



NASDAQ: MLHR

# Inspiring Designs to Help People Do Great Things

**Investor Presentation**  
Fourth Quarter FY2020

## FORWARD LOOKING STATEMENTS

This information contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended, that are based on management’s beliefs, assumptions, current expectations, estimates, and projections about the office furniture industry, the economy, and the company itself. Words like “anticipates,” “believes,” “confident,” “estimates,” “expects,” “forecasts,” “likely,” “plans,” “projects,” “should,” variations of such words, and similar expressions identify such forward-looking statements.

These statements do not guarantee future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. These risks include, without limitation, the success of our growth strategy, our success in initiatives aimed at achieving long-term profit optimization goals, employment and general economic conditions, the pace of economic recovery in the U.S. and in our International markets, the increase in white-collar employment, the willingness of customers to undertake capital expenditures, the types of products purchased by customers, competitive-pricing pressures, the availability and pricing of raw materials, changes in global tariff regulations, our reliance on a limited number of suppliers, our ability to expand globally given the risks associated with regulatory and legal compliance challenges and accompanying currency fluctuations, changes in future tax legislation or interpretation of current tax legislation, the ability to increase prices to absorb the additional costs of raw materials, the financial strength of our dealers and the financial strength of our customers, our ability to locate new retail studios, negotiate favorable lease terms for new and existing locations and implement our studio

portfolio transformation, our ability to attract and retain key executives and other qualified employees, our ability to continue to make product innovations, the success of newly introduced products, our ability to serve all of our markets, possible acquisitions, divestitures or alliances, our ability to integrate and benefit from acquisitions and investments, the pace and level of government procurement, the outcome of pending litigation or governmental audits or investigations, political risk in the markets we serve, 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.

# Company Snapshot

Headquarters:  
**Zeeland, MI, USA**  
Founded: **1905**  
Employees: **~7,600**

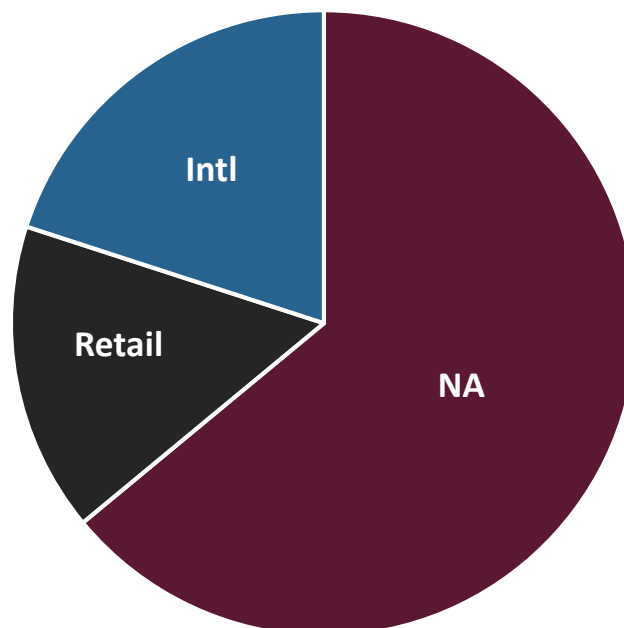
FY20 Revenue: **\$2.49B**  
FY20 Adj. Operating  
Income: **\$206M**

## Omni-Channel distribution model

- Over 700 contract dealers in 110 countries
- 38 Retail studios
- Multiple global e-commerce storefronts

