



NASDAQ: MLHR

Inspiring Designs to Help People Do Great Things

Investor Presentation
Third Quarter FY2020

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.

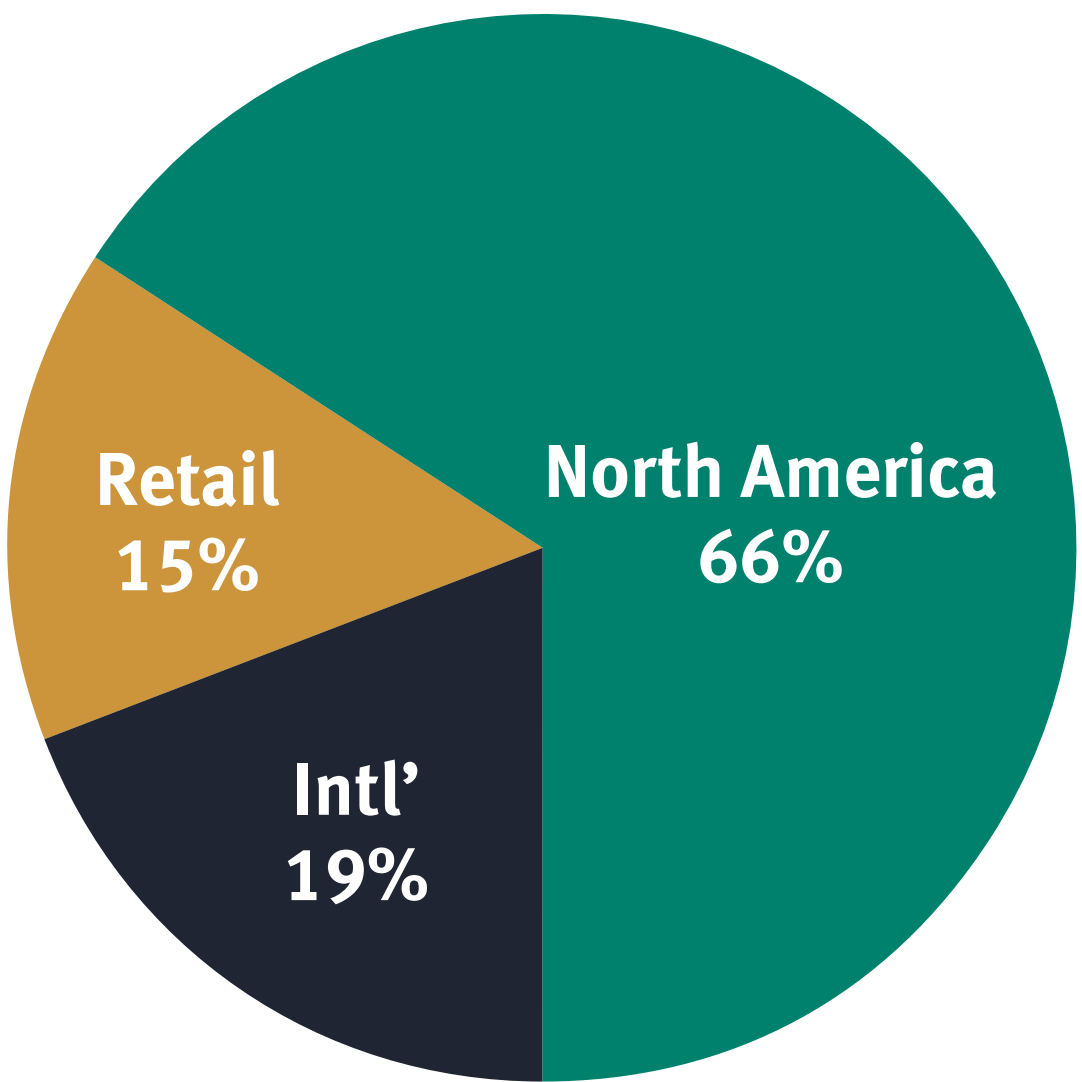


Company Snapshot

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

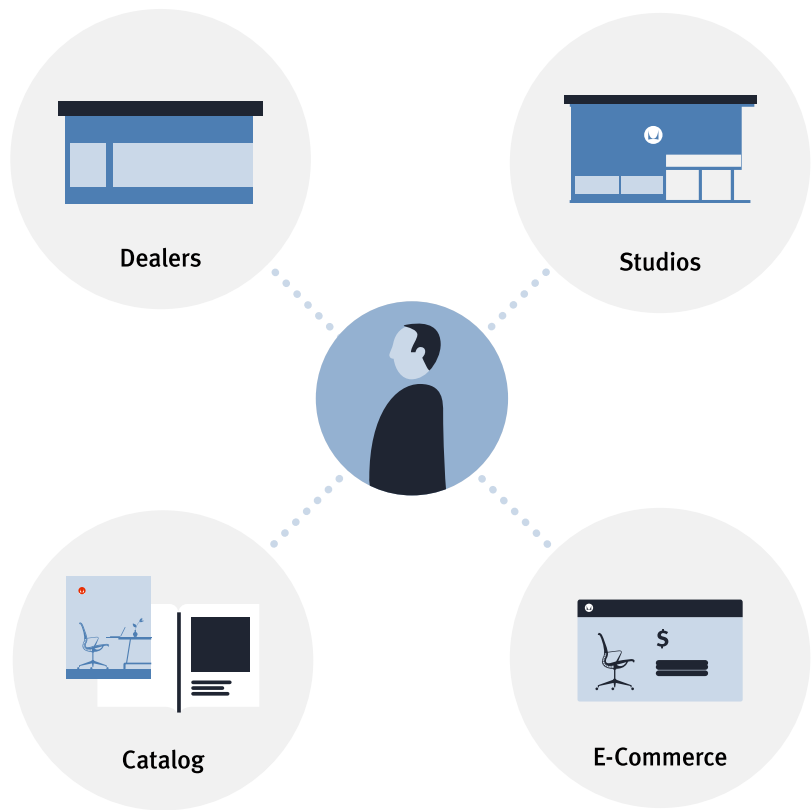
FY19 Revenue: **\$2.57B**
FY19 Adj. Operating
Income: **\$227M**

FY19 REVENUE MIX



**Omni-Channel
distribution model**

- Over 700 contract dealers in 110 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**



**TOTAL SOCIETAL
IMPACT**



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 global leader in design and furnishings for the home or workplace

GEIGER

Maker of exquisitely crafted designs for refined working environments

maharam

Creator of textiles known for its rigorous commitment to design



A UK-based designer of high-performance tools for work

HAY

Inspired furniture and accessories for modern living

naughtone

Contemporary furnishings for workplace, education, and hospitality environments



Retailer of authentic modern furnishings

maars LIVING WALLS

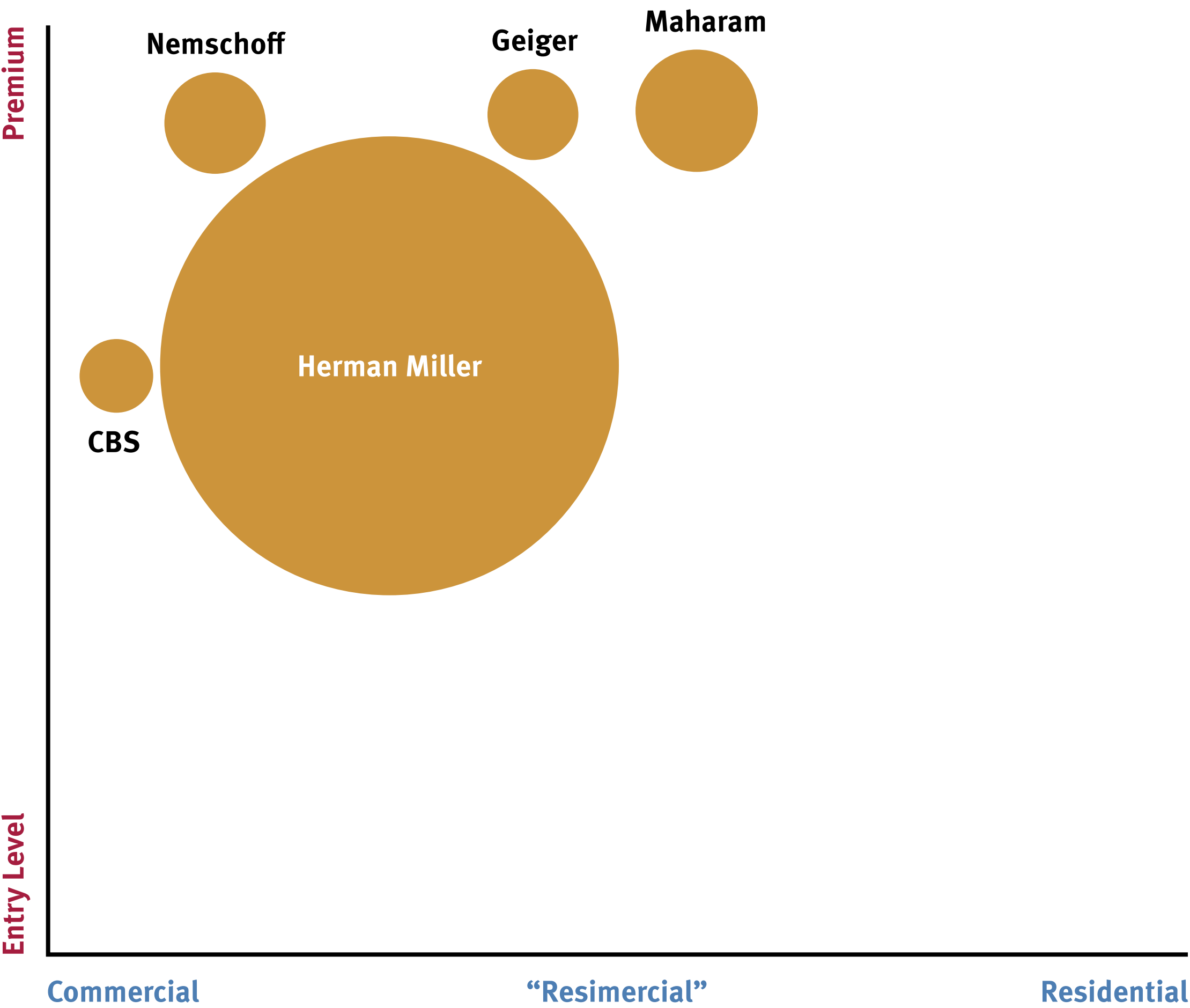
A global designer and maker of interior partitions

Nemschoff

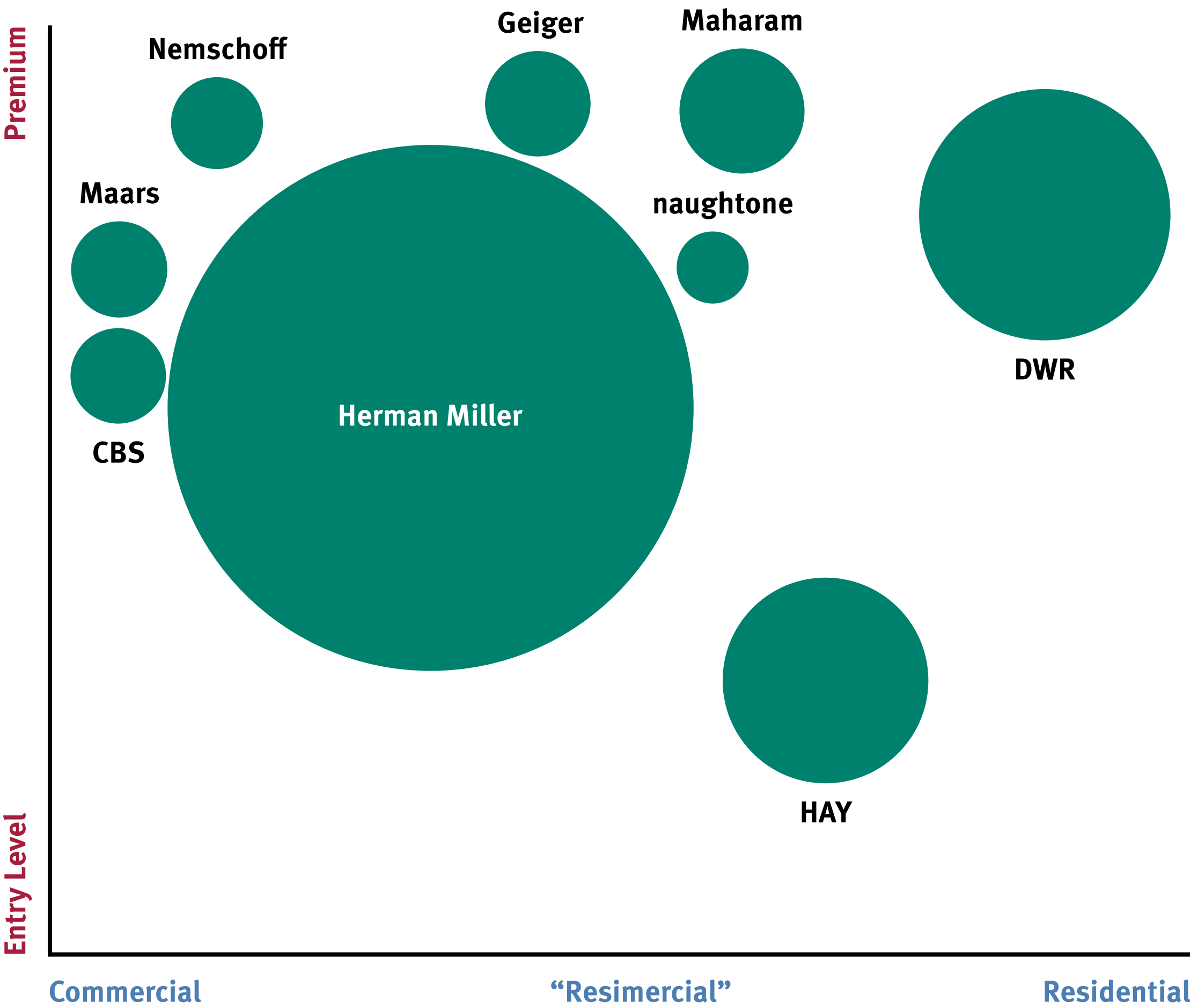
Manufacturer of beautifully styled, high-performance furniture

