

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: December 19, 2018
(Date of earliest event reported)

HERMAN MILLER, INC.

(Exact name of registrant as specified in its charter)

Michigan
(State or Other Jurisdiction of
incorporation)

001-15141
(Commission File No.)

38-0837640
(IRS Employer
Identification no.)

855 East Main Avenue
Zeeland, Michigan
(Address of Principal Executive Offices)

49464
(Zip Code)

(616) 654-3000

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition

On December 19, 2018, Herman Miller, Inc. issued a press release announcing its financial results for the quarter ended December 1, 2018. A copy of the press release is attached as Exhibit 99.1. Also, a copy of the supplemental financial data for the quarter ended December 1, 2018 is attached as Exhibit 99.2.

The information in this Form 8-K and the attached Exhibits shall not be deemed filed for purposes of Section 18 of the Securities Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

Exhibits.

99.1 [Press release dated December 19, 2018](#)

99.2 [Supplemental financial data for the quarter ended December 1, 2018](#)

SIGNATURE

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

Dated: December 19, 2018

HERMAN MILLER, INC.

(Registrant)

/s/ Kevin J. Veltman

By: Kevin J. Veltman

Vice President of Investor Relations & Treasurer (Duly
Authorized Signatory for Registrant)

Herman Miller Reports Second Quarter Fiscal 2019 Results

- Record quarterly levels of net sales and orders
- Year-over-year organic order growth of 10%; broad-based across all segments
- 20% increase in reported EPS; adjusted EPS growth of 32%

Webcast to be held Thursday, December 20, 2018, at 9:30 AM ET

Release	Immediate
Date	December 19, 2018
Contact	Kevin Veltman (616) 654-3973 or kevin_veltman@hermanmiller.com Jeff Stutz (616) 654-8538 or jeff_stutz@hermanmiller.com Media (616) 654-5977 or media_relations@hermanmiller.com
Address	Herman Miller, Inc., 855 East Main Avenue, PO Box 302, Zeeland, MI 49464-0302
Internet	www.hermanmiller.com

NOTE: A data supplement with additional financial information relating to the periods covered by this press release is available for download from the Company's website at <http://www.hermanmiller.com/about-us/investors.html>.

Herman Miller, Inc. (NASDAQ: MLHR) today announced results for its second quarter ended December 1, 2018. Net sales in the quarter totaled \$652.6 million, an increase of 7.9% from the same quarter last fiscal year. New orders in the second quarter of \$702.6 million were 11.6% above the prior year level.

On an organic basis, which excludes the impact of foreign currency translation and the adoption of the new revenue recognition standard at the start of fiscal 2019, net sales and orders in the second quarter increased by 7.0% and 10.3%, respectively, compared to the same quarter last fiscal year.

Herman Miller reported net earnings of \$0.66 per share on a diluted basis in the second quarter compared to diluted earnings per share of \$0.55 in the same quarter last fiscal year. Excluding the impact of restructuring expenses and other charges, adjusted earnings per share in the second quarter totaled \$0.75 compared to adjusted earnings per share of \$0.57 in the second quarter of last fiscal year.

Andi Owen, Chief Executive Officer, stated, "Strong demand was a clear highlight of our results as we finished the quarter setting all-time records for quarterly net sales and order levels for our Company. Encouragingly, this growth was broad-based across our business segments. These results are a tribute to the talent and effort of our people and demonstrate the meaningful progress we have made on our strategic growth priorities. Our progress on strategic priorities included further integration of the HAY and Maars Living Walls brands into our business after the investments that we made in the first quarter of fiscal 2019. This includes introducing HAY's authentic modern designs to North American customers through the launch of the HAY.com eCommerce site and opening the first dedicated HAY retail studios in Portland, Oregon and Costa Mesa, California during the quarter."

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Second Quarter Fiscal 2019 Financial Results

FINANCIAL HIGHLIGHTS

(Dollars in millions, except per share data)

	(Unaudited) Three Months Ended			(Unaudited) Six Months Ended		
	12/1/2018	12/2/2017	% Chg.	12/1/2018	12/2/2017	% Chg.
Net Sales	\$ 652.6	\$ 604.6	7.9 %	\$ 1,277.3	\$ 1,184.8	7.8 %
Gross Margin %	36.1%	36.7%	N/A	36.1%	37.1%	N/A
Operating Expenses	\$ 182.2	\$ 170.0	7.2 %	\$ 360.2	\$ 335.3	7.4 %
Restructuring and Impairment Expenses	\$ 0.3	\$ 1.7	(82.4)%	\$ 1.4	\$ 3.8	(63.2)%
Operating Earnings %	8.1%	8.3%	N/A	7.8%	8.4%	N/A
Adjusted Operating Earnings %*	9.1%	8.6%	N/A	8.7%	8.8%	N/A
Adjusted EBITDA*	\$ 78.2	\$ 69.4	12.7 %	\$ 151.7	\$ 138.0	9.9 %
Net Earnings Attributable to Herman Miller, Inc.	\$ 39.3	\$ 33.5	17.3 %	\$ 75.1	\$ 66.5	12.9 %
Earnings Per Share – Diluted	\$ 0.66	\$ 0.55	20.0 %	\$ 1.26	\$ 1.10	14.5 %
Adjusted Earnings Per Share – Diluted*	\$ 0.75	\$ 0.57	31.6 %	\$ 1.44	\$ 1.14	26.3 %
Orders	\$ 702.6	\$ 629.4	11.6 %	\$ 1,333.2	\$ 1,224.2	8.9 %
Backlog	\$ 396.1	\$ 356.9	11.0 %			

