



NASDAQ: MLHR

Inspiring Designs to Help People Do Great Things

Investor Presentation
Fourth Quarter FY2019

FORWARD LOOKING STATEMENTS

This information 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,” “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, changes in global tariff regulations, 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, 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.



Company Snapshot

Headquarters:
Zeeland, MI, USA
Founded: **1905**
Employees: **~8,000**

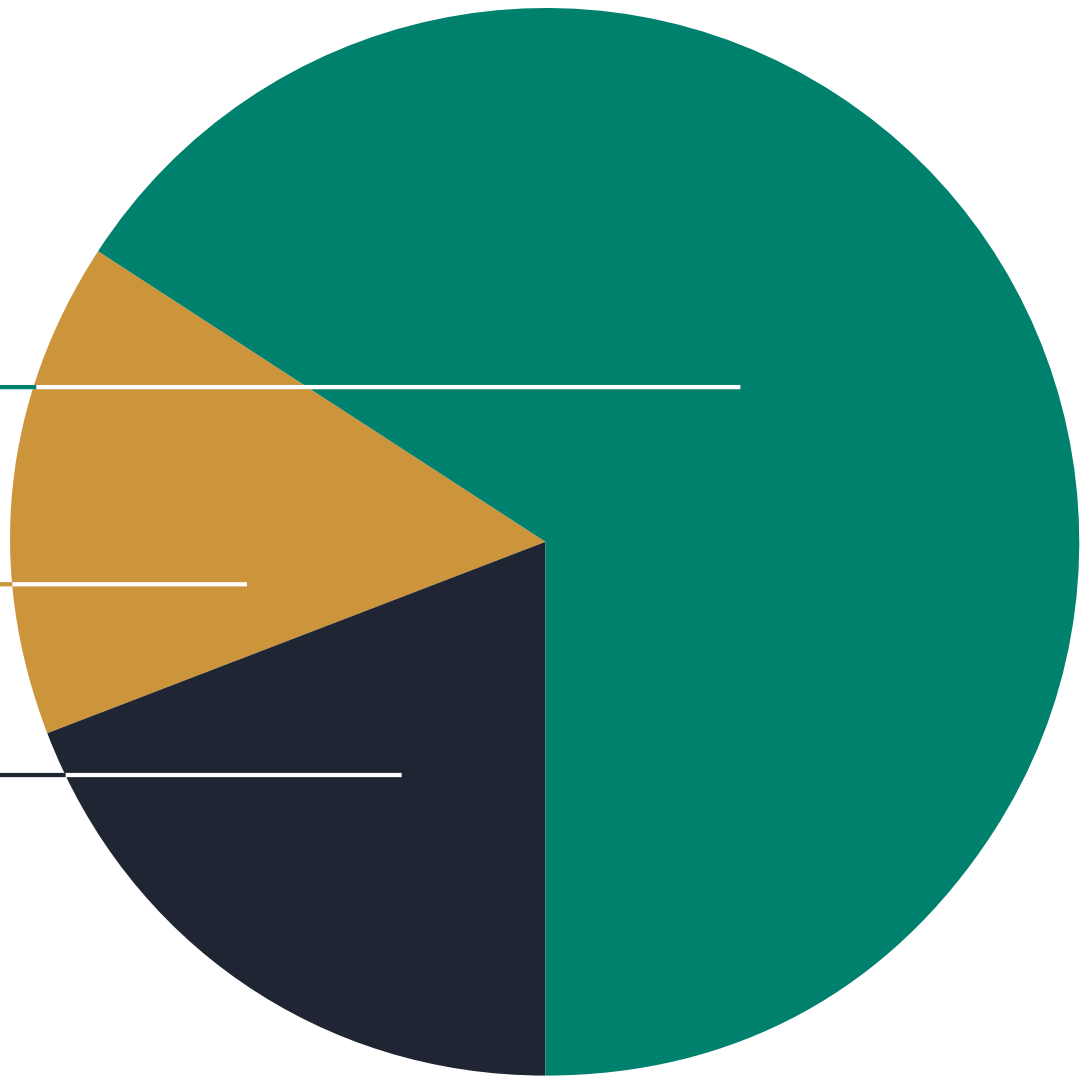
FY19 Revenue: **\$2.57B**
FY19 Adj. Operating
Income: **\$227M**

FY19 REVENUE MIX

North America 66%

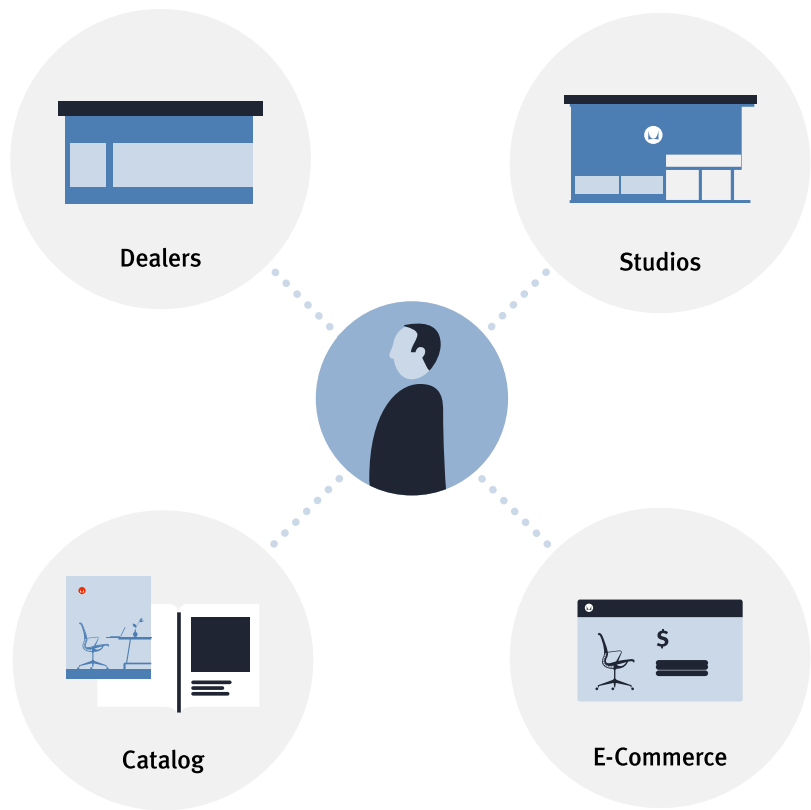
Retail 15%

International 19%



Omni-Channel distribution model

- Over 600 contract dealers in 109 countries
- 38 retail studios
- Multiple global e-commerce storefronts

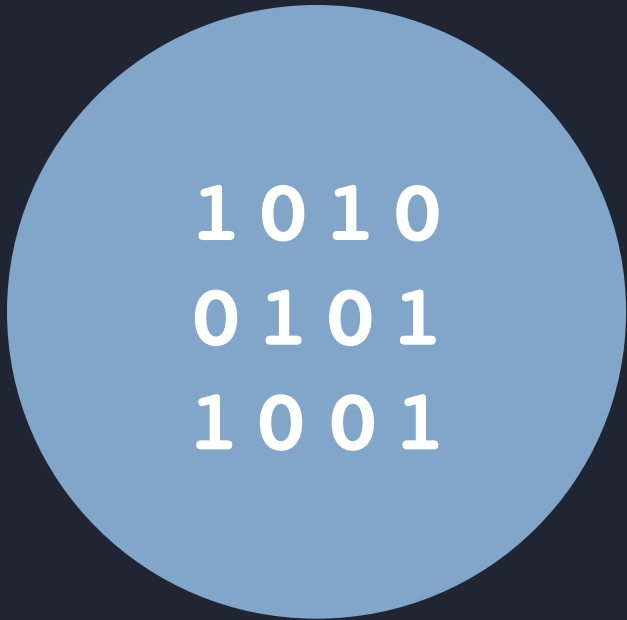


**Broad product library
across Herman Miller
Group of Brands**



Foundational Insights

FOUNDATIONAL INSIGHTS



**DIGITAL
DISRUPTION**



**RISE OF DIRECT-TO-CONSUMER
BUSINESS MODELS**



**GROWING OPPORTUNITY IN GLOBAL
MARKETS & RETAIL BUSINESSES**



**MATURE NA
CONTRACT MARKET**



**CHANGES IN WHERE
& HOW PEOPLE WORK**



TSI IMPERATIVE



Strategic Priorities

Our strategy is centered around four strategic priorities

1

**UNLOCK THE POWER OF
*ONE HERMAN MILLER***

2

**BUILD A CUSTOMER-
CENTRIC, DIGITALLY-ENABLED
BUSINESS MODEL**

3

**ACCELERATE
PROFITABLE GROWTH**

4

**REINFORCE OUR COMMITMENT
TO OUR PEOPLE, OUR PLANET,
& OUR COMMUNITIES**

1 UNLOCK THE POWER OF *ONE HERMAN MILLER*

OBJECTIVES:

**Build an agile,
collaborative,
globally-connected
organization fit for
continuous evolution**

**Simplify and tailor our
go-to-market approach**

**Continue to lead in
Product Innovation
across all businesses**

Herman Miller Group



A leading provider of problem-solving furnishings, technologies, and services for the office and the home

GEIGER

A maker of exquisitely crafted, timeless designs for refined working environments

maharam

A prominent creator of textiles known for its rigorous commitment to design



A designer and manufacturer of high-performance monitor arms, lighting, and accessories

HAY

An international leader in authored accessories and furniture for the home, office, and hospitality

naughtone

A leader in contemporary furnishings for workplace, institutional, and hospitality environments



A purveyor of the world's largest collection of authentic modern furniture

maars LIVING WALLS®

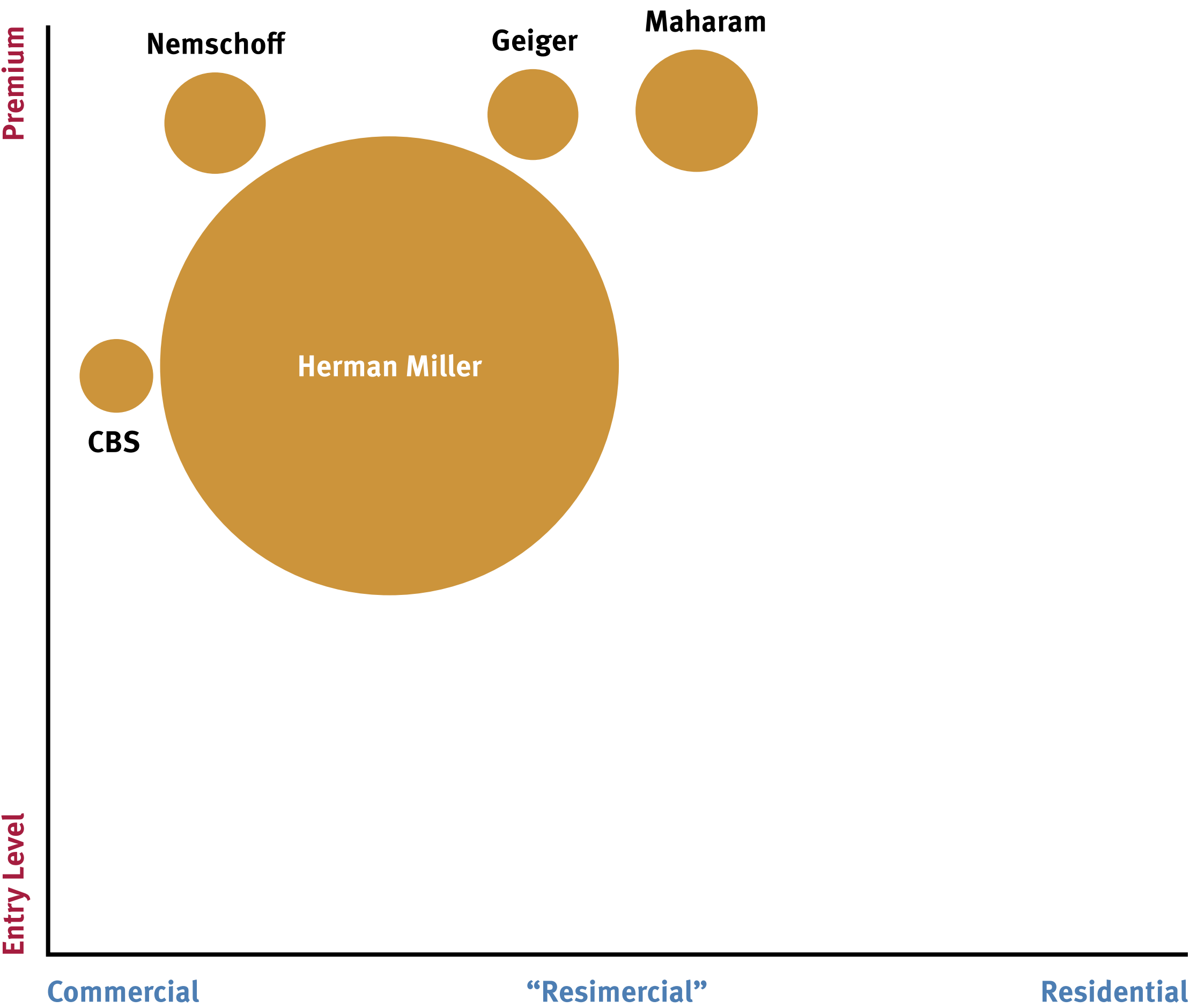
A worldwide leader in the design and manufacture of interior partition walls