Our Evolving Product Offer

FIVE YEARS AGO



TODAY



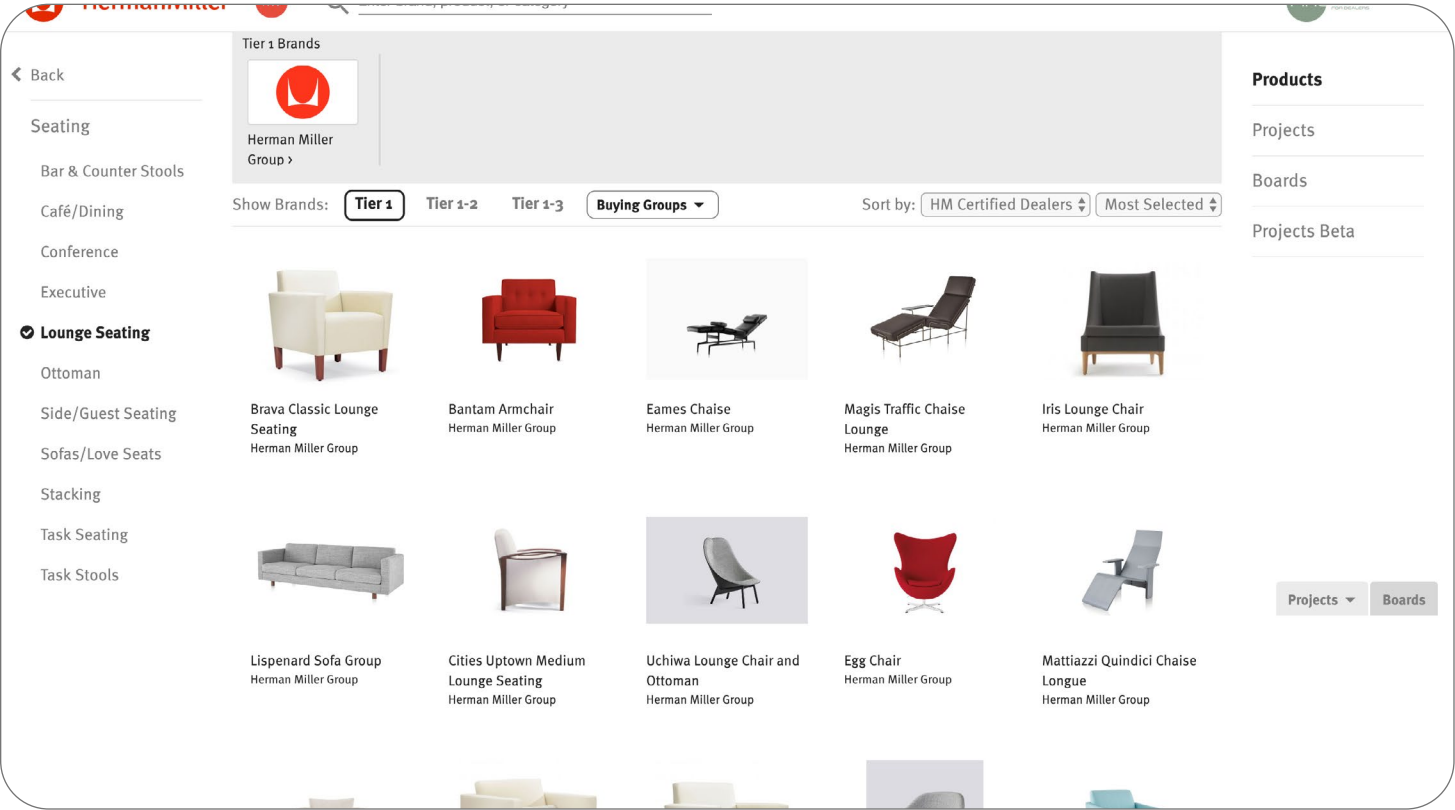
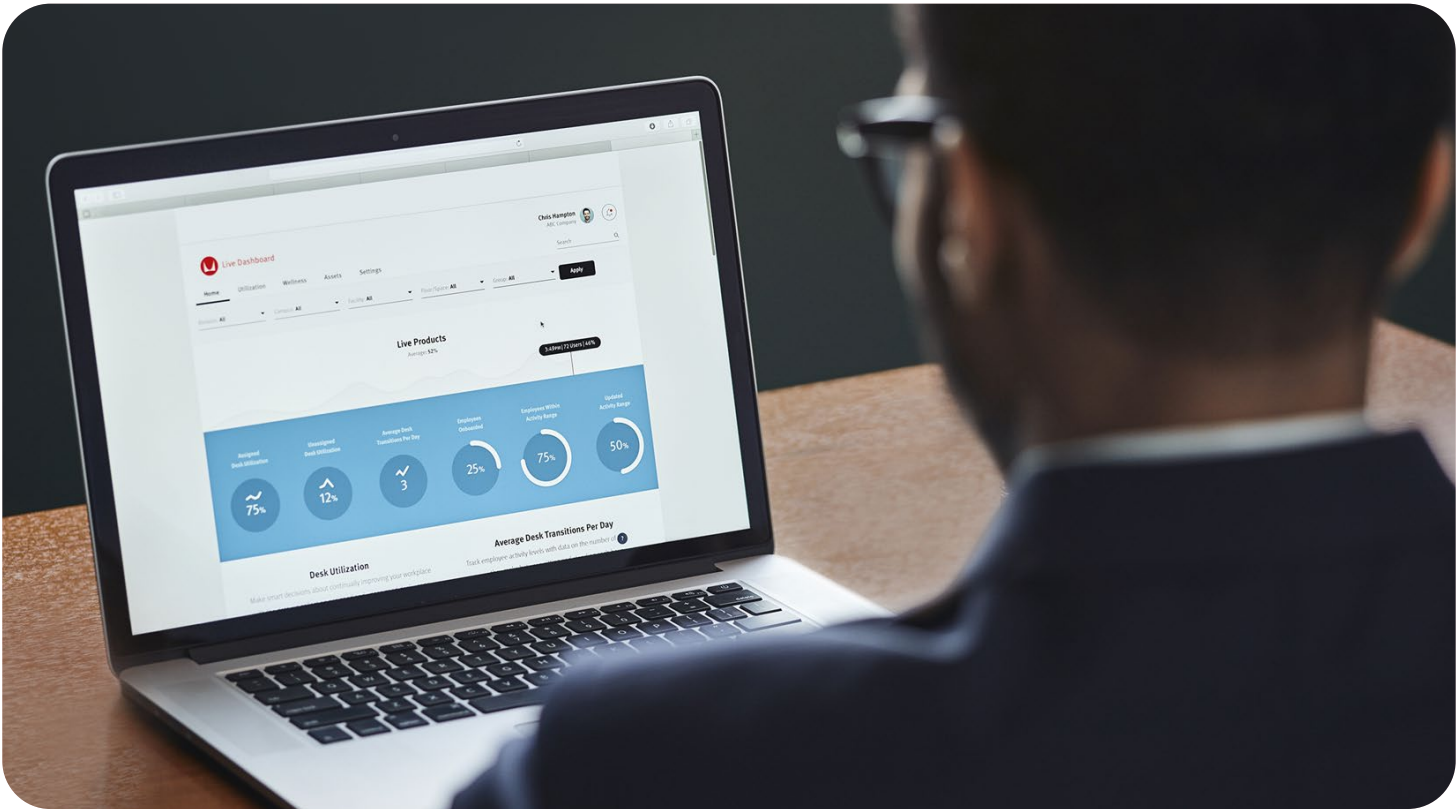
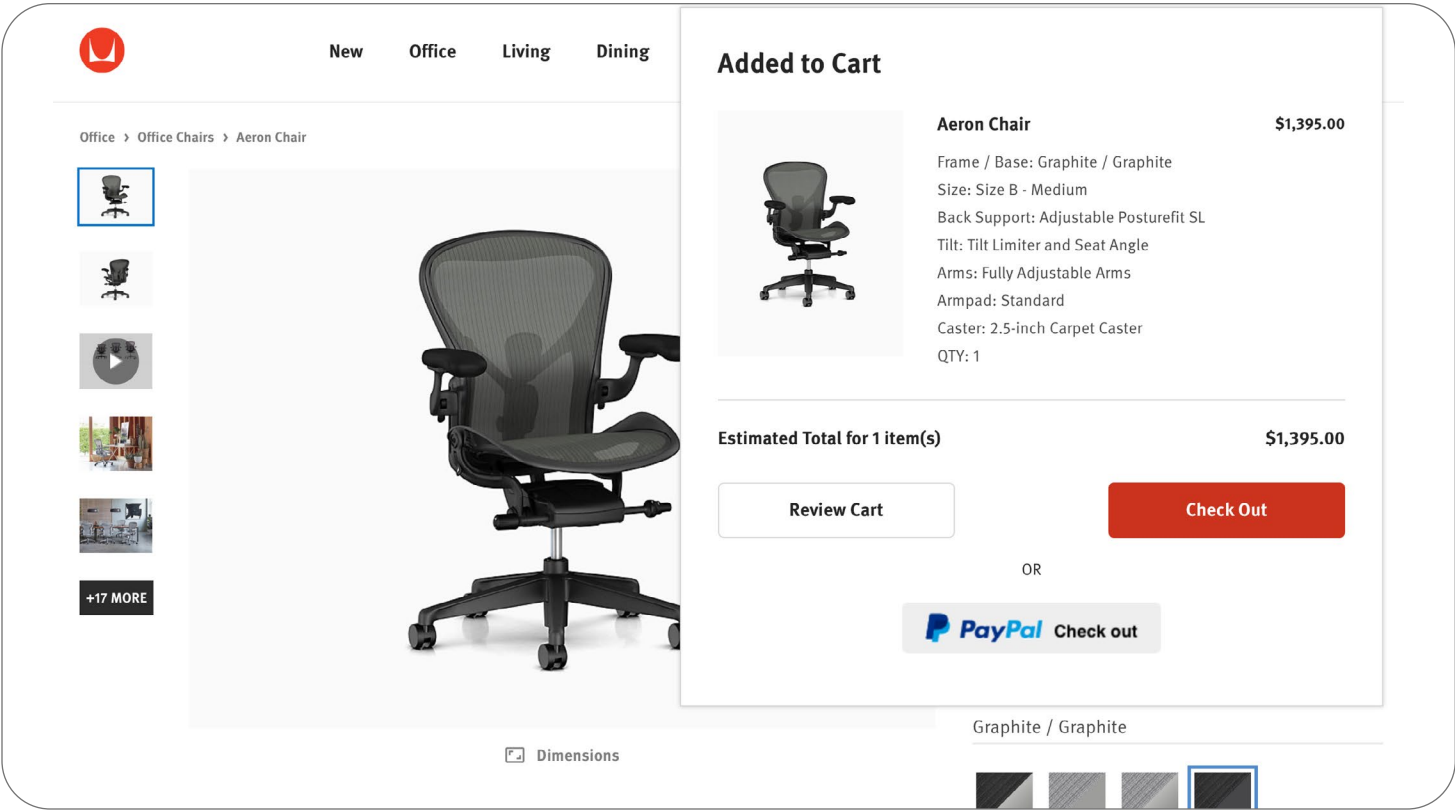
2 BUILD A CUSTOMER-CENTRIC, DIGITALLY-ENABLED BUSINESS MODEL

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 North America Contract business

