

First Quarter Fiscal 2021 Results

April 29th, 2021

HNI



Forward-Looking Statements



This release 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 our 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.

Q1 2021 Conference Call Agenda

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- I. Q1 2021 highlights
- II. Q2 2021 outlook
- III. Corporate Social Responsibility
- IV. Q&A

Q1 2021 Highlights

- Residential Building Products operating profit grew more than 90% on a year-over-year basis, and total revenue increased 39% year-over-year
- Workplace Furnishings revenue was down approximately 12% organically versus the prior-year period, the lowest rate of decline since the beginning of the pandemic
- Incremental operating margin was 60%, primarily driven by volume leverage in the Residential Building Products segment and a reset cost structure in the Workplace Furnishings segment
- Quarter-ending debt levels were \$176 million, essentially unchanged from last quarter and down from \$230 million last year. Cash totaled \$94 million, representing an increase of \$59 million from the first quarter of 2020

Year-Over-Year Order Patterns

	Q1'21	Q4'20*
Workplace Furnishings	-10%	-16%
Residential Building Products**	+40%	+23%

*Includes benefit of extra week (~5% on average)

**Normalized

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

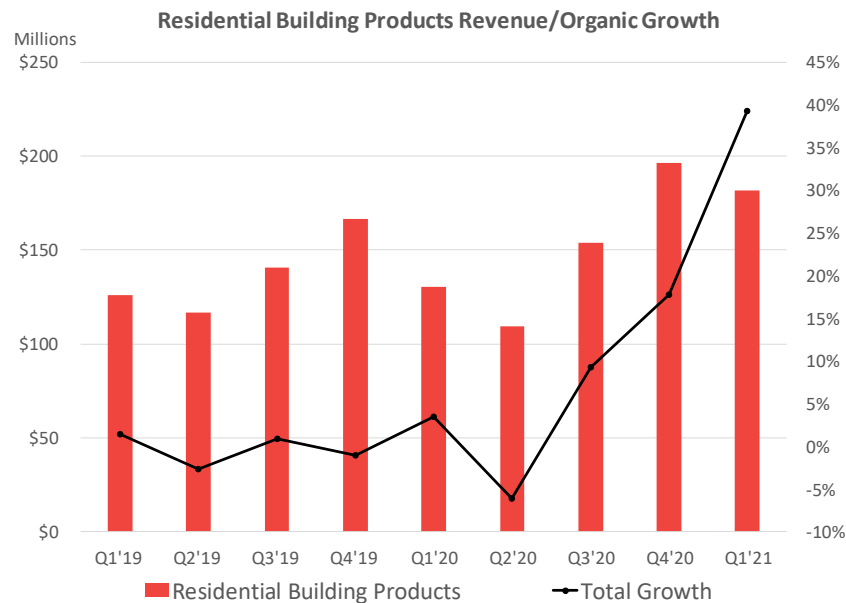
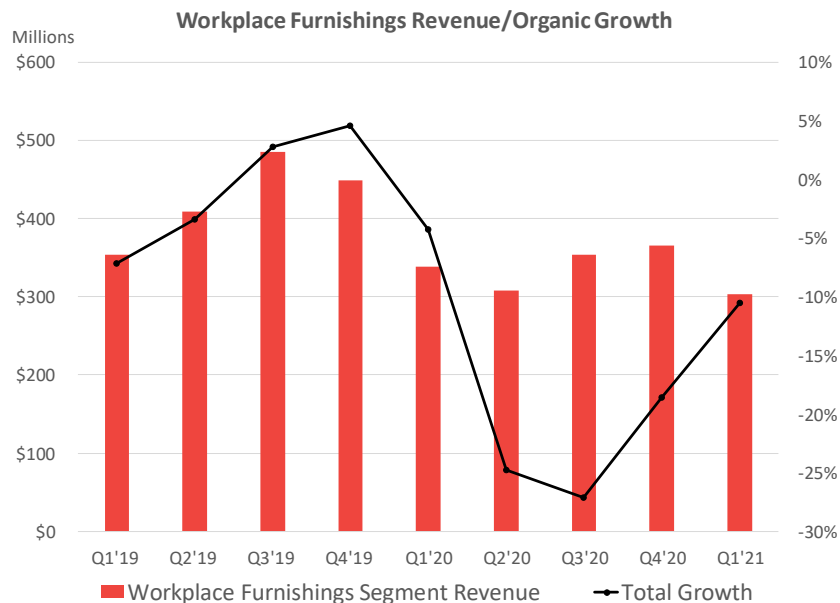
Residential Building Products