Nemschoff

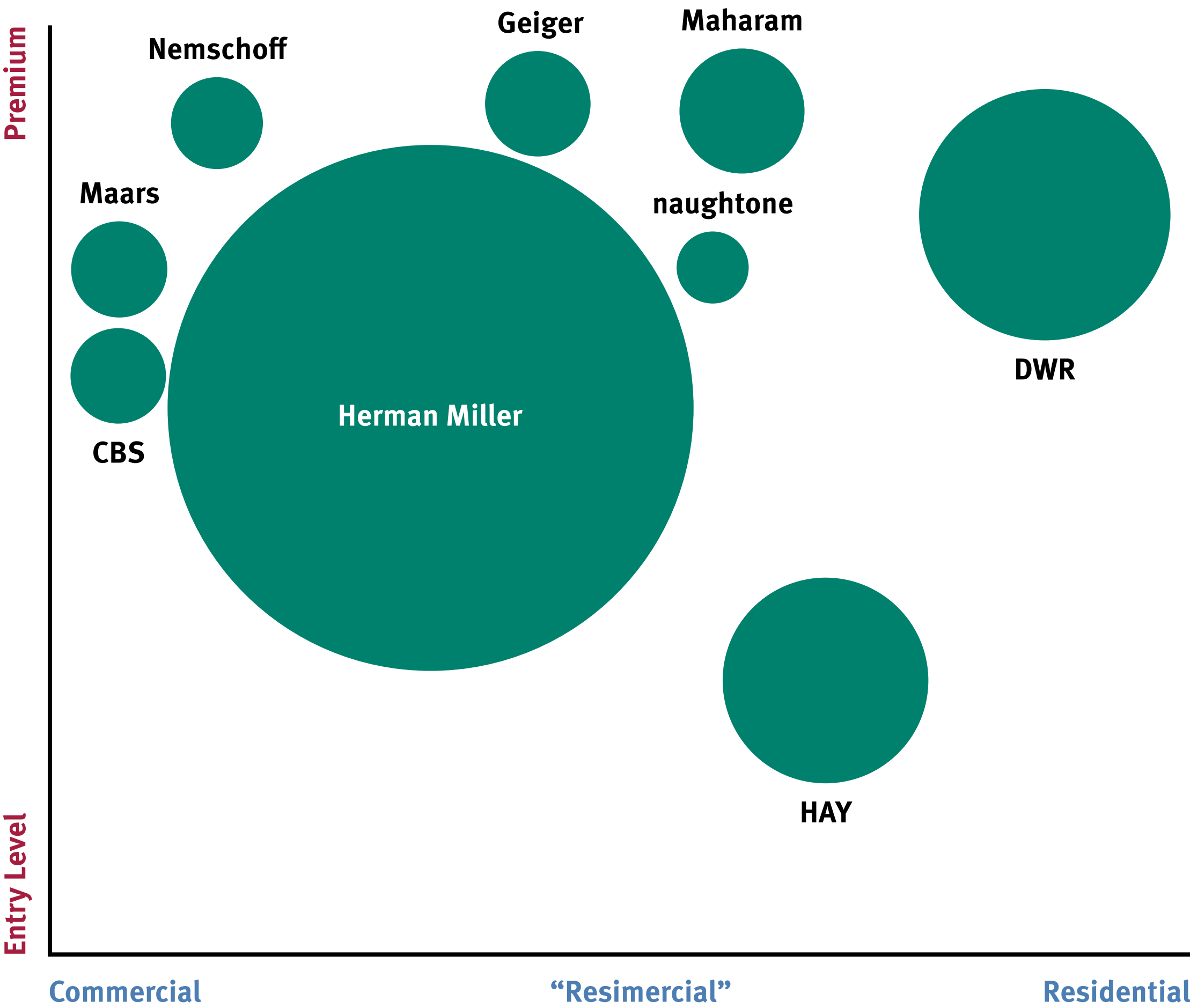
A chief manufacturer of beautifully styled, highly engineered performance furnishings

Our Evolving Product Offer

FIVE YEARS AGO



TODAY



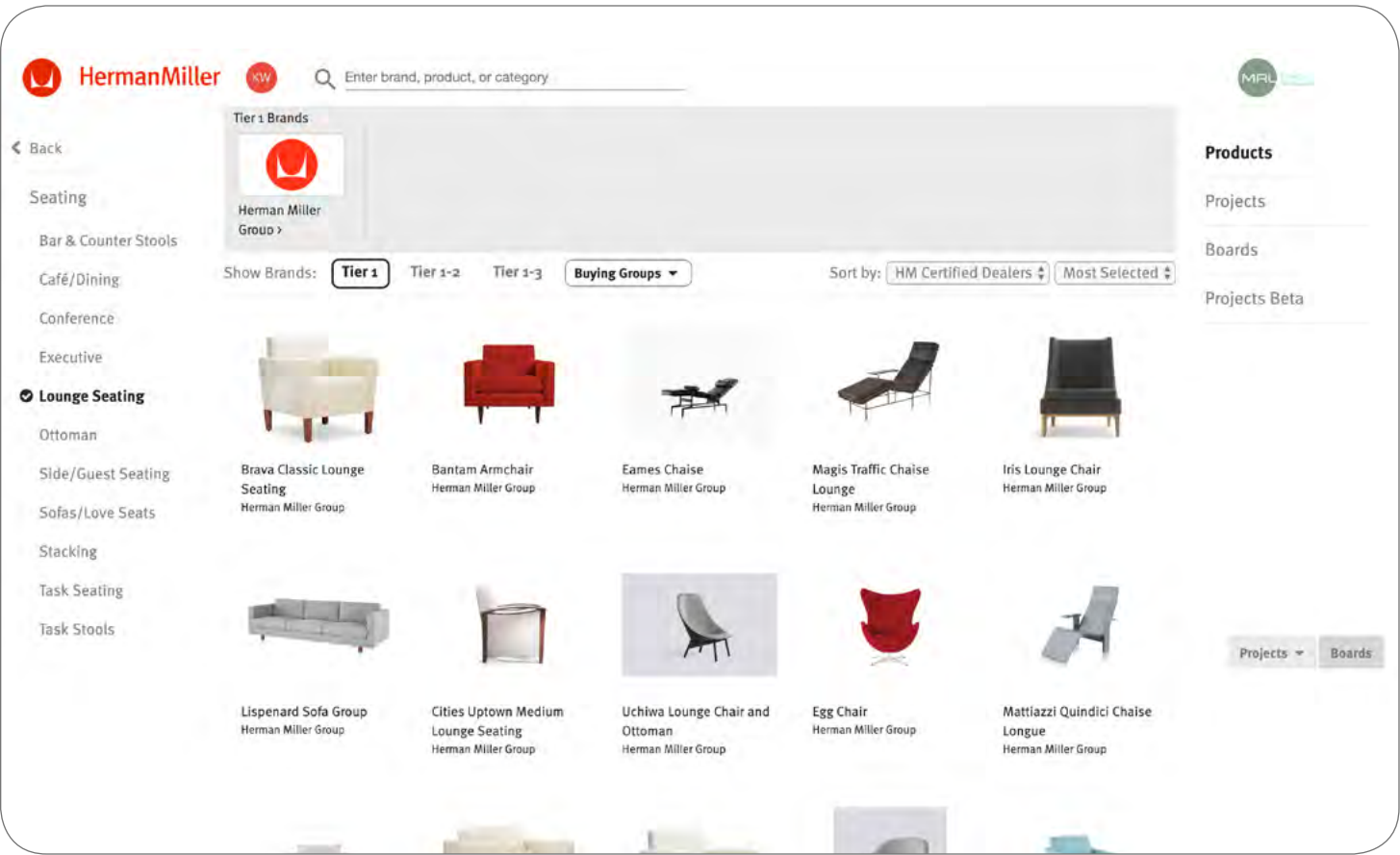
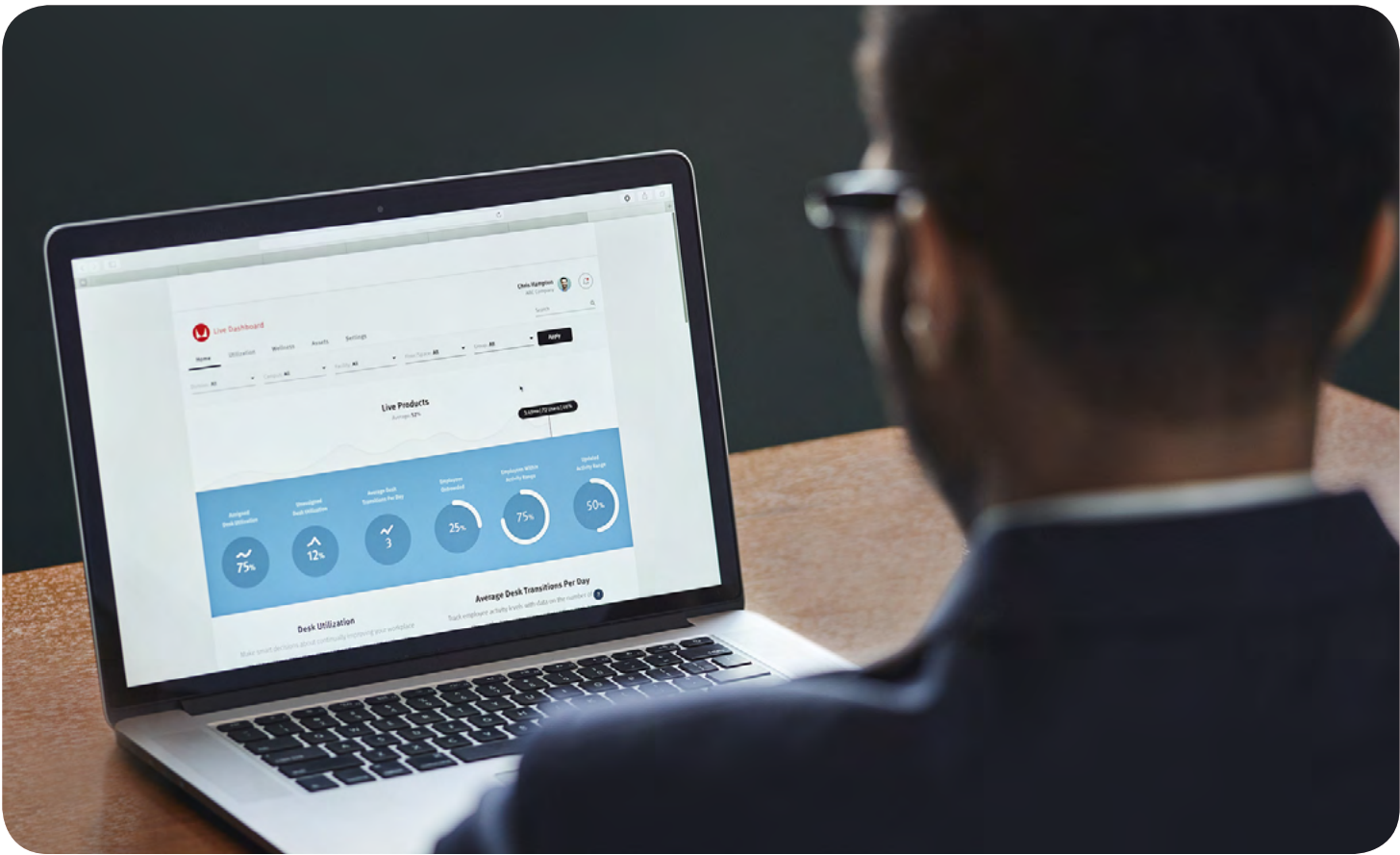
2 BUILD A CUSTOMER-CENTRIC, DIGITALLY-ENABLED BUSINESS MODEL

OBJECTIVES:

Leverage deep understanding of customer journeys to deliver inspired products and frictionless customer experiences

Drive step-change in our data, analytics, marketing, and brand capabilities

Strengthen our core technology backbone



3 ACCELERATE PROFITABLE GROWTH

OBJECTIVES:

**Strengthen & evolve
the core Contract
business**

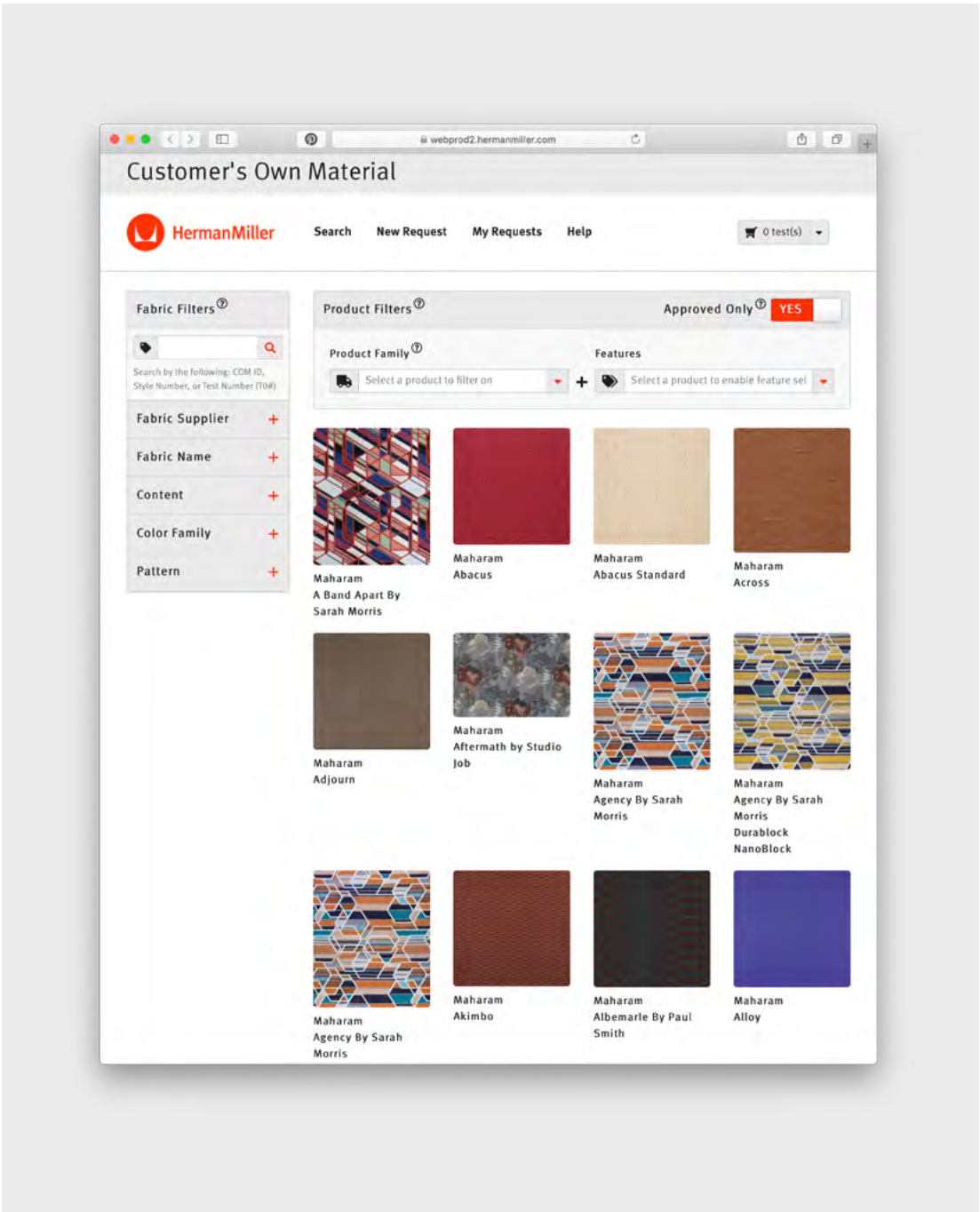
**Drive outsized growth
in International**

