

Third Quarter Fiscal 2021 Results

October 25th, 2021

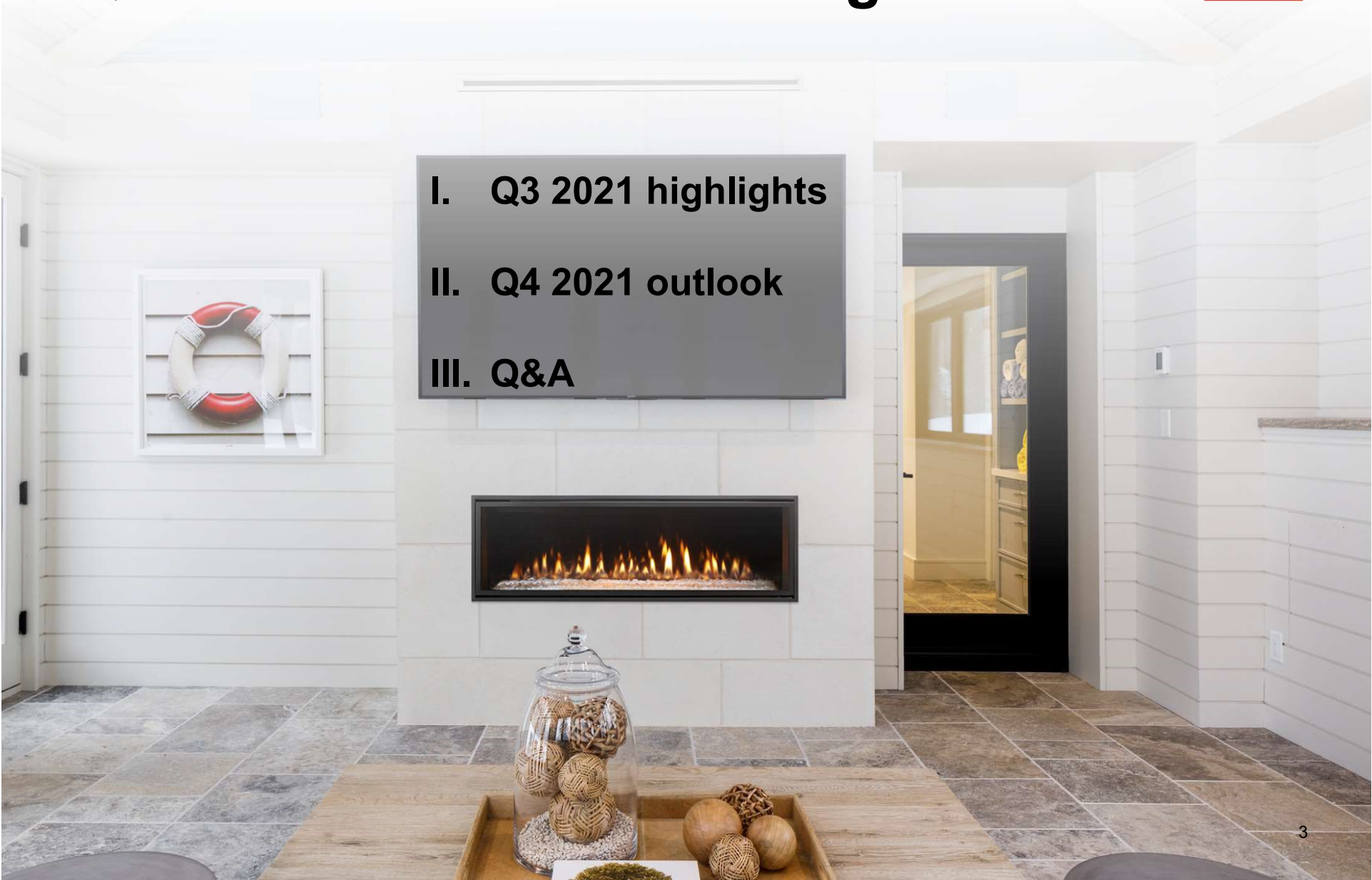


Forward-Looking Statements



This presentation contains "forward-looking" statements based on current expectations regarding future plans, events, outlook, objectives, financial performance, expectations for sales growth, and earnings per diluted share (GAAP and non-GAAP), including statements regarding the expected effects on the Corporation's business, financial condition and results of operations from the COVID-19 pandemic. 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 duration and scope of the COVID-19 pandemic, and its effect on people and the economy; 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; change 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, except as required by applicable law.

