UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 29, 2020

or

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

For the transition period from to

Commission file number: 001-15141

HERMAN MILLER, INC.
(Exact name of registrant as specified in its charter)

Michigan	**38-0837640**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

855 East Main Avenue
Zeeland, MI 49464
(Address of principal executive offices and zip code)
(616) 654-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	MLHR	NASDAQ

Indicate by check mark whether the registrant: (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 (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o	Non-accelerated filer	o	Smaller reporting company	☐	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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No x

As of October 1, 2020, Herman Miller, Inc. had 58,900,841 shares of common stock outstanding.

Herman Miller, Inc.
Form 10-Q
Table of Contents

PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

Herman Miller, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Dollars in millions, except share data)	Three Months Ended			
(Unaudited)	August 29, 2020		August 31, 2019	
Net sales	$	626.8	$	670.9
Cost of sales		376.8		424.8
Gross margin		250.0		246.1
Operating expenses:				
Selling, general and administrative		139.7		165.0
Restructuring expense, net		(1.2)		1.8
Design and research		16.1		19.2
Total operating expenses		154.6		186.0
Operating earnings		95.4		60.1
Interest expense		3.7		3.0
Interest and other investment income		0.4		0.7
Other income, net		(1.7)		(0.2)
Earnings before income taxes and equity income		93.8		58.0
Income tax expense		20.6		12.2
Equity income from nonconsolidated affiliates, net of tax		0.2		2.2
Net earnings		73.4		48.0
Net earnings (loss) attributable to redeemable noncontrolling interests		0.4		(0.2)
Net earnings attributable to Herman Miller, Inc.	**$**	**73.0**	**$**	**48.2**
Earnings per share — basic	$	1.24	$	0.82
Earnings per share — diluted	$	1.24	$	0.81
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	$	30.1	$	(9.3)
Pension and post-retirement liability adjustments		1.2		0.7
Unrealized gains (losses) on interest rate swap agreement		0.3		(8.8)
Unrealized holding loss on available for sale securities		(0.1)		—
Other comprehensive (loss) income, net of tax		31.5		(17.4)
Comprehensive income		104.9		30.6
Comprehensive income (loss) attributable to redeemable noncontrolling interests		3.0		(0.2)
Comprehensive income attributable to Herman Miller, Inc.	**$**	**101.9**	**$**	**30.8**

See accompanying notes to Condensed Consolidated Financial Statements.

Herman Miller, Inc.

Condensed Consolidated Balance Sheets

(Dollars in millions, except per share data) *(Unaudited)*	August 29, 2020	May 30, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 296.6	$ 454.0
Short-term investments	7.0	7.0
Accounts receivable, net of allowances of $5.3 and $4.7	195.3	180.0
Unbilled accounts receivable	28.4	19.5
Inventories, net	186.5	197.3
Prepaid expenses	29.1	43.3
Other current assets	14.6	16.0
Total current assets	757.5	917.1
Property and equipment, at cost	1,111.2	1,111.3
Less — accumulated depreciation	(783.5)	(780.5)
Net property and equipment	327.7	330.8
Right of use assets	197.8	193.9
Goodwill	358.6	346.0
Indefinite-lived intangibles	96.2	92.8
Other amortizable intangibles, net of accumulated amortization of $67.0 and $62.7	115.8	112.4
Other noncurrent assets	63.5	60.9
Total Assets	**$ 1,917.1**	**$ 2,053.9**
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 159.5	$ 128.8
Short-term borrowings and current portion of long-term debt	52.4	51.4
Accrued compensation and benefits	56.6	71.1
Accrued warranty	16.2	16.1
Customer deposits	36.2	39.8
Other accrued liabilities	156.6	163.0
Total current liabilities	477.5	470.2
Long-term debt	274.9	539.9
Pension and post-retirement benefits	43.4	42.4
Lease liabilities	178.7	178.8
Other liabilities	139.0	129.2
Total Liabilities	**1,113.5**	**1,360.5**
Redeemable noncontrolling interests	**57.2**	**50.4**
Stockholders' Equity:		
Preferred stock, no par value (10,000,000 shares authorized, none issued)	—	—
Common stock, $0.20 par value (240,000,000 shares authorized, 58,899,500 and 58,793,275 shares issued and outstanding in fiscal 2021 and 2020, respectively)	11.8	11.8
Additional paid-in capital	83.1	81.6
Retained earnings	756.9	683.9
Accumulated other comprehensive loss	(105.1)	(134.0)
Deferred compensation plan	(0.3)	(0.3)
Total Stockholders' Equity	**746.4**	**643.0**
Total Liabilities, Redeemable Noncontrolling Interests, and Stockholders' Equity	**$ 1,917.1**	**$ 2,053.9**

See accompanying notes to Condensed Consolidated Financial Statements.

Herman Miller, Inc.

Condensed Consolidated Statements of Cash Flows

(Dollars in millions)	Three Months Ended	
(Unaudited)	August 29, 2020	August 31, 2019
Cash Flows from Operating Activities:		
Net earnings	$ 73.4	$ 48.0
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	21.2	19.3
Stock-based compensation	1.5	2.6
Restructuring expense	(1.2)	1.8
(Increase) decrease in current assets	3.9	1.4
Increase (decrease) in current liabilities	13.3	(18.9)
Increase in non-current liabilities	5.2	—
Other, net	(1.4)	0.5
Net Cash Provided by Operating Activities	**115.9**	**54.7**
Cash Flows from Investing Activities:		
Proceeds from sale of property and dealers	6.4	—
Capital expenditures	(11.3)	(20.6)
Equity investment in non-controlled entities	—	(3.1)
Other, net	(0.2)	(0.3)
Net Cash Used in Investing Activities	**(5.1)**	**(24.0)**
Cash Flows from Financing Activities:		
Repayments of credit facility	(265.0)	—
Dividends paid	(12.3)	(11.6)
Common stock issued	0.8	12.7
Common stock repurchased and retired	(0.9)	(7.6)
Purchase of redeemable noncontrolling interests	—	(19.8)
Other, net	0.9	(1.6)
Net Cash Used in Financing Activities	**(276.5)**	**(27.9)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	8.3	(2.5)
Net (Decrease) Increase in Cash and Cash Equivalents	(157.4)	0.3
Cash and Cash Equivalents, Beginning of Period	454.0	159.2
Cash and Cash Equivalents, End of Period	**$ 296.6**	**$ 159.5**

See accompanying notes to Condensed Consolidated Financial Statements.

Herman Miller, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(Dollars in millions, except share data) *(Unaudited)*	Three Months Ended August 29, 2020								
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Deferred Compensation Plan	Herman Miller, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
May 30, 2020	58,793,275	$ 11.8	$ 81.6	$ 683.9	$ (134.0)	$ (0.3)	$ 643.0	$ —	$ 643.0
Net earnings	—	—	—	73.0	—	—	73.0	—	73.0
Other comprehensive income, net of tax	—	—	—	—	28.9	—	28.9	—	28.9
Stock-based compensation expense	—	—	1.5	—	—	—	1.5	—	1.5
Exercise of stock options	8,133	—	0.2	—	—	—	0.2	—	0.2
Restricted and performance stock units released	106,607	—	—	—	—	—	—	—	—
Employee stock purchase plan issuances	25,116	—	0.6	—	—	—	0.6	—	0.6
Repurchase and retirement of common stock	(36,644)	—	(0.9)	—	—	—	(0.9)	—	(0.9)
Directors' fees	3,013	—	0.1	—	—	—	0.1	—	0.1
August 29, 2020	58,899,500	$ 11.8	$ 83.1	$ 756.9	$ (105.1)	$ (0.3)	$ 746.4	$ —	$ 746.4

	Three Months Ended August 31, 2019								
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Deferred Compensation Plan	Herman Miller, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
June 1, 2019	58,794,148	$ 11.7	$ 89.8	$ 712.7	$ (94.2)	$ (0.8)	$ 719.2	$ —	$ 719.2
Net earnings	—	—	—	48.2	—	—	48.2	(0.2)	48.0
Other comprehensive loss, net of tax	—	—	—	—	(17.4)	—	(17.4)	—	(17.4)
Stock-based compensation expense	—	—	2.6	—	—	—	2.6	—	2.6
Exercise of stock options	382,898	0.1	12.1	—	—	—	12.2	—	12.2
Restricted and performance stock units released	45,105	—	—	—	—	—	—	—	—
Employee stock purchase plan issuances	14,750	—	0.5	—	—	—	0.5	—	0.5
Repurchase and retirement of common stock	(173,001)	—	(7.6)	—	—	—	(7.6)	—	(7.6)
Deferred compensation plan	—	—	—	—	—	0.2	0.2	—	0.2
Dividends declared ($0.21 per share)	—	—	—	(12.5)	—	—	(12.5)	—	(12.5)
Redemption value adjustment	—	—	—	(0.2)	—	—	(0.2)	0.2	—
August 31, 2019	59,063,900	11.8	97.4	748.2	(111.6)	(0.6)	745.2	—	745.2

See accompanying notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements

(Dollars in millions, except share data)
(unaudited)

1. Basis of Presentation

The Condensed Consolidated Financial Statements have been prepared by Herman Miller, Inc. (“the Company”) in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Management believes the disclosures made in this document are adequate with respect to interim reporting requirements. Unless otherwise noted or indicated by the context, all references to "Herman Miller," "we," "our," "Company" and similar references are to Herman Miller, Inc., its predecessors, and controlled subsidiaries.

The accompanying unaudited Condensed Consolidated Financial Statements, taken as a whole, contain all adjustments that are of a normal recurring nature necessary to present fairly the financial position of the Company as of August 29, 2020. Operating results for the three months ended August 29, 2020 are not necessarily indicative of the results that may be expected for the year ending May 29, 2021. It is suggested that these Condensed Consolidated 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 30, 2020. All intercompany transactions have been eliminated in the Condensed Consolidated Financial Statements. The financial statements of equity method investments are not consolidated. Certain prior year amounts in the Condensed Consolidated Financial Statements have been reclassified to conform with current year presentation.

2. Recently Issued Accounting Standards

Recently Adopted Accounting Standards

On May 31, 2020, the Company adopted Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" using the modified retrospective method. This update replaces the existing incurred loss impairment model with an expected loss model and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates including customer credit quality, historical write-off trends and general information regarding industry trends and the macroeconomic environment. The adoption did not have a material impact on the Company's financial statements, accounting policies or methods utilized to determine the allowance for doubtful accounts.

On May 31, 2020, the Company adopted ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement" using the prospective method. This update modifies certain disclosure requirements for fair value measurements. The adoption did not have a material impact on the Company's financial statements.

Recently Issued Accounting Standards Not Yet Adopted

The Company is currently evaluating the impact of adopting the following relevant standards issued by the FASB:

Standard		Description	Effective Date
2018-14	Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans	This update eliminates, adds and clarifies certain disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. Early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its financial statements.	May 30, 2021

All other issued and not yet effective accounting standards are not relevant to the Company.

