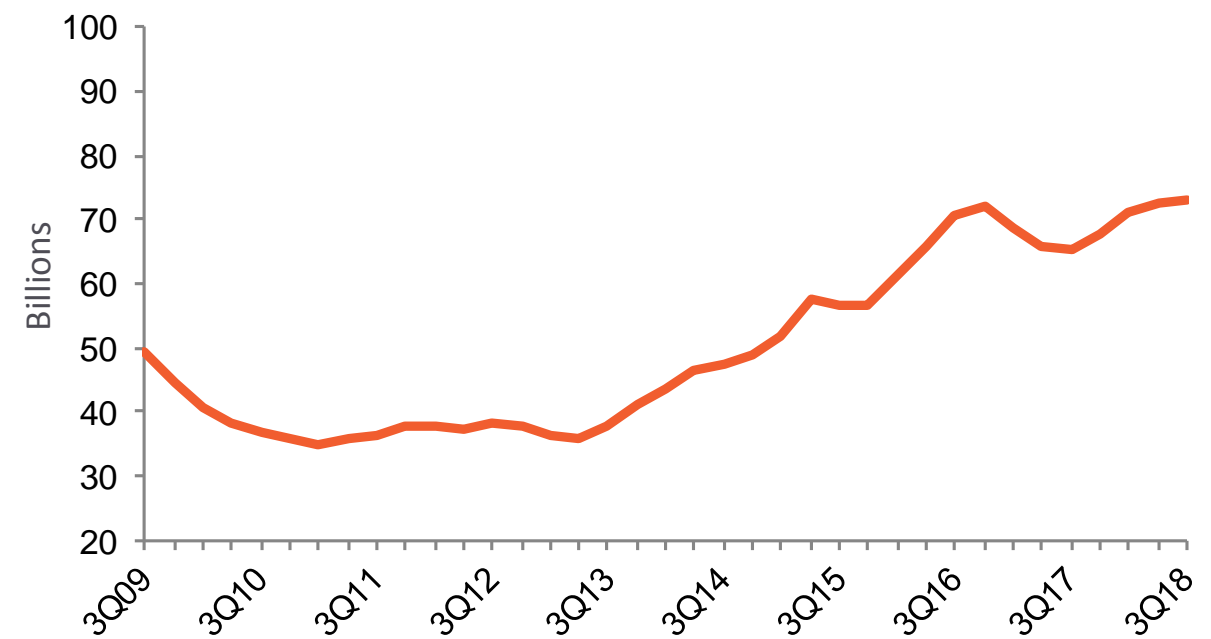
### Service Sector Employment



Source: Bureau of Labor Statistics

CES Industries: Financial Activities, State and Local Government, Federal Government, Other Services, Professional Business Services, Information, and Education and Health Services