Q3 2021 Conference Call Agenda

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- I. Q3 2021 highlights
- II. Q4 2021 outlook
- III. Q&A

Q3 2021 Highlights

1. Strong order growth continued in both segments. However, profit was negatively impacted by three ongoing constraints: labor availability, supply chain disruptions, and input cost inflation
2. Residential Building Products segment orders increased 35% and revenue increased 26% on a year-over-year basis, including acquisitions
 - Generated more than 10% year-over-year operating profit growth and an EBIT margin of more than 17%
 - Acquired Trinity Hearth and Home, an installing distributor in Dallas metro area
3. Workplace Furnishings segment orders increased 31% and revenue increased 11% on a year-over-year basis, including acquisitions
 - New seating facility in Saltillo, Mexico will expand production capacity

Year-Over-Year Order Patterns

	Q3'21	Q2'21
Workplace Furnishings	+31%	+31%
Residential Building Products*	+35%	+53%

*Normalized

See GAAP to Non-GAAP reconciliations in appendix.



Secular Trends and HNI-Specific Opportunities

Two differentiated business segments each well positioned with cyclical, secular, and HNI-specific growth drivers. We have diversified revenue streams and clear opportunities to drive revenue growth and shareholder value.

Workplace Furnishings

- De-urbanization
- Work-from-home
- De-densification
- Price-point breadth and product depth*
- Channel and market reach*:
 - eCommerce access
 - Video gaming furniture
 - Design Public acquisition

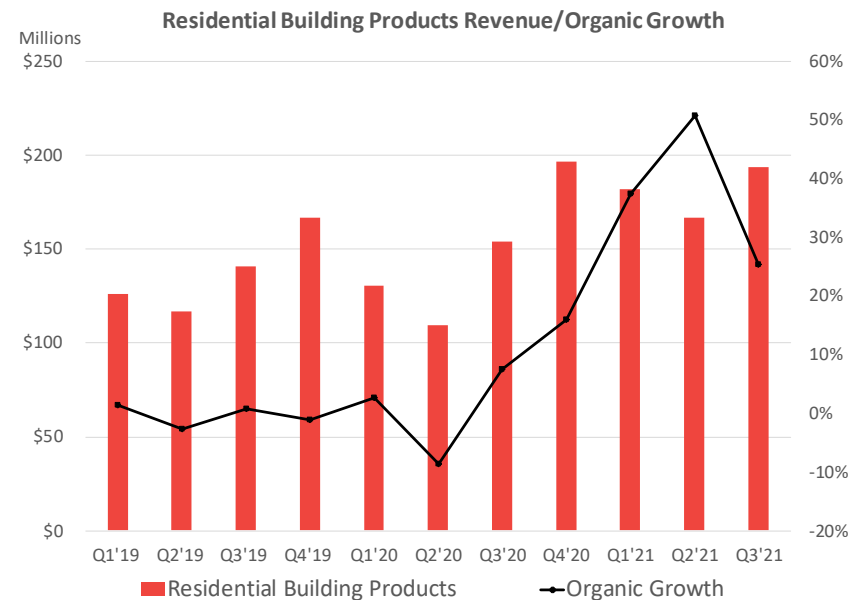
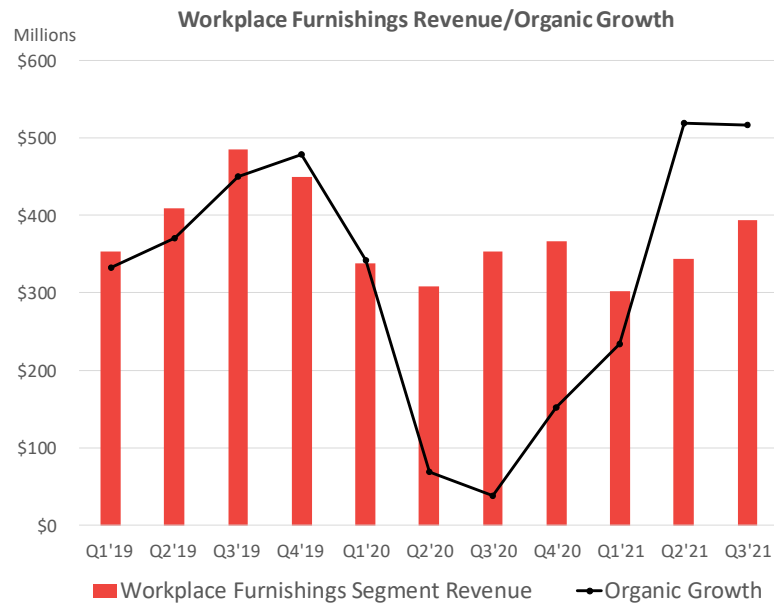
Residential Building Products

