

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

       X            QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)  
                 OF THE SECURITIES EXCHANGE ACT OF 1934

                  TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)  
                 OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 3, 1994

Commission File No. 0-5813

HERMAN MILLER, INC.

A Michigan Corporation

ID No. 38-0837640

855 East Main Avenue, Zeeland, MI 49464-0302

Phone (616) 654 3000

Herman Miller, Inc.

- (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months

Yes    X    No

\_\_\_\_\_

- (2) has been subject to such filing requirements for the past 90 days.

Yes    X    No

\_\_\_\_\_

Common Stock Outstanding at September 30, 1994--24,620,207 shares.

The Exhibit Index appears at page 17.

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FOR THE QUARTER ENDED SEPTEMBER 3, 1994  
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HERMAN MILLER, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(DOLLARS IN THOUSANDS)

	Sept. 3, 1994 ----- (unaudited)	May 28, 1994 ----- (audited)
ASSETS		
-----		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 16,537	\$ 22,701
Accounts receivable, net	132,371	121,564
Inventories--		
Finished goods	23,155	20,299
Work in process	7,202	6,183
Raw materials	32,696	33,331
	-----	-----
Total inventories	63,053	59,813
	-----	-----
Prepaid expenses and other	25,628	24,590
	-----	-----
Total current assets	237,589	228,668
	-----	-----
PROPERTY AND EQUIPMENT, AT COST:		
Less-accumulated depreciation	466,771	454,894
	224,492	215,932
	-----	-----
Net property and equipment	242,279	238,962
	-----	-----
OTHER ASSETS:		
Notes receivable, net	36,495	36,659
Other noncurrent assets	38,823	29,457
	-----	-----
Total assets	\$555,186	\$533,746
	=====	=====

Sept. 3, 1994 ----- (unaudited)	May 28, 1994 ----- (audited)
--	---------------------------------------

LIABILITIES' & SHAREHOLDERS' EQUITY

-----

CURRENT LIABILITIES:

Current portion of long-term debt	\$ 492	\$ 506
Notes payable	65,125	48,911
Accounts payable	37,817	42,121
Accruals	86,250	86,187
	-----	-----
Total current liabilities	189,684	177,725
	-----	-----
LONG-TERM DEBT, less current portion	20,484	20,600
OTHER LIABILITIES	42,984	39,096

SHAREHOLDERS EQUITY:

Common stock \$.20 par value	4,924	4,918
Additional paid-in capital	17,232	16,649
Retained earnings	283,897	279,161
Cumulative translation adjustment	(3,160)	(3,460)
Unearned stock grant compensation	(859)	(943)
	-----	-----
Total shareholders' equity	302,034	296,325
Total liabilities and shareholders' equity	\$555,186	\$533,746
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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HERMAN MILLER, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)  
(UNAUDITED)

	Three Months Ended	
	Sept. 3, 1994 (1)	August 28, 1993 (2)
	-----	-----
NET SALES	\$252,831	\$221,566
COST AND EXPENSES:		
Cost of goods sold	161,820	145,243
Operating expenses	77,813	63,187
Interest expense	990	427
Other income, net	(929)	(865)
	-----	-----
	239,694	207,992
	-----	-----
INCOME BEFORE TAXES ON INCOME	13,137	13,574
PROVISION FOR TAXES ON INCOME	5,200	6,100
	-----	-----
NET INCOME	\$ 7,937	\$ 7,474
	=====	=====
NET INCOME PER SHARE	\$ .32	\$ .30
	=====	=====
DIVIDENDS PER SHARE OF COMMON STOCK	\$ .13	\$ .13
	=====	=====

See accompanying notes to condensed consolidated financial statements.