**Expand our
Retail business**

Objective: Strengthen & evolve the core Contract business



Go-to-market Alignment



Digital Tools



New Products



Profit Improvement

Objective: Drive outsized growth in International



Expand Dealer Distribution



Enter New Product Categories



Grow Ancillary



Align Global Accounts Team

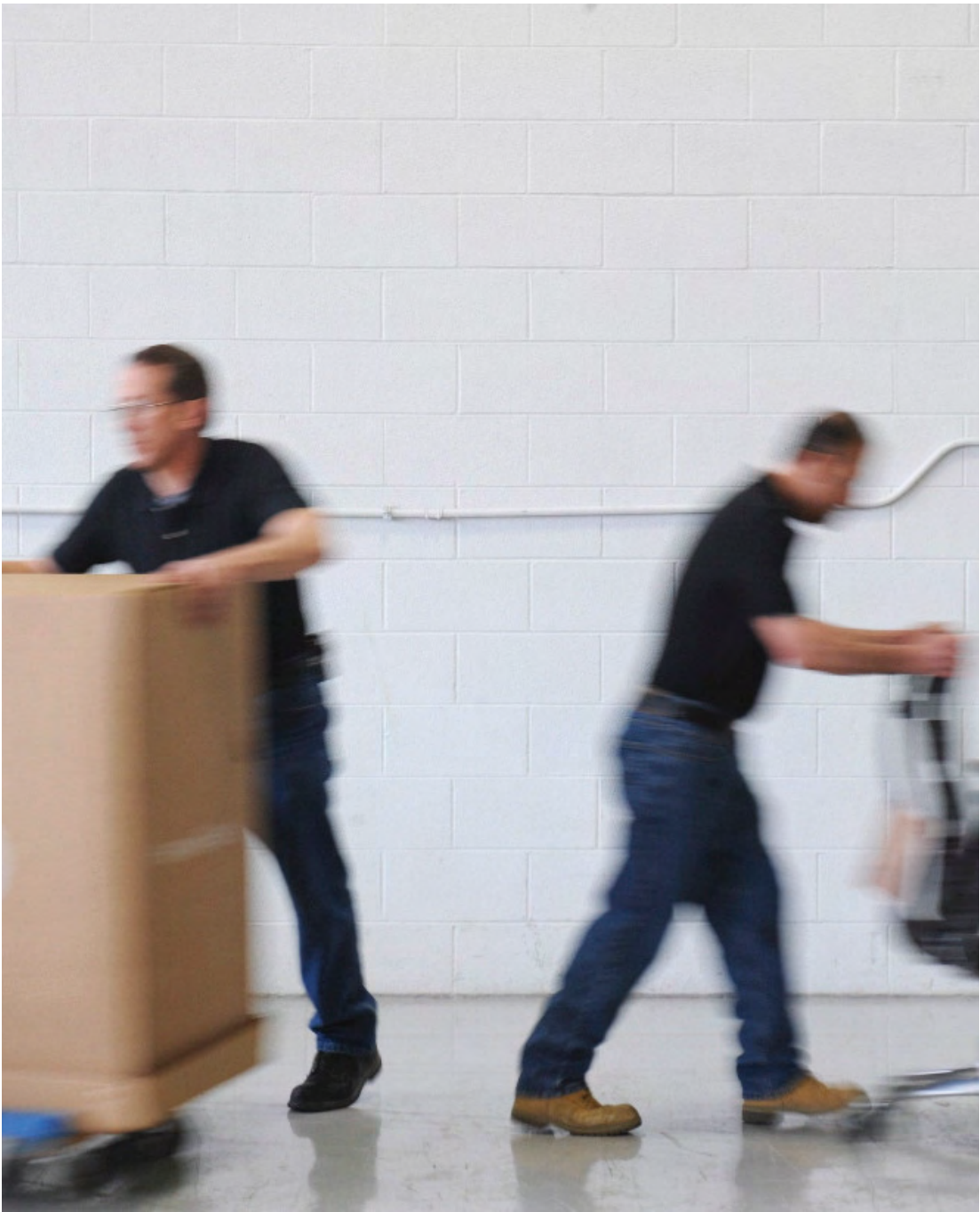


Execute Profitability Improvement Initiatives

Objective: Expand our Retail business



Capability



Delivery Experience



Launch HAY in North America



Profitability Improvement Initiatives

4 REINFORCE OUR COMMITMENT TO OUR PEOPLE, OUR PLANET, & OUR COMMUNITIES

OBJECTIVES:

**Build, develop, and
retain and world-class
talent**

**Shape an inclusive and
diverse work force**

**Elevate our Total
Societal Impact
(Better World)
Commitment**

Creating A Better World

“A business is rightly judged by its products and services, but it must also face scrutiny as to its humanity.”

- D.J. De Pree, Herman Miller Founder



Sustainability

Sustainability Leader for the Last Fourteen Years *in the RobecoSAM Sustainability Yearbook*

Spring Lake manufacturing operation powered 100% by renewable energy *through Constellation Offsite Renewable program*

27,000 tons of products diverted from landfills since 2009 *through rePurpose program*

Inclusivity & Diversity

Twelve Consecutive Perfect Scores *in Human Rights Campaign Foundation’s Corporate Equality Index*

2018 Corporation of the Year in the Commercial sector (and 12 of the last 14 years) *by the Michigan Minority Supplier Development Council*

Wellness

Recognized six years in a row as one of Michigan’s Best and Brightest in Wellness *by the National Association for Business Resources*

Community Impact: Herman Miller Cares

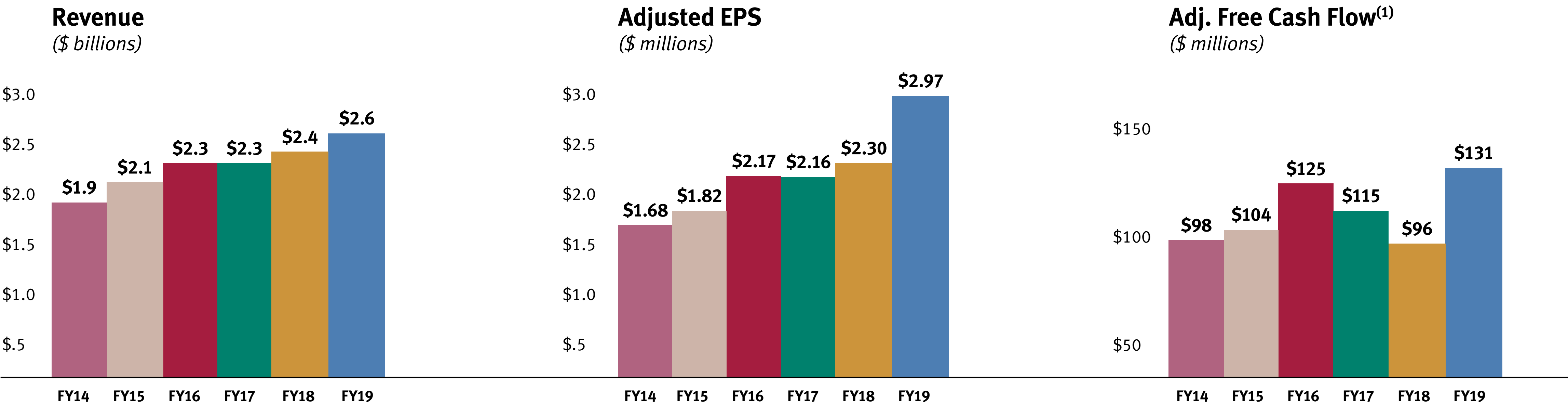
8,000 at-risk children served in over 31 cities *through We Care holiday program in partnership with Boys and Girls Club of America*



Financial Outlook

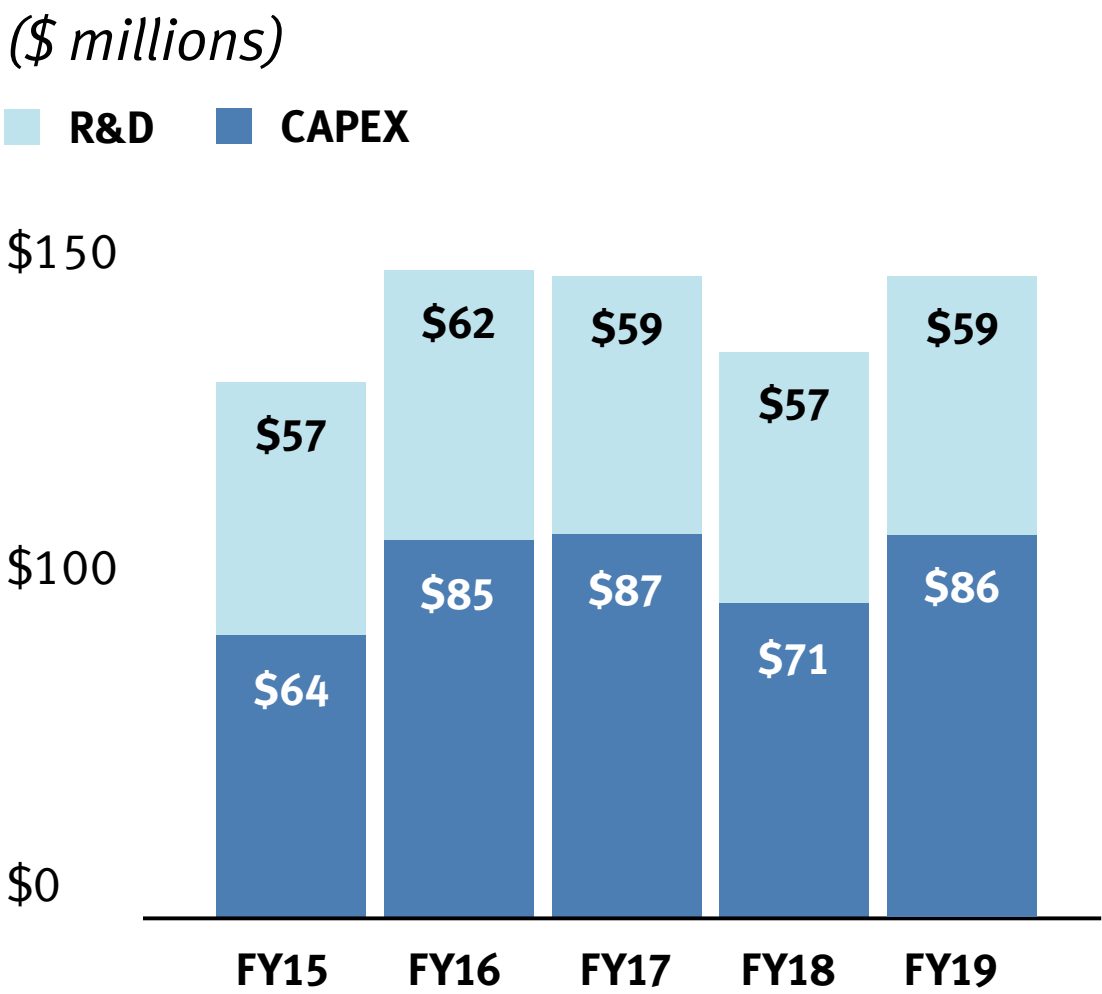
Strong track record of financial performance

- Organic revenue growth of 6.1% at a premium to North America industry growth of 3.7%
- Robust EPS growth over past 5 years
- Healthy free cash flow generation



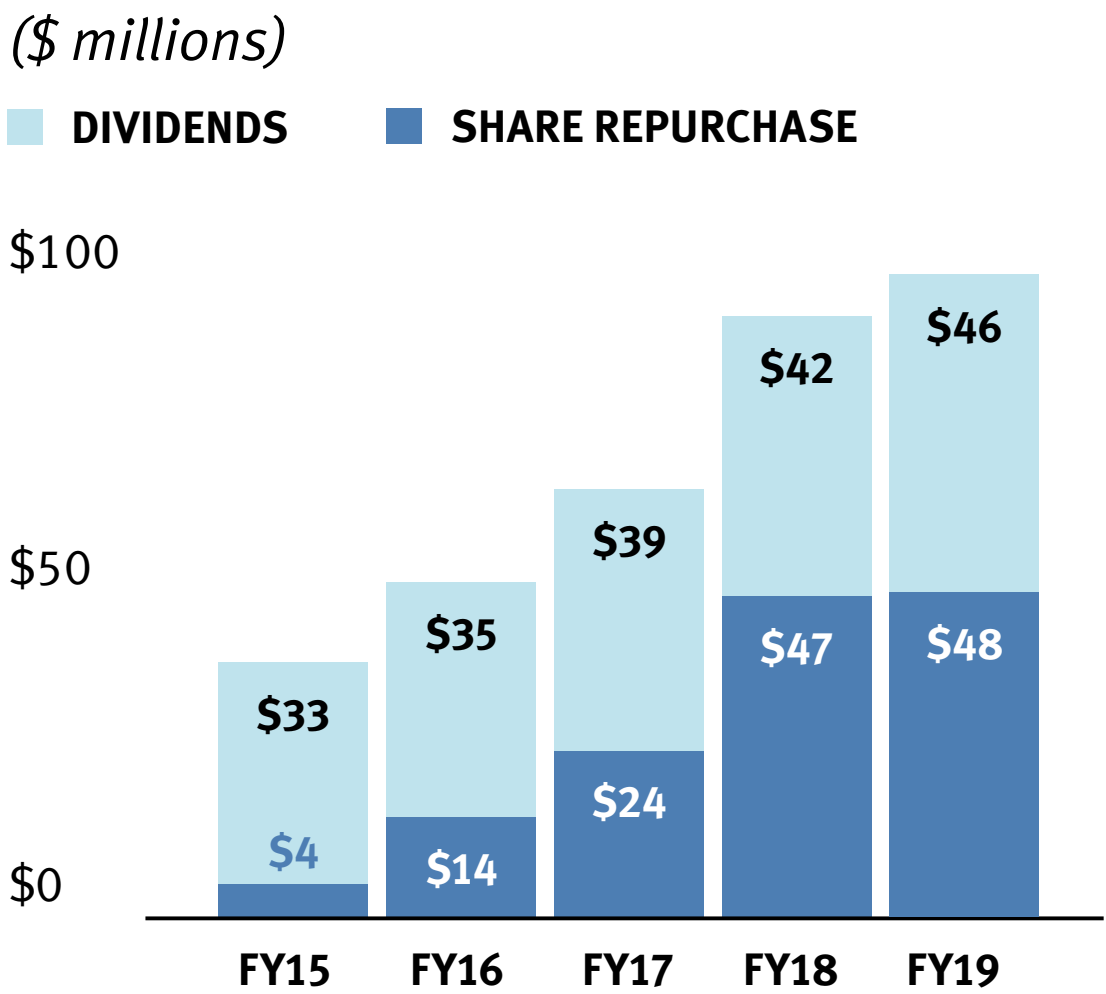
⁽¹⁾ Cash flow from operations less CAPEX plus domestic pension contributions

Disciplined capital allocation approach focused on value creation











Investments in Design Within Reach, naughtone, HAY, and Maars Living Walls totaling **\$243M** in past 5 years.