3. Revenue from Contracts with Customers

Disaggregated Revenue

Revenue disaggregated by contract type has been provided in the table below:

	Three Months Ended	
(In millions)	August 29, 2020	August 31, 2019
Net Sales:		
Single performance obligation		
Product revenue	$ 543.3	$ 566.2
Multiple performance obligations		
Product revenue	78.4	99.9
Service revenue	3.1	2.3
Other	2.0	2.5
Total	$ 626.8	$ 670.9

Effective in the first quarter of fiscal 2021, the Company has revised its product categories in the table below to consist of workplace, performance seating, lifestyle and other. The change in these product categories reflects how the Company internally reports and evaluates products when making operational decisions. Prior year results disclosed in the table below have been revised to reflect these changes.

Revenue disaggregated by product type and reportable segment has been provided in the table below:

	Three Months Ended	
(In millions)	August 29, 2020	August 31, 2019
North America Contract:		
Workplace	$ 207.1	$ 283.2
Performance Seating	77.5	111.9
Lifestyle	22.4	23.5
Other	31.8	39.8
Total North America Contract	$ 338.8	$ 458.4
International Contract:		
Workplace	$ 41.9	$ 47.6
Performance Seating	62.7	57.0
Lifestyle	46.7	6.3
Other	2.4	3.0
Total International Contract	$ 153.7	$ 113.9
Retail:		
Workplace	$ 1.9	$ 1.0
Performance Seating	47.5	9.1
Lifestyle	84.7	88.5
Other	0.2	—
Total Retail	$ 134.3	$ 98.6
Total	$ 626.8	$ 670.9

Refer to Note 16 of the Condensed Consolidated Financial Statements for further information related to our reportable segments.

Contract Balances

Customers may make payments before the satisfaction of the Company's performance obligation and recognition of revenue. These payments represent contract liabilities and are included within the caption “Customer deposits” in the Condensed Consolidated Balance Sheets. During the three months ended August 29, 2020, the Company recognized Net sales of $18.1 million related to customer deposits that were included in the balance sheet as of May 30, 2020.

4. Leases

The components of lease expense are provided in the table below:

(In millions)	August 29, 2020	August 31, 2019
Operating lease costs	$ 11.0	$ 12.7
Short-term lease costs	0.8	0.6
Variable lease costs*	1.6	2.2
Total	$ 13.4	$ 15.5

*Not included in the table above for the three months ended August 29, 2020 and August 31, 2019 are variable lease costs of $16.9 million and $21.9 million, respectively, for raw material purchases under certain supply arrangements that the Company has determined to meet the definition of a lease.

During the fourth quarter of fiscal 2020, the Company determined it was more likely than not that the fair value of certain right of use assets were below their carrying values and assessed these assets for impairment. As result of this assessment the Company recorded an impairment of $19.3 million in the Consolidated Statements of Comprehensive Income in the fourth quarter of fiscal 2020 which is the primary driver of lower operating lease cost in the three months ended August 29, 2020 compared to the prior year.

At August 29, 2020, the Company had no financing leases. The undiscounted annual future minimum lease payments related to the Company's right-of-use assets are summarized by fiscal year in the following table:

(In millions)	
2021	$ 37.3
2022	47.2
2023	42.6
2024	36.8
2025	32.7
Thereafter	74.7
Total lease payments*	$ 271.3
Less interest	25.9
Present value of lease liabilities	$ 245.4

*Lease payments exclude $31.2 million of legally binding minimum lease payments for leases signed but not yet commenced, primarily related to a new Chicago showroom expected to open in fiscal 2021.

The long-term portion of the lease liabilities included in the amounts above is $178.7 million and the remainder of the lease liabilities are included in "Other accrued liabilities" in the Condensed Consolidated Balance Sheets.

At August 29, 2020, the weighted average remaining lease term and weighted average discount rate for operating leases were 7 years and 3.0%, respectively.

During the three months ended August 29, 2020, the cash paid for leases included in the measurement of the liabilities and the operating cash flows was $11.1 million and the right of use assets obtained in exchange for new liabilities were $11.4 million. During the three months ended August 31, 2019, the cash paid for leases included in the measurement of the liabilities and the operating cash flows was $12.5 million and the right of use assets obtained in exchange for new liabilities were $4.6 million.

5. Acquisitions

Nine United Denmark A/S

On June 7, 2018, the Company acquired 33% of the outstanding equity of Nine United Denmark A/S, d/b/a HAY and subsequently renamed to HAY ApS ("HAY"), a Copenhagen, Denmark-based, design leader in furniture and ancillary furnishings for residential and contract markets in Europe and Asia. The Company acquired its 33% ownership interest in HAY for approximately $65.5 million in cash. The entity was accounted for using the equity method of accounting until the purchase of the additional 34% equity on December 2, 2019. The Company also acquired the rights to the HAY brand in North America under a long-term license agreement for approximately $4.8 million in cash.

On December 2, 2019, the Company obtained a controlling financial interest in HAY through the purchase of an additional 34% equity voting interest. This acquisition will allow the Company to further promote growth and development of HAY's ancillary product lines and continue to support product innovation and sales growth. The Company previously accounted for its ownership interest in HAY as an equity method investment, but upon increasing its ownership to 67% on the Acquisition Date, the Company consolidated the operations of HAY. Total consideration paid for HAY on the Acquisition Date was $79.0 million, exclusive of HAY cash on hand. The Company funded the acquisition with cash and cash equivalents.

The previously mentioned HAY long-term licensing agreement was deemed to be a contractual preexisting relationship. As a result of the business combination, the Company recorded this arrangement at its Acquisition Date fair value, which resulted in an increase in goodwill of $10.0 million and a net gain of $5.9 million, which was recorded within "Gain on consolidation of equity method investments" within the Condensed Consolidated Statements of Comprehensive Income during the three months ended May 30, 2020. The goodwill was recorded within the Company's Retail segment.

The Company is a party to options, that if exercised, would require it to purchase the remaining 33% of the equity in HAY, at fair market value. This remaining redeemable noncontrolling interest in HAY is classified outside permanent equity in the Consolidated Balance Sheets and is carried at the current estimated redemption amount.

The allocation of the purchase price was finalized during the first quarter of fiscal 2021. The following table presents the allocation of purchase price related to acquired tangible assets:

(In millions)		
Cash	$	12.1
Working capital, net of cash and inventory step-up		12.3
Net property and equipment		0.9
Other assets		3.9
Other liabilities		(3.1)
Net assets acquired	$	26.1

The purchase of the additional equity interest in HAY was considered to be an acquisition achieved in stages, whereby the previously held equity interest was remeasured as of the acquisition date. The Company considered multiple factors in determining the fair value of the previously held equity method investment, including the price negotiated with the selling shareholder for the 34% equity interest in HAY, an income valuation model (discounted cash flow) and current trading multiples for comparable companies. Based on this analysis, the Company recognized a non-taxable gain of approximately $0.3 million on the remeasurement of the previously held equity method investment of $67.8 million. The net gain has been recognized in "Gain on consolidation of equity method investments" within the Condensed Consolidated Statements of Comprehensive Income during the three months ended May 30, 2020.

The following table summarizes the acquired identified intangible assets, valuation method employed, useful lives and fair value, as determined by the Company at the acquisition date:

(In millions)	Valuation Method	Useful Life (years)		Fair Value
Inventory Step-up	Comparative Sales Approach	0.8	$	3.4
Backlog	Multi-Period Excess Earnings	0.3		1.7
Deferred Revenue	Adjusted Fulfillment Cost Method	0.1		(2.2)
Tradename	Relief from Royalty	Indefinite		60.0
Product Development	Relief from Royalty	8.0		22.0
Customer Relationships	Multi-Period Excess Earnings	9.0		34.0
Total			$	118.9

Goodwill related to the acquisition was recorded within the International Contract segment for $101.1 million and the Retail segment for $10.0 million. Subsequent to the acquisition, the goodwill recorded to the Retail segment was fully impaired in fiscal 2020 based on the results of the Company's annual goodwill impairment assessment.

naughtone

On October 25, 2019 (“Acquisition Date”), the Company purchased the remaining 47.5% equity voting interest in naughtone (Holdings) Limited and naughtone Manufacturing Ltd. (together “naughtone”). naughtone is an upscale, contemporary furniture manufacturer based in Harrogate, North Yorkshire, UK. The completion of the acquisition will allow the Company to further promote growth and development of naughtone's ancillary product lines, and continue to support product innovation and sales growth. The Company previously accounted for its ownership interest in naughtone as an equity method investment. Upon increasing its ownership to 100% on the acquisition date, the Company obtained a controlling financial interest and consolidated the operations of naughtone. Total consideration paid for naughtone on the Acquisition Date was $45.9 million, exclusive of naughtone cash on hand. The Company funded the acquisition with cash and cash equivalents. The allocation of the purchase price was finalized during the fourth quarter of fiscal 2020.

The following table presents the allocation of purchase price related to acquired tangible assets:

(In millions)		
Cash	$	5.1
Working capital, net of cash and inventory step-up		1.3
Net property and equipment		0.8
Net assets acquired	$	7.2

The purchase of the remaining equity interest in naughtone was considered to be an acquisition achieved in stages, whereby the previously held equity interest was remeasured as of the acquisition date. The Company considered multiple factors in determining the fair value of the previously held equity method investment, including the price negotiated with the selling shareholder for the 47.5% equity interest in naughtone, an income valuation model (discounted cash flow) and current trading multiples for comparable companies. Based on this analysis, the Company recognized a non-taxable gain of approximately $30.0 million on the remeasurement of the previously held equity method investment of $20.5 million. The net gain has been recognized in “Gain on consolidation of equity method investments" within the Condensed Consolidated Statements of Comprehensive Income during the three months ended November 30, 2019.

The following table summarizes the acquired identified intangible assets, valuation method employed, useful lives and fair value, as determined by the Company at the acquisition date:

(In millions)	Valuation Method	Useful Life (years)	Fair Value	
Inventory Step-up	Comparative Sales Approach	0.3	$	0.2
Backlog	Multi-Period Excess Earnings	0.3		0.8
Tradename	Relief from Royalty	Indefinite		8.5
Customer Relationships	Multi-Period Excess Earnings	9.0		29.4
Total			$	38.9

Goodwill related to the acquisition was recorded within the North America Contract and International Contract segments for $35.0 million and $22.5 million, respectively.

Pro Forma Results of Operations

The results of naughtone and HAY’s operations have been included in the Consolidated Financial Statements beginning on October 25, 2019 and December 2, 2019 respectively. The following table provides pro forma results of operations for the three months ended August 31, 2019, as if naughtone and HAY had been acquired as of June 2, 2019. The pro forma results include certain purchase accounting adjustments such as the estimated change in depreciation and amortization expense on the acquired tangible and intangible assets. Pro forma results do not include any anticipated cost savings from the planned integration of these acquisitions. Accordingly, such amounts are not necessarily indicative of the results that would have occurred if the acquisition had occurred on the dates indicated or that may result in the future.

(In millions)	Three Months Ended August 31, 2019
Net sales	$ 720.8
Net earnings attributable to Herman Miller, Inc.	$ 49.0

6. Inventories, net

(In millions)	August 29, 2020	May 30, 2020
Finished goods	$ 144.5	$ 151.1
Raw materials	42.0	46.2
Total	$ 186.5	$ 197.3

Inventories are valued at the lower of cost or market and include material, labor, and overhead. Certain inventories within our North America Contract manufacturing operations are valued using the last-in, first-out (LIFO) method. Inventories of all other operations are valued using the first-in, first-out (FIFO) method.