- 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

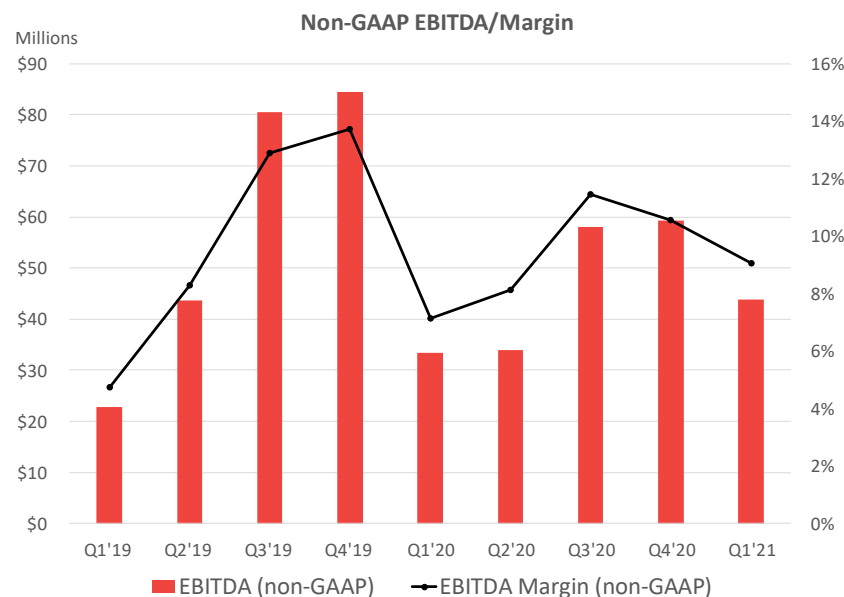
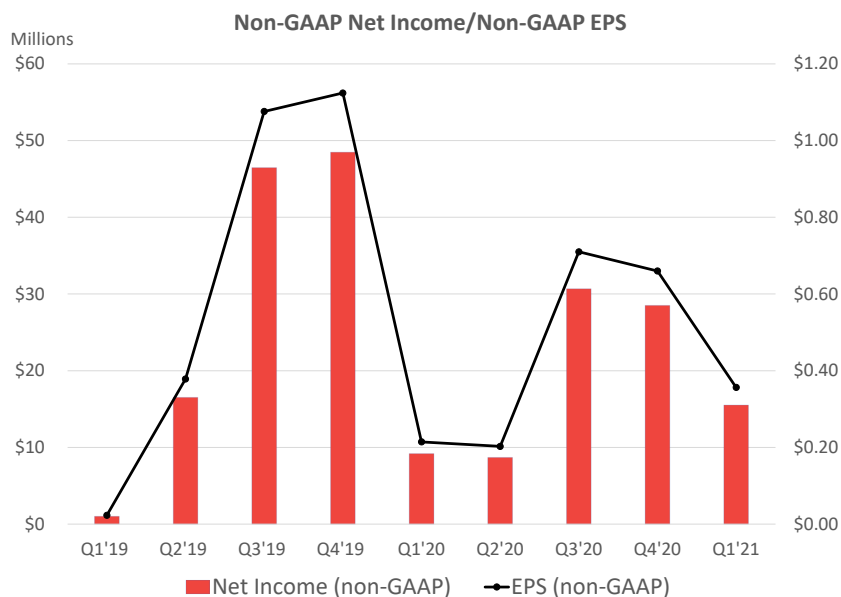
Q1 2021 Review

- Total revenue +2% YoY organically
- Residential Building Products revenue +37% YoY organically
 - New construction +24% YoY organically
 - Remodel/retrofit +55% YoY
- Workplace Furnishings revenue -12% YoY organically