	Q4 FY19
Cash	\$159M
L/T Debt	\$282M
Leverage Ratio	1.0x
Revolver Availability	\$165M

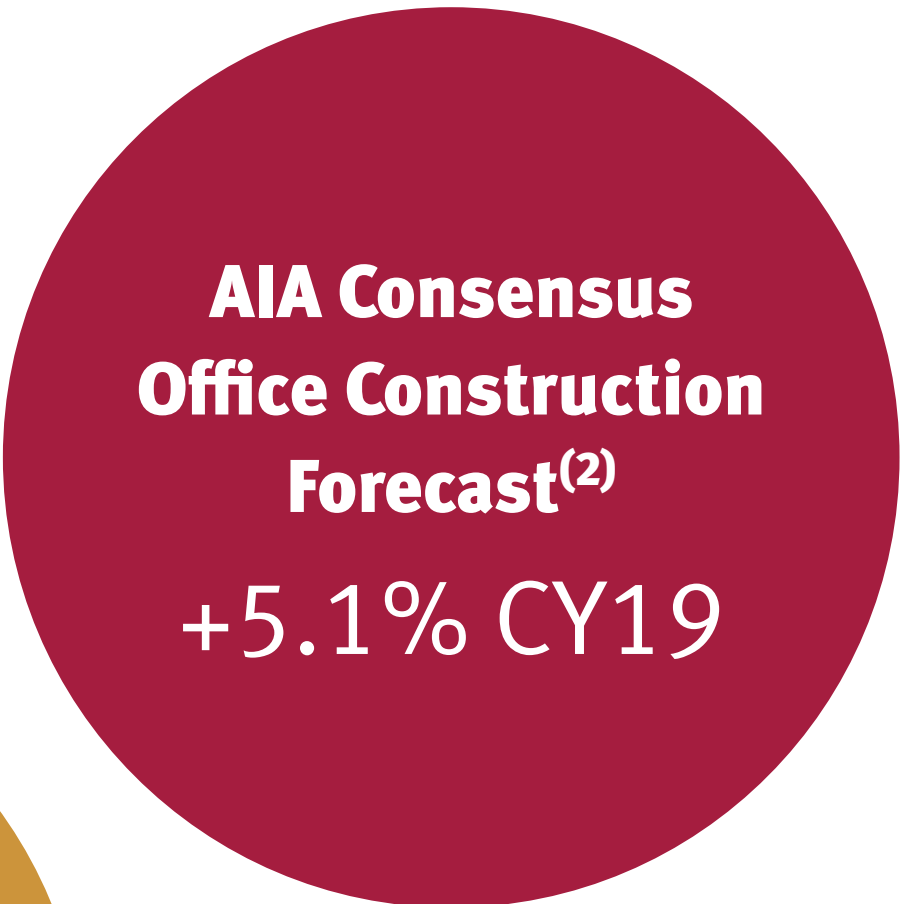
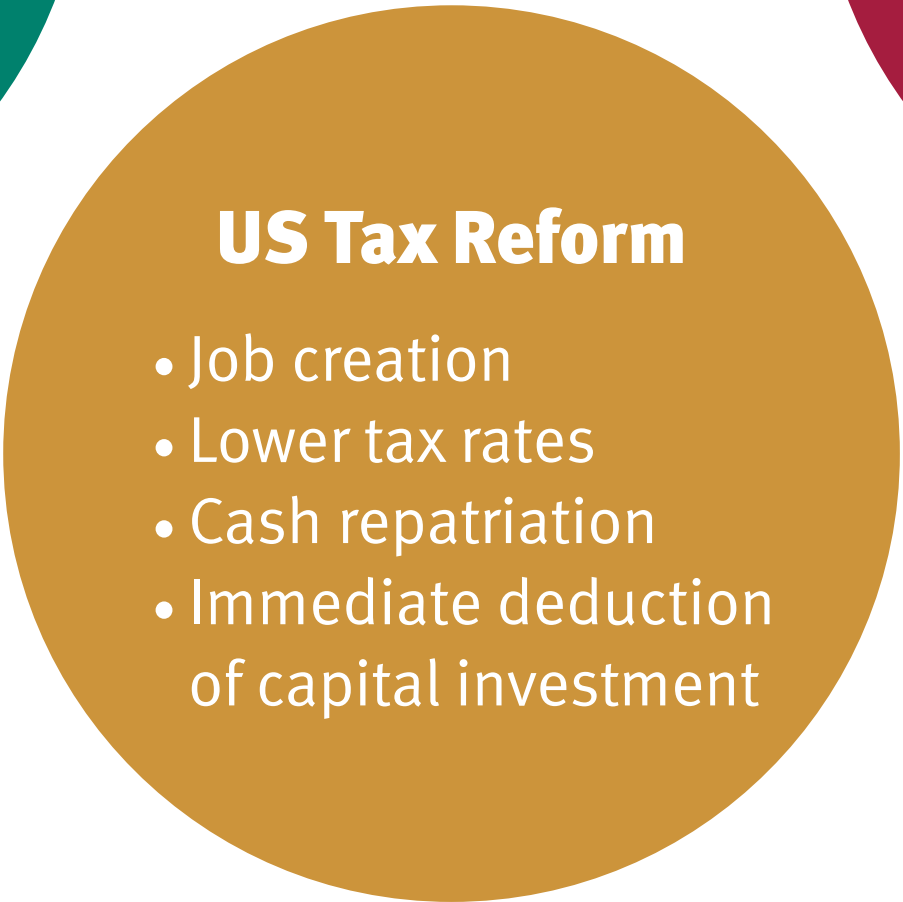
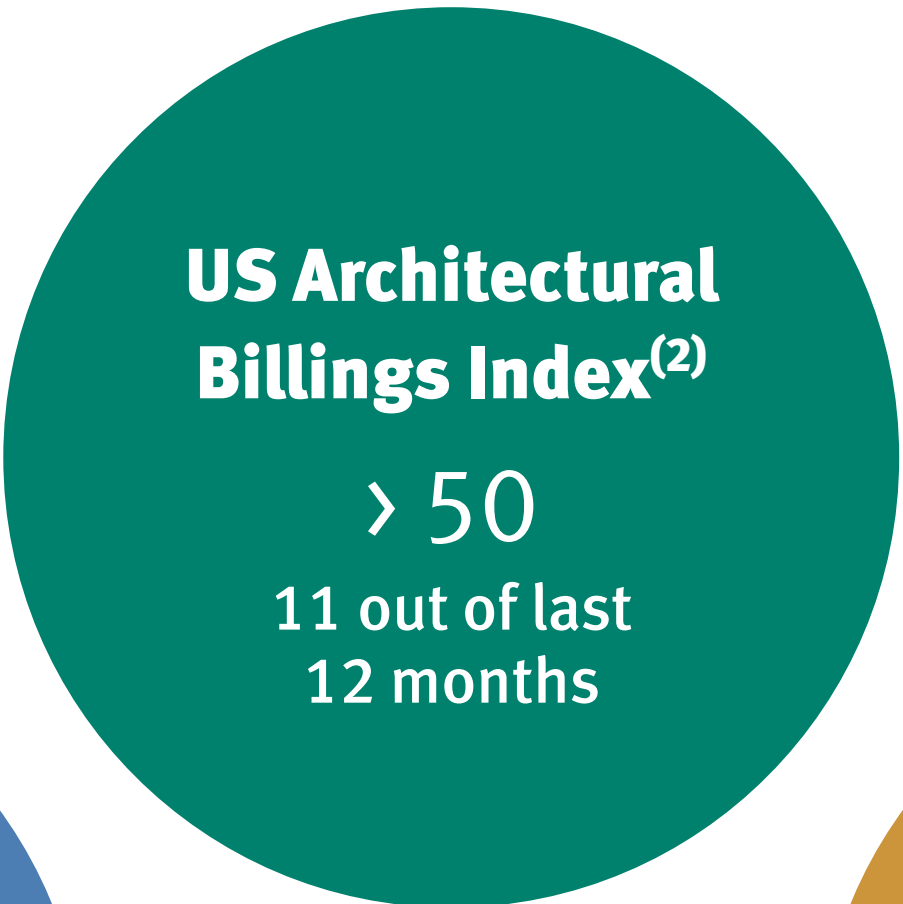
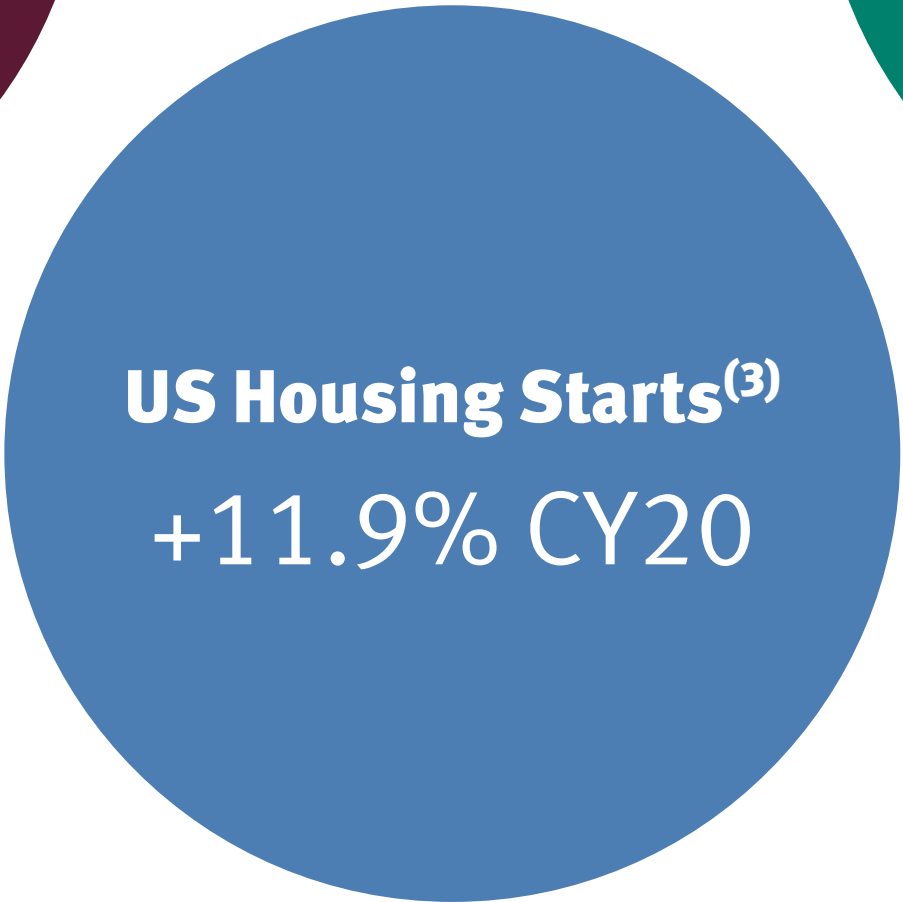


Average annual return on invested capital of **22%** over past 5 years

Focused acquisition and partnership strategy

	FY10		FY12	FY13	FY15	FY16	FY19	
								
Strategic Rationale								
Audience		✓			✓			✓
Channel			✓	✓	✓			
Geography			✓			✓	✓	✓
Product	✓	✓	✓	✓	✓	✓	✓	✓

Supportive economic backdrop



(1) BIFMA (May 2019)
(2) American Institute of Architects (May 2019)
(3) National Association of Realtors (June 2019)

Opportunity for continued above-average revenue performance over the next three to five years

Revenue

Core Contract Industry	2-3%
New Products and Initiatives	1-2%
Retail Growth	1-2%

Estimated Annual Organic Revenue Growth	4-7%
Targeted Acquisitions	2-3%

Estimated Annual Revenue Growth Including Acquisitions	6-10%
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Operating income growth of 2x to 2.5x the rate of organic revenue growth

Structurally higher operating margins driven by:

- Growth in high margin product categories
- Digital transformation
- Retail growth and optimization
- Scale advantages
- Profit improvement initiatives