7. Goodwill and Indefinite-Lived Intangibles

Goodwill and other indefinite-lived intangible assets included in the Condensed Consolidated Balance Sheets consisted of the following as of August 29, 2020 and May 30, 2020:

(In millions)	Goodwill	Indefinite-lived Intangible Assets
May 30, 2020	$ 346.0	$ 92.8
Foreign currency translation adjustments	12.6	3.4
August 29, 2020	$ 358.6	$ 96.2

Goodwill is tested for impairment at the reporting unit level annually, or more frequently, when events or changes in circumstances indicate that the fair value of a reporting unit has more likely than not declined below its carrying value. When testing goodwill for impairment, the Company may first assess qualitative factors. If an initial qualitative assessment identifies that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, additional quantitative testing is performed. The Company may also elect to bypass the qualitative testing and proceed directly to the quantitative testing. If the quantitative testing indicates that goodwill is impaired, the carrying value of goodwill is written down to fair value.

Each of the reporting units were reviewed for impairment using a quantitative assessment as of March 31, 2020, our annual testing date. In performing the quantitative impairment test, the Company determined that the fair value of the North America and International reporting units exceeded the carrying amount and, as such, these reporting units were not impaired. The assessment of the Retail and Maharam reporting units indicated that the carrying value of these reporting units exceeded their fair values, and goodwill impairment charges of $88.8 million and $36.7 million, respectively, were recorded in fiscal 2020 resulting in no goodwill in either the Retail or Maharam reporting units. Accumulated goodwill impairment losses were $125.3 million as of August 29, 2020 and May 30, 2020.

The fair value of the Company's International reporting unit, which includes $163.7 million of goodwill as of May 30, 2020, exceeded its carrying value by 17%. Due to the level that the reporting unit fair value exceeded the carrying amount and the results of the sensitivity analysis, the Company may need to record an impairment charge if the operating results of its International reporting unit were to decline in future periods.

Intangible assets with indefinite useful lives are not subject to amortization and are evaluated annually for impairment, or more frequently, when events or changes in circumstances indicate that the fair value of an intangible asset may not be recoverable.

In fiscal 2020, the Company performed quantitative assessments in testing indefinite-lived intangible assets for impairment, which resulted in the carrying values of the DWR, Maharam, HAY and naughtone trade names exceeding their fair values by $53.3 million, and impairment charges of this amount were recognized. If the residual cash flows related to these trade names were to decline in future periods, the Company may need to record an additional impairment charge.

During the three months ended August 29, 2020, there were no identified indicators of impairment that required the Company to complete an interim quantitative impairment assessment related to any of the Company's reporting units or indefinitely-lived intangible assets.

8. Employee Benefit Plans

The following table summarizes the components of net periodic benefit cost for the Company's defined benefit pension plan for the three months ended:

(In millions)	August 29, 2020	August 31, 2019
Interest cost	$ 0.7	$ 0.5
Expected return on plan assets	(1.4)	(1.0)
Net amortization loss	1.6	0.8
Net periodic benefit cost	$ 0.9	$ 0.3

9. Earnings Per Share

The following table reconciles the numerators and denominators used in the calculations of basic and diluted earnings per share (EPS) for the three months ended:

	August 29, 2020	August 31, 2019
Numerators:		
Numerator for both basic and diluted EPS, Net earnings attributable to Herman Miller, Inc. - in millions	$ 73.0	$ 48.2
Denominators:		
Denominator for basic EPS, weighted-average common shares outstanding	58,831,305	58,909,001
Potentially dilutive shares resulting from stock plans	132,963	322,727
Denominator for diluted EPS	58,964,268	59,231,728
Antidilutive equity awards not included in weighted-average common shares - diluted	1,096,907	123,088

10. Stock-Based Compensation

The following table summarizes the stock-based compensation expense and related income tax effect for the three months ended:

(In millions)	August 29, 2020	August 31, 2019
Stock-based compensation expense	$ 1.5	$ 2.6
Related income tax effect	0.3	0.6

Certain of the Company's equity-based compensation awards contain provisions that allow for continued vesting into retirement. Stock-based awards are considered fully vested for expense attribution purposes when the employee's retention of the award is no longer contingent on providing subsequent service.

11. Income Taxes

The Company recognizes interest and penalties related to uncertain tax benefits through income tax expense in its Condensed Consolidated Statements of Comprehensive Income. Interest and penalties recognized in the Company's Condensed Consolidated Statements of Comprehensive Income were negligible for the three months ended August 29, 2020 and August 31, 2019.

The Company's recorded liability for potential interest and penalties related to uncertain tax benefits was:

(In millions)	August 29, 2020	May 30, 2020
Liability for interest and penalties	$ 0.8	$ 0.8
Liability for uncertain tax positions, current	$ 2.0	$ 1.9

The Company's process for determining the provision for income taxes for the three months ended August 29, 2020 involved using an estimated annual effective tax rate which was based on expected annual income and statutory tax rates across the various jurisdictions in which it operates. The effective tax rates were 22.0% and 21.0%, respectively, for the three month periods ended August 29, 2020 and August 31, 2019. The year over year increase in the effective tax rate for the three months ended August 29, 2020 resulted from a decrease in the current quarter tax deduction for certain stock based compensation awards as compared to the same quarter in the prior year. For the three months ended August 29, 2020, the effective tax rate is higher than the United States federal statutory rate due to United States state income taxes and the mix of earnings in tax jurisdictions that had rates that were higher than the United States federal statutory rate. For the three months ended August 31, 2019, the effective tax rate was the same as the United States federal statutory rate.

The Company is subject to periodic audits by domestic and foreign tax authorities. Currently, the Company is undergoing routine periodic audits in both domestic and foreign tax jurisdictions. It is reasonably possible that the amounts of unrecognized tax benefits could change in the next twelve months because of the audits. Tax payments related to these audits, if any, are not expected to be material to the Company's Condensed Consolidated Statements of Comprehensive Income.

For the majority of tax jurisdictions, the Company is no longer subject to state, local, or non-United States income tax examinations by tax authorities for fiscal years before 2016.

12. Fair Value Measurements

The Company's financial instruments consist of cash equivalents, marketable securities, accounts and notes receivable, deferred compensation plan, accounts payable, debt, interest rate swaps, foreign currency exchange contracts, redeemable noncontrolling interests, indefinite-lived intangible assets and right of use assets. The Company's financial instruments, other than long-term debt, are recorded at fair value.

The carrying value and fair value of the Company's long-term debt, including current maturities, is as follows for the periods indicated:

(In millions)	August 29, 2020	May 30, 2020
Carrying value	$ 327.3	$ 591.4
Fair value	$ 332.1	$ 594.0

The following describes the methods the Company uses to estimate the fair value of financial assets and liabilities recorded in net earnings, which have not significantly changed in the current period:

Cash and cash equivalents — The Company invests excess cash in short term investments in the form of commercial paper and money market funds. Commercial paper is valued at amortized costs while money market funds are valued using net asset value ("NAV").

Mutual Funds-equity — The Company's equity securities primarily include equity mutual funds. The equity mutual fund investments are recorded at fair value using quoted prices for similar securities.

Deferred compensation plan — The Company's deferred compensation plan primarily includes various domestic and international mutual funds that are recorded at fair value using quoted prices for similar securities.

Foreign currency exchange contracts — The Company's foreign currency exchange contracts are valued using an approach based on foreign currency exchange rates obtained from active markets. The estimated fair value of forward currency exchange contracts is based on month-end spot rates as adjusted by market-based current activity. These forward contracts are not designated as hedging instruments.

The following table sets forth financial assets and liabilities measured at fair value through net income and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy as of August 29, 2020 and May 30, 2020.

(In millions)	August 29, 2020		May 30, 2020	
Financial Assets	NAV	Quoted Prices with Other Observable Inputs (Level 2)	NAV	Quoted Prices with Other Observable Inputs (Level 2)
Cash equivalents:				
Money market funds	$ 100.9	$ —	$ 283.7	$ —
Mutual funds - equity	—	0.7	—	0.7
Foreign currency forward contracts	—	1.0	—	1.1
Deferred compensation plan	—	15.2	—	13.2
Total	$ 100.9	$ 16.9	$ 283.7	$ 15.0
Financial Liabilities				
Foreign currency forward contracts	$ —	$ 0.2	$ —	$ 0.8
Total	$ —	$ 0.2	$ —	$ 0.8

The following describes the methods the Company uses to estimate the fair value of financial assets and liabilities recorded in other comprehensive income, which have not significantly changed in the current period:

Mutual funds-fixed income — The Company's fixed-income securities primarily include fixed income mutual funds and government obligations. These investments are recorded at fair value using quoted prices for similar securities.

Interest rate swap agreements — The value of the Company's interest rate swap agreements is determined using a market approach based on rates obtained from active markets. The interest rate swap agreements are designated as cash flow hedging instruments.

The following table sets forth financial assets and liabilities measured at fair value through other comprehensive income and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy as of August 29, 2020 and May 30, 2020.

(In millions)	August 29, 2020	May 30, 2020
Financial Assets	Quoted Prices with Other Observable Inputs (Level 2)	Quoted Prices with Other Observable Inputs (Level 2)
Mutual funds - fixed income	$ 6.3	$ 6.3
Total	$ 6.3	$ 6.3
Financial Liabilities		
Interest rate swap agreement	$ 24.6	$ 25.0
Total	$ 24.6	$ 25.0

The following is a summary of the carrying and market values of the Company's fixed income mutual funds and equity mutual funds as of the dates indicated:

	August 29, 2020			May 30, 2020		
(In millions)	Cost	Unrealized Gain/(Loss)	Market Value	Cost	Unrealized Gain/(Loss)	Market Value
Mutual funds - fixed income	$ 6.3	$ —	$ 6.3	$ 6.2	$ 0.1	$ 6.3
Mutual funds - equity	0.6	0.1	0.7	0.6	0.1	0.7
Total	$ 6.9	$ 0.1	$ 7.0	$ 6.8	$ 0.2	$ 7.0

The cost of securities sold is based on the specific identification method; realized gains and losses resulting from such sales are included in the Condensed Consolidated Statements of Comprehensive Income within "Other income, net". The Company views its equity and fixed income mutual funds as available for use in its current operations. Accordingly, the investments are recorded within Current Assets within the Condensed Consolidated Balance Sheets.

Derivative Instruments and Hedging Activities

Foreign Currency Forward Contracts

The Company transacts business in various foreign currencies and has established a program that primarily utilizes foreign currency forward contracts to reduce the risks associated with the effects of certain foreign currency exposures. Under this program, the Company's strategy is to have increases or decreases in our foreign currency exposures offset by gains or losses on the foreign currency forward contracts to mitigate the risks and volatility associated with foreign currency transaction gains or losses. Foreign currency exposures typically arise from net liability or asset exposures in non-functional currencies on the balance sheets of our foreign subsidiaries. Foreign currency forward contracts generally settle within 30 days and are not used for trading purposes.