- De-urbanization
- Nesting and work-from-home -- Remodel
- Reversal of recent downsizing trends
- Record-low mortgage rates
- Low housing inventory
- Vertically-integrated*
- Opportunity to drive growth in an undermarketed category*:
 - New construction: <40% choose a fireplace
 - Remodel: ~3% projects involve a fireplace

*Opportunities specific to HNI

Q3 2021 Review

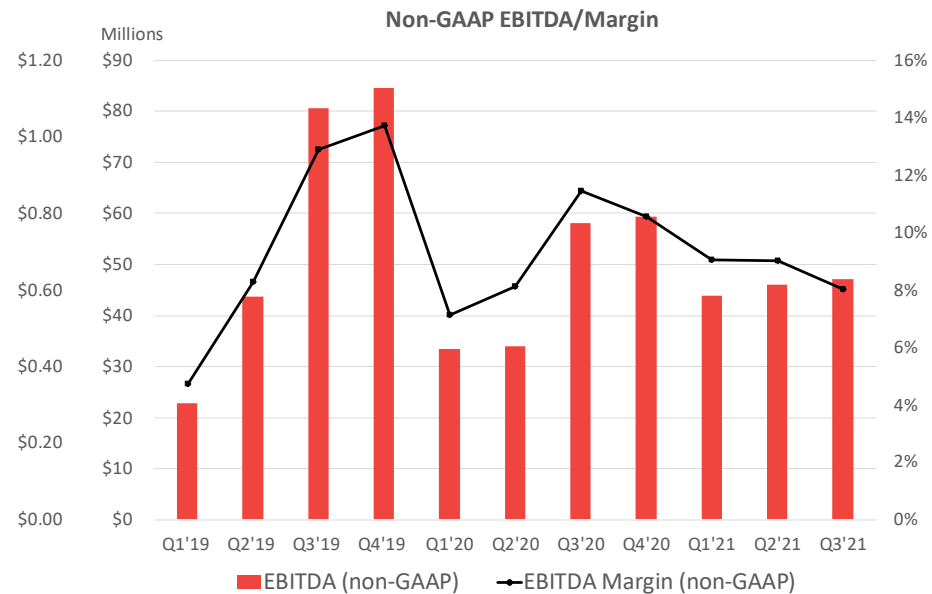
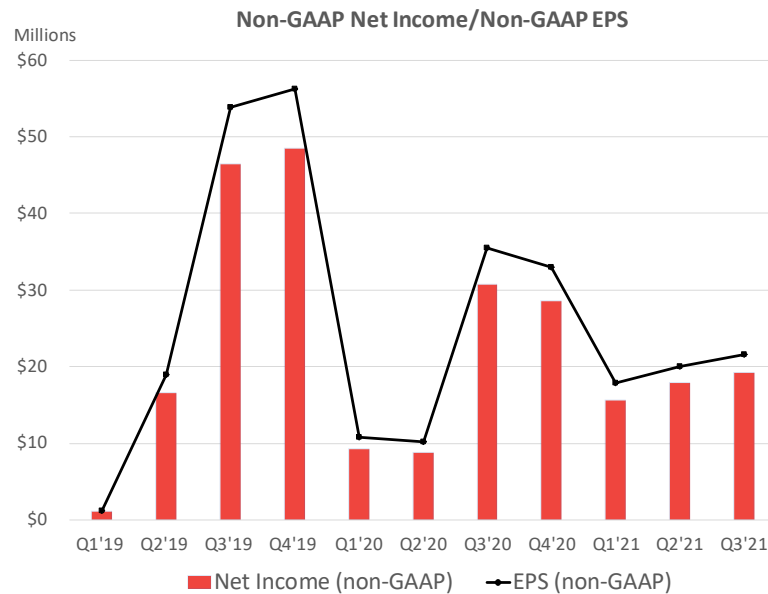
- Total revenue +14% YoY organically
- Residential Building Products revenue +25% YoY organically
 - New construction +24% YoY organically
 - Remodel/retrofit +27% YoY
- Workplace Furnishings revenue +9% YoY organically



See GAAP to Non-GAAP reconciliations in appendix.