Our Compelling Story



Distinct Capabilities

1

2

3

4

Clear strategic priorities



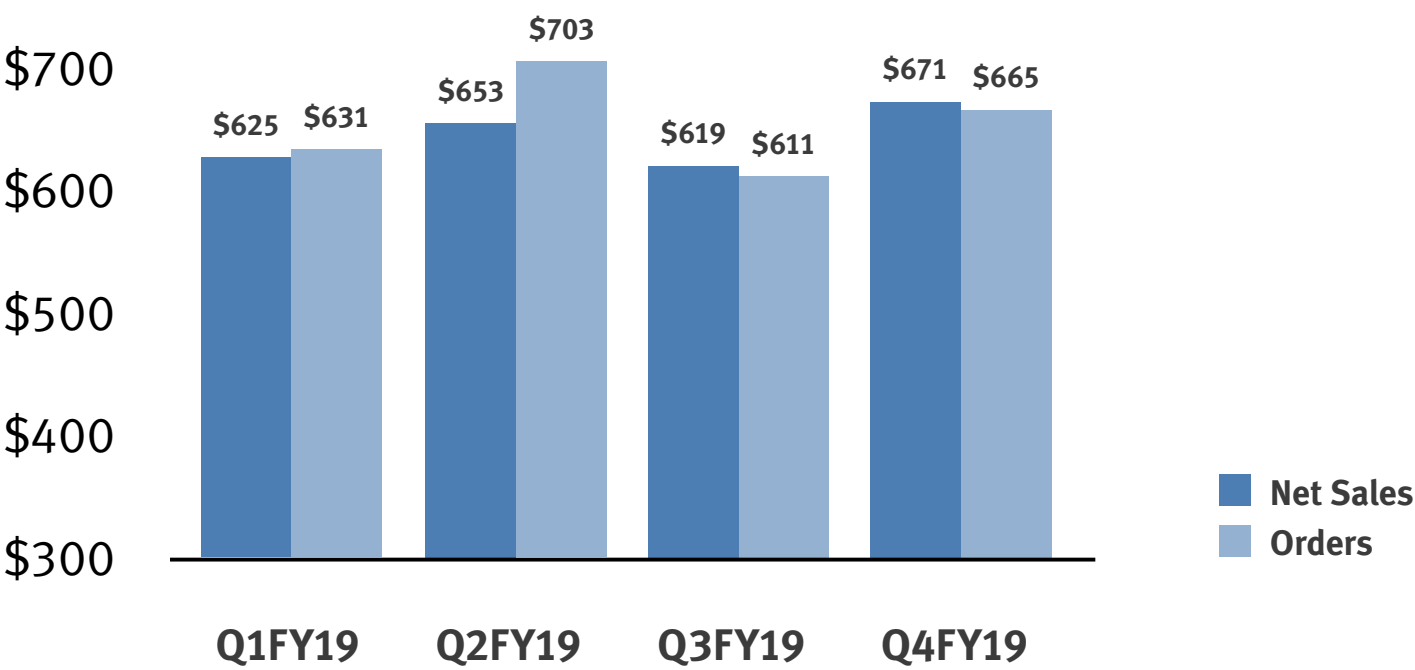
Strong track record of financial performance and compelling outlook



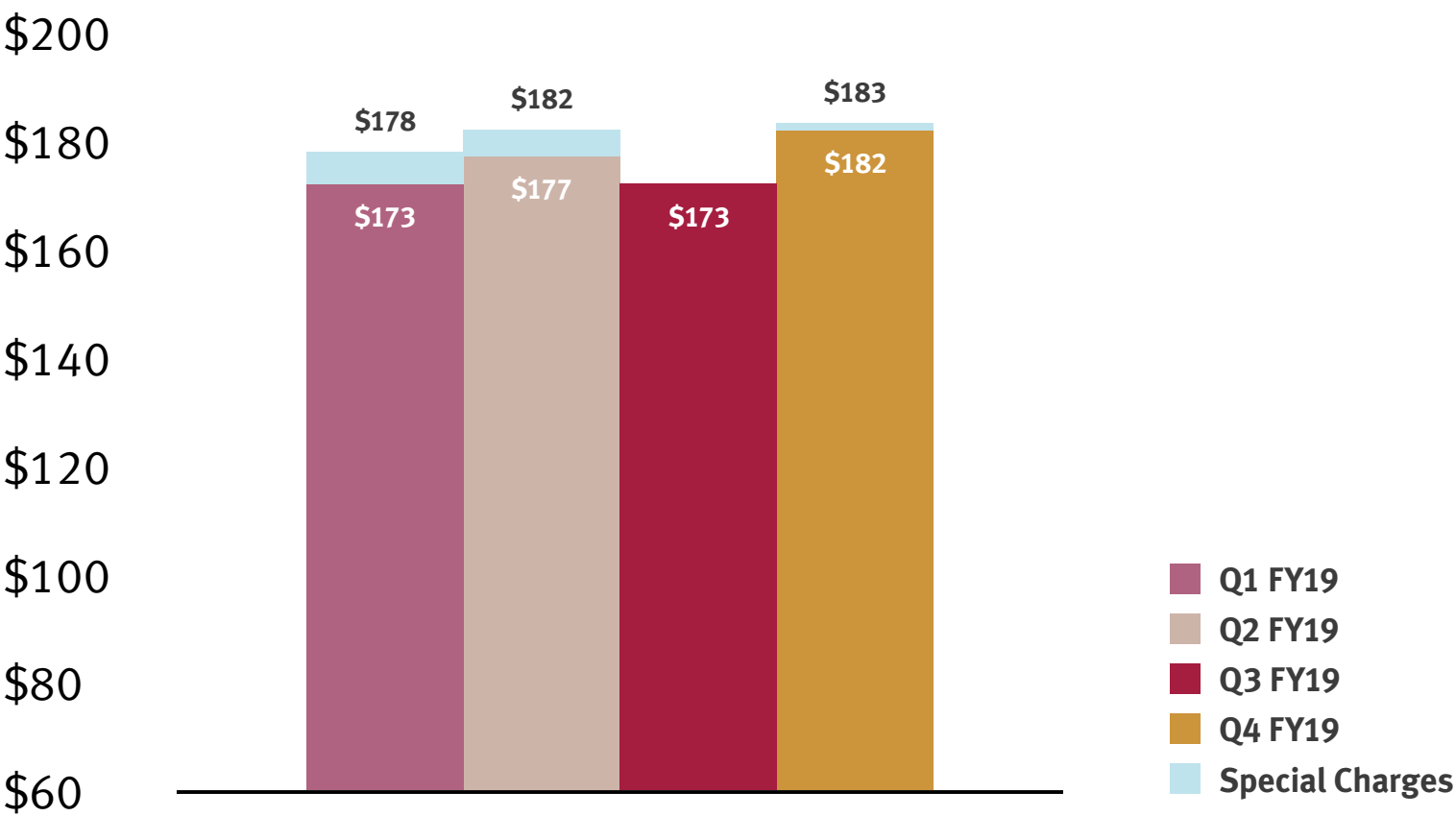
Recent Quarterly Financial Trends

RECENT QUARTERLY FINANCIAL TRENDS

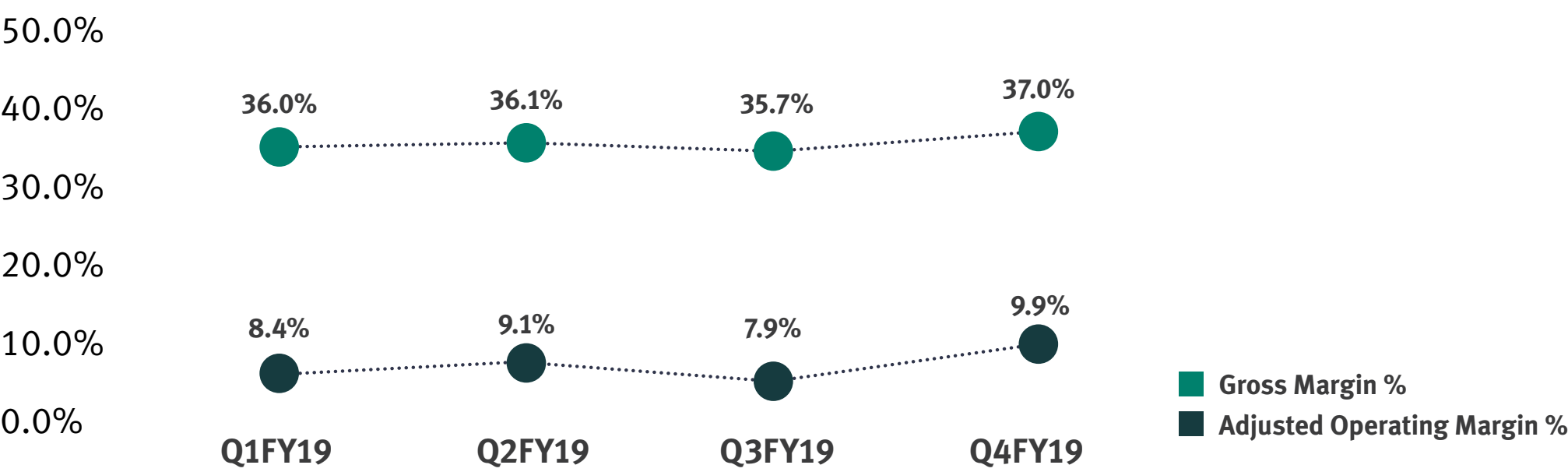
Quarterly Net Sales + Orders (\$ millions)



Quarterly Operating Expenses (\$ millions)



Gross Margin and Adjusted Operating Margin (% net sales)



Q4 net sales and orders increased 9% and 7%, respectively, from the prior year on a reported basis. Sales and orders increased 8% and 6%, respectively, over the prior year on an organic basis.

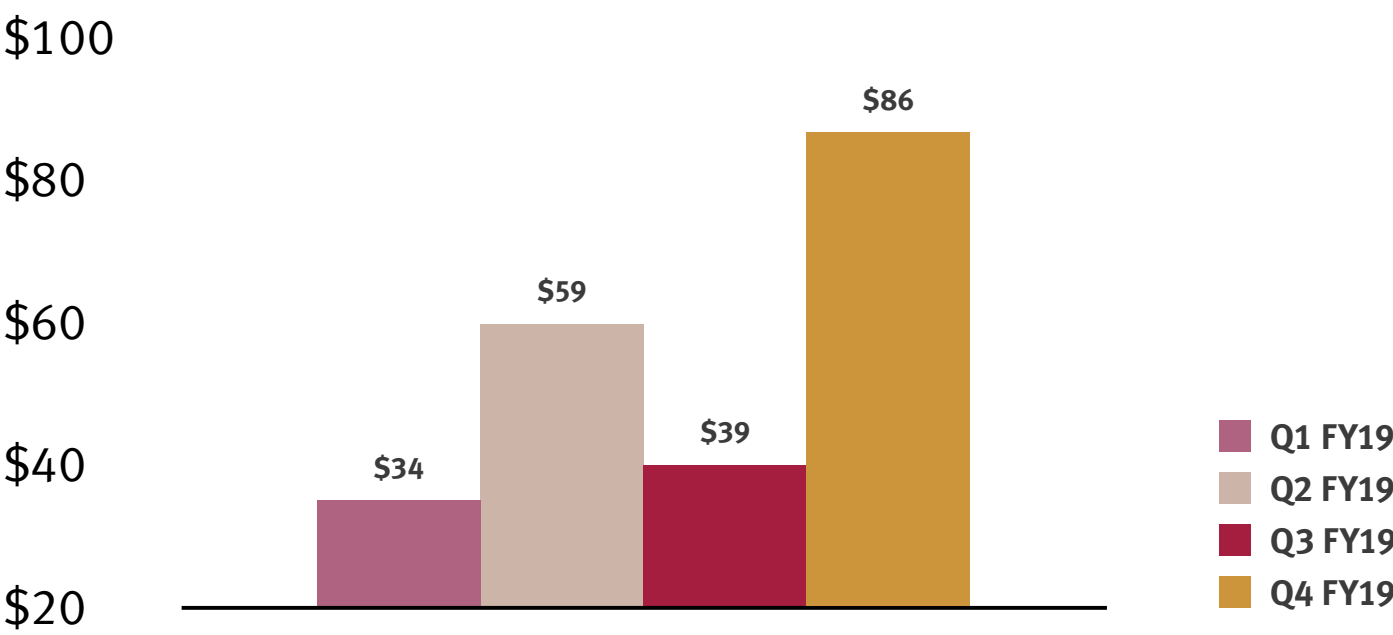
Gross margin in Q4 increased 10 bps from the prior year. Excluding a 60 basis point impact from adopting the new revenue recognition standard, gross margin was 70 bps higher than the prior year.

Operating expenses in Q4 include \$1.7 million of special charges.

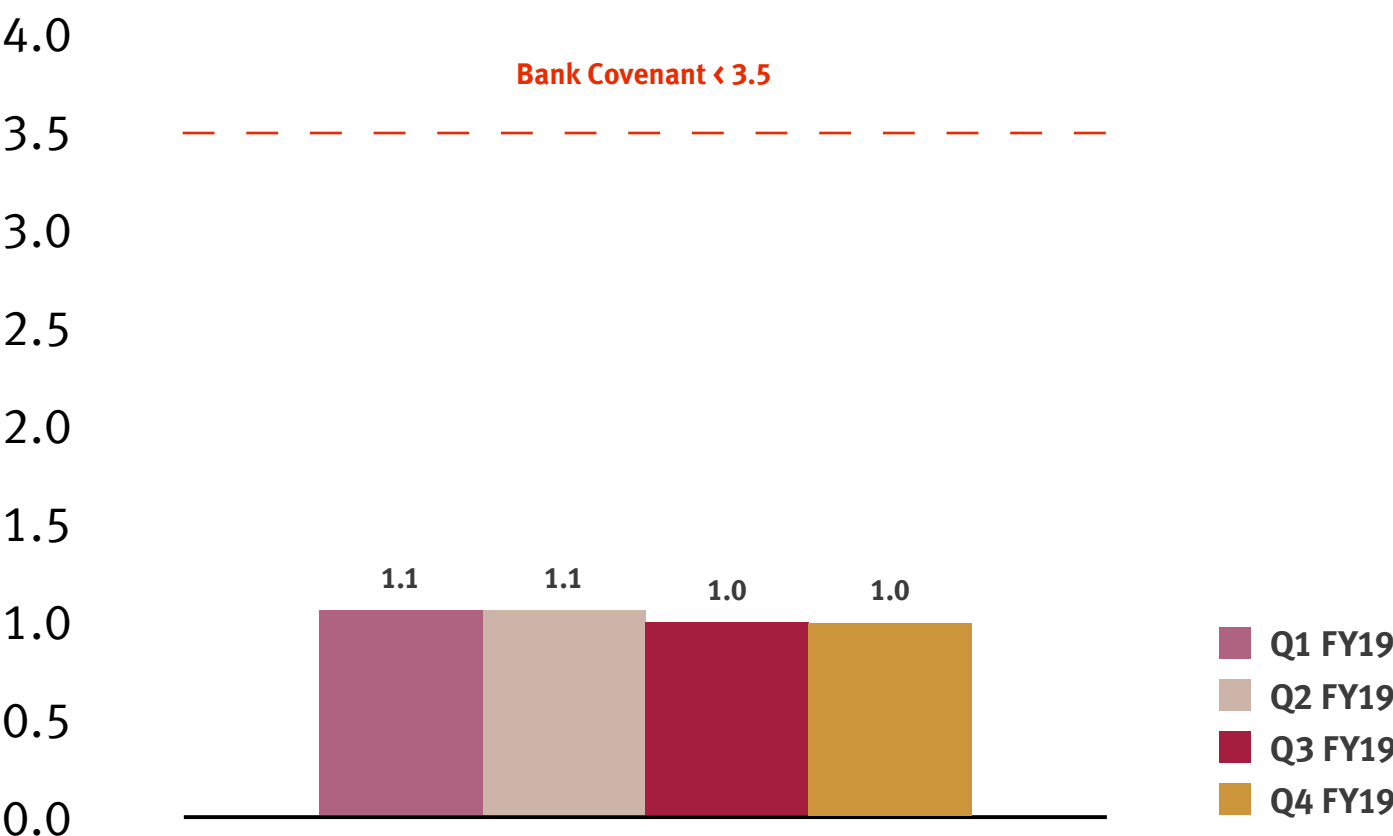
EPS in Q4 totaled \$0.78 per share; \$0.88 per share on an adjusted basis, compared to \$0.53 per share last year on a reported basis and \$0.66 adjusted.