*Items indicated represent Non-GAAP measurements; see the reconciliations of Non-GAAP financial measures and related explanations in the supplemental data file available for download at <http://www.hermanmiller.com/about-us/investors.html>. A copy of this supplemental data file has also been included with the earnings press release filed on Form 8-K with the Securities and Exchange Commission.

Consolidated gross margin in the second quarter of fiscal 2019 totaled 36.1%, representing a 60-basis point decrease from the level reported in the same quarter of last fiscal year. This year-over-year decrease in gross margin related to the adoption of the new revenue recognition standard (ASC 606) at the beginning of fiscal 2019. This adoption required recording certain product pricing elements as expenses within cost of goods sold that were previously classified on a net basis within sales. Excluding this impact, gross margin remained flat compared to the same quarter last year.

Operating expenses in the second quarter were \$182.2 million compared to \$170.0 million in the same quarter a year ago. Operating expenses included certain special charges totaling \$5.7 million in the second quarter of fiscal 2019. The special charges related primarily to costs associated with the CEO transition and external consulting fees associated with the Company's profit enhancement initiatives. Excluding these items, operating expenses increased by \$6.5 million compared to the same quarter last year.

The Company recognized pre-tax restructuring expenses totaling \$0.3 million in the second quarter related to the consolidation of certain facilities in China and the United Kingdom that were announced in the fourth quarter of fiscal 2018.

Herman Miller's effective income tax rate in the second quarter was 22.6%, compared to 30.5% in the same quarter last fiscal year. The rate in the current quarter included an adjustment related to recently clarified guidance on the adoption of the U.S. Tax Cuts and Jobs Act. Excluding this adjustment, the effective tax rate in the period was 21.0%. This is lower than the rate in the second quarter of fiscal 2018 primarily due to the reduction in marginal corporate tax rates.

Jeff Stutz, Chief Financial Officer, noted, "Adjusted earnings per share for the quarter exceeded the expectations that we established in September. Profit growth was driven by robust sales growth, well-managed operating expenses and a lower effective tax rate. In our view, the overall macro-economic backdrop for our business is supportive for continued growth, although the ultimate resolution of global trade tensions remains an outlook risk for the business. That said, our strategic focus on profit optimization was designed to help mitigate the potential for inflationary pressures and our teams have line of sight to savings that can offset these pressures."

The Company ended the second quarter with total cash and cash equivalents of \$113.6 million, an increase of \$11.9 million from the balance at the end of last quarter. Cash flow generated from operations was \$58.6 million in the current quarter compared to \$62.6 million in the same quarter last fiscal year.

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Segment Sales and Orders

The following tables summarize reported and organic segment sales and orders for the second quarter of fiscal 2019:

Organic Sales Growth by Segment *

	Three Months Ended 12/1/18					Three Months Ended 12/2/17				
	North America	ELA	Specialty	Consumer	Total	North America	ELA	Specialty	Consumer	Total
Net Sales, as reported	\$ 353.2	\$ 118.5	\$ 81.6	\$ 99.3	\$ 652.6	\$ 330.5	\$ 113.0	\$ 74.4	\$ 86.7	\$ 604.6
% change from PY	6.9%	4.9%	9.7%	14.5%	7.9%					
Proforma Adjustments										
Currency Translation Effects ⁽¹⁾	1.0	2.9	—	0.1	4.0	—	—	—	—	—
Impact of Reclassification Related to New Revenue Recognition Standard	—	—	—	—	—	5.3	3.4	0.6	—	9.3
Net Sales, organic	\$ 354.2	\$ 121.4	\$ 81.6	\$ 99.4	\$ 656.6	\$ 335.8	\$ 116.4	\$ 75.0	\$ 86.7	\$ 613.9
% change from PY	5.5%	4.3%	8.8%	14.6%	7.0%					

Organic Order Growth by Segment *

	Three Months Ended 12/1/18					Three Months Ended 12/2/17				
	North America	ELA	Specialty	Consumer	Total	North America	ELA	Specialty	Consumer	Total
Orders, as reported	\$ 370.6	\$ 137.3	\$ 87.1	\$ 107.6	\$ 702.6	\$ 341.1	\$ 118.0	\$ 77.1	\$ 93.2	\$ 629.4
% change from PY	8.6%	16.4%	13.0%	15.5%	11.6%					
Proforma Adjustments										
Currency Translation Effects ⁽¹⁾	0.9	2.4	—	0.1	3.4	—	—	—	—	—
Impact of Reclassification Related to New Revenue Recognition Standard	—	—	—	—	—	7.0	3.4	0.5	—	10.9
Orders, proforma	\$ 371.5	\$ 139.7	\$ 87.1	\$ 107.7	\$ 706.0	\$ 348.1	\$ 121.4	\$ 77.6	\$ 93.2	\$ 640.3
% change from PY	6.7%	15.1%	12.2%	15.6%	10.3%					