Drive outsized growth in International

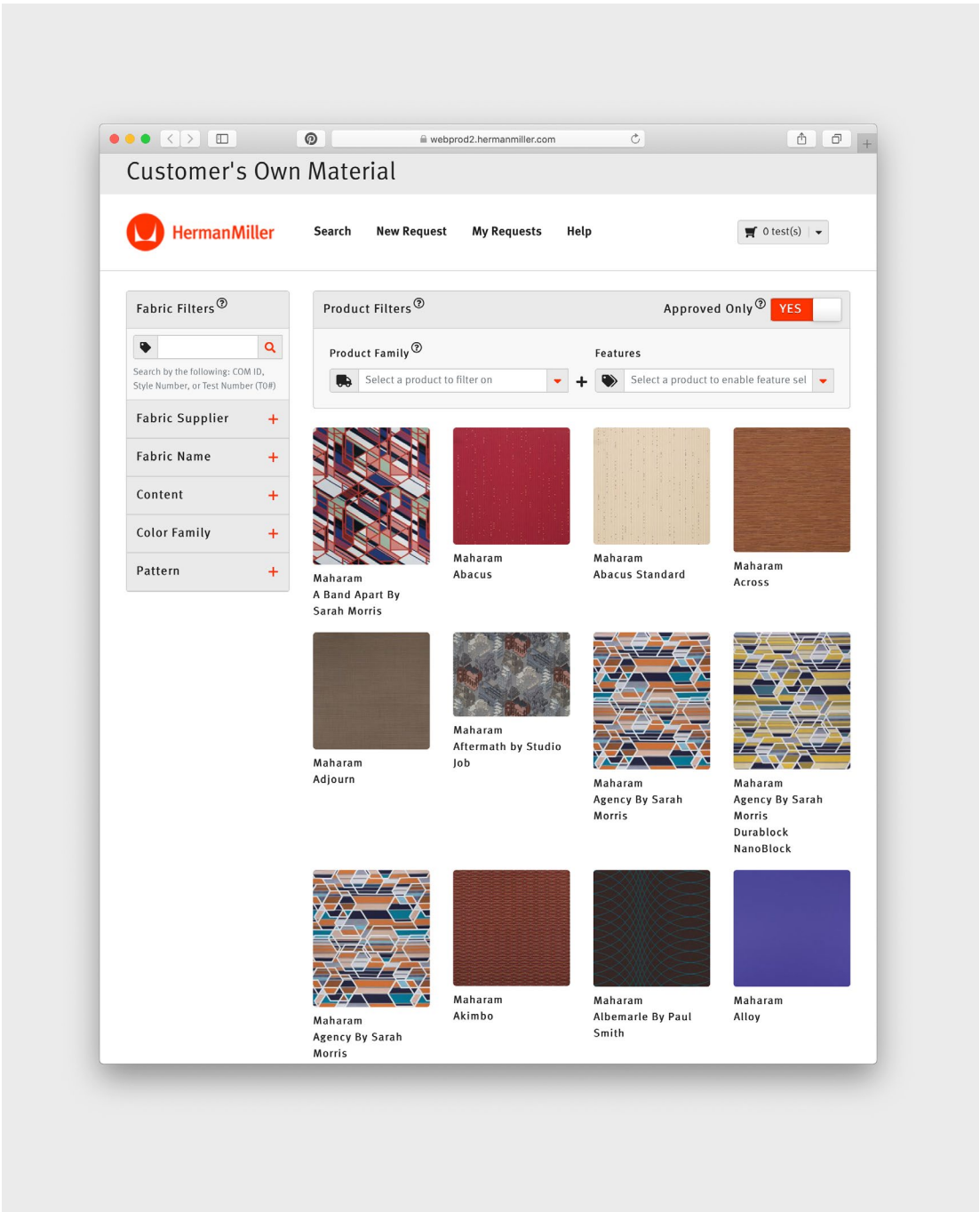
Expand our Retail business



Objective: Strengthen & evolve the North America 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

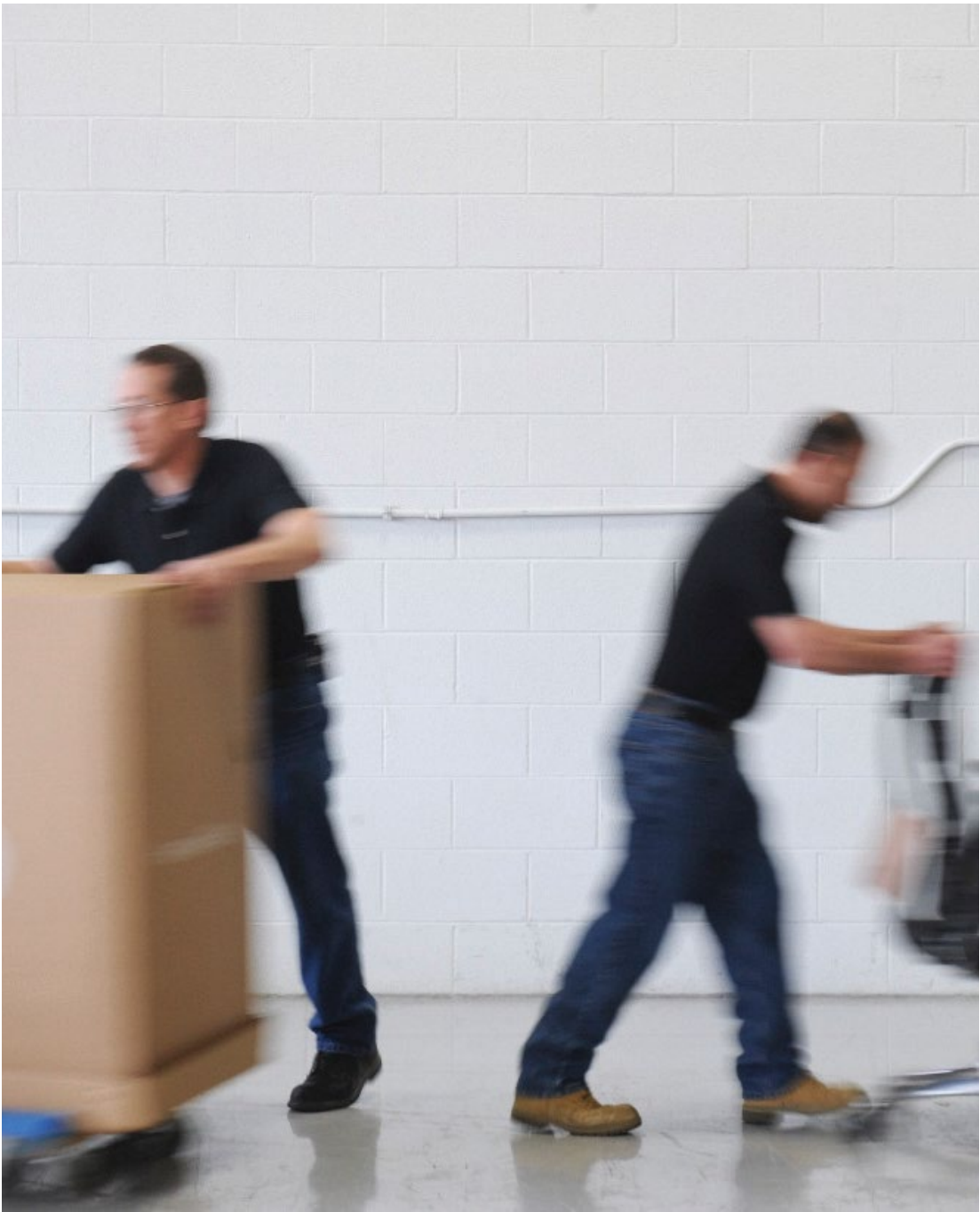


Execute Profitability Improvement Initiatives

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 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