These forward contracts are not designated as hedging instruments. Accordingly, we record the fair value of these contracts as of the end of the reporting period in the Consolidated Balance Sheets with changes in fair value recorded within the Consolidated Statements of Comprehensive Income. The balance sheet classification for the fair values of these forward contracts is to Other current assets for unrealized gains and to Other accrued liabilities for unrealized losses. The Consolidated Statements of Comprehensive Income classification for the fair values of these forward contracts is to Other (income) expense, net, for both realized and unrealized gains and losses.

Interest Rate Swaps

The Company enters into interest rate swap agreements to manage its exposure to interest rate changes and its overall cost of borrowing. The Company's interest rate swap agreements were entered into to exchange variable rate interest payments for fixed rate payments over the life of the agreement without the exchange of the underlying notional amounts. The notional amount of the interest rate swap agreements is used to measure interest to be paid or received. The differential paid or received on the interest rate swap agreements is recognized as an adjustment to interest expense.

The interest rate swaps were designated cash flow hedges at inception and the facts and circumstances of the hedged relationship remains consistent with the initial quantitative effectiveness assessment in that the hedged instruments remain an effective accounting hedge as of August 29, 2020. Since a designated derivative meets hedge accounting criteria, the fair value of the hedge is recorded in the Consolidated Statements of Stockholders' Equity as a component of Accumulated other comprehensive loss, net of tax. The ineffective portion of the change in fair value of the derivatives is immediately recognized in earnings. The interest rate swap agreements are assessed for hedge effectiveness on a quarterly basis.

As of August 29, 2020, the Company had the following two outstanding interest rate swap agreements:

(In millions)	Notional Amount	Forward Start Date	Termination Date	Effective Fixed Interest Rate
September 2016 Interest Rate Swap	$ 150.0	January 3, 2018	January 3, 2028	1.949 %
June 2017 Interest Rate Swap	$ 75.0	January 3, 2018	January 3, 2028	2.387 %

The swaps above effectively converted indebtedness anticipated to be borrowed on the Company's revolving line of credit up to the notional amounts from a LIBOR-based floating interest rate plus applicable margin to an effective fixed interest rate plus applicable margin under the agreements as of the forward start date.

As of August 29, 2020, the fair value of the Company’s two outstanding interest rate swap agreements was a liability of $24.6 million. The liability fair value was recorded within "Other liabilities" within the Condensed Consolidated Balance Sheets. Recorded within Other comprehensive loss, net of tax, for the effective portion of the Company's designated cash flow hedges was a net unrealized gain of $0.3 million and net unrealized loss of $8.8 million for the three months ended August 29, 2020 and August 31, 2019, respectively.

The following table summarizes the effects of the interest rate swap agreements for the three months ended:

(In millions)	August 29, 2020	August 31, 2019
Gain (loss) recognized in Other comprehensive loss (effective portion)	$ 0.3	$ (8.8)
(Loss) gain reclassified from Accumulated other comprehensive loss into earnings	$ (1.1)	$ 0.2

There were no gains or losses recognized in earnings for hedge ineffectiveness for the three month periods ended August 29, 2020 and August 31, 2019, respectively. The amount of loss expected to be reclassified from Accumulated other comprehensive loss into earnings during the next twelve months is $4.4 million, and net of tax is $3.3 million.

Redeemable Noncontrolling Interests

Changes in the Company's redeemable noncontrolling interest in HAY for the three months ended August 29, 2020 are as follows:

(In millions)	August 29, 2020
Beginning Balance	$ 50.4
Net income attributable to redeemable noncontrolling interests	0.4
Cumulative translation adjustments attributable to redeemable noncontrolling interests	2.6
Foreign currency translation adjustments	3.8
Ending Balance	$ 57.2

During August 2019, the Company acquired all of the remaining redeemable noncontrolling equity interests in the Company's subsidiary, Herman Miller Consumer Holdings, Inc. for $20.4 million.

Other

The following table summarizes the valuation of our assets measured at fair value on a non-recurring basis as of May 30, 2020:

(In millions)	May 30, 2020
Assets:	Level 3
Indefinite-lived intangible assets	$ 92.8
DWR right of use assets	110.9

Not included in the above is goodwill related to the Retail and Maharam reporting units, as these were fully written down with a resulting impairment charge of $125.5 million in the fourth quarter of fiscal 2020.

13. Commitments and Contingencies

Product Warranties

The Company provides coverage to the end-user for parts and labor on products sold under its warranty policy and for other product-related matters. The standard length of warranty is 12 years for the majority of products sold; however, this varies depending on the product classification. The Company does not sell or otherwise issue warranties or warranty extensions as stand-alone products. Reserves have been established for various costs associated with the Company's warranty program. General warranty reserves are based on historical claims experience and other currently available information and are periodically adjusted for business levels and other factors. Specific reserves are established once an issue is identified with the amounts for such reserves based on the estimated cost of correction. The Company provides an assurance-type warranty that ensures that products will function as intended. As such, the Company's estimated warranty obligation is accounted for as a liability and is recorded within current and long-term liabilities within the Condensed Consolidated Balance Sheets. Changes in the warranty reserve for the stated periods were as follows:

	Three Months Ended	
(In millions)	August 29, 2020	August 31, 2019
Accrual Balance — beginning	$ 59.2	$ 53.1
Accrual for warranty matters	4.6	5.3
Settlements and adjustments	(3.5)	(5.1)
Accrual Balance — ending	$ 60.3	$ 53.3

Guarantees

The Company is periodically required to provide performance bonds to do business with certain customers. These arrangements are common in the industry and generally have terms ranging between one year and three years. The bonds are required to provide assurance to customers that the products and services they have purchased will be installed and/or provided properly and without damage to their facilities. The bonds are provided by various bonding agencies. However, the Company is ultimately liable for claims that may occur against them. As of August 29, 2020, the Company had a maximum financial exposure related to performance bonds totaling approximately $4.6 million. The Company has no history of claims, nor is it aware of circumstances that would require it to pay, under any of these arrangements. The Company also believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect the Company's Consolidated Financial Statements. Accordingly, no liability has been recorded in respect to these bonds as of either August 29, 2020 or May 30, 2020.

The Company has entered into standby letter of credit arrangements for purposes of protecting various insurance companies and lessors against default on insurance premium and lease payments. As of August 29, 2020, the Company had a maximum financial exposure from these standby letters of credit totaling approximately $9.3 million, all of which is considered usage against the Company's revolving line of credit. The Company has no history of claims, nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect the Company's Consolidated Financial Statements. Accordingly, no liability has been recorded in respect to these arrangements as of August 29, 2020 and May 30, 2020.

Contingencies

The Company is also involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings and litigation currently pending will not have a material adverse effect, if any, on the Company's Consolidated Financial Statements.

14. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of August 29, 2020 and May 30, 2020 consisted of the following obligations:

(In millions)	August 29, 2020	May 30, 2020
Debt securities, 6.0%, due March 1, 2021	$ 50.0	$ 50.0
Debt securities, 4.95%, due May 20, 2030	49.9	49.9
Syndicated revolving line of credit, due August 2024	225.0	490.0
Supplier financing program	2.4	1.4
Total debt	$ 327.3	$ 591.3
Less: Current debt	(52.4)	(51.4)
Long-term debt	$ 274.9	$ 539.9

As of May 30, 2020, the Company's syndicated revolving line of credit provided the Company with up to $500 million in revolving variable interest borrowing capacity and included an "accordion feature" allowing the Company to increase, at its option and subject to the approval of the participating banks, the aggregate borrowing capacity of the facility by up to $250 million. Outstanding borrowings bear interest at rates based on the prime rate, federal funds rate, LIBOR or negotiated rates as outlined in the agreement. Interest is payable periodically throughout the period if borrowings are outstanding.

In June 2020, the Company repaid the $265 million draw on its syndicated revolving line of credit that was taken as a precautionary measure in March 2020 to provide additional near-term liquidity given the uncertainty related to COVID-19.

Available borrowings under the syndicated revolving line of credit were as follows for the periods indicated:

(In millions)	August 29, 2020	May 30, 2020
Syndicated revolving line of credit borrowing capacity	$ 500.0	$ 500.0
Less: Borrowings under the syndicated revolving line of credit	225.0	490.0
Less: Outstanding letters of credit	9.3	9.4
Available borrowings under the syndicated revolving line of credit	$ 265.7	$ 0.6

Supplier Financing Program

The Company has an agreement with a third-party financial institution that allows certain participating suppliers the ability to finance payment obligations from the Company. Under this program, participating suppliers may finance payment obligations of the Company, prior to their scheduled due dates, at a discounted price to the third-party financial institution.

The Company has lengthened the payment terms for certain suppliers that have chosen to participate in the program. As a result, certain amounts due to suppliers have payment terms that are longer than standard industry practice and as such, these amounts have been excluded from the caption “Accounts payable” in the Condensed Consolidated Balance Sheets as the amounts have been accounted for by the Company as current debt, within the caption “Short-term borrowings and current portion of long-term debt”.

15. Accumulated Other Comprehensive Loss

The following table provides an analysis of the changes in accumulated other comprehensive loss for the three months ended August 29, 2020 and August 31, 2019:

(In millions)	Cumulative Translation Adjustments	Pension and Other Post-retirement Benefit Plans	Unrealized Gains on Available-for-sale Securities	Interest Rate Swap Agreement	Accumulated Other Comprehensive Loss
Balance at May 30, 2020	$ (56.0)	$ (59.2)	$ 0.1	$ (18.9)	$ (134.0)
Other comprehensive income (loss), net of tax before reclassifications	27.5	—	(0.1)	1.4	28.8
Reclassification from accumulated other comprehensive loss - Other, net	—	1.4	—	(1.1)	0.3
Tax benefit	—	(0.2)	—	—	(0.2)
Net reclassifications	—	1.2	—	(1.1)	0.1
Net current period other comprehensive income (loss)	27.5	1.2	(0.1)	0.3	28.9
Balance at August 29, 2020	$ (28.5)	$ (58.0)	$ —	$ (18.6)	$ (105.1)
Balance at June 1, 2019	$ (48.3)	$ (45.0)	$ —	$ (0.9)	$ (94.2)
Other comprehensive loss, net of tax before reclassifications	(9.3)	—	—	(9.0)	(18.3)
Reclassification from accumulated other comprehensive loss - Other, net	—	0.8	—	0.2	1.0
Tax benefit	—	(0.1)	—	—	(0.1)
Net reclassifications	—	0.7	—	0.2	0.9
Net current period other comprehensive (loss) income	(9.3)	0.7	—	(8.8)	(17.4)
Balance at August 31, 2019	$ (57.6)	(44.3)	$ —	$ (9.7)	$ (111.6)

16. Operating Segments

The Company's reportable segments consist of North America Contract, International Contract, and Retail.

The North America Contract segment includes the operations associated with the design, manufacture and sale of furniture and textile 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 America Contract segment. In addition to the Herman Miller brand, this 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, naughtone and Herman Miller Collection products.

The International Contract segment includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings in EMEA, Latin America and Asia-Pacific.

The Retail segment includes operations associated with the sale of modern design furnishings and accessories to third party retailers, as well as direct to consumer sales through e-commerce, direct mailing catalogs, DWR studios and HAY stores.

The Company also reports a “Corporate” category consisting primarily of unallocated expenses related to general corporate functions, including, but not limited to, certain legal, executive, corporate finance, information technology, administrative and acquisition-related costs. Management regularly reviews corporate costs and believes disclosing such information provides more visibility and transparency regarding how the chief operating decision maker reviews results of the Company. The accounting policies of the operating segments are the same as those of the Company.