⁽¹⁾ Currency translation effects represent the estimated net impact of translating current period sales and orders using the average exchange rates applicable to the comparable prior year period

* Items represent Non-GAAP measurements; see the reconciliations of Non-GAAP financial measures and related explanations in the supplemental data file available for download at <http://www.hermanmiller.com/about-us/investors.html>. A copy of this supplemental data file has also been included with the earnings press release filed on Form 8-K with the Securities and Exchange Commission.

Third Quarter Fiscal 2019 Guidance

Looking forward, Herman Miller expects net sales in the third quarter of fiscal 2019 to be in the range of \$615 million to \$630 million. On an organic basis, adjusted for foreign currency translation and the impact of reclassification related to the new revenue recognition standard, this forecast implies sales growth of 7% compared to the third quarter of the prior year at the mid-point of the range. The Company expects adjusted diluted earnings per share to range between \$0.59 to \$0.63.

Supplemental Information and Webcast

The Company has created a supplemental data report which provides additional information relevant to its quarterly results. This document can be accessed via a link on the Investors section of the Company's website at <http://www.hermanmiller.com/about-us/investors.html>.

The Company will host a webcast to discuss the results of the second quarter of fiscal 2019 on Thursday, December 20, 2018, at 9:30 a.m. ET. To ensure your access to the webcast, you should allow extra time to visit the Company's website at www.hermanmiller.com to download the streaming software necessary to participate. An online archive of the presentation will be available on the website later that day.

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About Herman Miller

Herman Miller is a globally recognized provider of furnishings and related technologies and services. Headquartered in West Michigan, the 113-year-old company has relied on innovative design to solve problems wherever people work, live, learn, and heal. With recognizable designs as part of museum collections worldwide, Herman Miller is a past recipient of the Smithsonian Institution's Cooper Hewitt National Design Award and has been ranked number one on Contract Magazine's list of "Brands that Inspire" for four straight years. Known and respected for its leadership in corporate social responsibility, Herman Miller has earned numerous global sustainability and inclusivity awards including the Human Rights Foundation's top rating in its Corporate Equality Index for 11 years in a row. In fiscal 2018, the Company generated \$2.38 billion in revenue and employed nearly 8,000 people worldwide. Herman Miller trades on the NASDAQ Global Select Market under the symbol MLHR.

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended, that are based on management's beliefs, assumptions, current expectations, estimates, and projections about the office furniture industry, the economy, and the Company itself. Words like "anticipates," "believes," "confident," "estimates," "expects," "forecasts," "likely," "plans," "projects," and "should," variations of such words, and similar expressions identify such forward-looking statements. These statements do not guarantee future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. These risks include, without limitation, the success of our growth strategy, our success in initiatives aimed at achieving long-term profit optimization goals, employment and general economic conditions, the pace of economic recovery in the U.S. and in our International markets, the increase in white-collar employment, the willingness of customers to undertake capital expenditures, the types of products purchased by customers, competitive-pricing pressures, the availability and pricing of raw materials, our reliance on a limited number of suppliers, our ability to expand globally given the risks associated with regulatory and legal compliance challenges and accompanying currency fluctuations, changes in future tax legislation or interpretation of current tax legislation, the ability to increase prices to absorb the additional costs of raw materials, changes in global tariff regulations, the financial strength of our dealers and the financial strength of our customers, our ability to locate new retail studios, negotiate favorable lease terms for new and existing locations and implement our studio portfolio transformation, our ability to attract and retain key executives and other qualified employees, our ability to continue to make product innovations, the success of newly-introduced products, our ability to serve all of our markets, possible acquisitions, divestitures or alliances, our ability to integrate and benefit from acquisitions and investments, the pace and level of government procurement, the outcome of pending litigation or governmental audits or investigations, political risk in the markets we serve, and other risks identified in our filings with the Securities and Exchange Commission. Therefore, actual results and outcomes may materially differ from what we express or forecast. Furthermore, Herman Miller, Inc. undertakes no obligation to update, amend or clarify forward-looking statements.