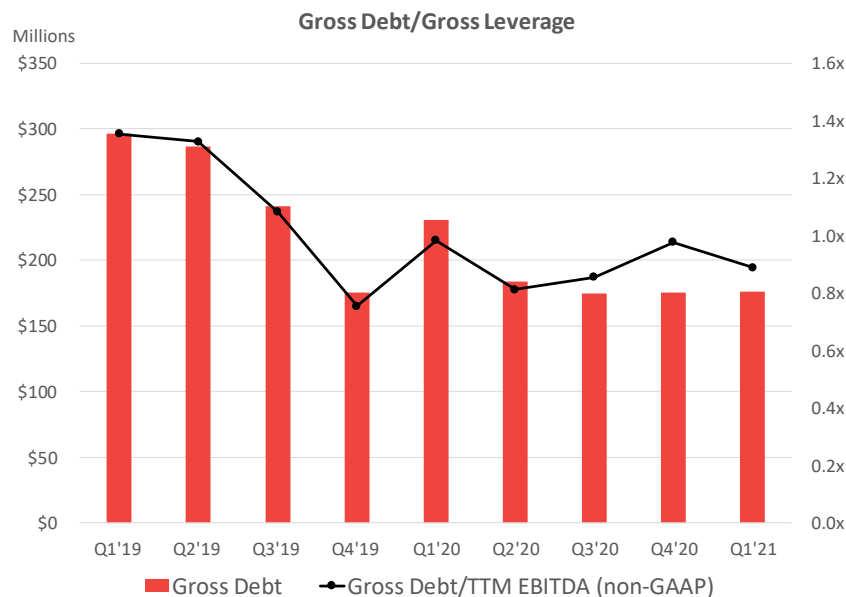
Q1 2021 Review (cont.)

- Gross margin contracted 40 bps year-over-year to 37.2%
- Operating income (non-GAAP) increased 67% year-over-year
- Operating margin (non-GAAP) expanded 180 bps year-over-year to 4.8%
- Reported EPS (non-GAAP) of \$0.36 compared to \$0.21 in the prior-year



Cash Flow and Liquidity

- Quarter-ending debt levels: \$176 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): \$469 million



* As calculated under the Corporation's credit agreements

Q2 2021 Commentary

Sales and profit outlook:

- Residential Building Products revenue growth in the low-30 percent range year-over-year
- Workplace Furnishings revenue growth in the low-teens range year-over-year, including acquisition impacts
- Expect modest year-over-year non-GAAP profit growth, despite inflationary pressures, investments, and the return of temporary cost actions taken in the prior year

Cash flow and debt:

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

Corporate Social Responsibility

2020 CSR report goals:

- Achieve 100% supplier compliance to HNI's Code of Conduct, covering ethical and sustainable material sourcing by 2022
- Move to 100% recyclable packaging by 2025
- Achieve zero waste to landfill for all facilities by 2030
- Reduce our energy intensity 50% from a 2018 baseline and reduce Scope 3 greenhouse gas emission 40% per ton of goods by 2035
- Continue to source 100% renewable electricity across our global footprint
- Continue to donate 1% of our pre-tax profit annually to improve the quality of life in the communities in which we operate

Appendix

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Q1 2021 Details – Segments



Segment Breakdown	1Q21	1Q20	\$ change F/(U)	% change Basis Pt Change
Sales				
Workplace Furnishings ⁽¹⁾	\$302.7	\$338.4	(\$35.6)	(10.5%)
Residential Building Products ⁽²⁾	\$181.5	\$130.3	\$51.2	39.3%
Total	\$484.3	\$468.7	\$15.6	3.3%
Operating Profit (Loss)				
Workplace Furnishings ⁽³⁾	(\$3.1)	(\$33.2)	\$30.2	90.8%
Workplace Furnishings Operating Margin ⁽⁴⁾	(1.0%)	(9.8%)		880
Residential Building Products	\$39.8	\$20.7	\$19.2	92.8%
Residential Building Products Operating Margin	21.9%	15.9%		600
General Corporate	(\$14.2)	(\$11.2)	(\$3.0)	(27.0%)
Interest Income (Expense)	(\$1.8)	(\$1.8)	\$0.1	
Income (Loss) Before Taxes	\$20.8	(\$25.5)	\$46.4	

(1) Organic down 12.4%; acquisition of Design Public Group increased year-over-year sales by \$6.4 million

(2) Organic up 37.4%; New construction up 23.8%; Remodel/retrofit products up 54.7%

(3) Non-GAAP operating loss of (\$2.4M) down compared to prior year non-GAAP operating profit of \$2.8M

(4) Non-GAAP operating margin of (0.8%) down compared to PY non-GAAP operating margin of 0.8%