2019 Overall Category Leader
in the IBD 50 Best ESG Companies

2019 Gold Medalist CSR Recognition
EcoVadis Business Sustainability rating

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

2019 100 Best Companies for Working Mothers
by Working Mothers Magazine

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

2019 Class 1 Corporation of the Year
by the National 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

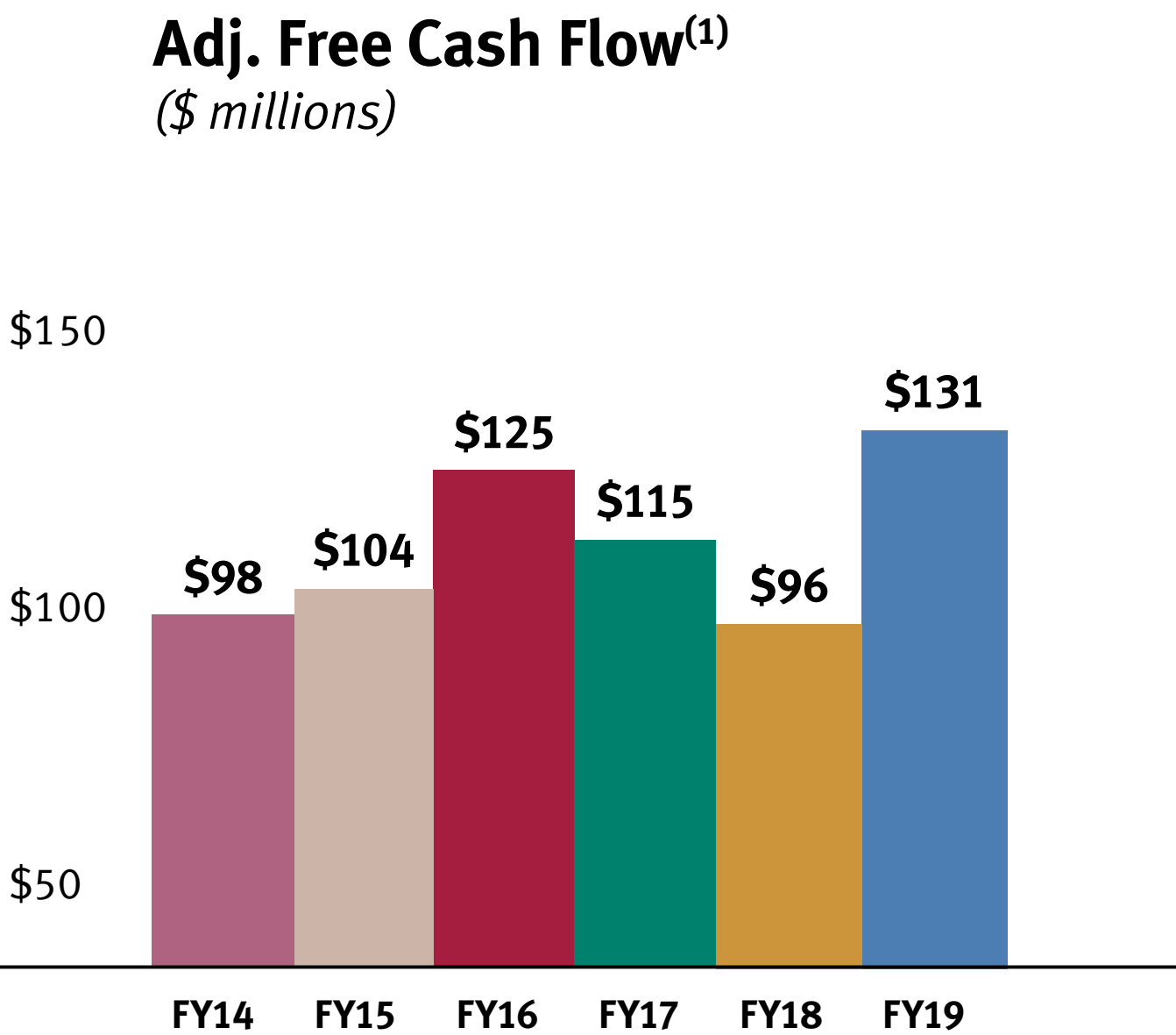
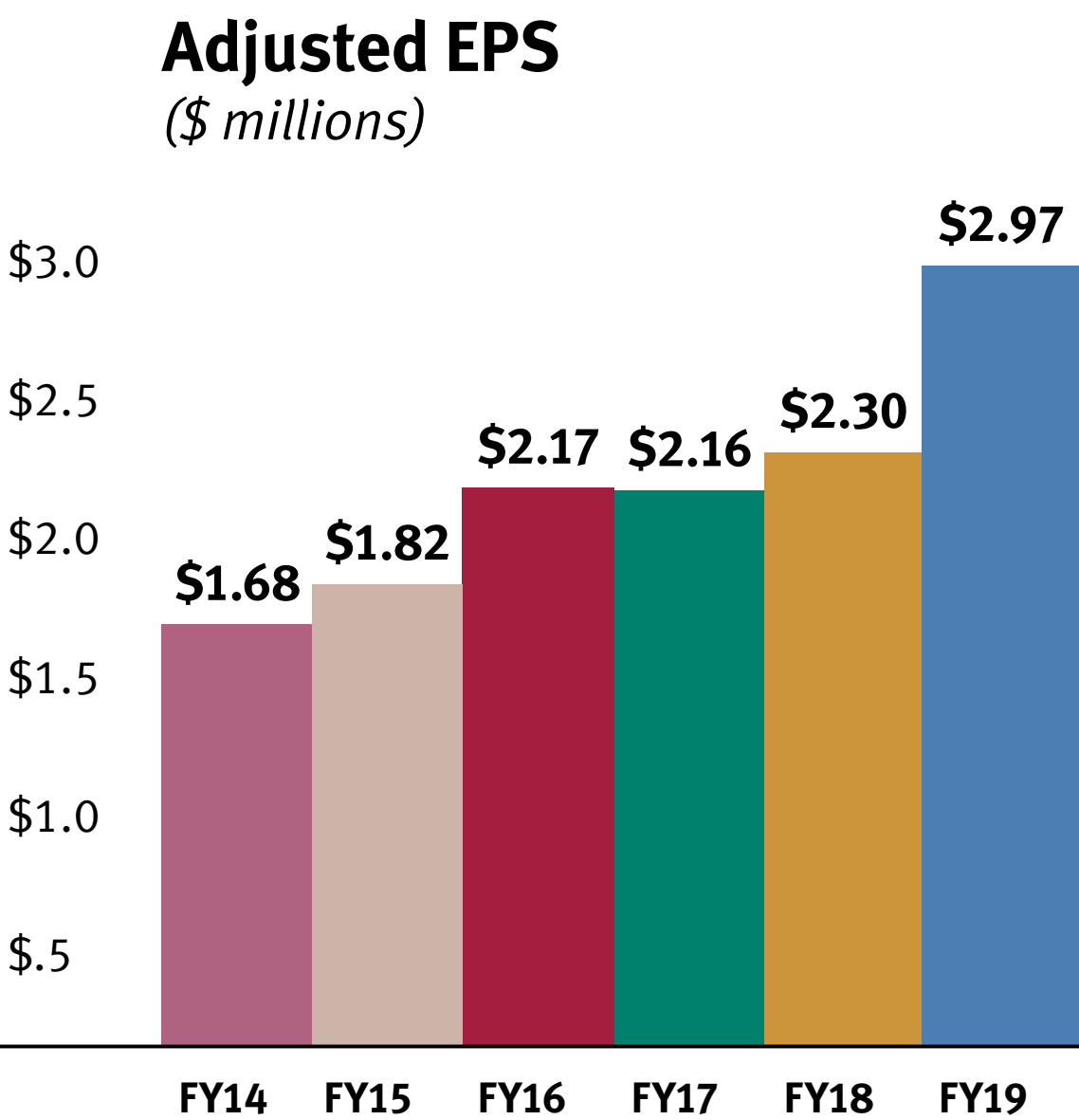
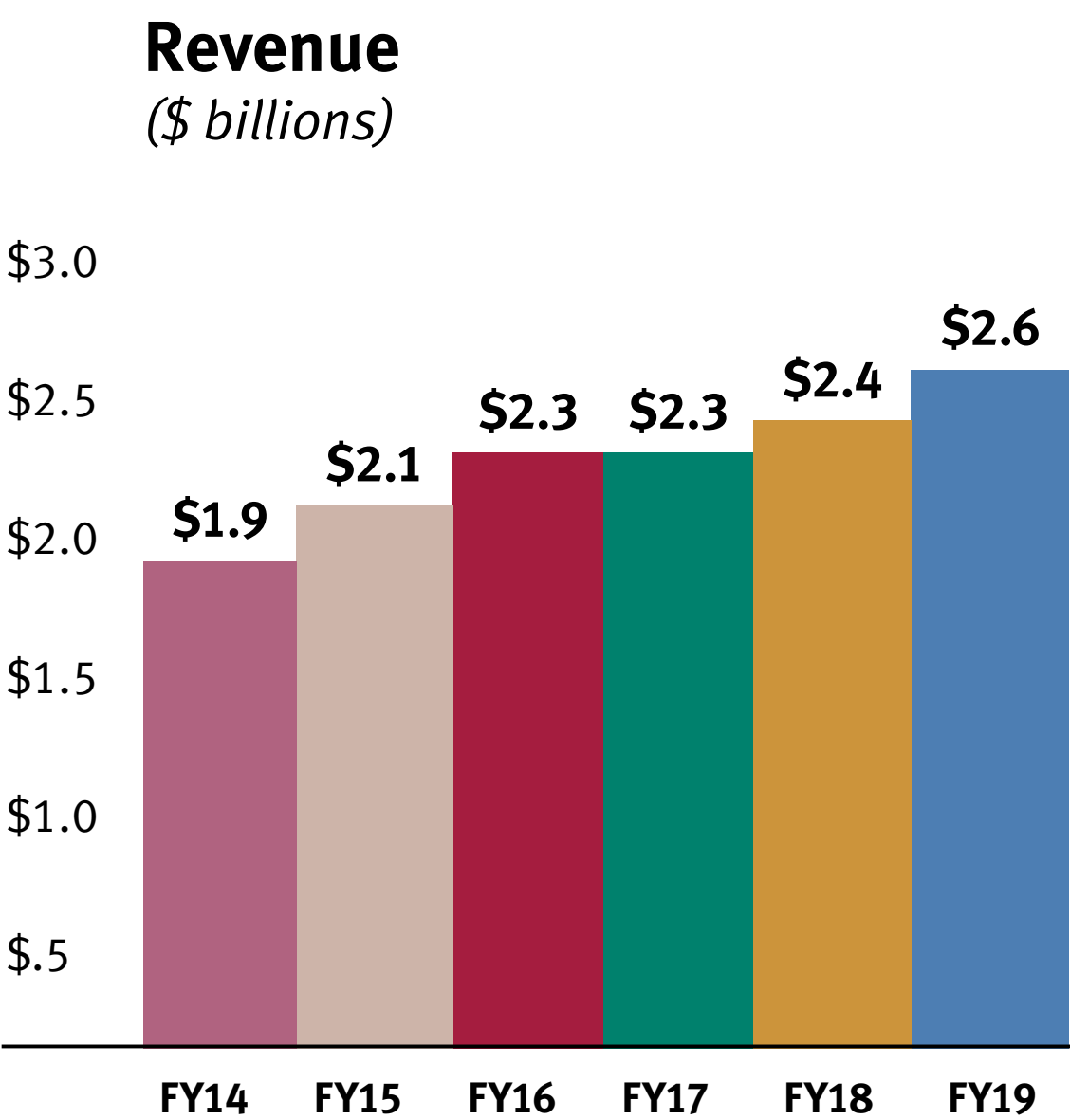
8,000 at-risk children served in over 31 cities through We Care holiday program
in partnership with Boys and Girls Club of America



Financial Outlook

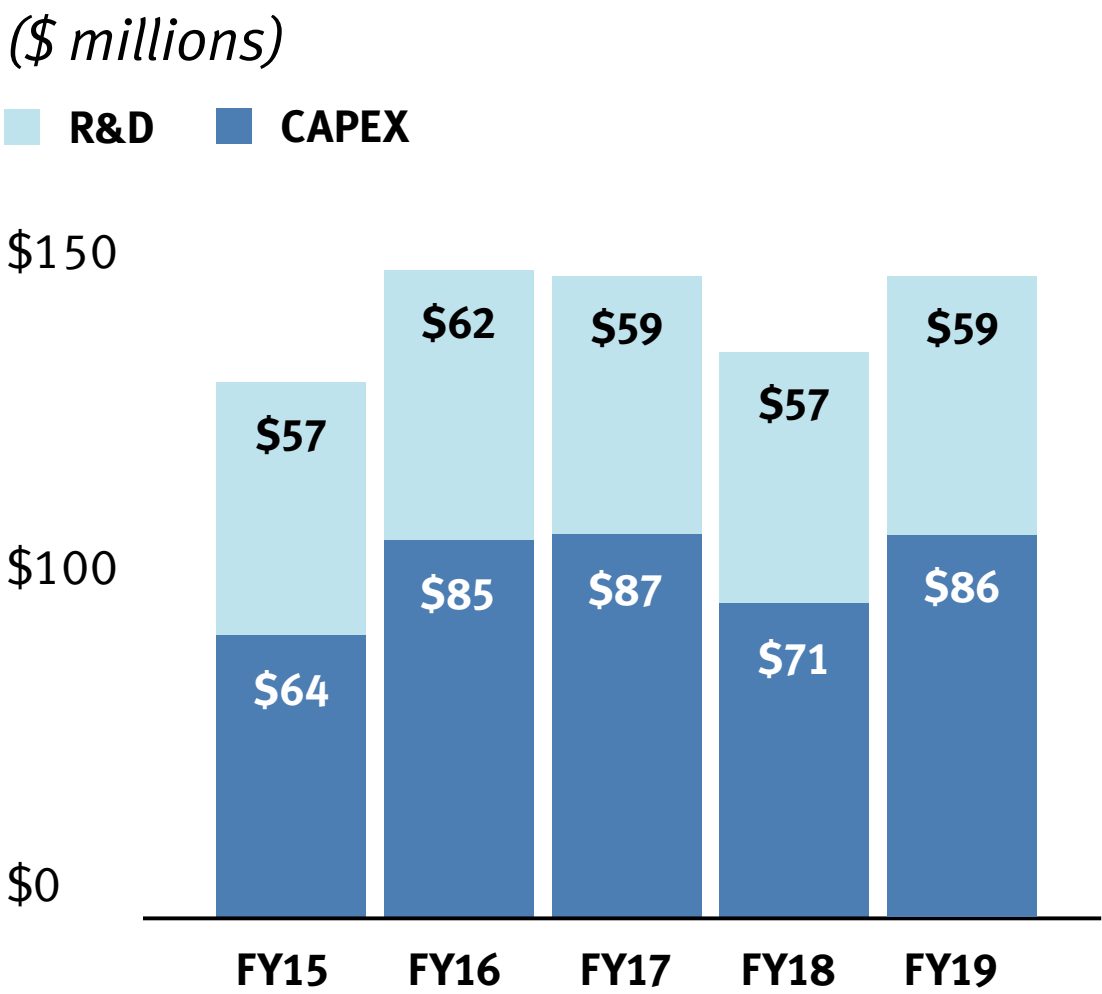
Strong track record of financial performance

- 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



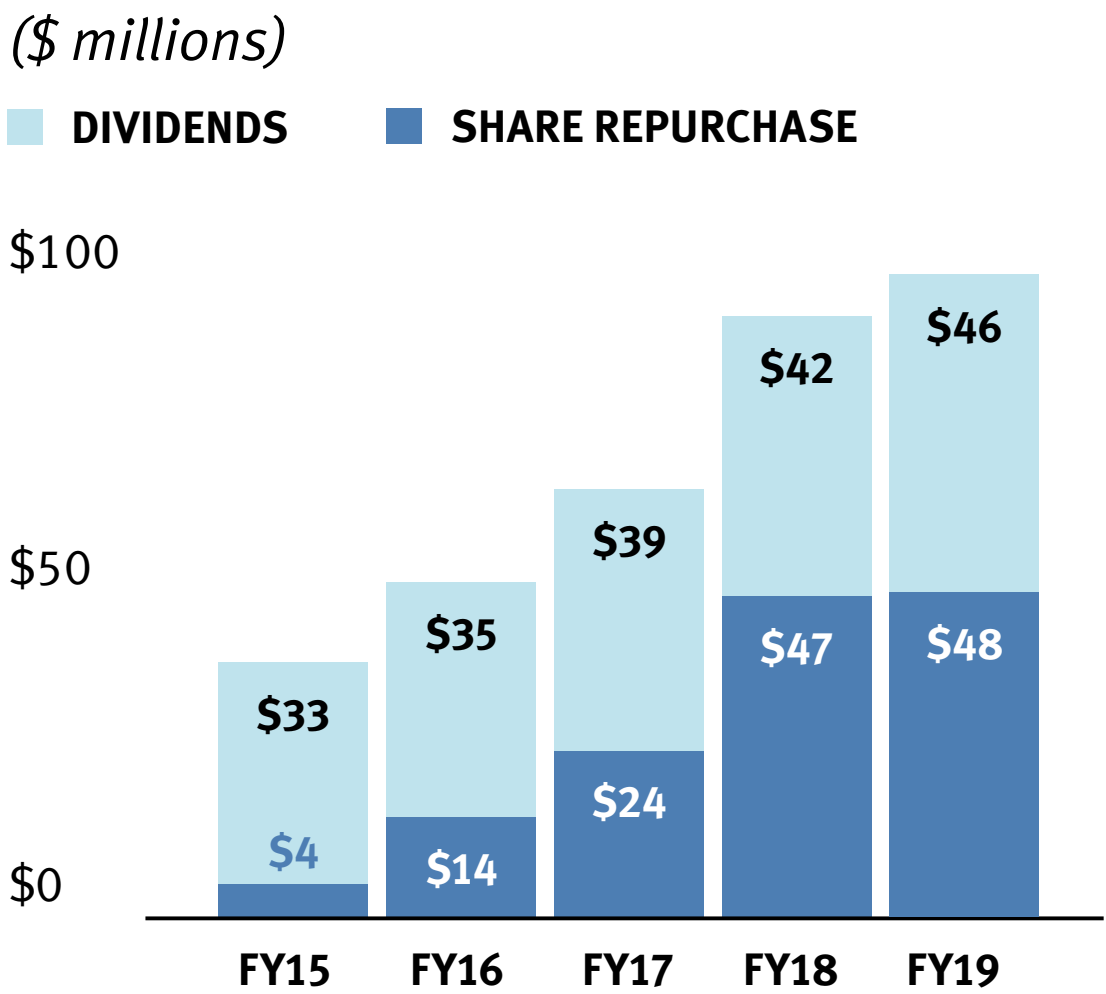
⁽¹⁾ Cash flow from operations less CAPEX plus domestic pension contributions

Disciplined capital allocation approach focused on value creation











Investments in Design Within Reach, naughtone, HAY, and Maars Living Walls totaling **\$367M** in past 5 years.