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Financial highlights for the three and six months ended December 1, 2018 follow:

Herman Miller, Inc.
Condensed Consolidated Statements of Operations
(Unaudited) (Dollars in millions, except per share and common share data)

	<u>Three Months Ended</u>				<u>Six Months Ended</u>			
	<u>December 1, 2018</u>		<u>December 2, 2017</u>		<u>December 1, 2018</u>		<u>December 2, 2017</u>	
Net Sales	\$ 652.6	100.0%	\$ 604.6	100.0%	\$ 1,277.3	100.0%	\$ 1,184.8	100.0%
Cost of Sales	417.0	63.9%	382.5	63.3%	816.6	63.9%	745.8	62.9%
Gross Margin	235.6	36.1%	222.1	36.7%	460.7	36.1%	439.0	37.1%
Operating Expenses	182.2	27.9%	170.0	28.1%	360.2	28.2%	335.3	28.3%
Restructuring and Impairment Expenses	0.3	—%	1.7	0.3%	1.4	0.1%	3.8	0.3%
Operating Earnings	53.1	8.1%	50.4	8.3%	99.1	7.8%	99.9	8.4%
Other Expenses, net	3.8	0.6%	3.4	0.6%	5.7	0.4%	6.4	0.5%
Earnings Before Income Taxes and Equity Income	49.3	7.6%	47.0	7.8%	93.4	7.3%	93.5	7.9%
Income Tax Expense	11.2	1.7%	14.3	2.4%	20.0	1.6%	28.5	2.4%
Equity Income, net of tax	1.2	0.2%	0.8	0.1%	1.8	0.1%	1.5	0.1%
Net Earnings	39.3	6.0%	33.5	5.5%	75.2	5.9%	66.5	5.6%
Net Earnings Attributable to Noncontrolling Interests	—	—%	—	—%	0.1	—%	—	—%
Net Earnings Attributable to Herman Miller, Inc.	\$ 39.3	6.0%	\$ 33.5	5.5%	\$ 75.1	5.9%	\$ 66.5	5.6%

Amounts per Common Share Attributable to Herman Miller, Inc.

Earnings Per Share – Basic	\$0.66	\$0.56	\$1.27	\$1.11
Weighted Average Basic Common Shares	59,133,700	59,747,932	59,212,370	59,753,271
Earnings Per Share – Diluted	\$0.66	\$0.55	\$1.26	\$1.10
Weighted Average Diluted Common Shares	59,442,219	60,272,207	59,612,113	60,296,728

Herman Miller, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited) (Dollars in millions)

	<u>Six Months Ended</u>	
	<u>December 1, 2018</u>	<u>December 2, 2017</u>
Net Earnings	\$ 75.2	\$ 66.5
Cash Flows provided by Operating Activities	91.5	81.5
Cash Flows used for Investing Activities	(118.7)	(30.6)
Cash Flows used for Financing Activities	(59.8)	(33.2)
Effect of Exchange Rates	(3.3)	0.7

Change in Cash	(90.3)	18.4
Cash, Beginning of Period	203.9	96.2
Cash, End of Period	\$ 113.6	\$ 114.6

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Herman Miller, Inc.
Condensed Consolidated Balance Sheets
(Unaudited) (Dollars in millions)

	<u>December 1, 2018</u>	<u>June 2, 2018</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 113.6	\$ 203.9
Marketable Securities	8.2	8.6
Accounts and Notes Receivable, net	223.0	217.4
Unbilled Accounts Receivable	32.4	1.9
Inventories, net	178.5	162.4
Prepaid Expenses and Other	45.3	51.2
Total Current Assets	601.0	645.4
Net Property and Equipment	333.0	331.4
Other Assets	575.7	502.7
Total Assets	\$ 1,509.7	\$ 1,479.5
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 184.6	\$ 171.4
Accrued Liabilities	240.7	242.4
Total Current Liabilities	425.3	413.8
Long-term Debt	281.9	275.0
Other Liabilities	96.3	95.4
Total Liabilities	803.5	784.2
Redeemable Noncontrolling Interests	20.7	30.5
Herman Miller, Inc. Stockholders' Equity	685.2	664.6
Noncontrolling Interests	0.3	0.2
Total Stockholders' Equity	685.5	664.8
Total Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity	\$ 1,509.7	\$ 1,479.5

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Herman Miller, Inc. Supplemental Financial Data

Three and Six Months Ended December 1, 2018

(Unaudited) (\$ in millions except per share data and square footage metrics)

Earnings Release Data Supplement

Herman Miller, Inc. (together with its consolidated subsidiaries, the "company", "we", "our" or "us") provides this supplement to assist investors in evaluating the company's financial and operating results and metrics. We suggest that the narratives to each of the tables included in this supplement be read in conjunction with the financial tables. The financial information included in this supplement contains certain non-GAAP financial measures, as explained in more detail in Section II below.

Herman Miller, Inc. Supplemental Financial Data

Three and Six Months Ended December 1, 2018

(Unaudited) (\$ in millions except per share data and square footage metrics)

I. Operating Segment Information

The table below summarizes select financial information, for the periods indicated, related to each of the company's reportable segments. The North American Furniture Solutions segment includes the operations associated with the design, manufacture, and sale of furniture products for work-related settings, including office, education, and healthcare environments, throughout the United States and Canada. The business associated with the company's owned contract furniture dealers is also included in the North American Furniture Solutions segment. The ELA Furniture Solutions segment includes EMEA, Latin America, and Asia-Pacific. ELA includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings, in these aforementioned geographic regions. The Specialty segment includes the operations associated with the design, manufacture, and sale of high-craft furniture products and textiles including Geiger wood products, Maharam textiles, Nemschoff and Herman Miller Collection products. The Consumer segment includes operations associated with the sale of modern design furnishings and accessories to third party retail distributors, as well as direct to consumer sales through eCommerce, Design Within Reach and HAY retail studios. Corporate costs represent unallocated expenses related to general corporate functions, including, but not limited to, certain legal, executive, corporate finance, information technology, administrative and acquisition-related costs.