Q3 2021 Review (cont.)

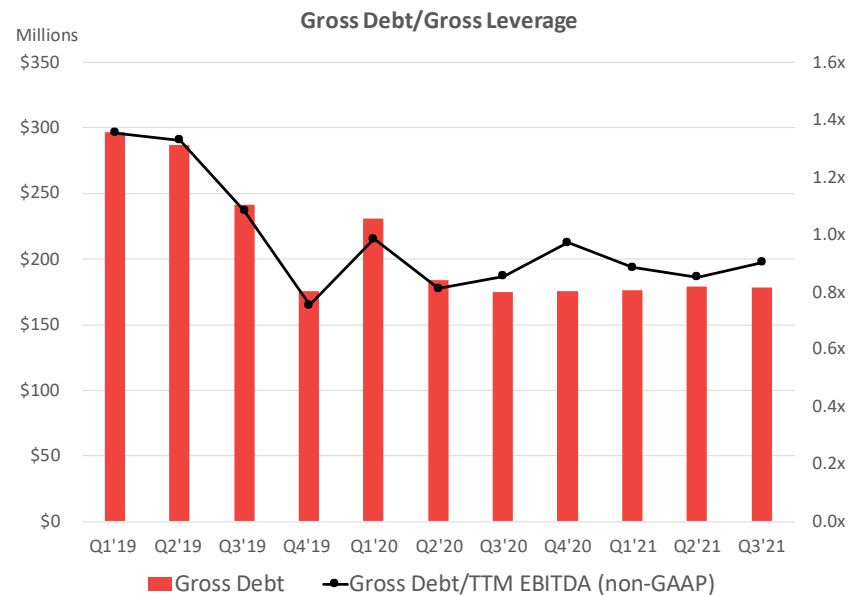
- Gross margin decreased 330 bps year-over-year to 33.3%
- Operating income decreased 32% year-over-year
- Operating margin contracted 310 bps year-over-year to 4.5%
- Reported EPS of \$0.43 compared to \$0.71 in the prior-year



See GAAP to Non-GAAP reconciliations in appendix.

Cash Flow and Liquidity

- Quarter-ending debt levels: \$178 million
- Quarter-ending gross leverage ratio: 0.9x TTM EBITDA*
- Existing lending agreements gross leverage covenant: 3.5x TTM EBITDA*
- Quarter-ending liquidity (cash plus borrowing availability): ~\$500 million



* As calculated under the Corporation's credit agreements

See GAAP to Non-GAAP reconciliations in appendix.



Q4 2021 Outlook

Sales and profit outlook:

1. Expect consolidated revenue to grow in the mid-to-high single-digit percent range compared to the prior-year quarter, including impact of acquisitions and headwinds from labor availability and supply chain constraints
 - Workplace Furnishings revenue growth in mid-single-digit percent range year-over-year, including acquisitions
 - Residential Building Products year-over-year revenue growth rates in the high single-digit percent range, including acquisitions
2. Expect operating profit and earnings per share to be at or below that reported in Q3 due to persisting margin pressures
 - Addressing labor shortages, supply chain capacity issues, and more than \$60 million price-cost headwind in 2021

Cash flow and debt:

- Continue to maintain a strong balance sheet throughout 2021
- Projected cash flow to provide ample capacity for continued growth investment, dividend payments, and opportunistic M&A and buyback activity