	Q3 FY20
Cash	\$111M
L/T Debt	\$275M
Leverage Ratio	0.9x
Revolver Availability	\$266M



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

Focused acquisition and partnership strategy

	FY10		FY12	FY13	FY15	FY16/FY20	FY19	FY19/FY20
								
Strategic Rationale								
Audience		✓			✓			✓
Channel			✓	✓	✓			
Geography			✓			✓	✓	✓
Product	✓	✓	✓	✓	✓	✓	✓	✓

Opportunity for continued revenue growth over the next 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%
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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



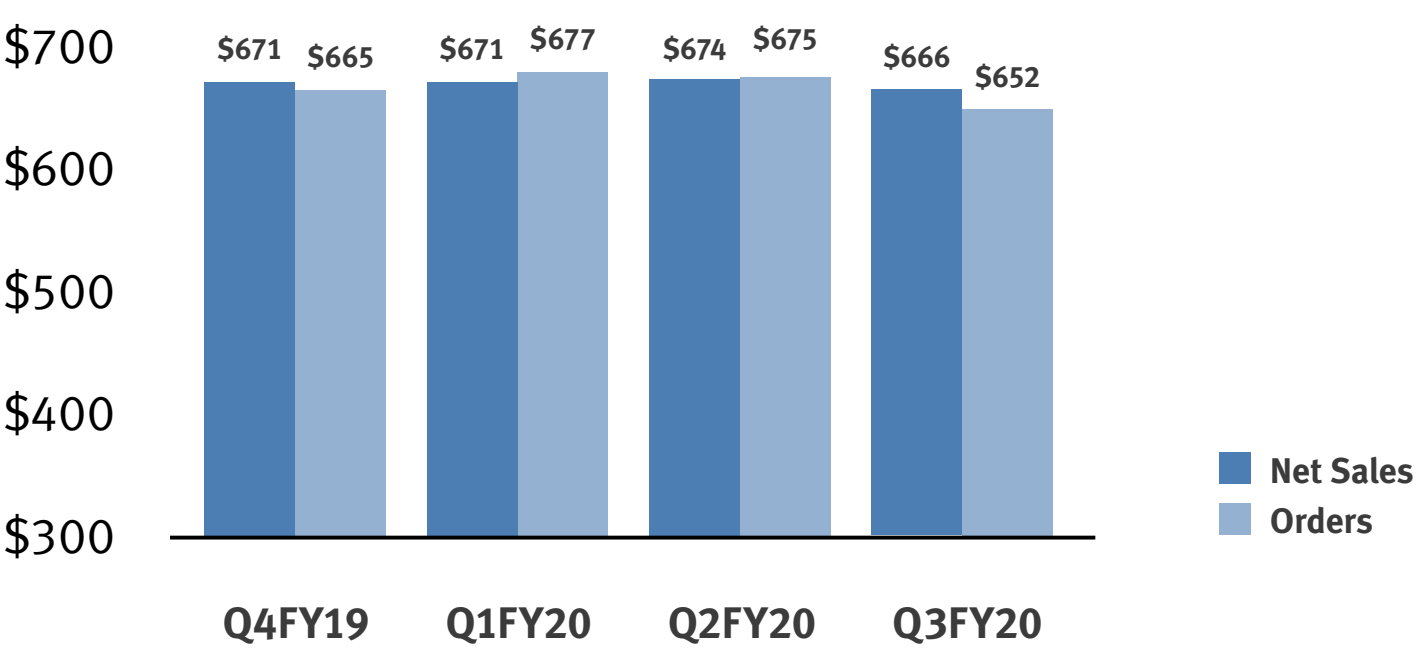
Strong track record of financial performance and compelling outlook



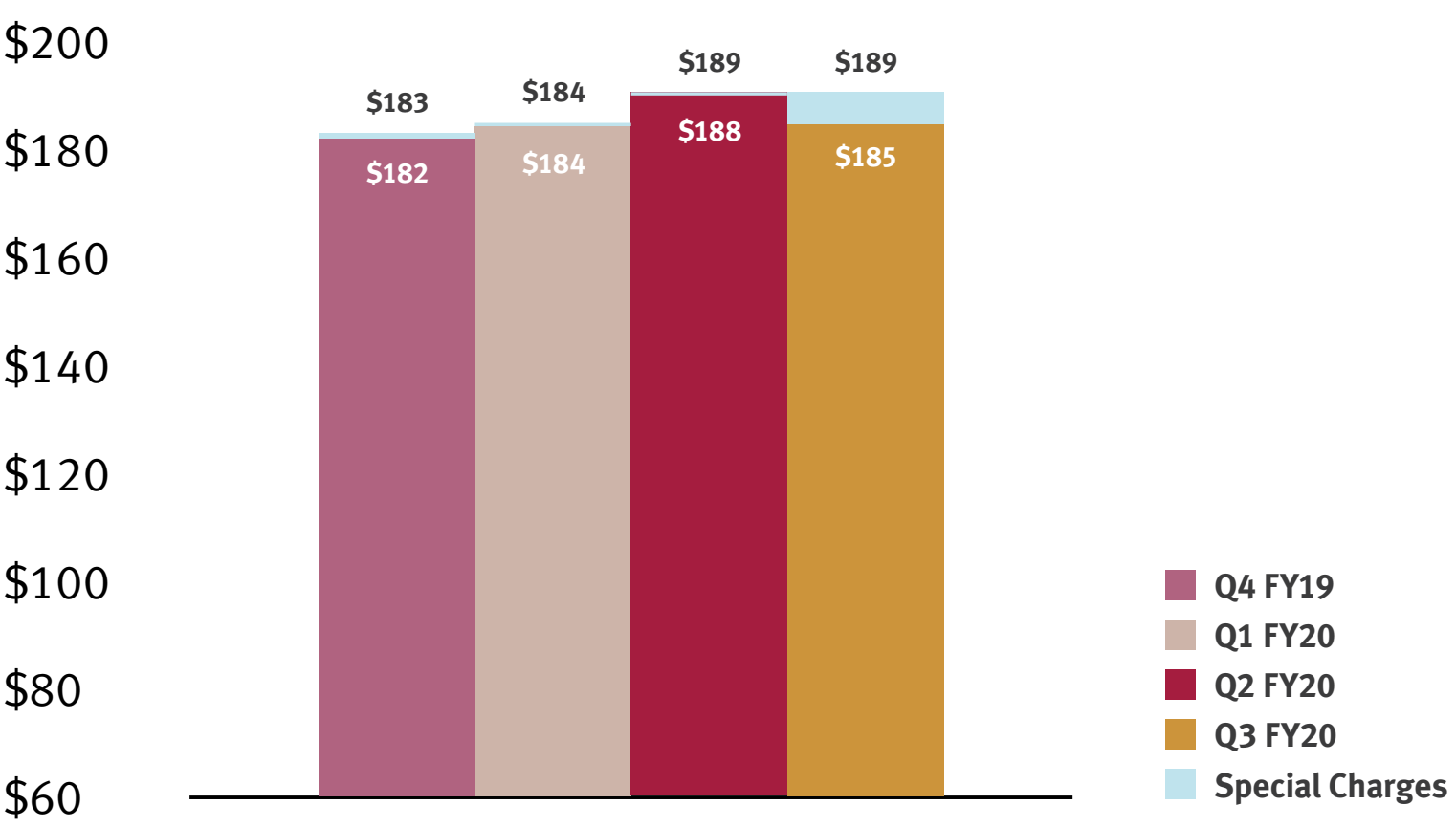
Recent Quarterly Financial Trends

RECENT QUARTERLY FINANCIAL TRENDS

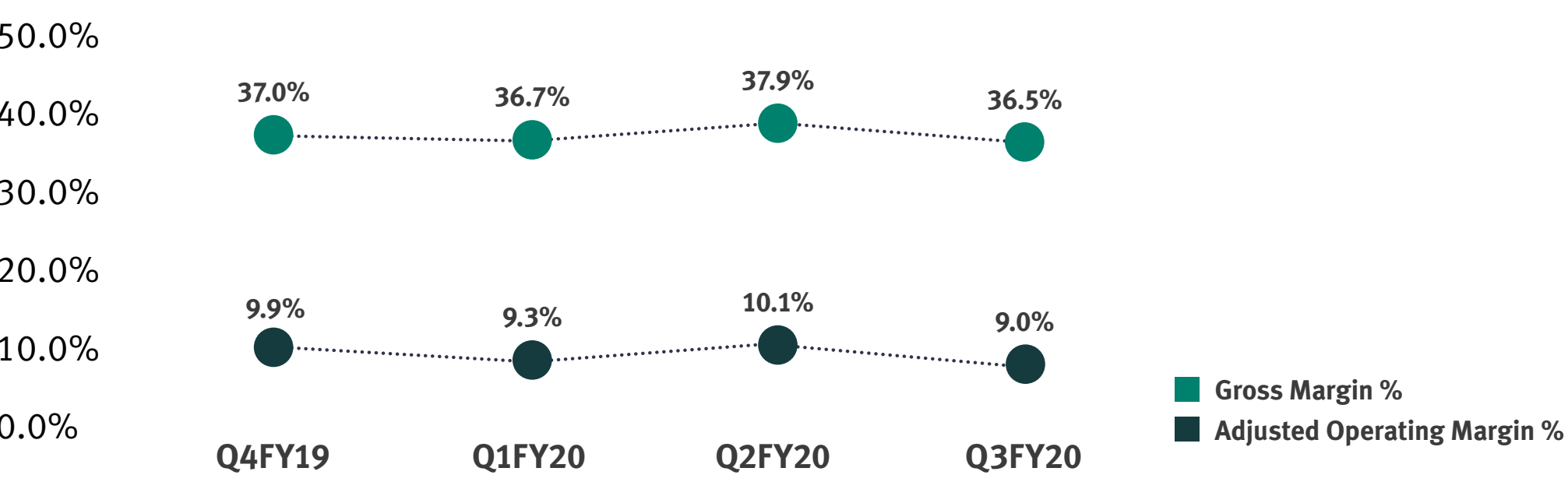
Quarterly Net Sales + Orders (\$ millions)



Quarterly Operating Expenses (\$ millions)



Gross Margin and Adjusted Operating Margin (% net sales)



Q3 net sales increased 8% from the prior year and orders increased 6% from the prior year on a reported basis. Sales and orders decreased 1% on an organic basis.

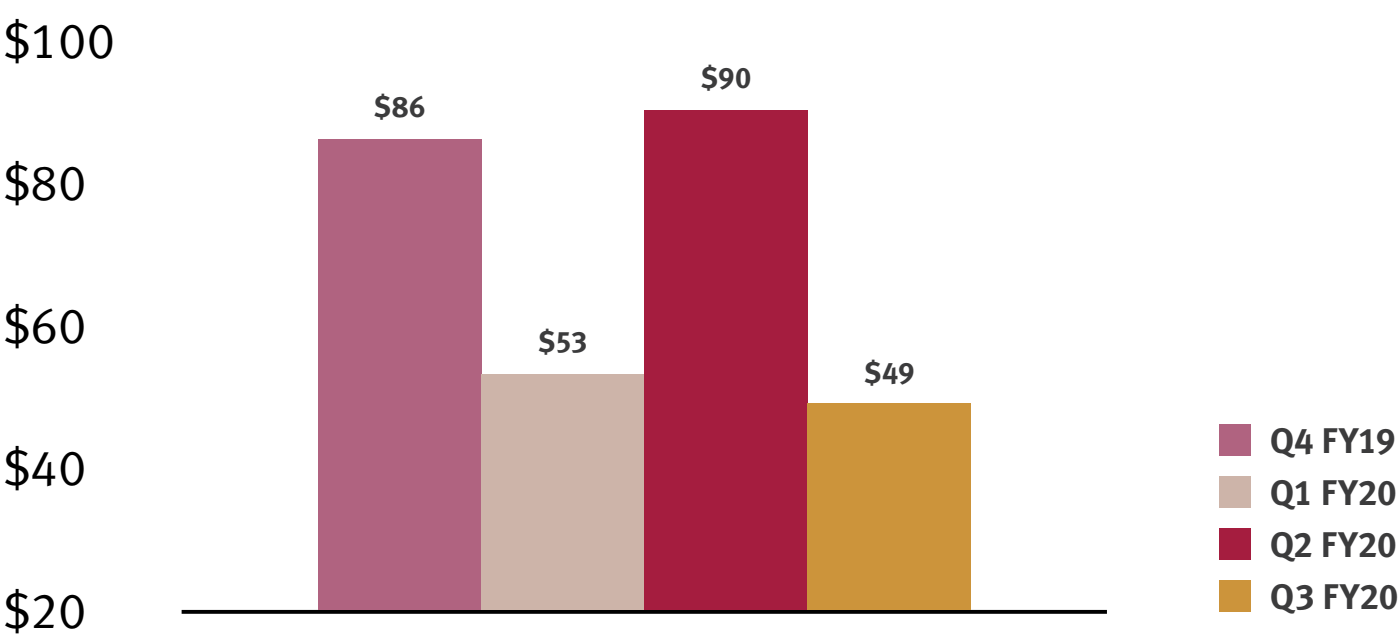
Gross margin in Q3 totaled 36.5%, representing an 80-basis point increase over prior year.