	Three Months Ended			Six Months Ended		
	12/1/2018	12/2/2017	% change	12/1/2018	12/2/2017	% change
Net Sales						
North America	\$ 353.2	\$ 330.5	6.9%	\$ 696.9	\$ 659.0	5.8 %
ELA	118.5	113.0	4.9%	234.0	206.4	13.4 %
Specialty	81.6	74.4	9.7%	158.9	149.5	6.3 %
Consumer	99.3	86.7	14.5%	187.5	169.9	10.4 %
Total	\$ 652.6	\$ 604.6	7.9%	\$ 1,277.3	\$ 1,184.8	7.8 %
Gross Margin						
North America	\$ 120.6	\$ 115.9	4.1%	\$ 237.9	\$ 235.5	1.0 %
ELA	39.7	38.4	3.4%	77.8	70.2	10.8 %
Specialty	31.4	29.3	7.2%	61.8	58.2	6.2 %
Consumer	43.9	38.5	14.0%	83.2	75.1	10.8 %
Total	\$ 235.6	\$ 222.1	6.1%	\$ 460.7	\$ 439.0	4.9 %
Gross Margin % Net Sales						
North America	34.1%	35.1%		34.1%	35.7%	
ELA	33.5%	34.0%		33.2%	34.0%	
Specialty	38.5%	39.4%		38.9%	38.9%	
Consumer	44.2%	44.4%		44.4%	44.2%	
Total	36.1%	36.7%		36.1%	37.1%	
Operating Earnings (Loss)						
North America	\$ 46.4	\$ 45.1	2.9%	\$ 91.4	\$ 93.9	(2.7)%
ELA	13.8	12.7	8.7%	24.3	19.6	24.0 %
Specialty	4.8	2.1	128.6%	8.0	3.7	116.2 %
Consumer	1.8	1.0	80.0%	3.9	1.3	200.0 %
Corporate Unallocated Expenses	(13.7)	(10.5)	30.5%	(28.5)	(18.6)	53.2 %
Total	\$ 53.1	\$ 50.4	5.4%	\$ 99.1	\$ 99.9	(0.8)%
Operating Earnings % Net Sales						
North America	13.1%	13.6%		13.1%	14.2%	
ELA	11.6%	11.2%		10.4%	9.5%	
Specialty	5.9%	2.8%		5.0%	2.5%	
Consumer	1.8%	1.2%		2.1%	0.8%	
Total	8.1%	8.3%		7.8%	8.4%	

Herman Miller, Inc. Supplemental Financial Data

Three and Six Months Ended December 1, 2018

(Unaudited) (\$ in millions except per share data and square footage metrics)

II. Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures such as Adjusted Earnings per Share, Adjusted Operating Earnings (Loss), Adjusted EBITDA and Organic Growth (Decline). Adjusted Earnings per Share represents reported diluted earnings per share excluding an income tax adjustment for provisional estimates related to adoption of U.S. Tax Reform, inventory step up on HAY equity method investment, restructuring and impairment expenses, and other charges or gains, including related taxes. Adjusted Operating Earnings (Loss) represents reported operating earnings plus restructuring and impairment expenses, and other special charges. These items include certain restructuring and impairment expenses related to actions involving facilities consolidation and targeted workforce reductions, as well as special charges related to the CEO transition and third party consulting costs related to the company's profit enhancement initiatives. Adjusted EBITDA is calculated by excluding depreciation and amortization from Adjusted Operating Earnings (Loss) and including other income and expenses, equity income and the inventory step up on HAY equity method investment. Organic Growth represents the change in sales and orders, excluding currency translation effects, the impact of reclassification related to the new revenue recognition standard (ASC 606), the impact of acquisitions, divestitures and changes in shipping terms. The company believes these non-GAAP measures are useful for investors as they provide financial information on a more comparative basis for the periods presented.

Adjusted Earnings per Share, Adjusted Operating Earnings (Loss), Adjusted EBITDA and Organic Growth (Decline) are not measurements of our financial performance under GAAP and should not be considered an alternative to the related GAAP measurement. These non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Our presentation of non-GAAP measures should not be construed as an indication that our future results will be unaffected by unusual or infrequent items. We compensate for these limitations by providing equal prominence of our GAAP results.