Appendix

HNI



Q3 2021 Details – Segments

Segment Breakdown	3Q21	3Q20	\$ change F/(U)	% change Basis Pt Change
Sales				
Workplace Furnishings ⁽¹⁾	\$393.1	\$353.4	\$39.8	11.3%
Residential Building Products ⁽²⁾	\$193.6	\$153.7	\$39.9	26.0%
Total	\$586.7	\$507.1	\$79.7	15.7%
Operating Profit (Loss)				
Workplace Furnishings	\$3.9	\$16.8	(\$12.9)	(76.9%)
Workplace Furnishings Operating Margin	1.0%	4.8%		(380)
Residential Building Products	\$33.4	\$30.2	\$3.2	10.6%
Residential Building Products Operating Margin	17.2%	19.6%		(240)
General Corporate	(\$11.0)	(\$8.3)	(\$2.8)	(33.7%)
Interest Income (Expense)	(\$1.9)	(\$1.5)	(\$0.3)	(22.1%)
Income Before Taxes	\$24.4	\$37.2	(\$12.9)	-34.5%

(1) Organic up 8.7%; acquisition of Design Public Group increased year-over-year sales by \$8.9 million

(2) Organic up 25.4%; New construction up 23.8%; Remodel/retrofit products up 27.0%

See GAAP to Non-GAAP reconciliations in appendix.

Q3 2021 Details



Income Statement	3Q21	3Q20	\$ change F/(U)	% change Basis Pt Change
Net Sales	\$586.7	\$507.1	\$79.7	15.7%
GAAP Gross Profit	195.4	185.5	9.8	5.3%
% of Net Sales ⁽¹⁾	33.3%	36.6%		-330
Freight & Distribution	55.5	45.0	(10.5)	23.4%
% of Net Sales	9.5%	8.9%		60
Other SG&A (excluding F&D)	113.6	101.8	(11.8)	11.6%
% of Net Sales	19.4%	20.1%		-70
Operating Income	\$26.2	\$38.8	(\$12.5)	(32.3%)
% of Net Sales	4.5%	7.6%		-310
Net Income attributable to HNI Corp	\$19.2	\$30.7	(\$11.5)	37.6%
% of Net Sales	3.3%	6.1%		-280
EPS (diluted) - GAAP	\$0.43	\$0.71	(\$0.28)	(39.4%)
Shares (diluted)	44.3	43.0		

(1) Gross profit margin contracted compared to prior year primarily driven by unfavorable price-cost and was partially offset by higher volume and improved net productivity

See GAAP to Non-GAAP reconciliations in appendix.

Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial information as defined by Securities and Exchange Commission Regulation G. Pursuant to the requirements of this regulation, reconciliations of this non-GAAP financial information to HNI's financial statements as prepared in accordance with GAAP are included below and throughout this presentation. This information gives investors additional insights into HNI's financial performance and operations. While HNI's management believes the non-GAAP financial measures are useful in evaluating HNI's operations, this information should be considered supplemental and not in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. In addition, these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes.

To supplement condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, this presentation uses the following non-GAAP financial measures: organic sales, EBITDA, non-GAAP net income, and non-GAAP earnings per share. These measures are adjusted from the comparable GAAP measures to exclude the impacts of the selected items as summarized in the table below.

The sales adjustments to arrive at the non-GAAP organic sales information included in this presentation exclude the impact of acquiring DPG and residential building products distributors. The items excluded for purposes of our other non-GAAP financial information included in this presentation include depreciation and amortization, non-recurring restructuring and impairment costs, transition costs related to structural realignments in the workplace furnishings segment, and costs related to the COVID-19 pandemic, and related income tax adjustments. Generally, non-GAAP EPS is calculated using HNI's overall effective tax rate for the period, as this rate is reflective of the tax applicable to most non-GAAP adjustments.

Non-GAAP Reconciliations



(Dollars in millions)

Sales as reported (GAAP)

% change from PY

Less: Impact of Acquisitions

Organic sales (non-GAAP)

% change from PY

Three Months Ended 10/2/2021		
<u>Workplace Furnishings</u>	<u>Residential Building Products</u>	<u>Total</u>
\$393.1	\$193.6	\$586.7
11.3%	26.0%	15.7%
8.9	0.9	9.8
\$384.2	\$192.8	\$577.0
8.7%	25.4%	13.8%

Three Months Ended 9/26/2020		
<u>Workplace Furnishings</u>	<u>Residential Building Products</u>	<u>Total</u>
\$353.4	\$153.7	\$507.1
-	-	-
\$353.4	\$153.7	\$507.1

Non-GAAP Reconciliations (cont.)