### Total Construction Spending: Office



Source: U.S. Bureau of the Census

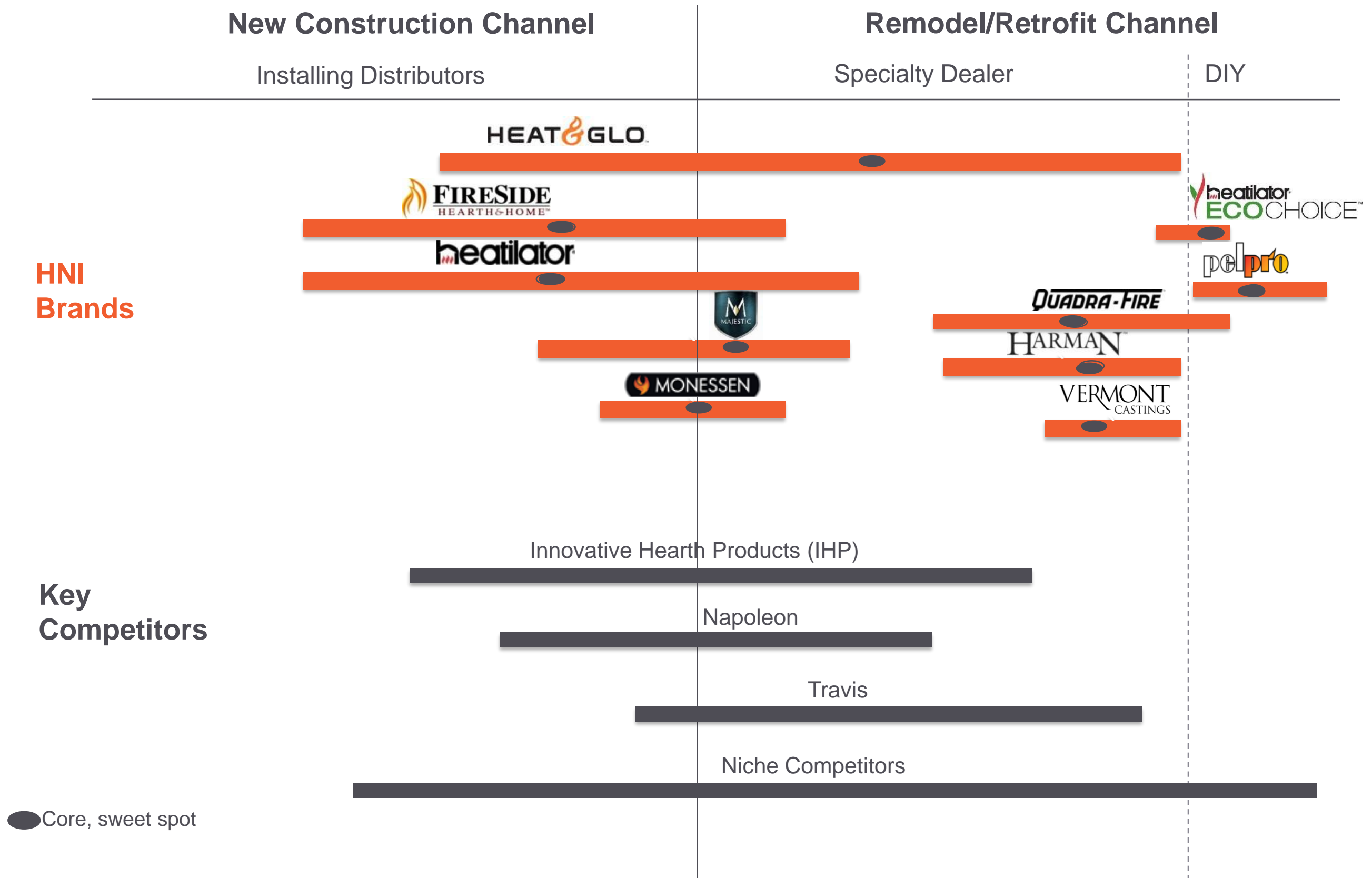
# Hearth Products





# Market Coverage

## Hearth Products





# Hearth Channels

New Construction



Remodel / Retrofit

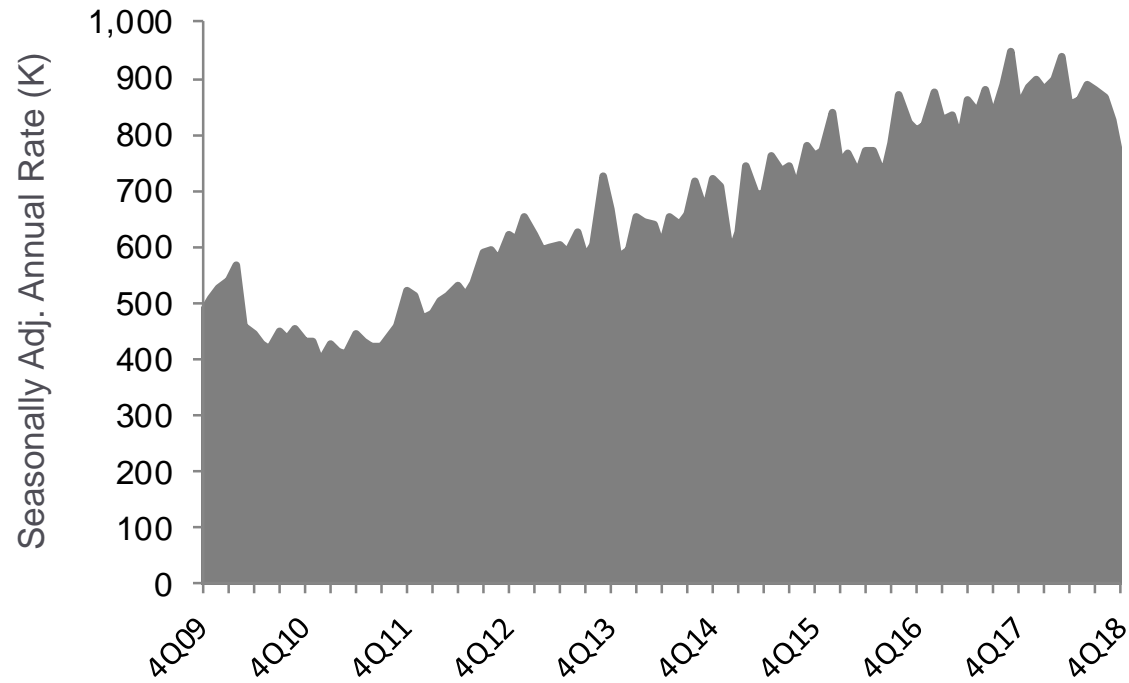




# Market Drivers

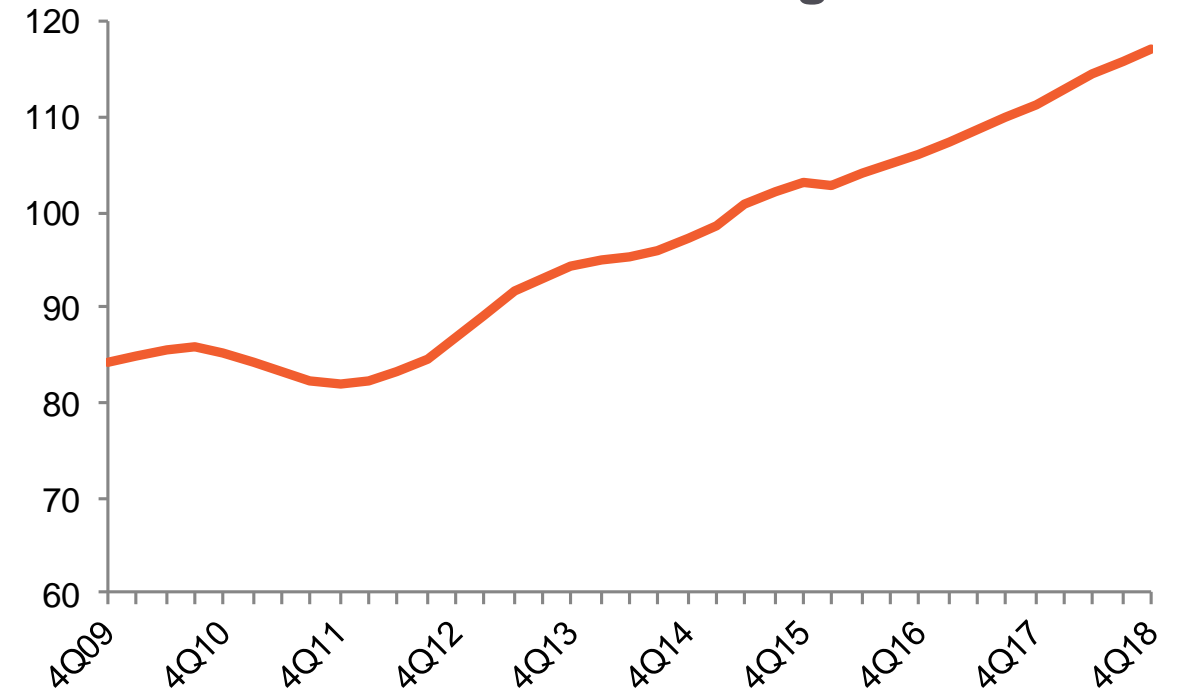
## Hearth Products

### Single Family Housing Starts



Source: U.S. Census Bureau

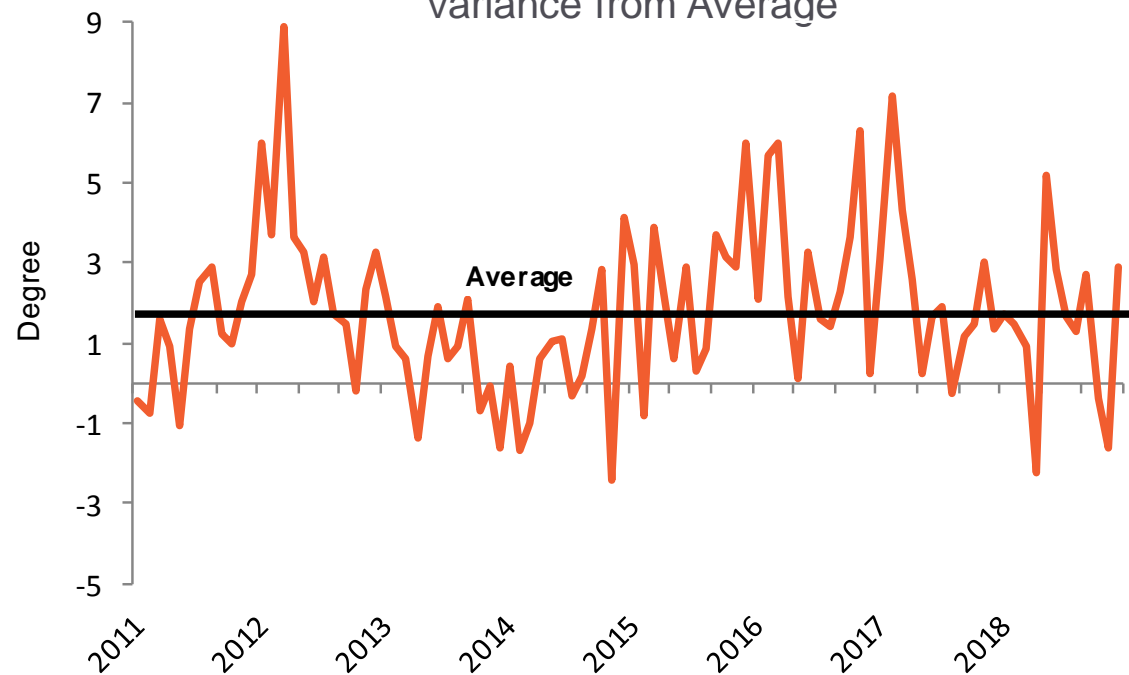