The following is a summary of certain key financial measures for the respective periods indicated:

	Three Months Ended	
(In millions)	August 29, 2020	August 31, 2019
Net Sales:		
North America Contract	$ 338.8	$ 458.4
International Contract	153.7	113.9
Retail	134.3	98.6
Total	$ 626.8	$ 670.9
Operating Earnings (Loss):		
North America Contract	$ 51.8	$ 62.9
International Contract	25.1	13.1
Retail	29.2	(3.9)
Corporate	(10.7)	(12.0)
Total	$ 95.4	$ 60.1

(In millions)	August 29, 2020	May 30, 2020
Total Assets:		
North America Contract	$ 744.9	$ 769.5
International Contract	552.7	512.5
Retail	315.9	310.9
Corporate	303.6	461.0
Total	$ 1,917.1	$ 2,053.9

17. Restructuring Expense

During the fourth quarter of fiscal 2018, the Company announced a facilities consolidation plan related to its International Contract segment. This impacted certain office and manufacturing facilities in the United Kingdom and China. The plan is expected to generate cost savings of approximately $3 million. To date, the Company recognized restructuring and impairment expenses of $5.0 million, with a net credit of $2.8 million recognized to-date in fiscal 2021 and the remainder in fiscal 2020, 2019 and 2018. These expenses related to the facilities consolidation plan, comprised primarily of an asset impairment recorded against an office building in the United Kingdom that was vacated and the consolidation of the Company's manufacturing facilities in China. No material future restructuring costs related to the plan are expected as the plan is substantially complete.

The office building and related assets in China were sold in the first quarter of fiscal 2021, resulting in a gain of approximately $3.4 million, which is included within "Restructuring expense" in the Condensed Consolidated Statements of Comprehensive Income. The office building and related assets in the United Kingdom have a carrying value of approximately $4.3 million and meet the criteria to be designated as assets held for sale. Therefore these assets have been classified as current assets and included within "Other current assets" in the Condensed Consolidated Balance Sheets at August 29, 2020.

In the second quarter of fiscal 2020, the North America Contract segment initiated restructuring discussions with labor unions related to its Nemschoff operation in Wisconsin. The discussions were concluded in the third quarter of fiscal 2020 and as a result, the Company anticipates the total estimated costs related to the actions will be approximately $5 million. These restructuring costs relate to potential partial outsourcing and in-sourcing strategies, long-lived asset impairments and employee-related costs. To date, the Company has recorded approximately $3.0 million in pre-tax restructuring expense related to this plan, with a net credit of $0.2 million recognized in fiscal 2021 and the remainder in fiscal 2020. The plan is expected to be completed in fiscal 2021.

In the second quarter of fiscal 2020, the Company initiated a reorganization of the Global Sales and Product teams. The reorganization activities occurred primarily in the North America business with additional costs incurred Internationally. The Company has recorded a total of $2.6 million in pre-tax restructuring expense to date related to this plan. The reorganization is complete and no future costs related to this plan are expected.

In the third quarter of fiscal 2020, the Company announced a reorganization of the Retail segment's leadership team. The Company recognized pre-tax severance and employee related restructuring expense of $2.2 million related to the plan. No material future restructuring costs related to the plan are expected as the plan is substantially complete.

The following table provides an analysis of the changes in the restructuring costs reserve for the above plans for the three months ended August 29, 2020:

(In millions)	Severance and Employee-Related	Exit or Disposal Activities	Total
May 30, 2020	$ 5.9	$ 0.8	$ 6.7
Restructuring Costs	0.1	(3.1)	$ (3.0)
Amounts Paid	(2.4)	(0.1)	$ (2.5)
Other*	$ —	$ 3.4	$ 3.4
August 29, 2020	$ 3.6	$ 1.0	$ 4.6

*This represents the gain on the sale of office building and related assets in China which were recorded as restructuring cost, however, do not impact the restructuring reserve.

In the fourth quarter of fiscal 2020, the Company announced a restructuring plan (“May 2020 restructuring plan") to substantially reduce expenses in response to the impact of the COVID-19 pandemic and related restrictions. These activities included voluntary and involuntary reductions in its North American and International workforces. Combined, these actions resulted in the elimination of approximately 400 full-time positions throughout the Company in various businesses and functions. As the result of these actions, the Company projects an annualized expense reduction of approximately $40 million. To date, the Company incurred severance and related charges of $17.0 million with $1.8 million recognized in fiscal 2021 and the remainder in fiscal 2020. No material future restructuring costs related to the plan are expected as the plan is substantially complete and the remaining amounts will be paid in fiscal 2021.

The following table provides an analysis of the changes in the restructuring cost reserve for the three months ended August 29, 2020:

(In millions)	Severance and Employee-Related
May 30, 2020	$ 15.3
Restructuring Costs	1.8
Amounts Paid	(9.6)
August 29, 2020	$ 7.5

The following is a summary of restructuring expenses by segment for the periods indicated:

	Three Months Ended	
(In millions)	August 29, 2020	August 31, 2019
North America Contract	$ 1.6	$ 1.6
International Contract	(2.8)	0.2
Total	$ (1.2)	$ 1.8

18. Variable Interest Entities

The Company has long-term notes receivable with a third-party owned dealer that are deemed to be variable interests in a variable interest entity. The carrying value of these long-term notes receivable was $1.4 million and $1.5 million as of August 29, 2020 and May 30, 2020, respectively, and represents the Company’s maximum exposure to loss. The Company is not deemed to be the primary beneficiary of the variable interest entity as the entity controls the activities that most significantly impact the entity’s economic performance, including sales, marketing, and operations.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in millions, except share data)

The following is management's discussion and analysis of certain significant factors that affected the Company's financial condition, earnings and cash flows during the periods included in the accompanying Condensed Consolidated Financial Statements and should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended May 30, 2020. References to “Notes” are to the footnotes included in the accompanying Condensed Consolidated Financial Statements.

Business Overview

The Company researches, designs, manufactures, sells, and distributes furnishings and accessories, for use in various environments including office, healthcare, educational, and residential settings, and provides related services that support companies all over the world. The Company's products are sold primarily through independent contract office furniture dealers as well as the following channels: owned contract office furniture dealers, direct customer sales, independent retailers, owned retail studios and stores, direct-mail catalogs and the Company's e-commerce platforms. The following is a summary of the results from continuing operations for the three months ended August 29, 2020:

- Net sales were $626.8 million and orders were $556.0 million, representing a decrease of 6.6% and 17.8%, respectively, when compared to the same quarter of the prior year. The decrease in net sales was driven primarily by decreased sales volumes due to the outbreak of COVID-19, offset by the acquisitions of HAY and naughtone and incremental list price increases, net of contract price discounting. On an organic basis, net sales were $581.6 million(*) and orders were $511.4 million, representing a decrease of 13.3%(*) and 24.4%, respectively, when compared to the same quarter of the prior year.

- Gross margin was 39.9% as compared to 36.7% for the same quarter of the prior year. In the current year, this included the negative impact of special charges totaling $1.0 million related to the initial purchase accounting effects of the Company's investment in HAY. The increase in gross margin was driven primarily by strong channel and product sales mix, list price increases implemented in the past twelve months, supplier cost reduction and other profitability improvement efforts and lower freight and warehousing expenses.

- Operating expenses decreased by $31.4 million or 16.9% as compared to the same quarter of the prior year. Operating expenses included special charges, totaling $0.4 million. Operating expenses also included a restructuring benefit of $1.2 million related primarily to a gain on the sale of a property offset by costs related mainly to severance and outplacement benefits. The decrease in operating expenses was driven primarily by lower compensation and benefit costs and lower marketing and selling costs.

- The effective tax rate was 22.0% compared to 21.0% for the same quarter of the prior year.

- Diluted earnings per share increased $0.43 to $1.24, a 53.1% increase as compared to the prior year. Excluding restructuring expenses and other special charges, adjusted diluted earnings per share were $1.24(*), a 47.6% increase as compared to prior year adjusted diluted earnings per share.

- In June 2020, the Company repaid the $265 million draw on its syndicated revolving line of credit that was taken as a precautionary measure in March 2020 to provide additional near-term liquidity given the uncertainty related to COVID-19. As of August 29, 2020, the Company's gross-debt to EBITDA ratio of 1.1x is well below the maximum level of 3.5x required by its bank covenants.

- Subsequent to the end of the first quarter, on September 15, 2020, the Company's Board of Directors approved the re-establishment of a quarterly dividend at $0.1875 per share. This payment will be made on January 15, 2021, to shareholders of record at the close of business as of November 28, 2020.

(*) Non-GAAP measurements; see accompanying reconciliations and explanations.

The following summary includes the Company's view on the economic environment in which it operates:

- The disruption from the COVID-19 pandemic adversely impacted the results of our first quarter as Gross Domestic Product forecasts and industry order trends, as reported by the Business and Institutional Furniture Manufacturers Association ("BIFMA"), have highlighted near-term demand pressures from the slowdown in economic activity from the pandemic.

- The Company is monitoring the resolution of various trade policy negotiations between the U.S. and key trading partners as well as the ongoing negotiations concerning the U.K. referendum to exit the European Union ("Brexit"). These negotiations create uncertainty in key markets, particularly the U.K., continental Europe and China, which, if unresolved in the near term, could negatively impact customer demand.

- The Company continues to navigate the impact of global tariffs. The Company believes, based upon existing circumstances, that pricing, strategic sourcing actions and profit optimization initiatives have fully offset the current level of tariffs imposed on imports from China.

- The Company's Retail segment supports a range of furniture categories aimed at the home environment. Several of these categories, including home office products, saw a significant ramp-up in demand during the first quarter of fiscal 2021.

The remaining sections within Item 2 include additional analysis of the three months ended August 29, 2020, including discussion of significant variances compared to the prior year periods.

COVID-19 Update

The Company continues to navigate the new realities brought about by the COVID-19 pandemic. Most global facilities are open in some capacity, depending on local government and health authority recommendations. While demand for the Company's products and services, particularly in the Contract segments of the business, has been adversely impacted, our multi-channel go-to-market approach has enabled us to serve customers where, and how, they need to be served. In addition, the investments we’ve made in people, technology, and products has positioned us well to capitalize on emerging opportunities as our customers' needs changed quickly at the onset of the COVID-19 crisis. This has allowed for our Retail business to take advantage of the unanticipated emerging work from home trend as consumers are focusing on their broader home environments. Despite this, the extent of the geographic spread and duration of this virus, the impact on our supply chain, future demand for our products, and related financial impact cannot be estimated at this time with any degree of certainty.

Employee Safety and Health

The health and well-being of employees remains top of mind as we begin to slowly return to our workplaces around the globe. Our return to the office will continue to be more methodical with maximum occupancy limits in place according to local mandates and best practices to ensure the health and safety of our employees. We also continue to employ a variety of other safety measures including domestic and international travel restrictions, extensive cleaning protocols, temperature and health screenings, personal protective equipment, and visitor safety guidelines.