- (1) Represents 14 weeks  
(2) Represents 13 weeks

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HERMAN MILLER, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF  
CASH FLOWS  
(DOLLARS IN THOUSANDS)  
(UNAUDITED)

	Three Months Ended	
	Sept. 3, 1994 (1)	August 28, 1993 (2)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,937	\$ 7,474
Depreciation and amortization	9,325	8,348
Other, net	(14,514)	653
Net cash provided by operating activities	2,748	16,475
CASH FLOWS FROM INVESTING ACTIVITIES:		
Notes receivable repayments	93,548	92,974
Notes receivable issued	(93,863)	(97,758)
Capital expenditures	(11,744)	(8,744)
Other, net	(9,976)	151
Net cash used for investing activities	(22,035)	(13,377)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net common stock issued	842	5,440
Net long-term debt repayments	(58)	(58)
Net short-term debt borrowings	15,663	343
Dividends paid	(3,197)	(3,253)
Common stock purchased and retired	(253)	--
Other, net	(72)	(69)
Net cash provided by financing activities	12,925	2,403
EFFECT OF EXCHANGE RATE CHANGES ON CASH	198	(328)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,164)	5,173
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	22,701	16,531
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$16,537	\$21,704

See accompanying notes to condensed consolidated financial statements.

- (1) Represents 14 weeks  
(2) Represents 13 weeks

HERMAN MILLER, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOOTNOTE DISCLOSURES

The condensed consolidated financial statements have been prepared by the company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The company believes that the disclosures made in this document are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the company's Annual Report on Form 10-K for the year ended May 28, 1994.

FISCAL YEAR

The company's fiscal year ends on the Saturday closest to May 31. Accordingly, the year ended June 3, 1995, contains 53 weeks, and the year ended May 28, 1994, contains 52 weeks.

SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents include all highly liquid debt instruments purchased as part of the company's cash management function. Due to the short maturities of these items, the carrying amount approximates fair value.

Cash payments for income taxes and interest (in thousands) were as follows:

	Three Months Ended	
	Sept. 3, 1994	August 28, 1993
	-----	-----
Interest paid	\$ 964	\$ 433
Income taxes paid	\$3,808	\$4,794

CONTINGENCIES

On January 7, 1992, Haworth, Inc., filed a lawsuit in the U.S. District Court for the Northern District of Georgia (Atlanta Division), against Herman Miller, Inc., alleging that the electrical systems used in certain of the company's products infringe one or more of Haworth's patents. On December 9, 1992, the company's motion for change of venue was granted, and the lawsuit was transferred to the U.S. District Court for the Western District of Michigan (Southern Division).

The litigation is considered to be in an intermediate stage, and the company is defending its position vigorously. The company has requested a jury trial, which has been tentatively set for August 1995 by the court. The patents that are the source of controversy expire on or before December 1, 1994. Since 1991, the company has sold a system of enhanced electrical components on the majority of its product lines, both by number and dollar volume. Haworth has admitted the enhanced electrical components do not infringe the patents in suit. If Haworth were to be successful on its claims, the statute of limitation would bar recovery of any damages arising prior to January 1986.

In November 1985, Haworth filed a lawsuit against Steelcase, Inc., the industry's leader in market share, alleging violations of the same patents, and thus far has prevailed on the issue of liability. The litigation between Haworth and Steelcase currently is continuing on the issue of damages. The company's defenses are substantially different from those relied upon by Steelcase.

The company believes, based upon written opinion of counsel, that its products do not infringe Haworth's patents and that the company is more likely than not to prevail on the merits, although, as with all litigation, there can be no absolute assurance of success. At this time, management does not expect the ultimate resolution of this matter to have a material adverse effect on the company's consolidated financial position. However, the outcome of this matter is not subject to prediction with certainty.

REPORT OF MANAGEMENT

In the opinion of the company, the accompanying unaudited condensed consolidated financial statements taken as a whole contain all adjustments, which are of a normal recurring nature, necessary to present fairly the financial position of the company as of September 3, 1994, and the results of its operations and cash flows for the three months then ended. Interim results are not necessarily indicative of results for a full year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of certain significant factors which have affected the company's financial condition and earnings during the periods included in the accompanying condensed consolidated financial statements.