### Residential Remodeling Index



Source: Hanley Wood

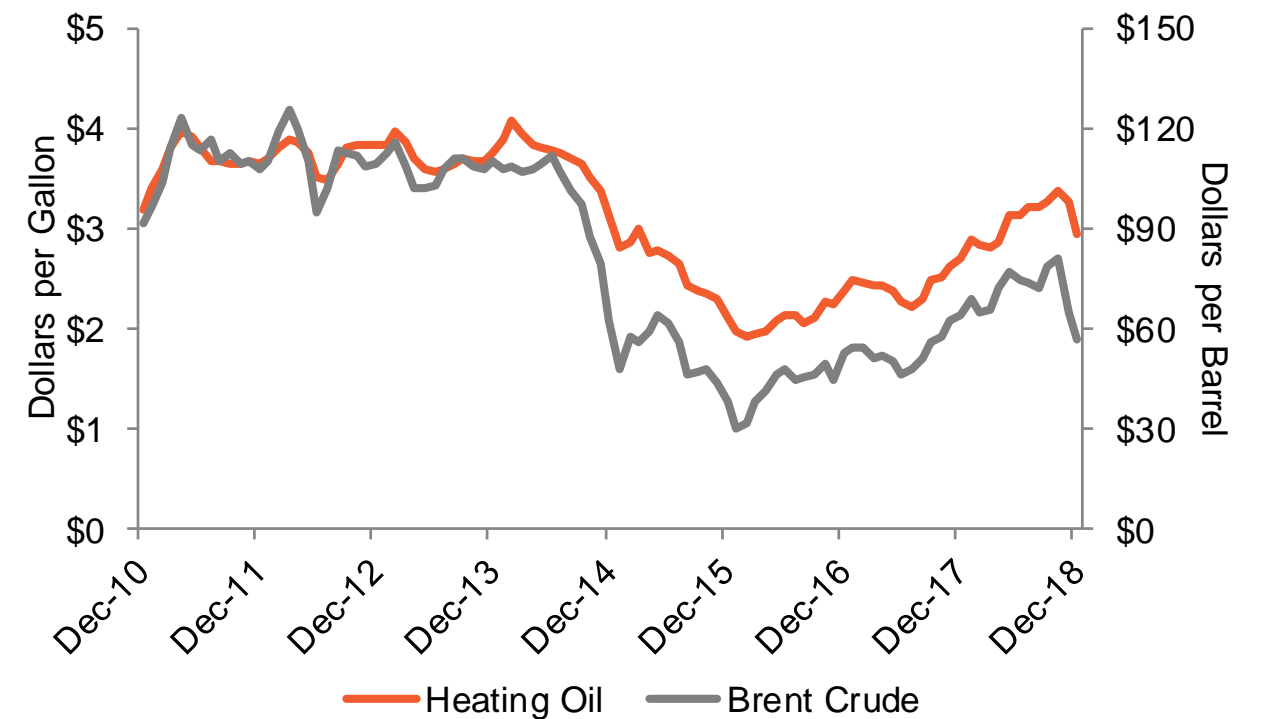
### US Temperatures

Variance from Average



Source: U.S. NOAA

### Oil Prices



Source: U.S. EIA

# Financial Performance Summary

## 2018 Q4 Recap

- Strong profit growth
  - Q418 non-GAAP EPS \$0.97 vs. \$0.47 PY
- Consolidated organic net sales +5.4%
  - Office furniture +4.3% organic
  - Hearth +8.5%
- Strong balance sheet and cash flow generation



# Current Outlook

## 1Q19 Outlook

## FY19 Outlook

**HNI**  
Earnings Per Share