Operating expenses in Q3 include \$4.7 million of special charges.

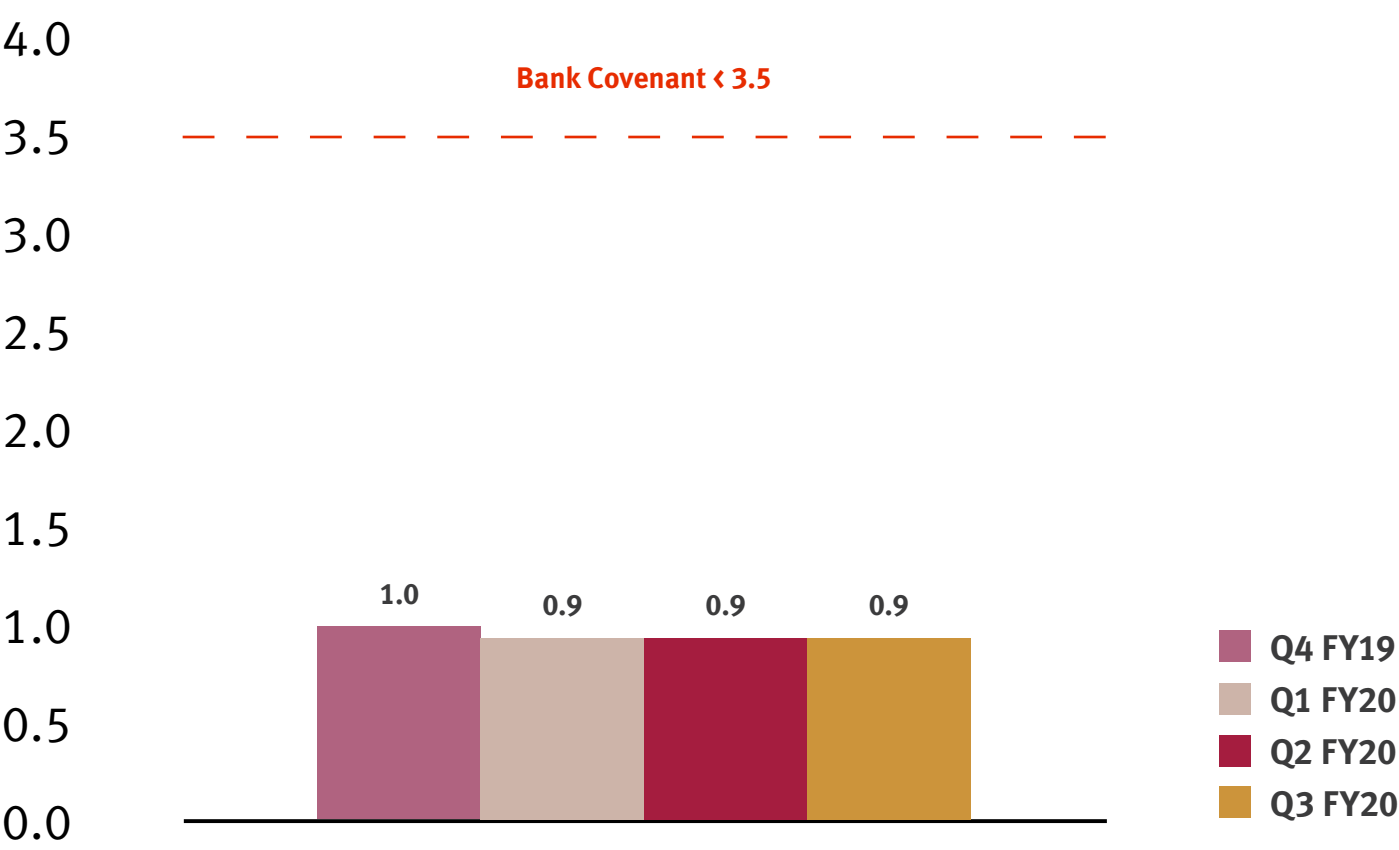
EPS in Q3 totaled \$0.64 per share; \$0.74 per share on an adjusted basis, compared to \$0.66 per share last year on a reported basis and \$0.64 adjusted.

RECENT QUARTERLY FINANCIAL TRENDS

Quarterly Cash Flow from Operations (\$ millions)

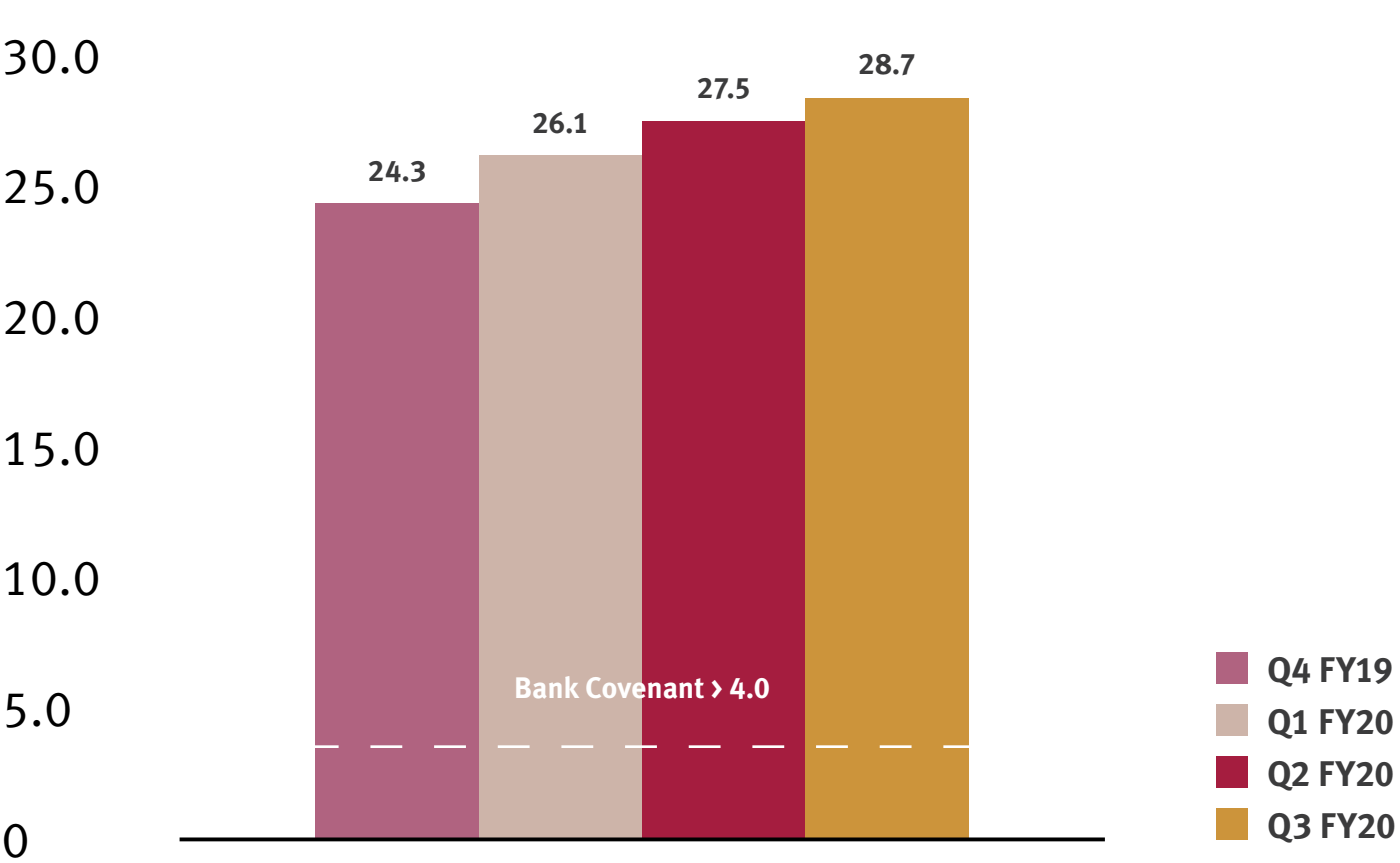


Rolling 4 Qtr Leverage Ratio (Debt to EBITDA)⁽¹⁾



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

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



Q3 ending cash and equivalents totaled \$111 million.

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

Availability of \$266 million on the revolving line of credit at the end of Q3.

CAPEX totaled \$18 million in Q3.

Q3 dividends paid totaled \$12 million.