RECENT QUARTERLY FINANCIAL TRENDS

Quarterly Cash Flow from Operations (\$ millions)

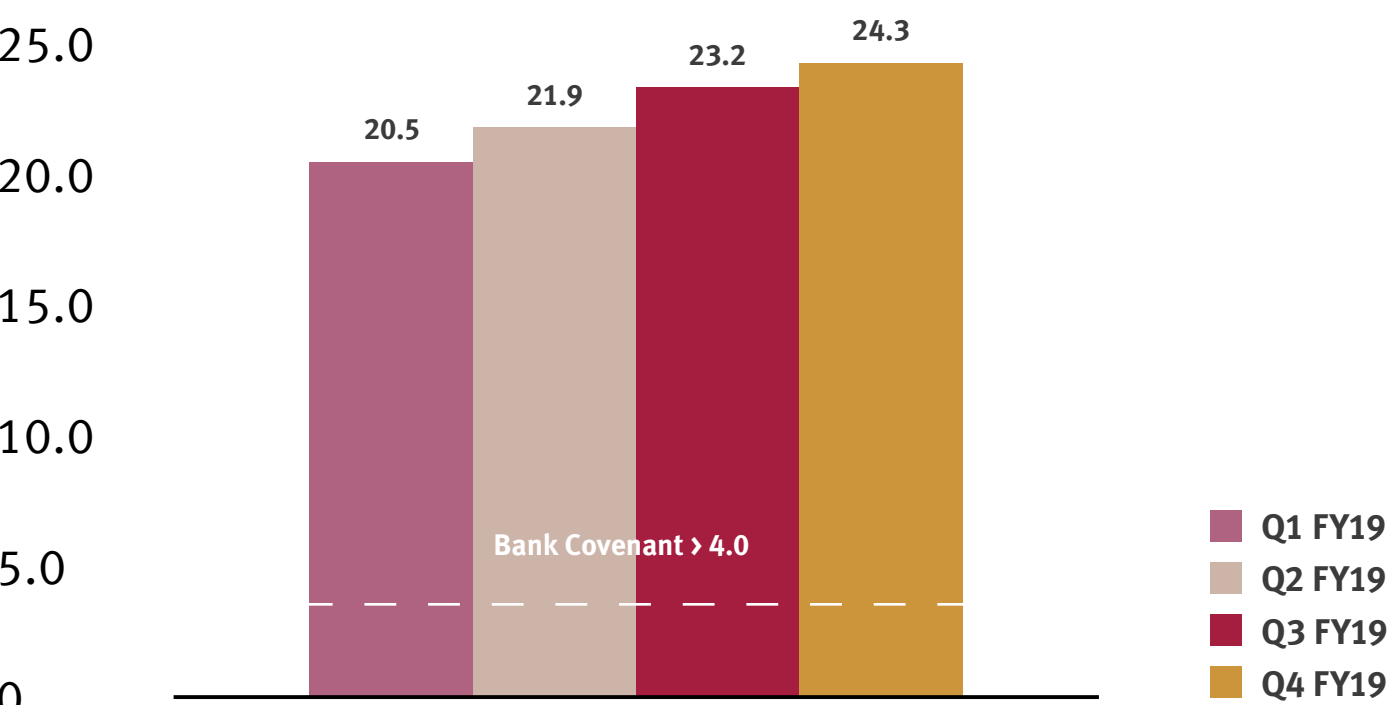


Rolling 4 Qtr Leverage Ratio (Debt to EBITDA)⁽¹⁾



(1) Represents a Non-GAAP Measure, see Appendix for reconciliation

Rolling 4 Qtr Coverage Ratio (EBITDA⁽¹⁾ to Interest)



Q4 ending cash and equivalents totaled \$159 million.

LT Debt maturity schedule:
–PPN (\$50M) due 2021
–Revolver (\$225M) due 2021

Availability of \$165 million on the revolving line of credit at the end of Q4.

CAPEX totaled \$23 million in Q4 and \$86 million year to date.

Q4 dividends paid totaled \$12 million and share repurchases of \$4 million.

Guidance as provided in earnings press release dated June 26, 2019:

	Q1 Fiscal 2020
Revenue	\$650 to \$670 million
Gross Margin %	36.6% to 37.6%
Adjusted Operating Expenses	\$182 to \$186 million
Effective Tax Rate	21% to 23%
Adjusted Earnings Per Share, Diluted	\$0.77 to \$0.81

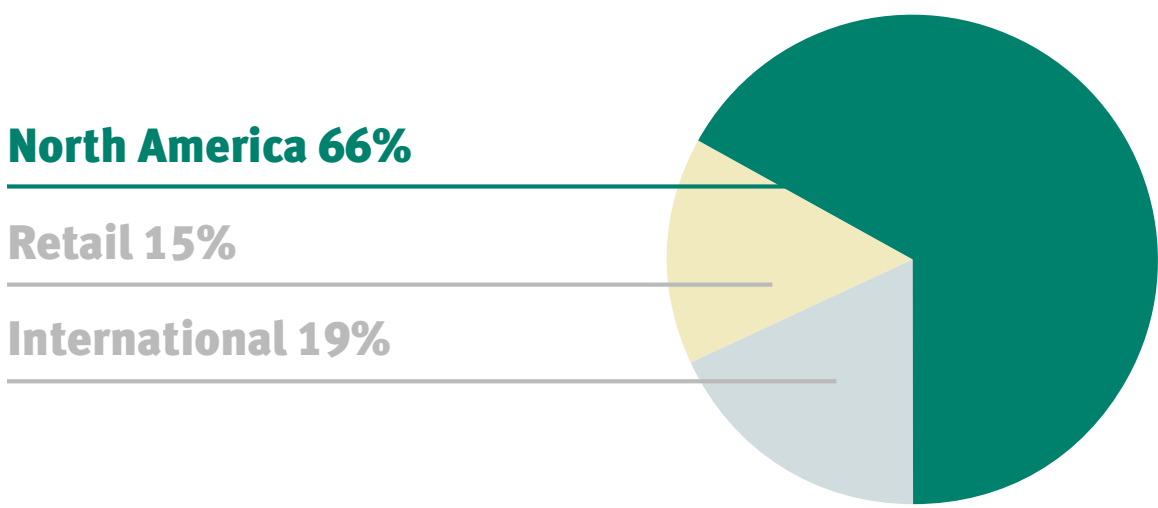


Appendix

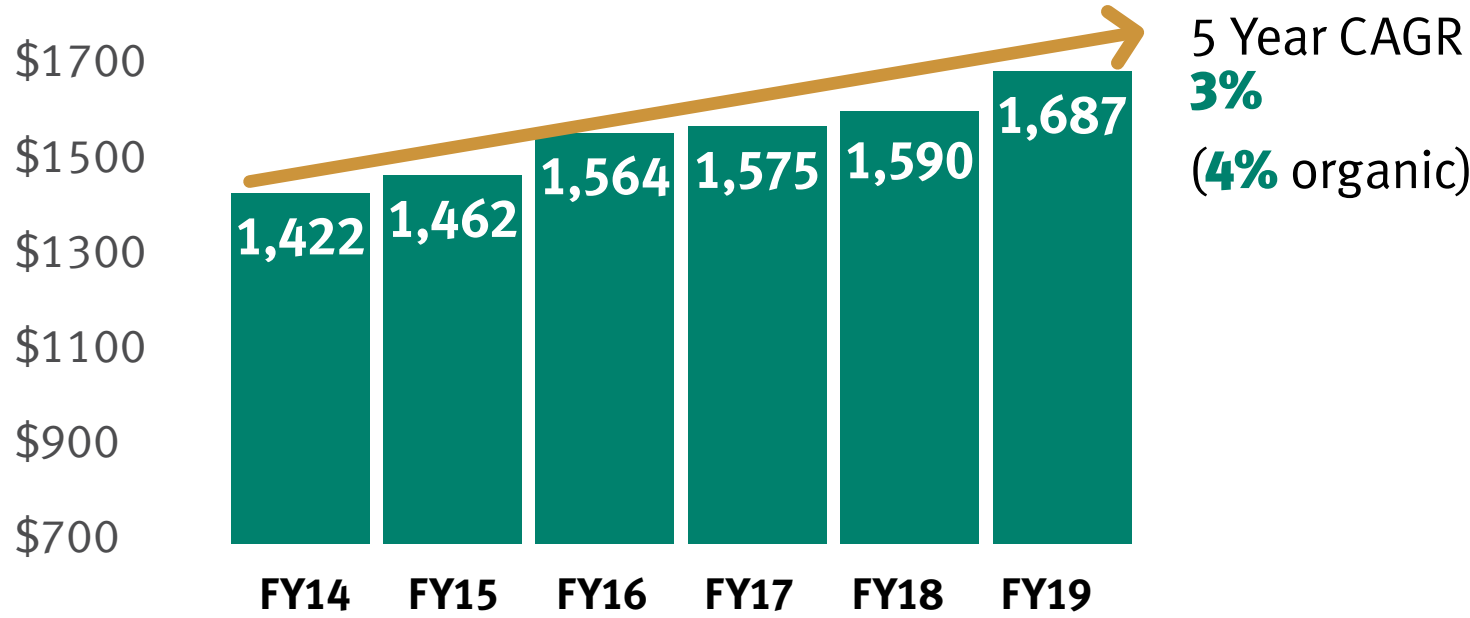
Overview

Description: Furniture product design, manufacture and sale for office, healthcare, and education customers throughout the United States and Canada. The North America Contract brand portfolio includes the Herman Miller, Geiger, Maharam, HAY, and Nemschoff brands.

FY19 Percent of Consolidated Revenues



Revenue Trend (in US\$ millions)



FY19 Adj. Operating Margin

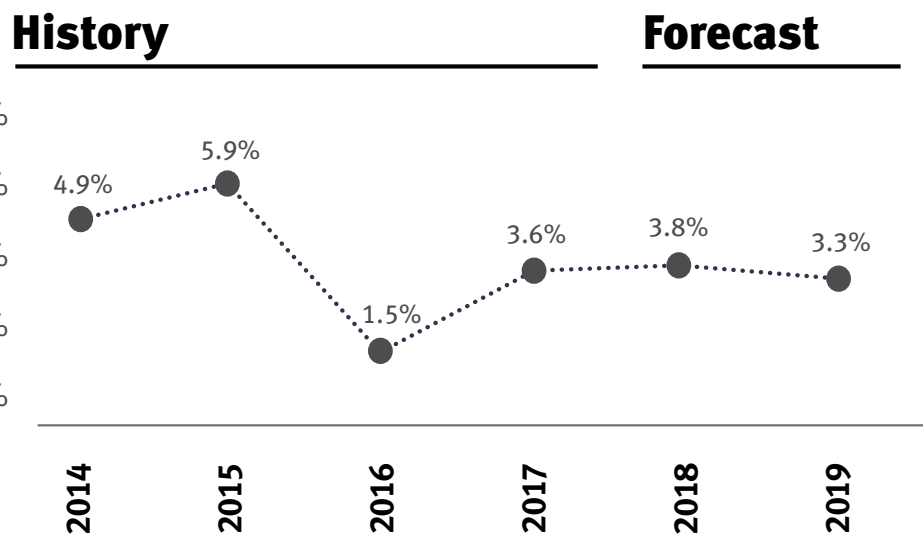
11.7%

Macro-Economic Drivers

Other Leading Economic Indicators include: Corporate profitability, service sector employment, Architectural Billings Index (ABI), Office vacancy rates, CEO and small business confidence, Non-residential Construction