A. Financial Summary

A summary of the period-to-period changes is shown below. It should be noted that the three months ended September 3, 1994, contained 14 weeks. All amounts are increases (decreases) unless otherwise noted. Dollars are shown in thousands.

	\$ -----	% -----
NET SALES	31,265	14.1
COST OF GOODS SOLD	16,577	11.4
OPERATING EXPENSES	14,626	23.1
INTEREST EXPENSE	563	131.9
OTHER INCOME NET	(64)*	(7.4)*
INCOME BEFORE TAXES ON INCOME	(437)	(3.2)
PROVISION FOR TAXES ON INCOME	(900)	(14.8)
NET INCOME	463	6.2

\* Represents an increase in other income

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B. Results of Operations

First Quarter FY 1995 versus First Quarter FY 1994

Net sales increased \$31.3 million, or 14.1 percent, for the three months (14 weeks) ended September 3, 1994, over the first quarter (13 weeks) results a year ago. For the first three months of fiscal 1995, the company had net sales of \$252.8 million, compared with net sales of \$221.6 million in the first three months last year. The increase primarily was due to unit volume increases, as well as an additional week in fiscal year 1995 compared with fiscal year 1994.

Net sales of \$252.8 million were the highest ever recorded in the first quarter. United States net sales were up 10.4 percent on a year-over-year basis for the first quarter, after being up 2.2 percent and 9.1 percent over year-ago levels in the fourth and third quarters of 1994, respectively. These United States sales gains compare with the 8.0 percent calendar year-to-date increase in industry shipments reported by the Business and Institutional Furniture Manufacturers Association (BIFMA). In addition, new orders of \$265.2 million were the highest ever recorded in any first quarter, and the order rate momentum has continued to date in the second quarter.

Gross margin increased to 36.0 percent during the first quarter of 1995, compared to a gross margin of 34.4 percent for the same period last year. The improvement in the first quarter 1995 gross margin was due to increased volume which leveraged fixed overhead, as well as price stability.

On the strength of increased net sales, improved profitability, and continued price stability, the company has significantly increased its investment spending on new products and processes. This spending retarded the growth of net income for the quarter.

Operating expenses, including design and research, were \$77.8 million for the first quarter, an increase of \$14.6 million, or 23.1 percent, over first quarter last year. As a percent of net sales, operating expenses were 30.8 and 28.6 for the first three months of the current and prior year, respectively. The major components of this change were (1) the 14th week of payroll and a 3.5 percent year-over-year increase in compensation and benefits, (2) the assimilation of our recently acquired Mexican operations into the Herman Miller family of companies, (3) increased depreciation and amortization expense, principally associated with new processes and products, and (4) most significantly and importantly, the increased cost to develop and bring to market new products.

The new products, all of which are expected to be introduced in the next 12 months, are in the seating, European freestanding furniture, and health-care product areas.

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While augmenting rather than obsoleting current product offerings, these new products, as those which preceded them in Herman Miller's tradition of product innovations, can be expected to help establish product value and performance reference points in each of these three areas. Management expects these products to be long lived and help the company gain additional market share over product life cycles of ten or more years. In the more immediate time frame, management believes these new products will add 2 to 3 percent to our net sales total for the fiscal year ending June 3, 1995, with the primary amounts coming in the third and fourth quarters. Margin rates on these products are expected to be comparable to those of the company's existing product lines.

The investment spending incurred in the first quarter can be expected to continue at the same rate through the remainder of the year.

Interest expense increased \$.6 million over first quarter 1994. Total interest-bearing debt was \$86.1 million at the end of the first quarter of fiscal 1995, compared with \$70.0 million at May 28, 1994, and \$40.0 million at August 28, 1993.

Lower net operating losses in the United Kingdom reduced the first quarter tax rate to 39.6 percent for the first three months of 1995, compared with 44.9 percent for the same period last year. The tax rate for all of fiscal 1995 is expected to be between 35 and 38 percent, as European, especially the United Kingdom, operations continue to improve.

Net income increased to \$7.9 million in the first quarter, compared to \$7.5 million for the same period last year.