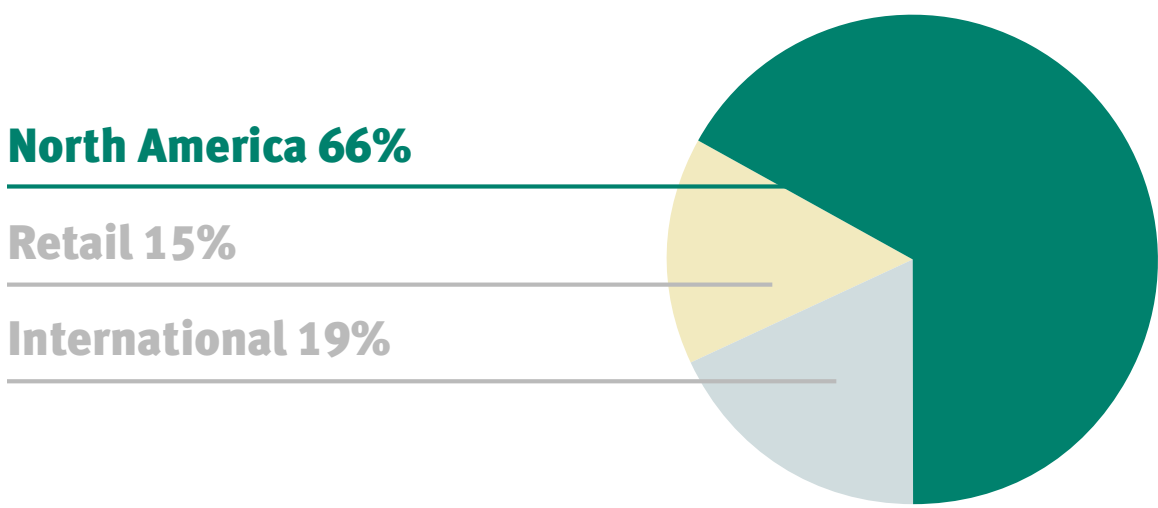


Appendix

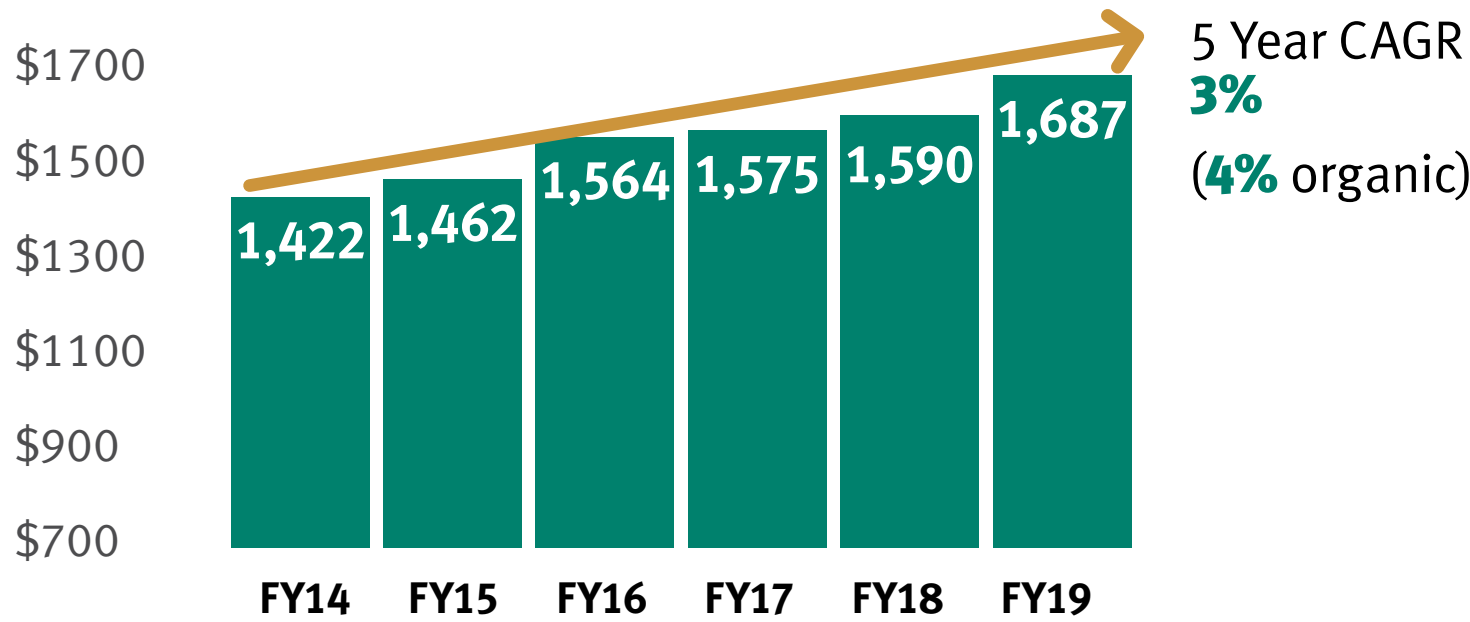
Overview

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

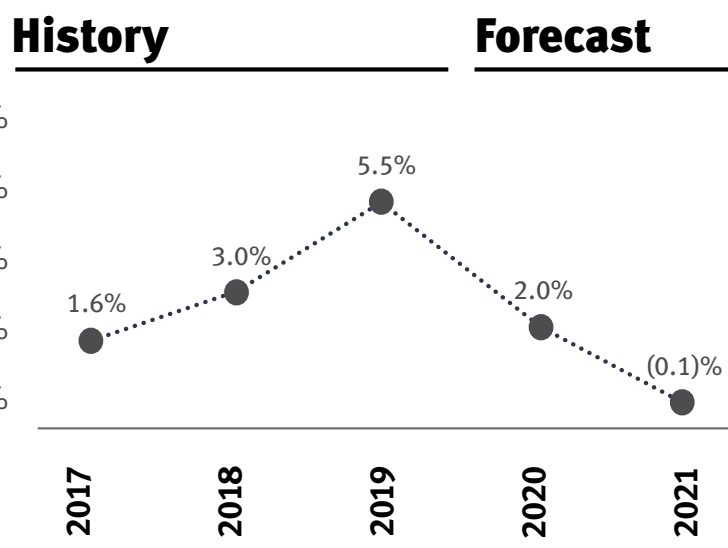
11.7%

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, March 2020



AIA Consensus Construction Forecast

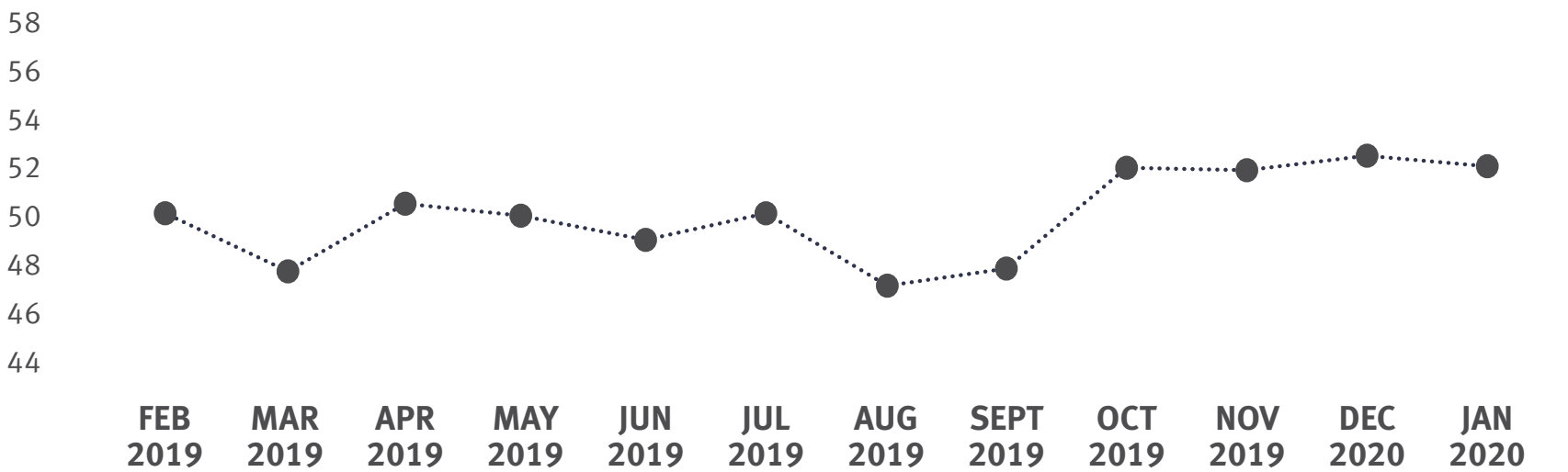
(% YOY Growth)

Source: The American Institute of Architects, Dec 2019

	2020	2021
Non-Residential	1.5%	0.9%
Commercial Total	0.6%	-0.2%
Office	3.0%	0.5%
Health	3.4%	3.5%
Education	3.9%	3.3%

U.S. Architects Billing Index

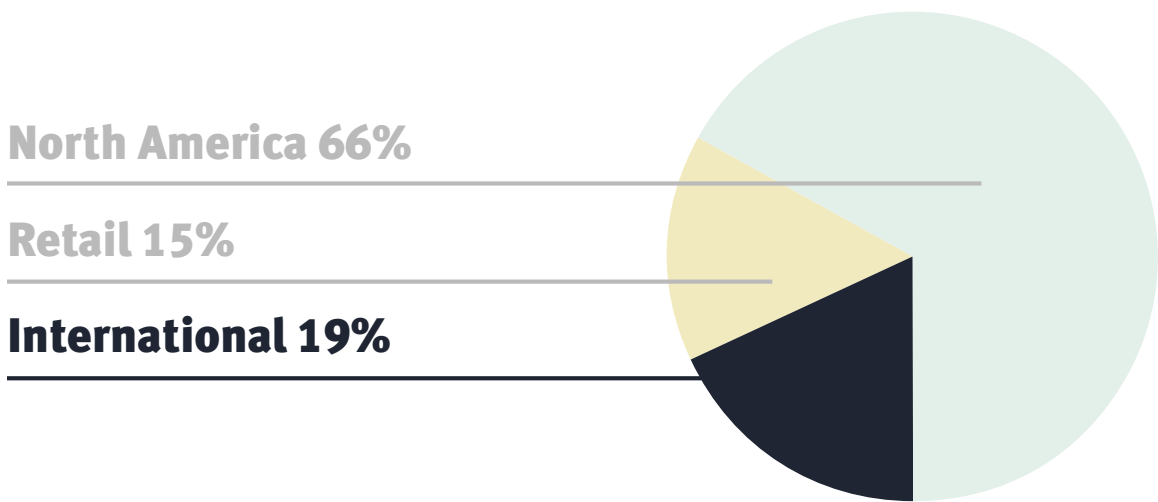
Source: The American Institute of Architects



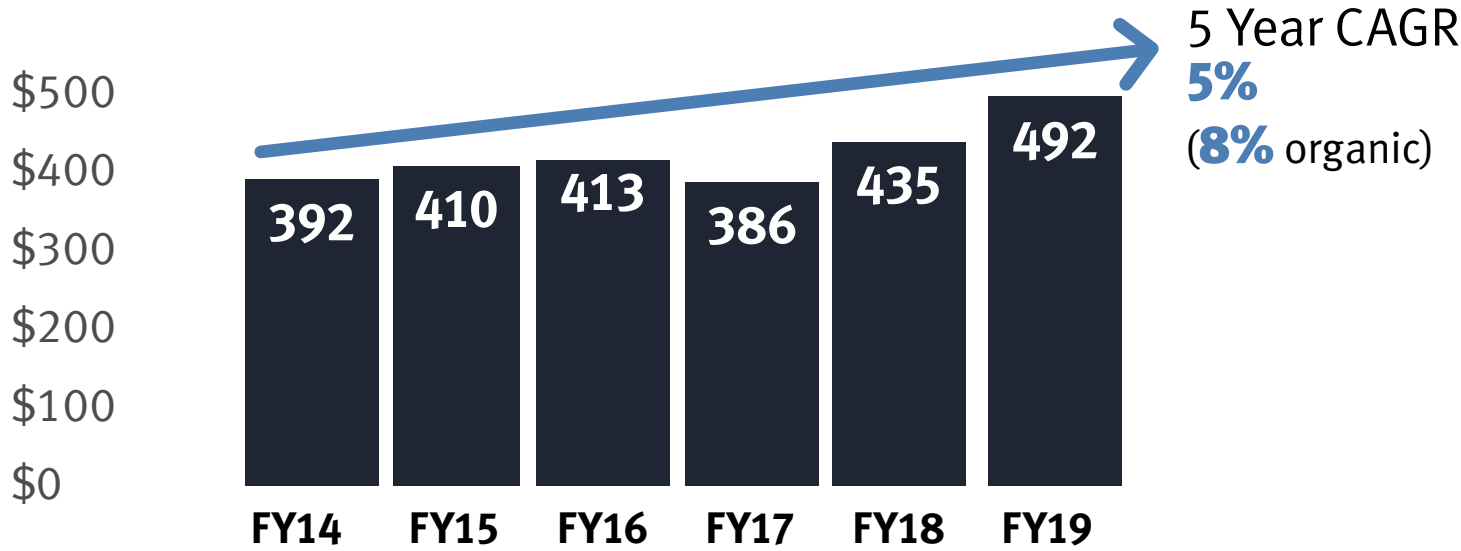
Overview

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

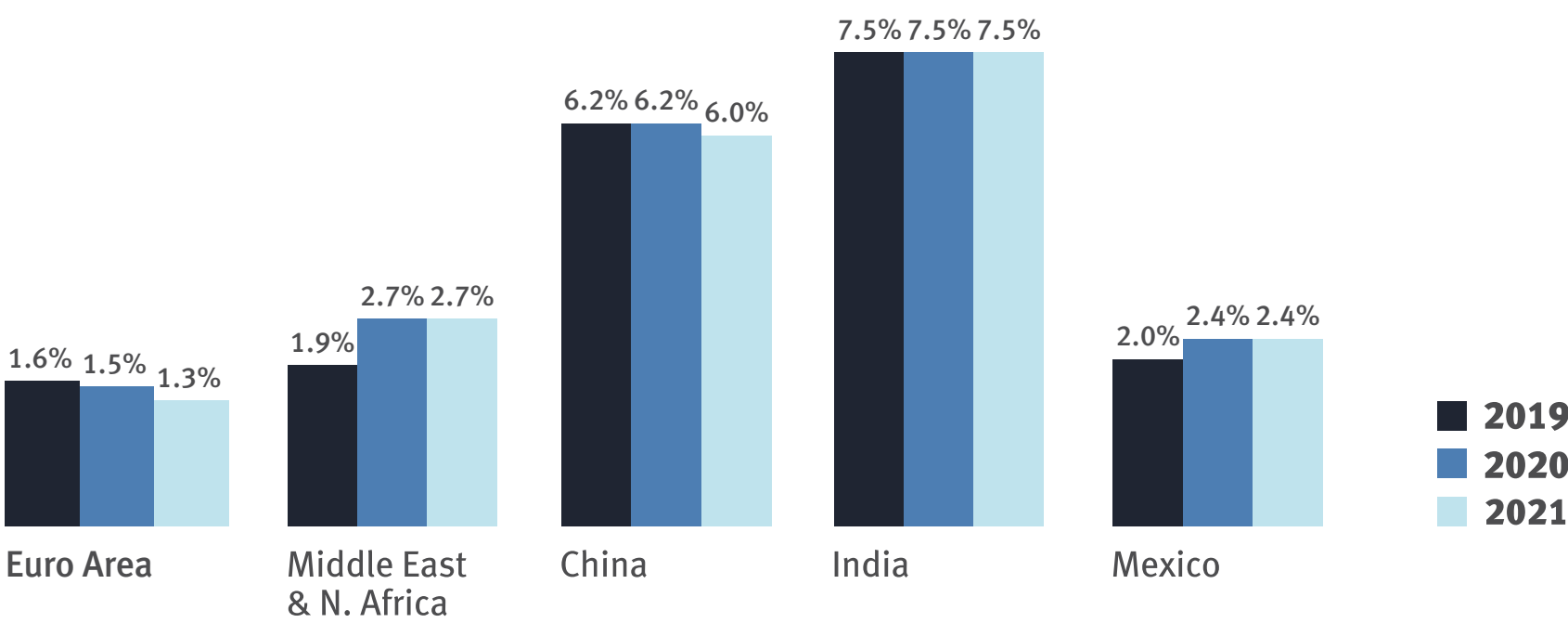
Regional Office Furniture Consumption (in US\$ billions)