EPS  
**\$(0.02) to \$0.04**  
(PY Non-GAAP \$0.10)

EPS  
**\$2.50 to \$2.90**  
(PY Non-GAAP \$2.41)

**Office Furniture**  
Net Sales

Down 3 to 5 percent, organically  
*Down 5 to 7 percent*

Up 3 to 7 percent, organically  
*Up 2 to 6 percent*

**Hearth**  
Net Sales

Flat to up 3 percent

Up 3 to 7 percent



See GAAP to non-GAAP reconciliations at end of presentation



# Non-GAAP Reconciliation

(Dollars in millions, except per share data)

**As reported (GAAP)**

*% of net sales*

Tax %

Restructuring charges

Impairment charges

Transition costs

**Results (non-GAAP)**

*% of net sales*

Tax %

Three Months Ended 12/29/2018				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
<b>\$223.9</b>	<b>\$43.8</b>	<b>\$9.4</b>	<b>\$32.4</b>	<b>\$0.73</b>
37.4%	7.3%		5.4%	
		22.4%		
-	0.3	0.1	0.3	0.01
-	13.1	3.3	9.7	0.22
0.6	0.6	0.1	0.4	0.01
<b>\$224.5</b>	<b>\$57.8</b>	<b>\$12.9</b>	<b>\$42.8</b>	<b>\$0.97</b>
37.5%	9.7%		7.2%	
		23.2%		