Q1 2021 Details

Income Statement	1Q21	1Q20	\$ change F/(U)	% change Basis Pt Change
Net Sales	\$484.3	\$468.7	\$15.6	3.3%
Non-GAAP Gross Profit	179.9	176.0	3.9	2.2%
% of Net Sales ⁽¹⁾	37.2%	37.6%		-40
Gross Profit	\$179.9	\$176.0	\$3.9	2.2%
% of Net Sales	37.2%	37.6%		-40
Freight & Distribution	45.8	49.9	4.1	(8.3%)
% of Net Sales	9.5%	10.6%		-110
Non-GAAP Other SG&A (excluding F&D; COVID-19 costs)	110.9	112.2	1.3	(1.2%)
% of Net Sales	22.9%	23.9%		-100
Impairment charges ⁽²⁾	-	32.7	32.7	
COVID-19 costs ⁽³⁾	0.7	5.0	4.3	
Operating Income (Loss)	\$22.6	(\$23.7)	\$46.3	195.2%
% of Net Sales	4.7%	(5.1%)		980
Non-GAAP Operating Income	\$23.3	\$13.9	\$9.4	67.3%
% of Net Sales	4.8%	3.0%		180
Net Income (Loss) attributable to HNI Corp	\$15.0	(\$23.9)	\$38.9	162.9%
% of Net Sales	3.1%	(5.1%)		820
EPS (diluted) - GAAP	\$0.34	(\$0.56)	\$0.90	160.7%
EPS (diluted) - Non-GAAP	\$0.36	\$0.21	\$0.15	66.2%
Shares (diluted)	43.6	42.6		

- (1) Gross profit margin decreased compared to prior year primarily driven by lower Workplace Furnishings volume and unfavorable price-cost, partially offset by improved net productivity and higher Residential Building Products volume
- (2) Related to the impairment of goodwill and intangible assets in Workplace Furnishings segment
- (3) Comprised of one-time costs, driven by conditions related to the COVID-19 pandemic

See GAAP to Non-GAAP reconciliations in appendix.

Non-GAAP Financial Measures

This earnings release 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 earnings release. 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 earnings release uses the following non-GAAP financial measures: organic sales, gross profit, operating income (loss), operating profit (loss), income taxes, net income (loss), and net income (loss) per diluted share (i.e., EPS). These measures are adjusted from the comparable GAAP measures to exclude the impacts of the selected items as summarized in the table below. Generally, non-GAAP EPS is calculated using HNI's overall effective tax rate for the year, as this rate is reflective of the tax applicable to most non-GAAP adjustments.

The sales adjustments to arrive at the non-GAAP organic sales information included in this earnings release excludes the impact of acquiring DPG and residential building products distributors. The transactions excluded for purposes of our other non-GAAP financial information included in this earnings release include non-recurring costs related to the COVID-19 pandemic, and prior year impairments of goodwill and intangible assets.

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 4/3/2021		
Workplace Furnishings	Residential Building Products	Total
\$302.7	\$181.5	\$484.3
(10.5%)	39.3%	3.3%
6.4	2.4	8.8
\$296.4	\$179.1	\$475.5
(12.4%)	37.4%	1.5%

Three Months Ended 3/28/2020		
Workplace Furnishings	Residential Building Products	Total
\$338.4	\$130.3	\$468.7
-	-	-
\$338.4	\$130.3	\$468.7

Non-GAAP Reconciliations (cont.)



(Dollars in millions, except per share data)

As reported (GAAP)

% of net sales

Tax %

COVID-19 costs

Results (non-GAAP)

% of net sales

Tax %

Three Months Ended 4/3/2021				
<u>Gross Profit</u>	<u>Operating Income</u>	<u>Tax</u>	<u>Net Income</u>	<u>Diluted EPS</u>
\$179.9	\$22.6	\$5.8	\$15.0	\$0.34
37.2%	4.7%	28.0%	3.1%	
-	0.7	0.2	0.5	0.01
\$179.9	\$23.3	\$6.0	\$15.5	\$0.36
37.2%	4.8%	28.0%	3.2%	

(Dollars in millions, except per share data)

As reported (GAAP)

% of net sales

Tax %

Impairment charges

COVID-19 costs

Results (non-GAAP)

% of net sales

Tax %

Three Months Ended 3/28/2020				
<u>Gross Profit</u>	<u>Operating Income (Loss)</u>	<u>Tax</u>	<u>Net Income (Loss)</u>	<u>Diluted EPS</u>
\$176.0	(\$23.7)	(\$1.6)	(\$23.9)	(\$0.56)
37.6%	(5.1%)	6.4%	(5.1%)	
-	32.7	4.0	28.7	0.67
-	5.0	0.6	4.4	0.10
\$176.0	\$13.9	\$2.9	\$9.2	\$0.22
37.6%	3.0%	24.1%	2.0%	

Non-GAAP Reconciliations (cont.)