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

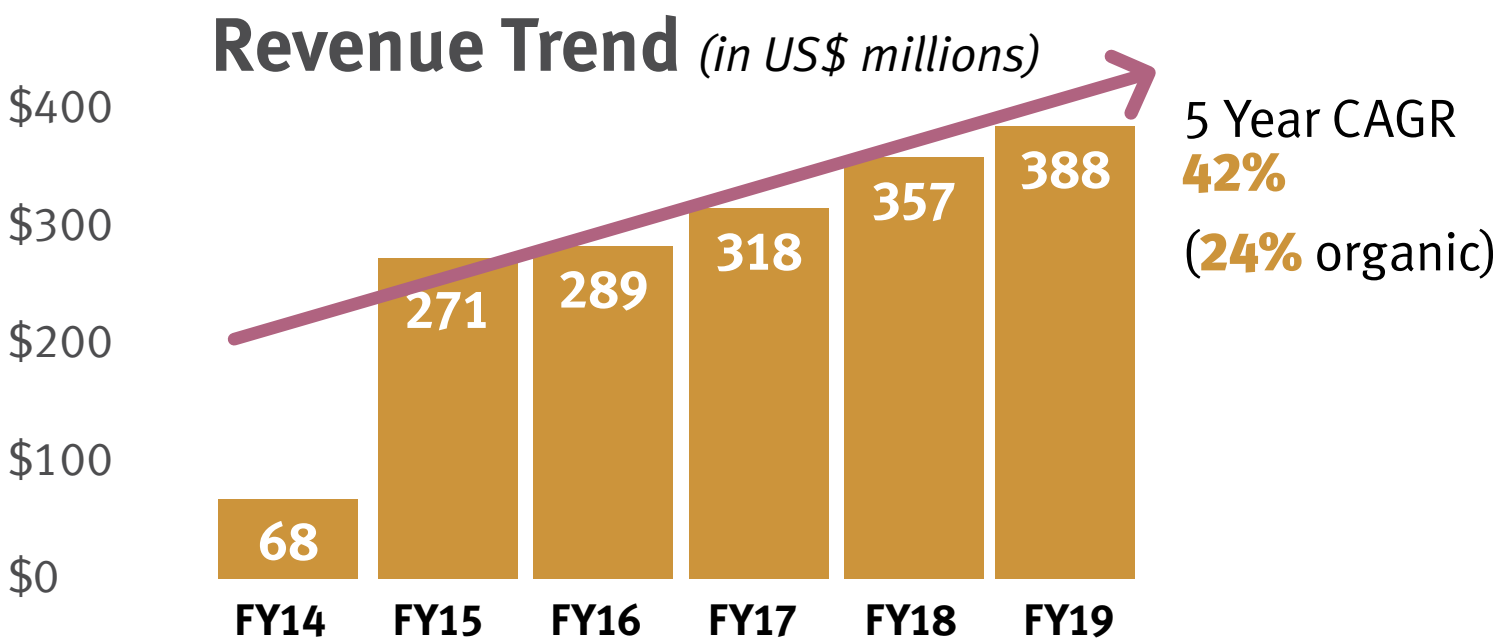
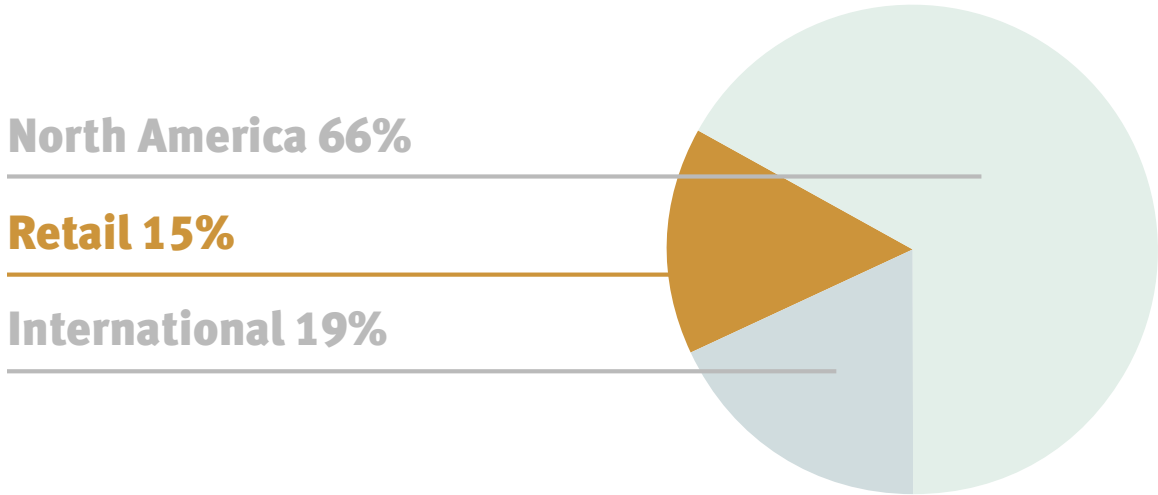
Source: World Bank (January 2020)



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

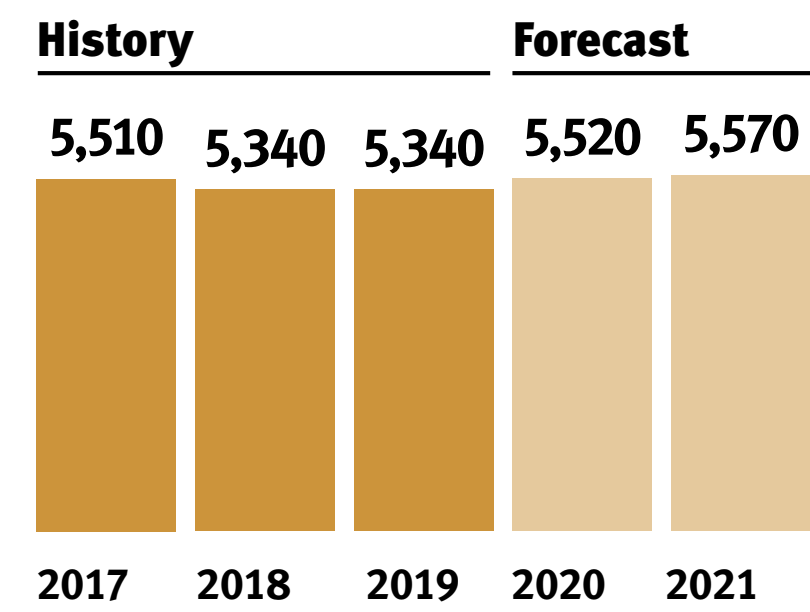


FY19 Adj. Operating Margin

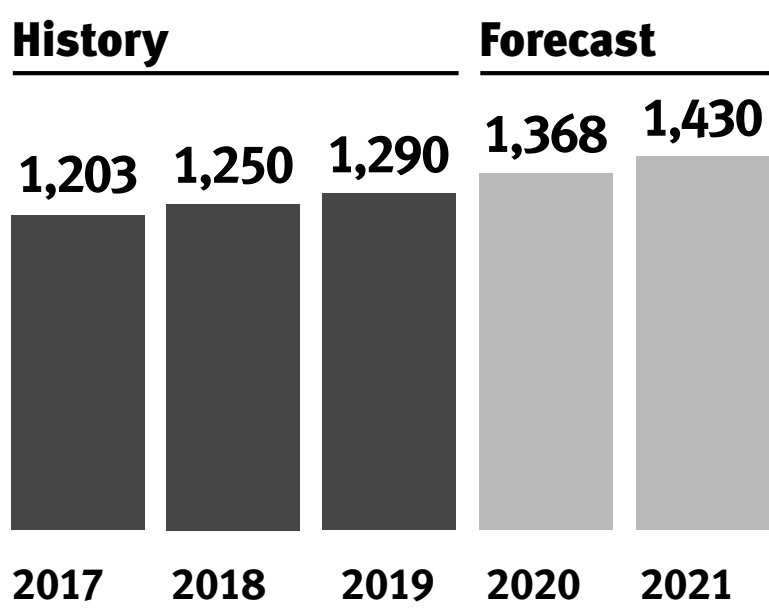
1.6%

Macro-Economic Drivers

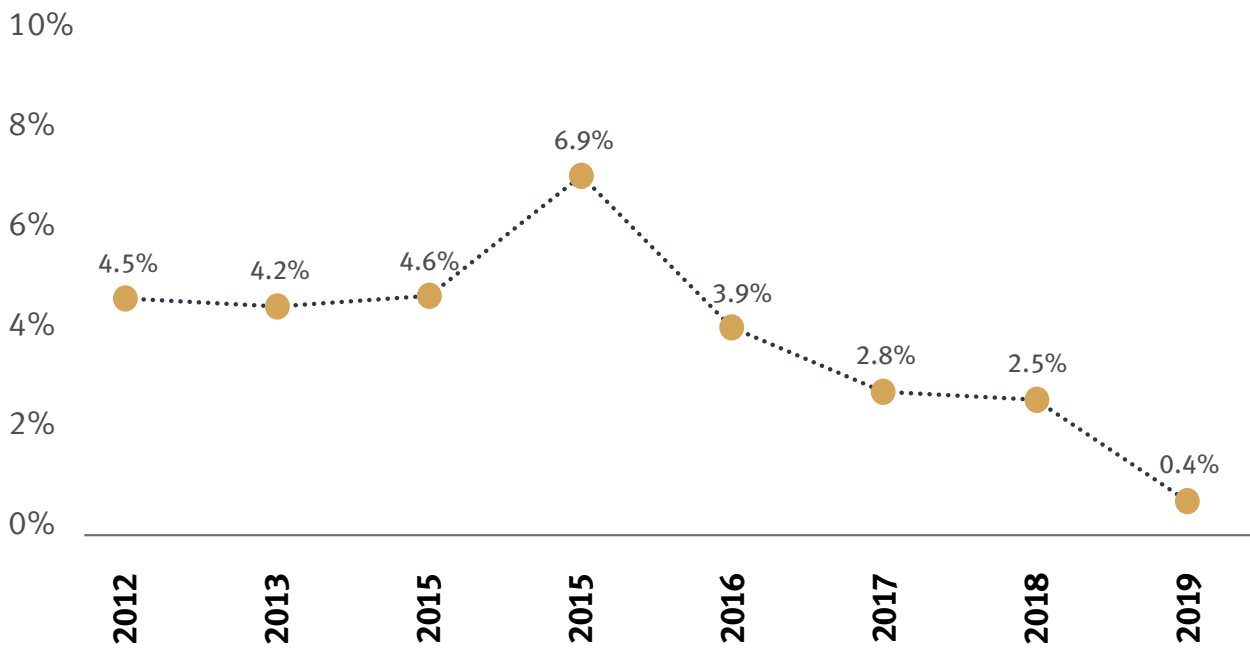
Existing Home Sales (thousands of units)
Source: Ntl. Assoc. of Realtors U.S. Economic Outlook (Jan 2020)



Housing Starts (thousands of units)
Source: Ntl. Assoc. of Realtors U.S. Economic Outlook (Jan 2020)



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)

	Q3 FY20	Q3 FY19
Net Sales, as reported	\$ 665.7	\$ 619.0
% change from PY	7.5%	
<u>Proforma Adjustments</u>		
Acquisitions	(50.4)	
Currency Translation Effects	0.6	-
Net Sales, organic	\$ 615.9	\$ 619.0
% change from PY	(0.5)%	

Organic Order Growth (Decline)

	Q3 FY20	Q3 FY19
Orders, as reported	\$ 651.7	\$ 612.8
% change from PY	6.3%	
<u>Proforma Adjustments</u>		
Acquisitions	(48.2)	
Currency Translation Effects	0.6	-
Orders, organic	\$ 604.1	\$612.8
% change from PY	(1.4)%	

Adjusted Operating Earnings and Adjusted Earnings Per Share

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

Adjusted Operating Earnings

	Q3 FY20	Q2 FY20	Q1 FY20	Q4 FY19
Net Sales	665.7	674.2	670.9	671.0
Operating Earnings (GAAP)	50.4	62.4	60.1	56.5
Operating Earnings	7.6%	9.3%	9.0%	8.4%
Add: Special Charges	6.1	1.2	0.4	1.7
Add: Restructuring Expenses	3.5	4.2	1.8	8.5
Adj. Operating Earnings (non-GAAP)	\$ 60.0	\$ 67.8	\$ 62.3	\$ 66.7
Adj. Operating Margin	9.0%	10.1%	9.3%	9.9%

Adjusted Earnings per Share

	Q3 FY20	Q3 FY19
Earnings per Share - Diluted	\$ 0.64	\$ 0.66
Add: Special charges, after tax	0.06	0.01
Add: Restructuring expenses, after tax	0.04	
Less: Adjustments related to U.S. Tax Cuts and Jobs Act		(0.03)
Adjusted Earnings per Share - Diluted	\$ 0.74	\$ 0.64

Adjusted EBITDA and Adjusted EBITDA Ratios

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

Adjusted EBITDA (Bank) Ratios Trailing 4-Quarter Period Ended				
	Q3 FY20	Q2 FY20	Q1 FY20	Q4 FY19
Earnings Before Income Taxes (EBT)	\$ 258.4	\$ 257.0	\$ 215.9	\$ 195.1
Add:				
Depreciation	65.0	66.1	66.6	65.9
Amortization	7.3	6.3	5.9	6.2
Interest	11.9	12.1	12.1	12.1
Other Adjustments(1)	(\$ 0.7)	(\$ 10.0)	\$ 16.3	19.5
Adjusted EBITDA - Bank	\$ 341.9	\$ 331.4	\$ 316.8	\$ 294.6
Total Debt, End of Trailing Period (includes outstanding LC's)	\$ 303.4	\$ 293.3	\$ 298.2	\$ 288.1
Rolling 4-Quarter Debt-to-Adj. EBITDA	0.9	0.9	0.9	1.0
Rolling 4-Quarter Adj. EBITDA-to-Interest	28.7	27.5	26.1	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.