A. Reconciliation of Earnings per Share - Diluted to Adjusted Earnings per Share - Diluted

	Three Months Ended		Six Months Ended	
	12/1/2018	12/2/2017	12/1/2018	12/2/2017
Earnings per Share - Diluted	\$ 0.66	\$ 0.55	\$ 1.26	\$ 1.10
Add: Adjustments Related to Adoption of U.S. Tax Cuts and Jobs Act	0.01	—	0.01	—
Add: Inventory step up on HAY equity method investment, after tax	—	—	0.01	—
Add: Special charges, after tax	0.08	—	0.14	—
Add: Restructuring and impairment expenses, after tax	—	0.02	0.02	0.04
Adjusted Earnings per Share - Diluted	\$ 0.75	\$ 0.57	\$ 1.44	\$ 1.14
Weighted Average Shares Outstanding (used for Calculating Adjusted Earnings per Share) - Diluted	59,442,219	60,272,207	59,612,113	60,296,728

B. Reconciliation of Operating Earnings and Net Income to EBITDA

	Three Months Ended 12/1/18						Three Months Ended 12/2/17					
	North America	ELA	Specialty	Consumer	Corporate	Total	North America	ELA	Specialty	Consumer	Corporate	Total
Operating Earnings (Loss)	\$ 46.4	\$ 13.8	\$ 4.8	\$ 1.8	\$ (13.7)	\$ 53.1	\$ 45.1	\$ 12.7	\$ 2.1	\$ 1.0	\$ (10.5)	\$ 50.4
% Net Sales	13.1%	11.6%	5.9%	1.8%	n/a	8.1%	13.6%	11.2%	2.8%	1.2%	n/a	8.3%
Add: Special charges	—	0.2	—	—	5.5	5.7	—	—	—	—	—	—
Add: Restructuring and Impairment Expenses	—	0.3	—	—	—	0.3	0.5	—	—	—	1.2	1.7
Adjusted Operating Earnings (Loss)	\$ 46.4	\$ 14.3	\$ 4.8	\$ 1.8	\$ (8.2)	\$ 59.1	\$ 45.6	\$ 12.7	\$ 2.1	\$ 1.0	\$ (9.3)	\$ 52.1
% Net Sales	13.1%	12.1%	5.9%	1.8%	n/a	9.1%	13.8%	11.2%	2.8%	1.2%	n/a	8.6%
Other (Expense) Income, net	—	—	—	—	(0.7)	(0.7)	—	—	—	—	0.3	0.3
Equity Income, net of tax	0.1	1.1	—	—	—	1.2	0.2	0.6	—	—	—	0.8
Add: Depreciation and Amortization	9.5	2.7	2.7	3.6	0.1	18.6	7.9	2.6	2.5	3.1	0.1	16.2
Adjusted EBITDA	\$ 56.0	\$ 18.1	\$ 7.5	\$ 5.4	\$ (8.8)	\$ 78.2	\$ 53.7	\$ 15.9	\$ 4.6	\$ 4.1	\$ (8.9)	\$ 69.4
% Net Sales	15.9%	15.3%	9.2%	5.4%	n/a	12.0%	16.2%	14.1%	6.2%	4.7%	n/a	11.5%

Herman Miller, Inc. Supplemental Financial Data

Three and Six Months Ended December 1, 2018

(Unaudited) (\$ in millions except per share data and square footage metrics)

	Six Months Ended 12/1/18						Six Months Ended 12/2/17					
	North America	ELA	Specialty	Consumer	Corporate	Total	North America	ELA	Specialty	Consumer	Corporate	Total
Operating Earnings (Loss)	\$ 91.4	\$ 24.3	\$ 8.0	\$ 3.9	\$ (28.5)	\$ 99.1	\$ 93.9	\$ 19.6	\$ 3.7	\$ 1.3	\$ (18.6)	\$ 99.9
% Net Sales	13.1%	10.4%	5.0%	2.1%	n/a	7.8%	14.2%	9.5%	2.5%	0.8%	n/a	8.4%
Add: Special Charges	—	0.4	—	—	10.5	10.9	—	—	—	—	—	—
Add: Restructuring and Impairment Expenses	—	1.4	—	—	—	1.4	1.9	—	—	—	1.9	3.8
Adjusted Operating Earnings (Loss)	\$ 91.4	\$ 26.1	\$ 8.0	\$ 3.9	\$ (18.0)	\$ 111.4	\$ 95.8	\$ 19.6	\$ 3.7	\$ 1.3	\$ (16.7)	\$ 103.7
% Net Sales	13.1%	11.2%	5.0%	2.1%	n/a	8.7%	14.5%	9.5%	2.5%	0.8%	n/a	8.8%
Other Income (Expense), net	—	—	—	—	0.3	0.3	—	—	—	—	1.0	1.0
Equity Income, net of tax	0.3	1.5	—	—	—	1.8	0.4	1.1	—	—	—	1.5
Add: Depreciation and Amortization	19.6	5.4	5.4	6.9	0.3	37.6	15.7	5.0	4.9	5.9	0.3	31.8
Add: Inventory step up on HAY equity method investment	—	—	—	—	0.6	0.6	—	—	—	—	—	—
Adjusted EBITDA	\$ 111.3	\$ 33.0	\$ 13.4	\$ 10.8	\$ (16.8)	\$ 151.7	\$ 111.9	\$ 25.7	\$ 8.6	\$ 7.2	\$ (15.4)	\$ 138.0
% Net Sales	16.0%	14.1%	8.4%	5.8%	n/a	11.9%	17.0%	12.5%	5.8%	4.2%	n/a	11.6%