(Dollars in millions)

**Operating profit (loss) as reported
(GAAP)**

% of net sales

Impairment charges

COVID-19 costs

Operating profit (loss) (non-GAAP)

% of net sales

Workplace Furnishings		
Three Months Ended		Percent Change
<u>4/3/2021</u>	<u>3/28/2020</u>	
(\$3.1)	(\$33.2)	90.8%
<i>(1.0%)</i>	<i>(9.8%)</i>	
-	32.7	
0.7	3.4	
(\$2.4)	\$2.8	(183.3%)
<i>(0.8%)</i>	<i>0.8%</i>	

Residential Building Products		
Three Months Ended		Percent Change
<u>4/3/2021</u>	<u>3/28/2020</u>	
\$39.8	\$20.7	92.8%
<i>21.9%</i>	<i>15.9%</i>	
-	-	
-	-	
\$39.8	\$20.7	92.8%
<i>21.9%</i>	<i>15.9%</i>	

Non-GAAP Reconciliations (cont.)

HNI Corporation Reconciliation									
(Dollars in millions)									
Operating Income (EBIT) (Dollars in millions)	2019				2020				2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
As reported (GAAP)	\$ 3.7	\$ 23.2	\$ 60.7	\$ 63.8	\$ (23.7)	\$ 14.8	\$ 38.8	\$ 31.5	\$ 22.6
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
Non-GAAP Operating Income (EBIT)	3.7	24.2	61.1	64.9	13.9	14.8	38.8	39.5	23.3
Depreciation and Amortization	19.0	19.4	19.4	19.6	19.5	19.1	19.3	19.8	20.5
Non-GAAP EBITDA	\$ 22.7	\$ 43.6	\$ 80.5	\$ 84.5	\$ 33.4	\$ 34.0	\$ 58.1	\$ 59.3	\$ 43.8
Net Income (Dollars in millions)	2019				2020				2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
As reported (GAAP)	\$ 1.0	\$ 15.8	\$ 46.1	\$ 47.6	\$ (23.9)	\$ 12.6	\$ 30.7	\$ 22.6	\$ 15.0
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
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
Earnings Per Share (Per share data in dollars)	2019				2020				2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
As reported (GAAP)	\$ 0.02	\$ 0.36	\$ 1.07	\$ 1.10	\$ (0.56)	\$ 0.29	\$ 0.71	\$ 0.52	\$ 0.34
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
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

Non-GAAP Reconciliations (cont.)



Segment Reconciliation											
(Dollars in millions)											
Residential Building Products Sales (Dollars in millions) As reported (GAAP) Less: Impact of Acquisitions Organic Sales (non-GAAP)	2019					2020					2021
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1
	\$ 125.9	\$ 116.5	\$ 140.6	\$ 166.7		\$ 130.3	\$ 109.4	\$ 153.7	\$ 196.3		\$ 181.5
	-	-	-	-		1.1	2.9	2.4	3.0		2.4
	\$ 125.9	\$ 116.5	\$ 140.6	\$ 166.7		\$ 129.3	\$ 106.5	\$ 151.3	\$ 193.2		\$ 179.1
Workplace Furnishings Sales (Dollars in millions) As reported (GAAP) Less: Impact of Acquisitions Organic Sales (non-GAAP)	2019					2020					2021
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1
	\$ 353.5	\$ 409.5	\$ 484.8	\$ 449.4		\$ 338.4	\$ 308.1	\$ 353.4	\$ 365.9		\$ 302.7
	-	-	-	-		-	-	-	-		6.4
	\$ 353.5	\$ 409.5	\$ 484.8	\$ 449.4		\$ 338.4	\$ 308.1	\$ 353.4	\$ 365.9		\$ 296.4