Customer Focus

The digital investments we’ve made allowed us to pivot quickly and capitalize on a new set of opportunities when our customers’ purchasing behaviors changed. These investments include a reimagined Design Within Reach website, a Work from Home landing page on Herman Miller’s website, a Work from Home online assessment tool, and new digital platforms that are creating greater efficiencies for contract and dealer audiences.

Manufacturing and Retail Operations

All our manufacturing facilities continue to operate at near-normal capacity. All retail studios and stores are open in some capacity; with some open to the public, some in limited capacity, and others by appointment only.

Cost Reductions

In fiscal 2020, the Company implemented a range of actions aimed at temporarily reducing costs and preserving liquidity. In fiscal 2021, the Company, together with its Board of Directors, made the decision to move forward with several restorative actions. This included eliminating the 10% reduction in compensation, the introduction of a modified bonus program and re-establishing a quarterly cash dividend program. Retirement plan contributions remain suspended, and the Company continues to tightly control operating expenses in the face of lingering economic uncertainty.

Reconciliation of Non-GAAP Financial Measures

This report contains references to organic net sales and adjusted earnings per share - diluted, which are non-GAAP financial measures. Organic growth (decline) represents the change in net sales, excluding currency translation effects and the impact of acquisitions. Adjusted earnings per share represents reported diluted earnings per share excluding the impact from adjustments related to restructuring expenses and other special charges or gains, including related taxes. Restructuring expenses in the current period included actions involving facilities consolidation and optimization and targeted workforce reductions, while in the comparative period included actions involving facilities consolidation and optimization and costs associated with an early retirement program. Special charges in the current period included acquisition-related costs and certain costs arising as a direct result of COVID-19, while in the comparative period included costs related to CEO transition.

The Company believes presenting organic net sales and adjusted earnings per share - diluted is useful for investors as it provides financial information on a more comparative basis for the periods presented by excluding items that are not representative of the ongoing operations of the Company.

Organic net sales and adjusted earnings per share - diluted are not measurements of our financial performance under GAAP and should not be considered as alternatives to the related GAAP measurement. These non-GAAP measurements 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 prominence of our GAAP results and using the non-GAAP financial measures only as a supplement.

The following table reconciles net sales to organic net sales for the periods ended as indicated below:

	Three Months Ended August 29, 2020				Three Months Ended August 31, 2019			
	North America	International	Retail	Total	North America	International	Retail	Total
Net sales, as reported	$ 338.8	$ 153.7	$ 134.3	$ 626.8	$ 458.4	$ 113.9	$ 98.6	$ 670.9
% change from PY	(26.1)%	34.9 %	36.2 %	(6.6)%				
Proforma Adjustments								
Acquisitions	(7.1)	(39.5)	—	(46.6)	—	—	—	—
Currency translation effects (1)	0.3	1.1	—	1.4	—	—	—	—
Net sales, organic	$ 332.0	$ 115.3	$ 134.3	$ 581.6	$ 458.4	$ 113.9	$ 98.6	$ 670.9
% change from PY	**(27.6)%**	**1.2 %**	**36.2 %**	**(13.3)%**				

(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.

The following table reconciles earnings per share - diluted to adjusted earnings per share - diluted for the three months ended:

	Three Months Ended	
	August 29, 2020	August 31, 2019
Earnings per share - diluted	$ 1.24	$ 0.81
Add: Special charges, after tax	0.01	0.01
Add: Restructuring expenses, after tax	(0.01)	0.02
Adjusted earnings per share - diluted	$ 1.24	$ 0.84
Weighted average shares outstanding (used for calculating adjusted earnings per share) – diluted	58,964,268	59,231,728

Note: The adjustments above are net of tax. For the three months ended August 29, 2020 and August 31, 2019, the tax impact of the adjustments were immaterial.

Analysis of Results for Three Months

The following table presents certain key highlights from the results of operations for the three months ended:

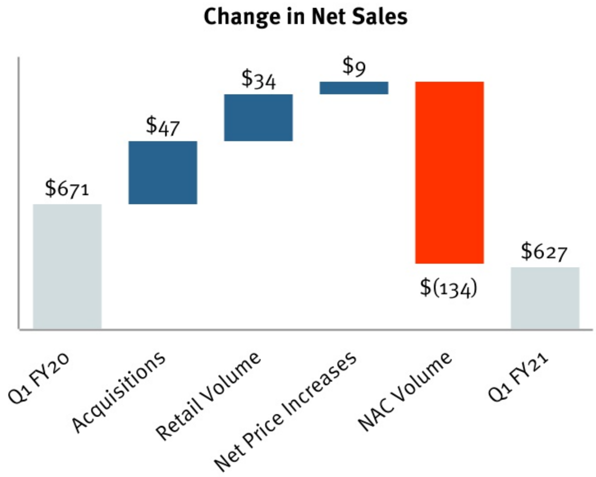
(In millions, except per share data)	August 29, 2020	August 31, 2019	% Change
Net sales	$ 626.8	$ 670.9	(6.6)%
Cost of sales	376.8	424.8	(11.3)%
Gross margin	250.0	246.1	1.6 %
Operating expenses	154.6	186.0	(16.9)%
Operating earnings	95.4	60.1	58.7 %
Other expenses, net	1.6	2.1	(23.8)%
Earnings before income taxes and equity income	93.8	58.0	61.7 %
Income tax expense	20.6	12.2	68.9 %
Equity income from nonconsolidated affiliates, net of tax	0.2	2.2	(90.9)%
Net earnings	73.4	48.0	52.9 %
Net earnings (loss) attributable to redeemable noncontrolling interests	0.4	(0.2)	n/a
Net earnings attributable to Herman Miller, Inc.	$ 73.0	$ 48.2	51.5 %
Earnings per share — diluted	$ 1.24	$ 0.81	53.1 %
Orders	$ 556.0	$ 676.7	(17.8)%
Backlog	$ 400.0	$ 399.9	— %

The following table presents select components of the Company's Condensed Consolidated Statements of Comprehensive Income as a percentage of net sales, for the three months ended:

	August 29, 2020	August 31, 2019
Net sales	100.0 %	100.0 %
Cost of sales	60.1	63.3
Gross margin	39.9	36.7
Operating expenses	24.7	27.7
Operating earnings	15.2	9.0
Other expenses, net	0.3	0.3
Earnings before income taxes and equity income	15.0	8.6
Income tax expense	3.3	1.8
Equity income from nonconsolidated affiliates, net of tax	—	0.3
Net earnings	11.7	7.2
Net earnings (loss) attributable to redeemable noncontrolling interests	0.1	—
Net earnings attributable to Herman Miller, Inc.	11.6	7.2

Net Sales

The following chart presents graphically the primary drivers of the year-over-year change in net sales for the three months ended August 29, 2020. The amounts presented in the bar graph are expressed in millions and have been rounded.



Net sales decreased $44.1 million or 6.6% in the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020. The following items contributed to the change:

- Increase of approximately $47 million due to the acquisitions of HAY and naughtone.
- Increased sales volumes within the Retail segment of approximately $34 million which were driven primarily by increased demand within the segment's e-commerce channel offset by lower DWR studio volume due to the outbreak of COVID-19.
- Incremental list price increases, net of contract price discounting, of approximately $9 million.
- Decreased sales volumes within the North America Contract ("NAC") segment of approximately $134 million, primarily due to the impact of the outbreak of COVID-19.

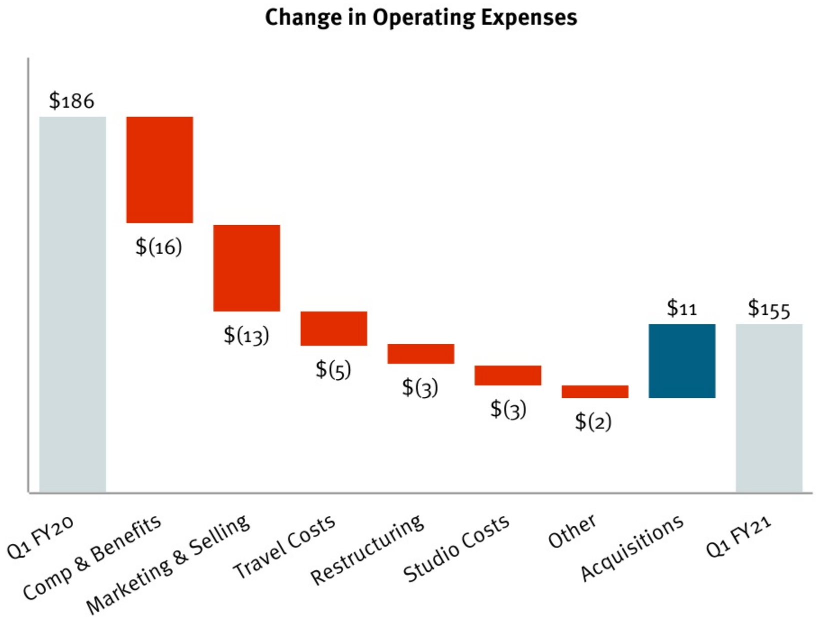
Gross Margin

Gross margin was 39.9% in the first quarter of fiscal 2021 as compared to 36.7% in the first quarter of fiscal 2020. The following factors summarize the major drivers of the year-over-year change in gross margin percentage:

- Strong channel mix increased gross margin by approximately 140 basis points.
- Incremental list price increases, net of contract price discounting, increased gross margin by approximately 80 basis points.
- Product mix, material performance and ongoing profitability improvement efforts increased gross margin by approximately 60 basis points.
- Lower freight and warehousing expense increased gross margin by approximately 60 basis points as we transitioned into a higher efficiency distribution center, supporting our Retail business, in the first half of fiscal 2020.
- Special charges related to the initial purchase accounting of HAY and naughtone decreased gross margin by approximately 20 basis points.

Operating Expenses

The following chart presents graphically the primary drivers of the year-over-year change in operating expenses for the three months ended August 29, 2020. The amounts presented in the bar graph are expressed in millions and have been rounded.



Operating expenses decreased by $31.4 million or 16.9% in the first quarter of fiscal 2021 compared to the prior year period. The following factors contributed to the change:

- Compensation and benefit costs decreased approximately $16 million due primarily to lower headcount associated with the reduction in workforce actions initiated in the fourth quarter of fiscal 2020, as well as temporary wage reductions that were in effect during the quarter but were terminated at the end of the quarter.
- Lower marketing and selling costs of approximately $13 million primarily within the North America Contract and Retail segments.
- Travel costs were approximately $5 million lower due to decreased travel as a result of COVID-19.
- Restructuring expenses decreased approximately $3 million due to a gain on sale of property in the current year associated with the Company's International Contract facilities consolidation plan.
- Lower studio costs of approximately $3 million driven by lower lease expense.
- The acquisition of HAY and naughtone increased Operating expenses by approximately $11 million.

Other Income/Expense

During the three months ended August 29, 2020, net other expense was $1.6 million, a decrease of $0.5 million compared to the same period in the prior year. This decrease resulted primarily from an increase in investment gains associated with the Company's deferred compensation plan in the current quarter partially offset by an increase in interest expense in the current quarter.