U.S. Commerical Market Sales

Source: BIFMA, January 2019



AIA Consensus Construction Forecast

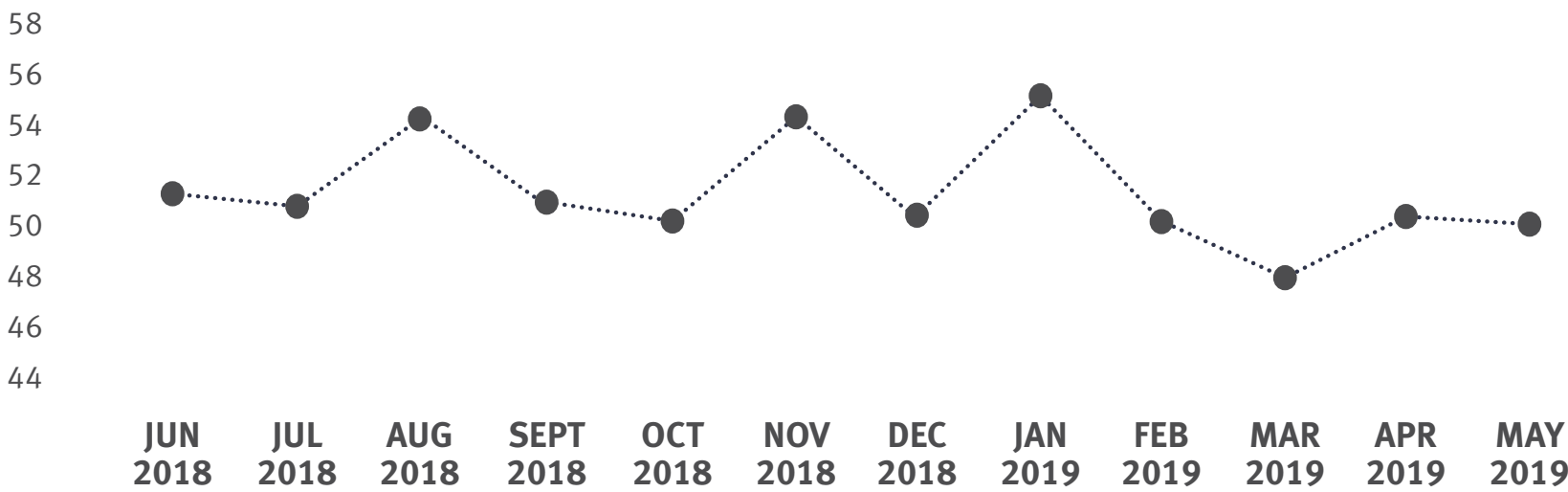
(% YOY Growth)

Source: The American Institute of Architects, January 2019

	2019	2020
Non-Residential	4.4%	2.4%
Commercial Total	3.5%	0.6%
Office	5.1%	1.2%
Health	4.0%	3.6%
Education	5.5%	4.1%
Hotel	3.9%	-0.7%

U.S. Architects Billing Index

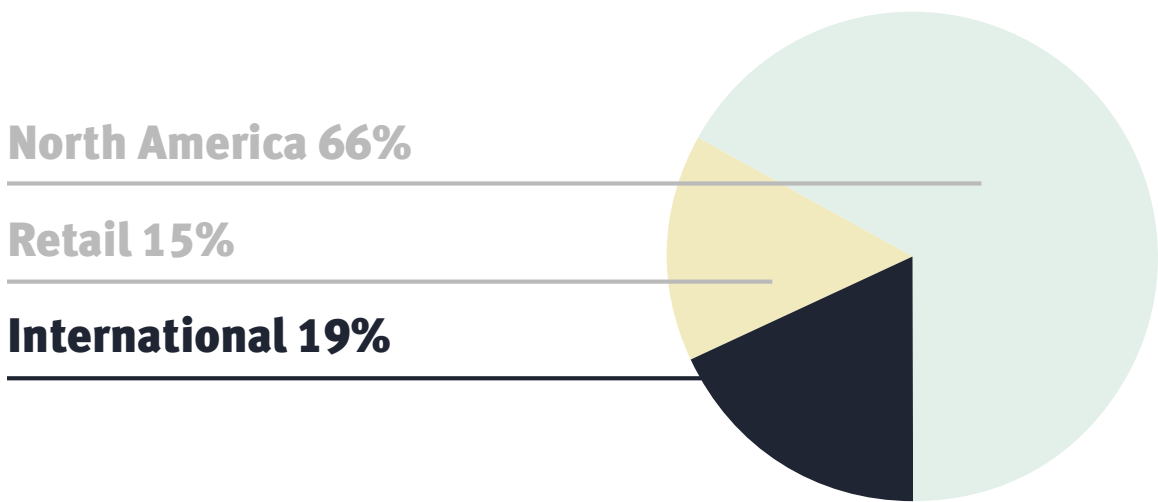
Source: The American Institute of Architects



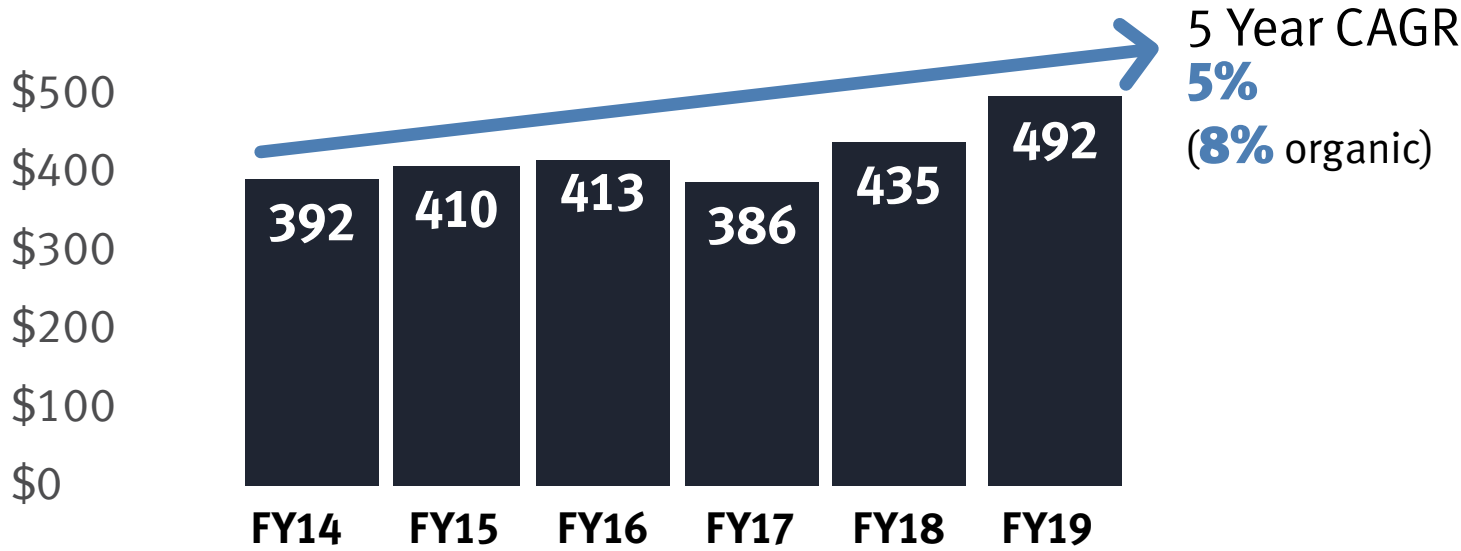
Overview

Description: Design, manufacture and sale of furniture products primarily for office settings in EMEA (35% of sales in FY19), Latin America (22% of sales in FY19) and Asia-Pacific (43% of sales in FY19)

FY19 Percent of Consolidated Revenues



Revenue Trend (in US\$ millions)



FY19 Adj. Operating Margin

12.3%

Macro-Economic Drivers

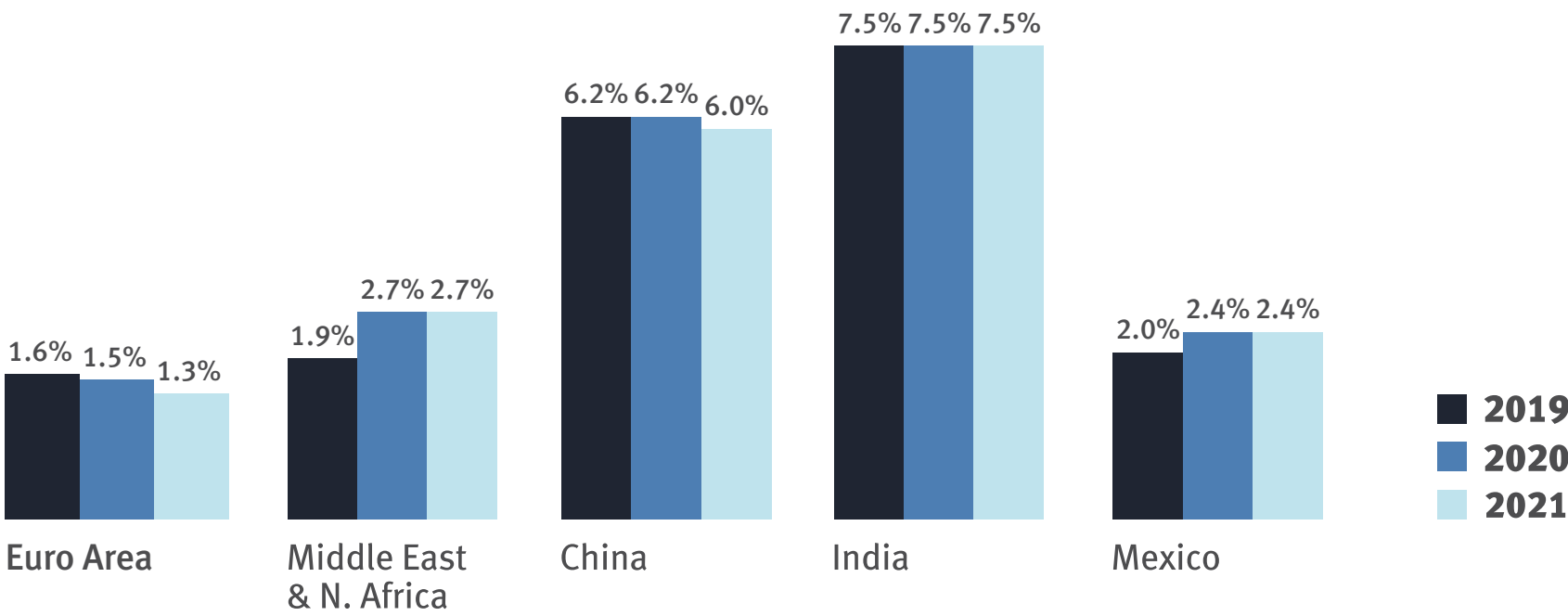
Regional Office Furniture Consumption (in US\$ billions)

Source: CSIL (2018)

Region	Annual Consumption	5 Year CAGR
Europe	\$10.3	3.1%
China	\$12.2	4.3%
India	\$2.6	7.6%
Brazil	\$1.2	-10.6%
Mexico	\$0.3	-4.4%

GDP Forecast

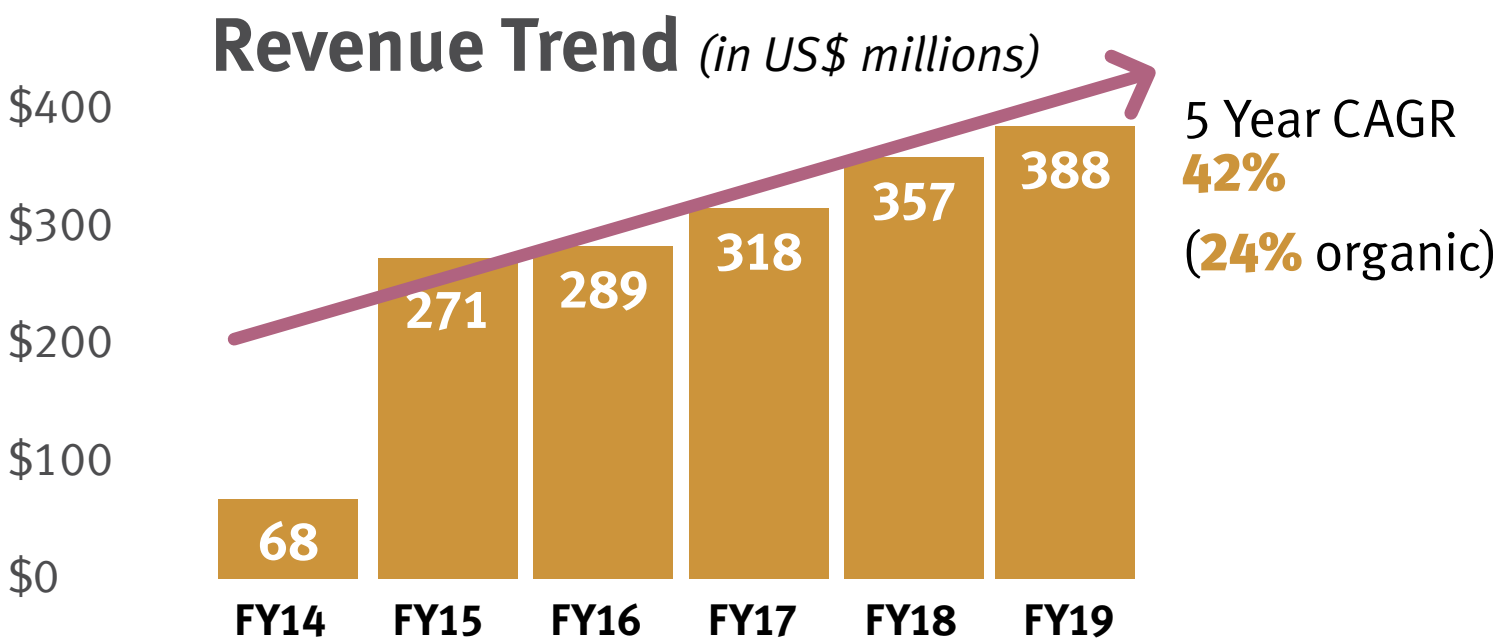
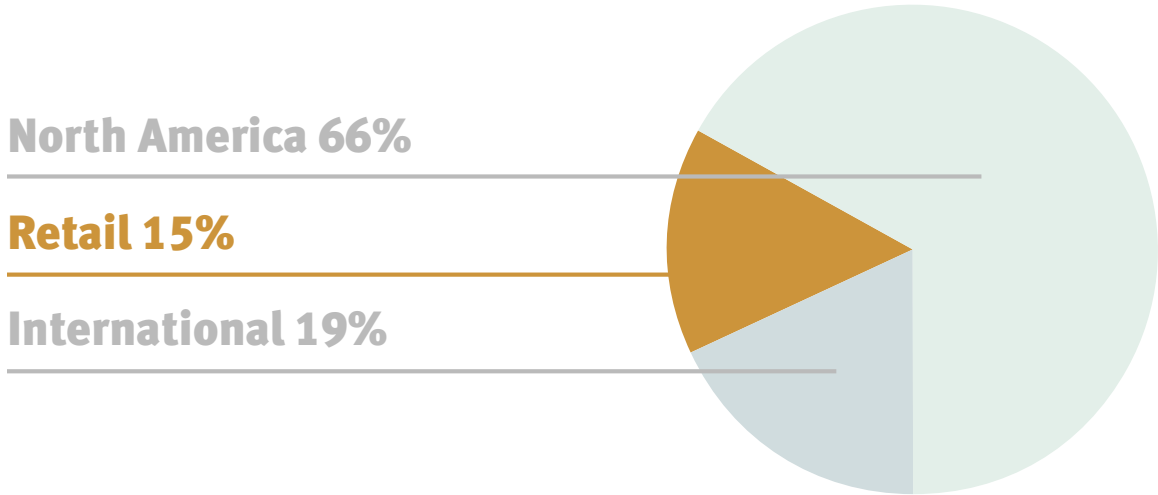
Source: World Bank (January 2019)



Overview

Description: Sale of modern design furnishings and accessories in North America through multiple channels, including eCommerce storefronts, direct mailing catalogs and independent retailers.