HNI Corporation Reconciliation											
(Dollars in millions)											
Operating Income (Loss) (EBIT) (Dollars in millions)	2019				2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
As reported (GAAP)	\$ 3.7	\$ 23.2	\$ 60.7	\$ 63.8	\$ (23.7)	\$ 14.8	\$ 38.8	\$ 31.5	\$ 22.6	\$ 24.7	\$ 19.2
Restructuring and impairment charges	-	0.9	0.3	1.2	32.7	-	-	6.2	-	-	-
Transition costs	-	-	0.2	-	-	-	-	-	-	-	-
COVID-19 costs	-	-	-	-	5.0	-	-	1.8	0.7	0.6	-
Non-GAAP Operating Income (EBIT)	3.7	24.2	61.1	64.9	13.9	14.8	38.8	39.5	23.3	25.3	19.2
Depreciation and Amortization	19.0	19.4	19.4	19.6	19.5	19.1	19.3	19.8	20.5	20.7	20.9
Non-GAAP EBITDA	\$ 22.7	\$ 43.6	\$ 80.5	\$ 84.5	\$ 33.4	\$ 34.0	\$ 58.1	\$ 59.3	\$ 43.8	\$ 46.0	\$ 40.0
Net Income (Loss) (Dollars in millions)	2019				2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
As reported (GAAP)	\$ 1.0	\$ 15.8	\$ 46.1	\$ 47.6	\$ (23.9)	\$ 12.6	\$ 30.7	\$ 22.6	\$ 15.0	\$ 17.4	\$ 19.2
Restructuring and impairment charges	-	0.7	0.2	0.9	28.7	-	-	4.6	-	-	-
Transition costs	-	-	0.2	-	-	-	-	-	-	-	-
COVID-19 costs	-	-	-	-	4.4	-	-	1.4	0.5	0.5	-
Income tax adjustment	-	-	-	-	-	(3.8)	-	-	-	-	-
Non-GAAP Net Income	\$ 1.0	\$ 16.5	\$ 46.5	\$ 48.5	\$ 9.2	\$ 8.7	\$ 30.7	\$ 28.5	\$ 15.5	\$ 17.9	\$ 19.2
Earnings Per Share (Per share data in dollars)	2019				2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
As reported (GAAP)	\$ 0.02	\$ 0.36	\$ 1.07	\$ 1.10	\$ (0.56)	\$ 0.29	\$ 0.71	\$ 0.52	\$ 0.34	\$ 0.39	\$ 0.43
Restructuring and impairment charges	-	0.02	0.01	0.02	0.67	-	-	0.11	-	-	-
Transition costs	-	-	0.00	-	-	-	-	-	-	-	-
COVID-19 costs	-	-	-	-	0.10	-	-	0.03	0.01	0.01	-
Income tax adjustment	-	-	-	-	-	(0.09)	-	-	-	-	-
Non-GAAP EPS	\$ 0.02	\$ 0.38	\$ 1.08	\$ 1.12	\$ 0.21	\$ 0.20	\$ 0.71	\$ 0.66	\$ 0.36	\$ 0.40	\$ 0.43

Non-GAAP Reconciliations (cont.)



Segment Reconciliation											
(Dollars in millions)											
Residential Building Products Sales (Dollars in millions)	2019				2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	\$ 125.9	\$ 116.5	\$ 140.6	\$ 166.7	\$ 130.3	\$ 109.4	\$ 153.7	\$ 196.3	\$ 181.5	\$ 166.3	\$ 193.6
	-	-	-	-	1.1	2.9	2.4	3.0	2.4	1.5	0.9
	\$ 125.9	\$ 116.5	\$ 140.6	\$ 166.7	\$ 129.3	\$ 106.5	\$ 151.3	\$ 193.2	\$ 179.1	\$ 164.8	\$ 192.8
Workplace Furnishings Sales (Dollars in millions)	2019				2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	\$ 353.5	\$ 409.5	\$ 484.8	\$ 449.4	\$ 338.4	\$ 308.1	\$ 353.4	\$ 365.9	\$ 302.7	\$ 344.1	\$ 393.1
	-	-	-	-	-	-	-	-	6.4	8.7	8.9
	\$ 353.5	\$ 409.5	\$ 484.8	\$ 449.4	\$ 338.4	\$ 308.1	\$ 353.4	\$ 365.9	\$ 296.4	\$ 335.4	\$ 384.2