Income Taxes

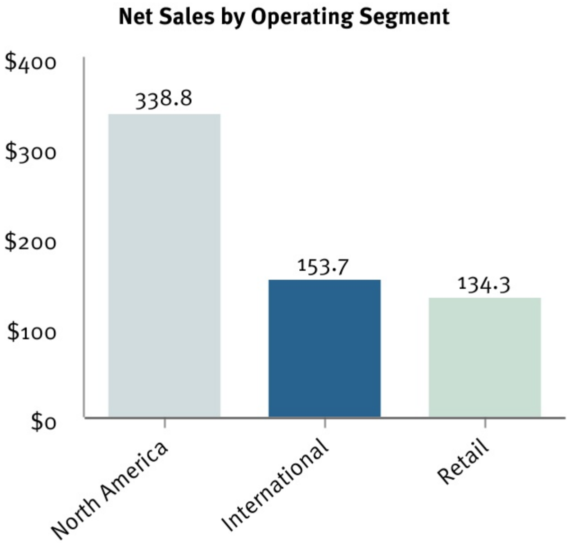
See Note 11 of the Condensed Consolidated Financial Statements for additional information.

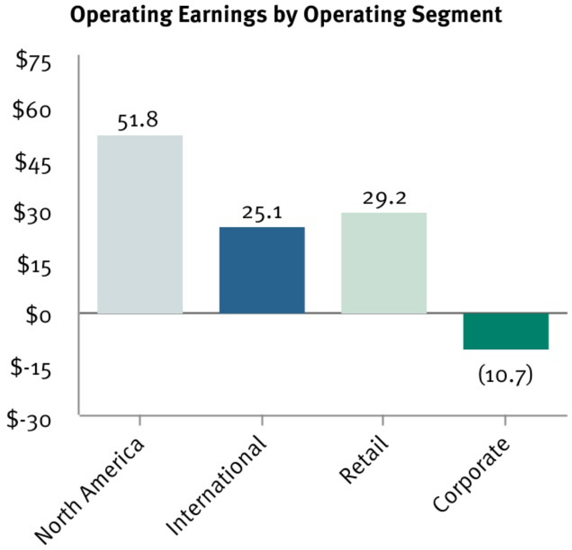
Operating Segment Results

The business is comprised of various operating segments as defined by generally accepted accounting principles in the United States. These operating segments are determined on the basis of how the Company internally reports and evaluates financial information used to make operating decisions. The segments identified by the Company include

North America Contract, International Contract, Retail, and Corporate. For descriptions of each segment, refer to Note 16 of the Condensed Consolidated Financial Statements.

The charts below present the relative mix of Net sales and Operating earnings across each of the Company's segments during the three month period ended August 29, 2020. This is followed by a discussion of the Company's results, by reportable segment.





North America Contract ("North America")

	Three Months Ended					
(Dollars in millions)	August 29, 2020		August 31, 2019		Change	
Net sales	$	338.8	$	458.4	$	(119.6)
Gross margin		129.0		167.7		(38.7)
Gross margin %		38.1 %		36.6 %		1.5 %
Operating earnings		51.8		62.9		(11.1)
Operating earnings %		15.3 %		13.7 %		1.6 %

For the three month comparative period, net sales decreased 26.1%, or 27.6%(*) on an organic basis, over the prior year period due to:

- Decreased sales volumes within the North America segment of approximately $134 million, primarily due to the outbreak of COVID-19; offset by
- Incremental list price increases, net of contract price discounting, of approximately $7 million; and
- Approximately $7 million due to the acquisition of naughtone.

For the three month comparative period, operating earnings decreased $11.1 million, or 17.6%, over the prior year period due to:

- Decreased gross margin of $38.7 million due to decreased sales volumes, partially offset by an increase in gross margin percentage of 150 basis points. The increase in gross margin percentage was due primarily to incremental list price increases, net of contract price discounting, and improvements in material and labor performance, partially offset by lower volume leverage due to the outbreak of COVID-19 described above; offset by
- Decreased operating expenses of $27.6 million driven primarily by lower marketing and selling expenses of approximately $12 million, lower compensation and benefit costs of approximately $11 million, and lower

travel costs of approximately $4 million. The decrease in compensation and benefit costs were due to lower headcount associated with the reduction in workforce actions initiated in the fourth quarter of fiscal 2020, as well as temporary wage reductions that were in effect during the quarter but were terminated at the end of the quarter.

(*) Non-GAAP measurements; see accompanying reconciliations and explanations.

International Contract ("International")

	Three Months Ended		
(Dollars in millions)	August 29, 2020	August 31, 2019	Change
Net sales	$ 153.7	$ 113.9	$ 39.8
Gross margin	55.0	39.8	15.2
Gross margin %	35.8 %	34.9 %	0.9 %
Operating earnings	25.1	13.1	12.0
Operating earnings %	16.3 %	11.5 %	4.8 %

For the three month comparative period, net sales increased 34.9%, or 1.2%(*) on an organic basis, over the prior year period due primarily to the acquisition of HAY and naughtone which increased sales by approximately $39 million.

For the three month comparative period, operating earnings increased $12.0 million, or 91.6%, over the prior year period due to:

- Increased gross margin of $15.2 million due to the increase in sales explained above, as well as increased gross margin percentage of 90 basis points due primarily to changes in channel and product mix; offset by
- Increased operating expenses of $3.2 million driven primarily by the acquisition of HAY and naughtone partially offset by lower restructuring expenses in the current period.

(*) Non-GAAP measurements; see accompanying reconciliations and explanations.

Retail

	Three Months Ended		
(Dollars in millions)	August 29, 2020	August 31, 2019	Change
Net sales	$ 134.3	98.6	$ 35.7
Gross margin	66.0	38.6	27.4
Gross margin %	49.1 %	39.1 %	10.0 %
Operating earnings	29.2	(3.9)	33.1
Operating earnings %	21.7 %	(4.0) %	25.7 %

For the three month comparative period, net sales increased 36.2%, both on an as reported and organic(*) basis, over the prior year period due to:

- Increased sales volumes of approximately $34 million which were driven primarily by increased demand within the segment's e-commerce channel offset by lower DWR studio volume due to the outbreak of COVID-19; and
- Incremental list price increases, net of price discounting, of approximately $4 million; offset by
- Lower freight revenue of approximately $2 million.

For the three month comparative period, operating earnings increased $33.1 million, or 848.7%, over the prior year period due to:

- Increased gross margin of $27.4 million due to the increase in sales explained above, as well as increased gross margin percentage of 1,000 basis points due primarily to changes in channel and product mix, incremental list price increases, net of price discounting, and lower freight and warehousing expenses; and

- Decreased operating expenses of $5.7 million driven primarily by lower studio costs, lower compensation and benefit costs and lower marketing expenses.

(*) Non-GAAP measurements; see accompanying reconciliations and explanations.

Corporate

Corporate unallocated expenses totaled $10.7 million for the first quarter of fiscal 2021, a decrease of $1.3 million from the first quarter of fiscal 2020. The decrease was driven primarily by lower compensation and benefit costs in the current period.

Liquidity and Capital Resources

The table below summarizes the net change in cash and cash equivalents for the three months ended as indicated.

(In millions)	August 29, 2020	August 31, 2019
Cash provided by (used in):		
Operating activities	$ 115.9	$ 54.7
Investing activities	(5.1)	(24.0)
Financing activities	(276.5)	(27.9)
Effect of exchange rate changes	8.3	(2.5)
Net change in cash and cash equivalents	$ (157.4)	$ 0.3

Cash Flows - Operating Activities

Cash provided by operating activities for the three months ended August 29, 2020 was $115.9 million, as compared to $54.7 million in the same period of the prior year. The increase in cash generated from operations in the current year, compared to the prior year, was primarily due to:

- An increase in net earnings of $25.4 million;
- An increase in current liabilities in the current period of $13.3 million, driven primarily by an increase in accounts payable. This compares to a decrease in current liabilities of $18.9 million in the prior year period. The decrease in the prior year period was driven primarily by a decrease in accrued liabilities; and
- A decrease in current assets in the current period of $3.9 million, driven by a decrease in inventory and prepaid expenses, offset by an increase in accounts receivable. This compares to a decrease in current assets of $1.4 million in the prior year period.

Cash Flows - Investing Activities

Cash used in investing activities for the three months ended August 29, 2020 was $5.1 million, as compared to $24.0 million in the same period of the prior year. The decrease in cash outflow in the current year, compared to the prior year, was primarily due to:

- A decrease in capital expenditures of $9.3 million due to reduced spending as a result of COVID-19; and
- Proceeds from the sale of the Company's manufacturing facilities in China in the current quarter of $6.4 million.

At the end of the first quarter of fiscal 2021, there were outstanding commitments for capital purchases of $17.4 million. The Company plans to fund these commitments with cash on hand and/or cash generated from operations. The Company expects full-year capital purchases to be between $50.0 million and $60.0 million, which will be primarily related to investments in the Company's facilities and equipment. This compares to full-year capital spending of $69.0 million in fiscal 2020.

Cash Flows - Financing Activities

Cash used in financing activities for the three months ended August 29, 2020 was $276.5 million, as compared to $27.9 million in the same period of the prior year. The increase in cash outflow in the current year, compared to the prior year, was primarily due to repayments of $265.0 million on the Company's syndicated credit facility in the current quarter.

Sources of Liquidity

In addition to steps taken to protect its workforce and manage business operations, the Company has taken actions to safeguard its capital position in the current environment. The Company is closely managing spending levels, capital investments, and working capital, and has temporarily suspended share repurchase activity as part of managing cash flows. For more information on current cost reductions, refer to the COVID-19 Update section above.

At the end of the first quarter of fiscal 2021, the Company had a well-positioned balance sheet and liquidity profile. In addition to cash flows from operating activities, the Company has access to liquidity through credit facilities, cash and cash equivalents, and short-term investments. These sources have been summarized below. For additional information, refer to Note 14 to the Condensed Consolidated Financial Statements.

(In millions)	August 29, 2020	May 30, 2020
Cash and cash equivalents	$ 296.6	$ 454.0
Marketable securities	7.0	7.0
Availability under syndicated revolving line of credit	265.7	0.6
Total liquidity	$ 569.3	$ 461.6

Of the cash and cash equivalents noted above at the end of the first quarter of fiscal 2021, the Company had $135.8 million of cash and cash equivalents held outside the United States. In addition, the Company had marketable securities of $7.0 million held by one of its international wholly-owned subsidiaries.

The Company’s syndicated revolving line of credit, which expires on August 28, 2024, provides the Company with up to $500 million in revolving variable interest borrowing capacity and includes an "accordion feature" allowing the Company to increase, at its option and subject to the approval of the participating banks, the aggregate borrowing capacity of the facility by up to $250 million. Outstanding borrowings bear interest at rates based on the prime rate, federal funds rate, LIBOR or negotiated rates as outlined in the agreement. Interest is payable periodically throughout the period if borrowings are outstanding.

As of August 29, 2020, the total debt outstanding related to borrowings under the syndicated revolving line of credit was $225.0 million with available borrowings against this facility of $265.7 million.

The subsidiary holding the Company's marketable securities is taxed as a United States taxpayer at the Company's election. Consequently, for tax purposes, all United States tax impacts for this subsidiary have been recorded. The Company intends to repatriate $29 million in cash held in certain foreign jurisdictions and as such has recorded a deferred tax liability related to foreign withholding taxes on these future dividends received in the U.S. from foreign subsidiaries of $1.8 million. A significant portion of this cash was previously taxed under the U.S. Tax Cut and Jobs Act (TCJA) one-time U.S. tax liability on undistributed foreign earnings. The Company intends to remain indefinitely reinvested in the remaining undistributed earnings outside the U.S.