Net sales of international operations and export sales from the United States in the first quarter ended September 3, 1994, totaled \$36.5 million compared with \$25.5 million last year.

International results in the first quarter were helped significantly by solid performances in both the Asia/Pacific and Latin American regions. Combined sales in these two regions increased 68 percent and net income more than doubled. European net sales increased 23 percent and results improved 29 percent over the first quarter of last year. However, results from operations in the United Kingdom turned negative after three consecutive quarters of profitability. On a year-over-year basis, both sales and results in the United Kingdom improved significantly over year-ago levels. All of Europe had excellent order entry for the quarter, and the total European backlog was at a four-year high on September 3, 1994.

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Net loss from the company's international operations and export sales from the United States for the first quarter decreased \$1.5 million to a \$.9 million loss, compared with net loss of \$2.4 million for the same period last year.

The backlog of unfilled orders at September 3, 1994, was \$151.0 million, compared with \$132.1 million a year earlier, and \$138.6 million at May 28, 1994. New orders increased 18.5 percent to \$265.2 million when compared to the same period a year ago.

#### C. Financial Condition, Liquidity, and Capital Resources

##### First Quarter FY 1995 versus First Quarter FY 1994

1. Cash flow from operating activities decreased to \$2.7 million versus \$16.5 million in the first quarter of 1994. The \$13.8 million decrease in cash provided by operating activities and the \$8.6 million increase in cash used for investing activities primarily were financed from a reduction in cash balances and an increase in \$15.7 million in short-term debt. The increase in short-term debt in turn increased interest expense for the first quarter to \$1.0 million compared with \$.4 million a year ago. The company expects interest-bearing debt to remain in the range of \$80-\$90 million for the remainder of the year, which bounds its \$86.1 million level on September 3, 1994.
2. Days sales in accounts receivable plus days sales in inventory increased to 82.2 days versus 79.1 days a year ago and 80.9 days on May 28, 1994. This increase primarily was due to an increased level of shipments during the month of August, which also resulted in a \$17.3 million increase in cash used for working capital items during the quarter. This increased cash use was the primary factor causing net cash provided by operating activities to decline. Overall, asset utilization as



measured by the net sales per \$1.00 of average assets remained at \$1.86 during the first quarter, maintaining the improvement recorded for all of fiscal 1994.

3. Net (of cash) interest-bearing debt increased to \$69.6 million compared to \$18.3 million a year ago and \$47.3 million at May 28, 1994. Debt-to-total capital now stands at 6.4 percent versus 6.7 percent a year ago and 6.5 percent on May 28, 1994.
4. Capital expenditures for the quarter were \$11.7 million versus \$8.7 million in the first quarter of 1994. These items principally include expenditures for new internal processes and the new products described above. Accelerated work on new processes and new products has caused the company to increase estimated capital expenditures for the year to \$60 million. The other major use of cash from investing activities was the previously announced acquisition of Geneal GmbH of Germany described below.

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On September 2, 1994, the company acquired Geneal GmbH, a privately owned office furniture company of Essen, Germany. Net trade sales of Geneal for the past three years ended June 30 were \$8.6 million for fiscal 1994, \$12.1 million for fiscal 1993, and \$13.3 million for fiscal 1992. Geneal experienced larger-than-usual sales growth in fiscal 1992 and 1993, which was fueled by the final economic effects of German reunification which began in fiscal 1991. The revenue decline experienced in fiscal 1994 primarily was attributable to the weakened condition of the German economy, which has shown recent signs of improvement. During fiscal 1993 and 1994, German office furniture industry sales fell an estimated 38 percent. Geneal was profitable in each of the last three fiscal years, demonstrating the ability to quickly adjust its cost structure to significant changes in volume.

The all-cash transaction will neither materially enhance or dilute the consolidated results of Herman Miller, Inc., for the year ended June 3, 1995, as the two market-distinct organizations make further progress on manufacturing and logistical integration. Assimilation of Geneal into the worldwide family of Herman Miller companies enhances our ability to serve customers with high quality and value products and services on a worldwide basis within the context of a single group of enterprises. Building on this key competitive strength is advantageous for both our customers and our shareholders.