(Dollars in millions, except per share data)

**As reported (GAAP)**

*% of net sales*

Tax %

Restructuring charges

Impairment charges

Transition costs

Valuation allowance of long-term note receivable

Loss on disposal of assets

Tax legislation

**Results (non-GAAP)**

*% of net sales*

Tax %

Three Months Ended 12/30/2017				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
<b>\$204.3</b>	<b>(\$10.6)</b>	<b>(\$46.9)</b>	<b>\$33.8</b>	<b>\$0.77</b>
35.0%	-1.8%		5.8%	
		359.9%		
1.6	4.5	1.5	3.0	0.07
-	20.9	7.2	13.8	0.31
5.3	5.3	1.8	3.5	0.08
-	10.3	0.4	9.8	0.22
-	4.8	3.0	1.8	0.04
-	-	44.8	(44.8)	(1.02)
<b>\$211.2</b>	<b>\$35.2</b>	<b>\$11.8</b>	<b>\$20.9</b>	<b>\$0.47</b>
36.1%	6.0%		3.6%	
		36.4%		



# Non-GAAP Reconciliation

(Dollars in millions)

**Sales as reported (GAAP)**

*% change from PY*

Less: Closure and Divestitures

**Organic sales (non-GAAP)**

*% change from PY*

Three Months Ended 12/29/2018		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$429.6	\$168.5	\$598.1
0.1%	8.5%	2.4%
-	-	-
\$429.6	\$168.5	\$598.1
4.3%	8.5%	5.4%

Three Months Ended 12/30/2017		
<u>Office Furniture</u>	<u>Hearth</u>	<u>Total</u>
\$429.0	\$155.3	\$584.3
17.1	-	17.1
\$411.9	\$155.3	\$567.2

# Non-GAAP Reconciliation

Twelve Months Ended 12/29/2018					
	<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
<b>As reported (GAAP)</b>	<b>\$835.0</b>	<b>\$128.2</b>	<b>\$25.4</b>	<b>\$93.4</b>	<b>\$2.11</b>
<i>% of net sales</i>	37.0%	5.7%		4.1%	
<i>Tax %</i>			21.4%		
Restructuring charges	-	2.3	0.6	1.7	0.04
Impairment charges	-	13.4	3.5	9.9	0.22
Transition costs	2.3	2.3	0.5	1.7	0.04
Valuation allowance of long-term note receivable	-	-	-	-	-
(Gain)/loss on sale, disposal, and license of assets	-	-	-	-	-
Tax legislation	-	-	-	-	-
<b>Results (non-GAAP)</b>	<b>\$837.3</b>	<b>\$146.2</b>	<b>\$30.0</b>	<b>\$106.7</b>	<b>\$2.41</b>
<i>% of net sales</i>	37.1%	6.5%		4.7%	
<i>Tax %</i>			22.0%		

(Dollars in millions, except per share data)

**As reported (GAAP)**

*% of net sales*

*Tax %*

Restructuring charges

Transition costs

**Results (non-GAAP)**

*% of net sales*

*Tax %*

Three Months Ended 3/31/2018					
	<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
<b>As reported (GAAP)</b>	<b>\$176.9</b>	<b>\$3.7</b>	<b>(\$1.0)</b>	<b>\$2.5</b>	<b>\$0.06</b>
<i>% of net sales</i>	35.0%	0.7%		0.5%	
<i>Tax %</i>			(66.1%)		
Restructuring charges	-	1.3	0.4	1.0	0.02
Transition costs	1.3	1.3	0.3	0.9	0.02
<b>Results (non-GAAP)</b>	<b>\$178.2</b>	<b>\$6.3</b>	<b>(\$0.3)</b>	<b>\$4.4</b>	<b>\$0.10</b>
<i>% of net sales</i>	35.3%	1.2%		0.9%	
<i>Tax %</i>			(6.6%)		