	Three Months Ended		Six Months Ended	
	12/1/18	12/2/17	12/1/18	12/2/17
Net Earnings	\$ 39.3	\$ 33.5	\$ 75.2	\$ 66.5
Add: Interest Expense	3.1	3.7	6.0	7.4
Add: Income Tax Expense	11.2	14.3	20.0	28.5
Add: Depreciation and Amortization	18.6	16.2	37.6	31.8
Add: Special Charges	5.7	—	10.9	—
Add: Restructuring and Impairment Expenses	0.3	1.7	1.4	3.8
Add: Inventory Step-up on HAY Equity Method Investment	—	—	0.6	—
Adjusted EBITDA	\$ 78.2	\$ 69.4	\$ 151.7	\$ 138.0

C. Organic Sales Growth by Segment

	Three Months Ended 12/1/18					Three Months Ended 12/2/17				
	North America	ELA	Specialty	Consumer	Total	North America	ELA	Specialty	Consumer	Total
Net Sales, as reported	\$ 353.2	\$ 118.5	\$ 81.6	\$ 99.3	\$ 652.6	\$ 330.5	\$ 113.0	\$ 74.4	\$ 86.7	\$ 604.6
% change from PY	6.9%	4.9%	9.7%	14.5%	7.9%					
<u>Proforma Adjustments</u>										
Currency Translation Effects ⁽¹⁾	1.0	2.9	—	0.1	4.0	—	—	—	—	—
Impact of Reclassification Related to New Revenue Recognition Standard	—	—	—	—	—	5.3	3.4	0.6	—	9.3
Net Sales, organic	\$ 354.2	\$ 121.4	\$ 81.6	\$ 99.4	\$ 656.6	\$ 335.8	\$ 116.4	\$ 75.0	\$ 86.7	\$ 613.9
% change from PY	5.5%	4.3%	8.8%	14.6%	7.0%					

⁽¹⁾ Currency translation effects represent the estimated net impact of translating current period sales and orders using the average exchange rates applicable to the comparable prior year period

Herman Miller, Inc. Supplemental Financial Data

Three and Six Months Ended December 1, 2018

(Unaudited) (\$ in millions except per share data and square footage metrics)

	Six Months Ended 12/1/18					Six Months Ended 12/2/17				
	North America	ELA	Specialty	Consumer	Total	North America	ELA	Specialty	Consumer	Total
Net Sales, as reported	\$ 696.9	\$ 234.0	\$ 158.9	\$ 187.5	\$ 1,277.3	\$ 659.0	\$ 206.4	\$ 149.5	\$ 169.9	\$ 1,184.8
% change from PY	5.8%	13.4%	6.3%	10.4%	7.8%					
Proforma Adjustments										
Dealer Divestitures	—	—	—	—	—	(0.8)	—	—	—	(0.8)
Currency Translation Effects ⁽¹⁾	1.5	4.0	0.1	0.1	5.7	—	—	—	—	—
Impact of Reclassification Related to New Revenue Recognition Standard	—	—	—	—	—	9.9	5.5	1.2	—	16.6
Impact of Change in DWR Shipping Terms	—	—	—	—	—	—	—	—	(5.0)	(5.0)
Net sales, organic	\$ 698.4	\$ 238.0	\$ 159.0	\$ 187.6	\$ 1,283.0	\$ 668.1	\$ 211.9	\$ 150.7	\$ 164.9	\$ 1,195.6
% change from PY	4.5%	12.3%	5.5%	13.8%	7.3%					

D. Organic Order Growth by Segment

	Three Months Ended 12/1/18					Three Months Ended 12/2/17				
	North America	ELA	Specialty	Consumer	Total	North America	ELA	Specialty	Consumer	Total
Orders, as reported	\$ 370.6	\$ 137.3	\$ 87.1	\$ 107.6	\$ 702.6	\$ 341.1	\$ 118.0	\$ 77.1	\$ 93.2	\$ 629.4
% change from PY	8.6%	16.4%	13.0%	15.5%	11.6%					
Proforma Adjustments										
Currency Translation Effects ⁽¹⁾	0.9	2.4	—	0.1	3.4	—	—	—	—	—
Impact of Reclassification Related to New Revenue Recognition Standard	—	—	—	—	—	7.0	3.4	0.5	—	10.9
Orders, organic	\$ 371.5	\$ 139.7	\$ 87.1	\$ 107.7	\$ 706.0	\$ 348.1	\$ 121.4	\$ 77.6	\$ 93.2	\$ 640.3
% change from PY	6.7%	15.1%	12.2%	15.6%	10.3%					