The office furniture industry has exhibited significant cyclicity and change during the past five years, after exhibiting generally increasing sales and profits for each of the 20 years prior to that time. During the turbulence of the past five years, Herman Miller improved on a strong balance sheet and substantially increased its cash flow from operating activities while industry sales and profitability declined substantially. In short, financially the company has prepared for the return of investment opportunities in the current environment which is marked by both increased (albeit at slower rates) industry sales and by increased customer need for improved ergonomic and productivity solutions.

The first quarter marked the beginning of an accelerated period when the company will combine the financial strength which it has built over the past five years with the desire to continue to set a distinctive reference point for products and services in our markets. The company believes this investment is necessary to continue to implement the coordinated strategies and effective work processes of its employee-owners as well as its supplier and dealer partners, all of whom have helped the company reach this point and are essential to its future success. The effectiveness of this joint effort is what ultimately will continue to build value for the company's shareholders.

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Item 4: Submission of Matters to Vote of Security Holders

At the Annual Shareholders Meeting held October 6, 1994, the shareholders voted on various proposals presented in the company's 1994 definitive proxy statement. The results of the votes follow:

1. Proposal to elect four directors to serve a term of three years:

	For ---	Against -----	Withheld -----	Broker Non-vote -----
a. Terms expiring in 1997				
William K. Brehm	21,683,728	0	114,056	0
C. William Pollard	21,681,147	0	116,637	0
Ruth Alkema Reister	21,681,197	0	116,587	0
Richard H. Ruch	21,673,760	0	124,024	0

2. Proposal to approve the Herman Miller, Inc., 1994 Long-Term Incentive Plan

For ---	Against -----	Withheld -----	Broker Non-vote -----
18,916,382	1,697,254	310,246	873,902

3. Proposal to approve the Herman Miller, Inc., 1994 Non-Employee Officer and Director Stock Option Plan

For ---	Against -----	Withheld -----	Broker Non-vote -----
19,864,887	669,066	359,929	873,902

4. Proposal to approve the Herman Miller, Inc., 1994 Key Executive Stock Purchase Assistance Plan

For ---	Against -----	Withheld -----	Broker Non-vote -----
18,987,865	1,593,504	342,513	873,902

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5. Proposal to ratify the appointment of Arthur Andersen & Co. as the independent public accountants for the company for the fiscal year ending June 3, 1995.

For ---	Against -----	Withheld -----	Broker Non-vote -----
------------	------------------	-------------------	-----------------------------

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Part II

Item 6: Exhibits and Reports on Form 8-K

1. Exhibits

See Exhibit Index

2. Reports on Form 8-K

No reports on Form 8-K were filed during the three months ended September 3, 1994.

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SIGNATURES

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

HERMAN MILLER, INC.

October 12, 1994

/s/ J. Kermit Campbell  
J. Kermit Campbell  
(President and  
Chief Executive Officer)

October 12, 1994

/s/ James H. Bloem  
James H. Bloem  
(Vice President,  
Chief Financial Officer,  
and Principal Accounting Officer)

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\*Exhibit Index

(11) Computations of earnings per common share.

(27) Financial Data Schedule (Exhibit available upon request)

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HERMAN MILLER, INC.  
 COMPUTATIONS OF EARNINGS PER COMMON SHARE  
 (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)  
 (UNAUDITED)

	Three Months Ended	
	Sept. 3, 1994 (1)	August 28, 1993 (2)
NET INCOME APPLICABLE TO COMMON SHARES	\$ 7,937	\$ 7,474
Weighted Average Common Shares Outstanding	24,602,613	25,135,458
Net Common Shares Issuable Upon Exercise of Certain Stock Options	123,478	172,513
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING AS ADJUSTED	24,726,091	25,307,971
NET INCOME PER SHARE	\$ .32	\$ .30

(1) Represents 14 weeks

(2) Represents 13 weeks

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