The Company believes that its financial resources will allow it to manage the impact of COVID-19 on business operations for the foreseeable future which could include materially reduced revenue and profits. The Company will continue to evaluate its financial position in light of future developments, particularly those relating to COVID-19.

Contractual Obligations

Contractual obligations associated with ongoing business and financing activities will require cash payments in future periods. A table summarizing the amounts and estimated timing of these future cash payments as of May 30, 2020 was provided in the Company's annual report on Form 10-K for the year ended May 30, 2020. There have been no material changes in such obligations since that date.

Guarantees

See Note 13 to the Condensed Consolidated Financial Statements.

Variable Interest Entities

See Note 18 to the Condensed Consolidated Financial Statements.

Contingencies

See Note 13 to the Condensed Consolidated Financial Statements.

Critical Accounting Policies

The Company strives to report financial results clearly and understandably. The Company follows accounting principles generally accepted in the United States in preparing its consolidated financial statements, which require certain estimates and judgments that affect the financial position and results of operations for the Company. The Company continually reviews the accounting policies and financial information disclosures. A summary of the more significant accounting policies that require the use of estimates and judgments in preparing the financial statements is provided in the Company's annual report on Form 10-K for the year ended May 30, 2020.

New Accounting Standards

See Note 2 to the Condensed Consolidated Financial Statements.

Safe Harbor Provisions

Certain statements in this filing are not historical facts but are “forward-looking statements” as defined under 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, employment and general economic conditions, the pace of economic growth in the U.S., and in our International markets, the potential impact of changes in U.S. tax law, 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, 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 DWR and HAY studios, negotiate favorable lease terms for new and existing locations and the implementation of 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, the pace and level of government procurement, the outcome of pending litigation or governmental audits or investigations, political risk in the markets we serve, natural disasters, public health crises, disease outbreaks, 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.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

The information concerning quantitative and qualitative disclosures about market risk contained in the Company's Annual Report on Form 10-K for its fiscal year ended May 30, 2020 has not changed significantly. The nature of market risks from interest rates and commodity prices has not changed materially during the first three months of fiscal 2021.

Foreign Exchange Risk

The Company primarily manufactures its products in the United States, United Kingdom, China and India. It also sources completed products and product components from outside the United States. The Company's completed products are sold in numerous countries around the world. Sales in foreign countries as well as certain expenses related to those sales are transacted in currencies other than the Company's reporting currency, the U.S. dollar. Accordingly, production costs and profit margins related to these sales are affected by the currency exchange relationship between the countries where the sales take place and the countries where the products are sourced or manufactured. These currency exchange relationships can also impact the Company's competitive positions within these markets.

In the normal course of business, the Company enters into contracts denominated in foreign currencies. The principal foreign currencies in which the Company conducts its business are the British pound sterling, euro, Canadian dollar, Japanese yen, Mexican peso, Hong Kong dollar and Chinese renminbi. Changes in the fair value of such contracts are reported in earnings in the period the value of the contract changes. The net gain or loss upon settlement and the change in fair value of outstanding contracts is recorded as a component of Other income, net.

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of August 29, 2020, and the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of that date, the Company's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the quarterly period ended August 29, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1: Legal Proceedings

Referred to in Note 13 of the Condensed Consolidated Financial Statements.

Item 1A: Risk Factors

There have been no material changes in the Company's risk factors from those set forth in the Company's Annual Report on Form 10-K for the year ended May 30, 2020.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following is a summary of share repurchase activity during the quarter ended August 29, 2020.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average price Paid per Share or Unit	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased Under the Plans or Programs (in millions)
5/31/20 - 6/27/20	305	$ 28.20	305	$ 237,633,525
6/28/20 - 7/25/20	34,398	$ 23.05	34,398	$ 236,840,785
7/26/20 - 8/29/20	1,941	$ 27.18	1,941	$ 236,788,029
Total	36,644		36,644	

The Company repurchased shares under previously announced plans authorized by the Board of Directors. No repurchase plans expired or were terminated during the first quarter of fiscal 2021, nor do any plans exist under which the Company does not intend to make further purchases. The Board has the authority to terminate any further repurchases. During the period covered by this report, the Company did not sell any of its equity securities that were not registered under the Securities Act of 1933.

Item 3: Defaults upon Senior Securities

None

Item 4: Mine Safety Disclosures

Not applicable

Item 5: Other Information

None

Item 6: Exhibits

The following exhibits (listed by number corresponding to the Exhibit table as Item 601 in Regulation S-K) are filed with this Report:

Exhibit Number	Document
10.1*	Advisory Agreement dated August 7, 2020 by and between Herman Miller, Inc. and Gregory Bylsma
31.1	Certificate of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certificate of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document)

(*) Denotes compensatory plan or arrangement.

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 5, 2020	/s/ Andrea R. Owen Andrea R. Owen President and Chief Executive Officer (Duly Authorized Signatory for Registrant)
October 5, 2020	/s/ Jeffrey M. Stutz Jeffrey M. Stutz Chief Financial Officer (Duly Authorized Signatory for Registrant)

Exhibit 10.1

August 7, 2020

Gregory Bylsma

Dear Greg,

First, I want to thank you for your long and valued service to Herman Miller Inc. ("HMI" or the "Company") and your willingness to work through such an important transition.

We have defined a package that enables you to transition from your current role to retirement, as you have requested, and at the same time transfer your critical knowledge and complete important work on our behalf. The provisions of our agreement ("Agreement") are as follows:

A. Compensation and Term of Employment

1. You will transition from your current position on September 5, 2020 and assume the role of Strategic Advisor – North America Contract and Operations, as described further below. This new role will be for a one- year term ("Initial Term") that will end on September 4, 2021 ("Termination Date"). On or before June 6, 2021 (90 days before the Termination Date), we will mutually determine if the Agreement will be extended for a term ("Extended Term"). The Services to be provided during the Extended Term may be in a similar or reduced capacity.

2. Your compensation beginning September 5, 2020 will be $200,000.00 for the Initial Term of this Agreement, payable bi-weekly, less applicable federal, state and local taxes, social security payments or other taxes or payments. Except as provided below, you will be eligible to receive all of the benefits available to a full time HMI employee.

3. You will not be eligible to participate in the Long-Term Incentive Plan, the Executive Cash Bonus or other bonus programs.

4. During the Initial Term, outstanding Long-Term Incentive Grants will continue to vest as provided in your respective award agreements.

5. You agree to continue to comply with the "Agreement regarding Special Terms of Your Employment" (hereinafter "the Special Terms") signed February 24, 2017, which will remain in full force and effect throughout the initial Term and any Extended Term.

6. The Company is also giving you notice that effective September 4, 2021, it will terminate the Management Continuity Agreement dated February 17, 2020 between you and the Company pursuant to Section 1 of the Management Continuity Agreement.

B. Responsibilities and Reporting Relationship

1. You will report to the Herman Miller Inc. President and Chief Executive Officer. You will continue to provide services in a manner consistent with applicable Company policies and in a professional manner consistent with your performance before retirement.

2. Your responsibilities will include support of the Services (as defined below) in coordination with the identified HM leaders.

3. We will mutually agree upon how you will allocate your time to deliver the Services, subject to the general understanding that you will work approximately five days per calendar month.

4. While business travel is not currently contemplated, if such travel is required, we will reimburse for travel and out of pocket expenses incurred in connection with providing the Services (as defined below). You will obtain prior approval for those expenses and submit evidence of such expenses to the Company.

5. Services to be provided by you during the Initial Term include (“Services”):
    a. Engage with key customers at the request of or with prior approval by the President & CEO;
    b. Provide consulting and advisory support to NAC Brand Leaders (Nemschoff, Geiger and Maharam) on at least a quarterly basis with the President of North America Contract (or more frequently as agreed with the President and CEO);
    c. Review monthly results and forecast process with President of North America Contract for up to 6 months (or longer as requested by the President and CEO);
    d. Assist with specific distribution projects at the request of the President and CEO;
    e. Due diligence or M&A-related support at the request of the President and CEO;
    f. Review of and strategic input on Operations strategy or specific customer projects at the request of the President and CEO;
    g. Consulting with the Chief Digital Officer in support of digital roadmap implementation; and
    h. Assisting with strategic direction on the alignment of incentives across multiple channels.

6. This arrangement does not change our basic employment relationship as being employment "at will." In the event of termination of this relationship by HMI before the end of the Initial Term except for death, disability, major misconduct or your failure to comply with the Special Terms, you will be entitled to receive the balance of your cash compensation under this agreement in the form of salary continuation for the remainder of the Initial Term. You will not be entitled to salary continuation and this Agreement shall terminate if you terminate the relationship or fail to comply with the Special Terms.

If this arrangement is acceptable to you please sign a copy of this Agreement and return it to me no later than August 10, 2021.

Again, thank you for your dedication and your willingness to make this commitment.

Sincerely,

Andi Owen
President and CEO

I agree with and accept the terms described above.

____
Greg Bylsma Date

Exhibit 31.1

CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER
OF HERMAN MILLER, INC. (THE "REGISTRANT")

I, Andrea R. Owen, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended August 29, 2020, of Herman Miller, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 5, 2020

/s/ Andrea R. Owen
Andrea R. Owen
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATE OF THE CHIEF FINANCIAL OFFICER
OF HERMAN MILLER, INC. (THE “REGISTRANT”)

I, Jeffrey M. Stutz, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended August 29, 2020, of Herman Miller, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 5, 2020

/s/ Jeffrey M. Stutz
Jeffrey M. Stutz
Chief Financial Officer

Exhibit 32.1

CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER
OF HERMAN MILLER, INC. (THE "COMPANY")

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:

I, Andrea R. Owen, President and Chief Executive Officer of the company, certify to the best of my knowledge and belief pursuant to Section 906 of Sarbanes-Oxley Act of 2002 that:

(1) The quarterly report on Form 10-Q for the period ended August 29, 2020, which this statement accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this quarterly report on Form 10-Q for the quarterly period ended August 29, 2020, fairly presents, in all material respects, the financial condition and results of operations of the company

Dated: October 5, 2020

/s/ Andrea R. Owen
Andrea R. Owen
President and Chief Executive Officer

The signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Herman Miller, Inc. and will be retained by Herman Miller, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATE OF THE CHIEF FINANCIAL OFFICER
OF HERMAN MILLER, INC. (THE "COMPANY")

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:

I, Jeffrey M. Stutz, Chief Financial Officer of the company, certify to the best of my knowledge and belief pursuant to Section 906 of Sarbanes-Oxley Act of 2002 that:

(1) The quarterly report on Form 10-Q for the period ended August 29, 2020, which this statement accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this quarterly report on Form 10-Q for the quarterly period ended August 29, 2020, fairly presents, in all material respects, the financial condition and results of operations of the company.

Dated: October 5, 2020

/s/ Jeffrey M. Stutz
Jeffrey M. Stutz
Chief Financial Officer

The signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Herman Miller, Inc. and will be retained by Herman Miller, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.