	Six Months Ended 12/1/18					Six Months Ended 12/2/17				
	North America	ELA	Specialty	Consumer	Total	North America	ELA	Specialty	Consumer	Total
Orders, as reported	\$ 715.6	\$ 262.3	\$ 167.2	\$ 188.1	\$ 1,333.2	\$ 675.8	\$ 226.5	\$ 152.5	\$ 169.4	\$ 1,224.2
% change from PY	5.9%	15.8%	9.6%	11.0%	8.9%					
Proforma Adjustments										
Dealer Divestitures	—	—	—	—	—	(2.2)	—	—	—	(2.2)
Currency Translation Effects ⁽¹⁾	1.5	3.8	0.1	0.1	5.5	—	—	—	—	—
Impact of Reclassification Related to New Revenue Recognition Standard	—	—	—	—	—	12.0	5.5	1.0	—	18.5
Orders, organic	\$ 717.1	\$ 266.1	\$ 167.3	\$ 188.2	\$ 1,338.7	\$ 685.6	\$ 232.0	\$ 153.5	\$ 169.4	\$ 1,240.5
% change from PY	4.6%	14.7%	9.0%	11.1%	7.9%					

⁽¹⁾ Currency translation effects represent the estimated net impact of translating current period sales and orders using the average exchange rates applicable to the comparable prior year period

Herman Miller, Inc. Supplemental Financial Data

Three and Six Months Ended December 1, 2018

(Unaudited) (\$ in millions except per share data and square footage metrics)

E. Design Within Reach Studio Metrics

	Studio Count				Studio Selling Square Footage			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
	12/1/18	12/2/17	12/1/18	12/2/17	12/1/18	12/2/17	12/1/18	12/2/17
Beginning of Period	33	32	32	31	372,515	343,539	357,387	317,456
Studio Openings	—	1	2	3	—	13,398	17,878	43,579
Studio Expansions (Reductions)	—	—	—	—	(3,300)	4,500	(3,300)	4,500
Studio Closings	—	(1)	(1)	(2)	—	(4,050)	(2,750)	(8,148)
End of Period	33	32	33	32	369,215	357,387	369,215	357,387
Comparable Studios, End of Period	28	22	27	21				
Non-Comparable Studios, End of Period	5	10	6	11				

	Studio Revenue Metrics			
	Three Months Ended		Six Months Ended	
	12/1/18	12/2/17	12/1/18	12/2/17
Average Studio Square Footage	370,865	350,463	363,301	337,422
Annualized Net Sales per Square Foot, All Studios	\$ 534	\$ 520	\$ 532	\$ 525
DWR Comparable Brand Sales*	5.3%	8.0%	7.2%	11.0%
Annualized Net Sales per Square Foot, Comparable Studios	\$ 565	\$ 621	\$ 564	\$ 638

*DWR comparable brand sales reflects the year-over-year change in net sales across the multiple channels that DWR serves, including studios, outlets, contract, catalog, phone and e-commerce.

Note: Consumer segment sales also include sales through eCommerce, outlet store, call center and wholesale channels.

F. Sales and Earnings Guidance - Upcoming Quarter

	Company Guidance
	Q3 Fiscal 2019
Net Sales	\$615 million to \$630 million
Gross Margin %	35.75% - 36.75%
Operating Expenses	\$177 million to \$182 million
Effective Tax Rate	20% - 22%
Earnings Per Share, Diluted	\$0.59 to \$0.63

Herman Miller, Inc. Supplemental Financial Data

Three and Six Months Ended December 1, 2018

(Unaudited) (\$ in millions except per share data and square footage metrics)

Forward Looking Statements

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended, that are based on management's beliefs, assumptions, current expectations, estimates, and projections about the office furniture industry, the economy, and the Company itself. Words like "anticipates," "believes," "confident," "estimates," "expects," "forecasts," "likely," "plans," "projects," and "should," variations of such words, and similar expressions identify such forward-looking statements. These statements do not guarantee future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. These risks include, without limitation, the success of our growth strategy, our success in initiatives aimed at achieving long-term profit optimization goals, employment and general economic conditions, the pace of economic recovery in the U.S. and in our International markets, the increase in white-collar employment, the willingness of customers to undertake capital expenditures, the types of products purchased by customers, competitive-pricing pressures, the availability and pricing of raw materials, our reliance on a limited number of suppliers, our ability to expand globally given the risks associated with regulatory and legal compliance challenges and accompanying currency fluctuations, changes in future tax legislation or interpretation of current tax legislation, the ability to increase prices to absorb the additional costs of raw materials, changes in global tariff regulations, the financial strength of our dealers and the financial strength of our customers, our ability to locate new studios, negotiate favorable lease terms for new and existing locations and implement our studio portfolio transformation, our ability to attract and retain key executives and other qualified employees, our ability to continue to make product innovations, the success of newly-introduced products, our ability to serve all of our markets, possible acquisitions, divestitures or alliances, our ability to integrate and benefit from acquisitions and investments, the pace and level of government procurement, the outcome of pending litigation or governmental audits or investigations, political risk in the markets we serve, and other risks identified in our filings with the Securities and Exchange Commission. Therefore, actual results and outcomes may materially differ from what we express or forecast. Furthermore, Herman Miller, Inc. undertakes no obligation to update, amend or clarify forward-looking statements.