FY19 Percent of Consolidated Revenues

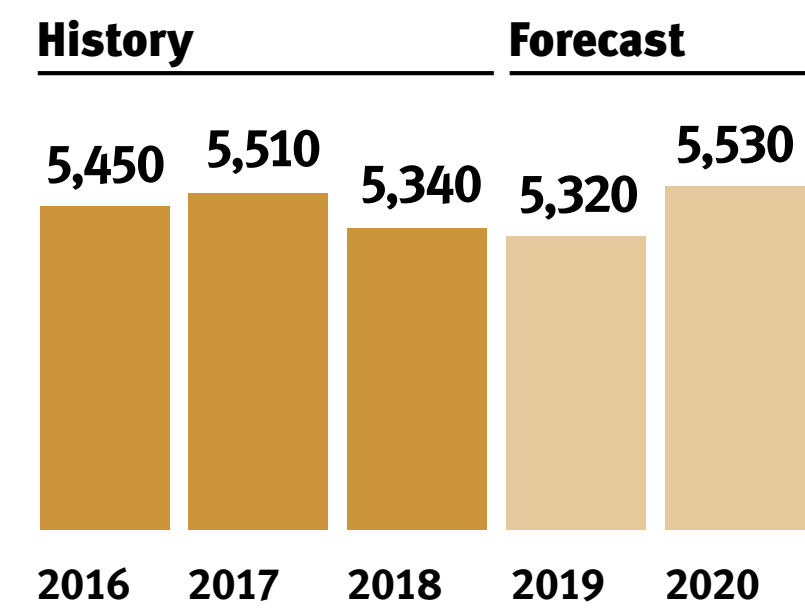


FY19 Adj. Operating Margin

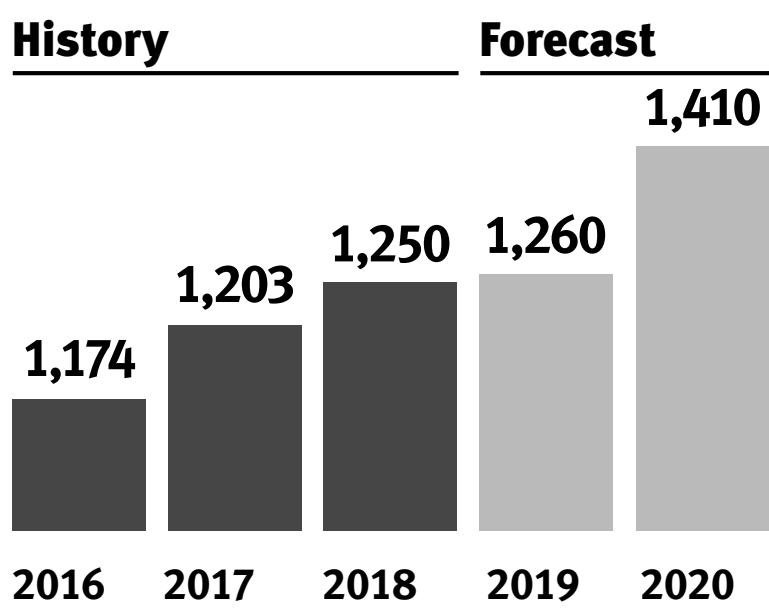
1.6%

Macro-Economic Drivers

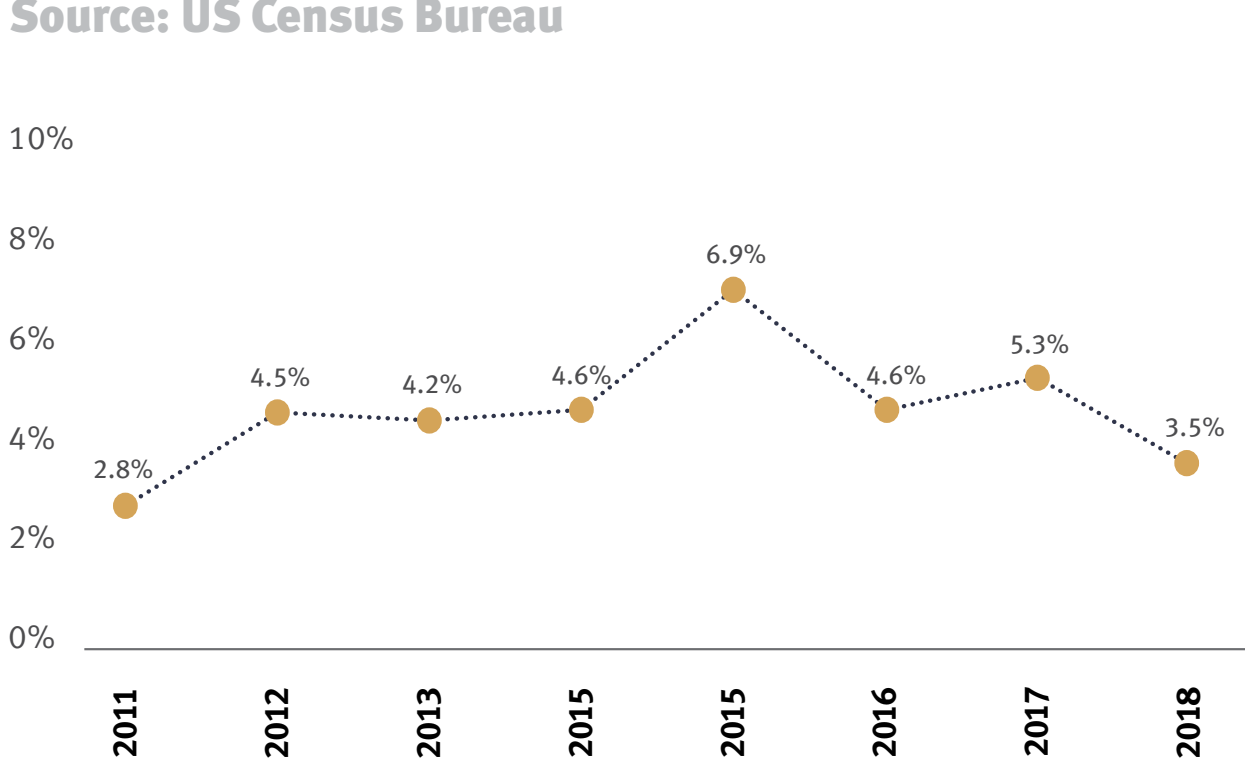
Existing Home Sales (thousands of units)
Source: Ntl. Assoc. of Realtors U.S. Economic Outlook (Mar 2019)



Housing Starts (thousands of units)
Source: Ntl. Assoc. of Realtors U.S. Economic Outlook (Mar 2019)



Furniture and Home Furnishing Stores Annual Sales Growth
Source: US Census Bureau



APPENDIX – RECONCILIATION OF NON-GAAP MEASURES

This presentation contains Organic Sales Growth, Adjusted Operating Earnings, and Adjusted Earnings Per Share, all of which constitute non-GAAP financial measures. Each of these financial measures is calculated by excluding items the Company believes are not indicative of its ongoing operating performance. The Company presents these non-GAAP financial measures because it considers them to be important supplemental indicators of financial performance and believes them to be useful in analyzing ongoing results from operations.

These non-GAAP financial measures are not measures of financial performance under GAAP and should not be considered alternatives to GAAP. Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company’s results as reported under GAAP. In addition, you should be aware that in the future the Company may incur expenses similar to the adjustments presented.

Organic Sales Growth (Decline) by Segment

(\$ Millions); (unaudited)

	North America		International		Retail		Total	
	2014	2019	2014	2019	2014	2019	2014	2019
Net Sales, as reported	\$ 1,442.1	\$ 1,686.5	\$ 392.2	\$ 492.2	\$ 67.7	\$ 388.5	\$ 1,882.0	\$ 2,567.2
<u>Proforma Adjustments</u>								
Dealer Divestitures	(40.9)	-	(19.3)	-	-	-	(60.2)	-
Cumulative foreign exchange	-	21.1	-	53.9	-	1.3	-	76.3
Acquisition - base year	-	-			-	(194.3)	-	(194.3)
Net Sales, organic	\$ 1,381.2	\$ 1,707.6	\$ 372.9	\$ 546.1	\$ 67.7	\$ 195.5	\$ 1,821.8	\$ 2,449.2
Compound Annual Growth Rate, as reported		3.5%		4.6%		41.8%		6.4%
Compound Annual Growth Rate, organic		4.3%		7.9%		23.6%		6.1%

Adjusted Operating Margin by Segment

(\$ Millions); (unaudited)

	FY19				
	Consolidated	North America	International	Retail	Corporate
Operating Earnings	\$ 203.5	\$ 189.7	\$ 57.8	\$ 5.3	\$ (49.3)
Add: Restructuring/Impairment Expenses	10.2	7.7	2.5		
Add: Special Charges	13.1	0.6	0.2	0.8	11.5
Adjusted Operating Earnings	\$ 226.8	\$ 198.0	\$ 60.5	\$ 6.1	\$ (37.8)
Net Sales	\$ 2,567.2	\$ 1,686.5	\$ 492.2	\$ 388.5	-
Adjusted Operating Margin	\$ 8.8%	11.7%	12.3%	1.6%	-

Adjusted Earnings per Share

(\$ Millions); (unaudited)

	FY14	FY15	FY16	FY17	FY18	FY19
Earnings per Share – Diluted	\$ (0.37)	\$ 1.62	\$ 2.26	\$ 2.05	\$ 2.12	\$ 2.70
Add: Acquisition-related Adjustments	\$ 0.01	\$ 0.10				
Add: Legacy Pension Expenses	\$ 1.76					
Add: Other Special Charges					\$ 0.16	\$ 0.18
Add: Restructuring/Impairment Expenses	\$ 0.32	\$ 0.17		\$ 0.13	\$ 0.07	\$ 0.13
Add: HAY Inventory Step-up						\$ 0.01
Less: Tax Impact		\$ (0.07)			\$ (0.05)	\$ (0.02)
Less: POSH Contingent Consideration	\$ (0.04)					
Less: Non-recurring Gain			\$ (0.09)	\$ (0.02)		
Less: Investment Fair Value Adjustment						\$ (0.03)
Adjusted Earnings per Share – Diluted	\$ 1.68	\$ 1.82	\$ 2.17	\$ 2.16	\$ 2.30	\$ 2.97

Organic Sales and Orders Growth (Decline)

(\$ Millions); (unaudited)

Organic Sales Growth (Decline)

	Q4 FY19	Q4 FY18
Net Sales, as reported	\$ 671.0	\$ 618.0
% change from PY	8.6%	
<u>Proforma Adjustments</u>		
Currency Translation Effects	5.4	-
Impact of Reclassification Related to New Revenue Recongnition Standard	-	10.4
Net Sales, organic	\$ 676.4	\$ 628.4
% change from PY	7.6%	

Organic Order Growth (Decline)

	Q4 FY19	Q4 FY18
Orders, as reported	\$ 664.5	\$ 620.8
% change from PY	7.0%	
<u>Proforma Adjustments</u>		
Currency Translation Effects	5.2	-
Impact of Reclassification Related to New Revenue Recongnition Standard	-	8.8
Orders, organic	\$ 669.7	\$ 629.6
% change from PY	6.4%	

Adjusted Operating Earnings and Adjusted Earnings Per Share

(\$ Millions, except for per share amounts); (unaudited)

Adjusted Operating Earnings

	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
Net Sales	624.6	652.6	619.0	671.0
Operating Earnings (GAAP)	46.0	53.1	47.8	56.5
Operating Earnings	7.4%	8.1%	7.7%	8.4%
Add: Special Charges	5.1	5.7	0.5	1.7
Add: Restructuring Expenses	1.1	0.3	0.3	8.5
Adj. Operating Earnings (non-GAAP)	\$ 52.2	\$ 59.1	\$ 48.6	\$ 66.7
Adj. Operating Margin	8.4%	9.1%	7.9%	9.9%

Adjusted Earnings per Share

	Q4 FY18	Q4 FY19
Earnings per Share - Diluted	\$ 0.53	\$ 0.78
Less: Investment fair value adjustment, after tax		(0.03)
Less: Adjustments related to adoptions of U.S. Tax Cuts and Jobs Act	(0.01)	
Add: Special charges, after tax	0.09	0.02
Add: Restructuring expenses, after tax	0.05	0.11
Adjusted Earnings per Share - Diluted	\$ 0.66	\$ 0.88

Adjusted EBITDA and Adjusted EBITDA Ratios

(Bank); (\$ millions); (unaudited)

Adjusted EBITDA (Bank) Ratios Trailing 4-Quarter Period Ended				
	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
Earnings Before Income Taxes (EBT)	\$ 165.7	\$ 168.0	\$ 177.5	\$ 195.1
Add:				
Depreciation	63.9	66.5	66.6	65.9
Amortization	6.4	6.2	6.2	6.2
Interest	12.8	12.2	12.0	12.1
Other Adjustments(1)	13.6	13.7	16.4	19.5
Adjusted EBITDA - Bank	\$ 262.4	\$ 266.6	\$ 278.8	\$ 294.6
Total Debt, End of Trailing Period (includes outstanding LC's)	\$ 291.8	\$ 293.4	\$ 292.0	\$ 292.4
Rolling 4-Quarter Debt-to-Adj. EBITDA	1.1	1.1	1.0	1.0
Rolling 4-Quarter Adj. EBITDA-to-Interest	20.5	21.9	23.2	24.3

⁽¹⁾ “Other Adjustments” include, as applicable in the period, charges associated with business restructuring actions, non-cash stock-based compensation, as described in lending agreements.