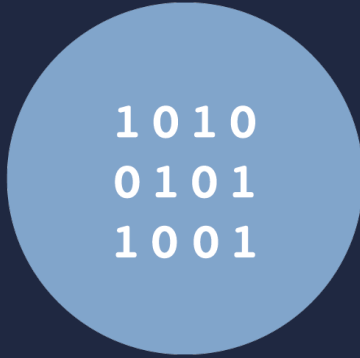
FY20 Revenue Mix

North America **64%**  
Retail **16%**  
International **20%**



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

# Foundational Insights



Digital Disruption



Rise Of Direct-to-consumer  
Business Models



Growing Opportunity In Global  
Markets & Retail Businesses



Leader in NA Contract  
Market



Changes In Where & How  
People Work



Total Societal Impact

# Strategic Priorities

## Our strategy is centered around four strategic priorities

1

Unlock The Power of One  
Herman Miller

2

Build a Customer-Centric, Digitally-  
Enabled Business Model

3

Accelerate  
Profitable Growth

4

Reinforce Our Commitment  
To Our People, Our Planet, &  
Our Communities



# 1 Unlock the Power of One Herman Miller

## Objectives:

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



Simplify and tailor our go-to-market approach



Continue to lead in Product Innovation across all businesses



# Herman Miller Group



A global leader in design and furnishings for the home or workplace

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

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Retailer of authentic modern furnishings

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GEIGER

Maker of exquisitely crafted designs for refined working environments

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HAY

Inspired furniture and accessories for modern living

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maars LIVING WALLS®

A global designer and maker of interior partitions

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maharam

Creator of textiles known for its rigorous commitment to design

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naughtone

Contemporary furnishings for workplace, education, and hospitality environments

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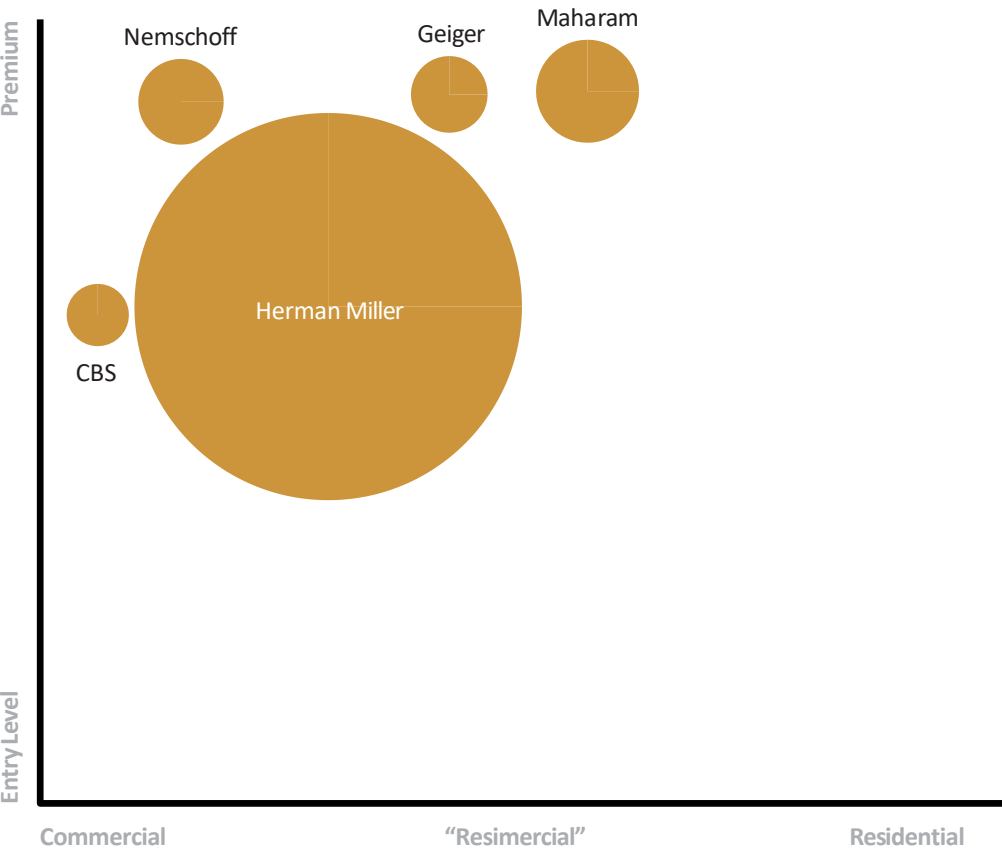
Nemschoff

Manufacturer of beautifully styled, high-performance furnishings

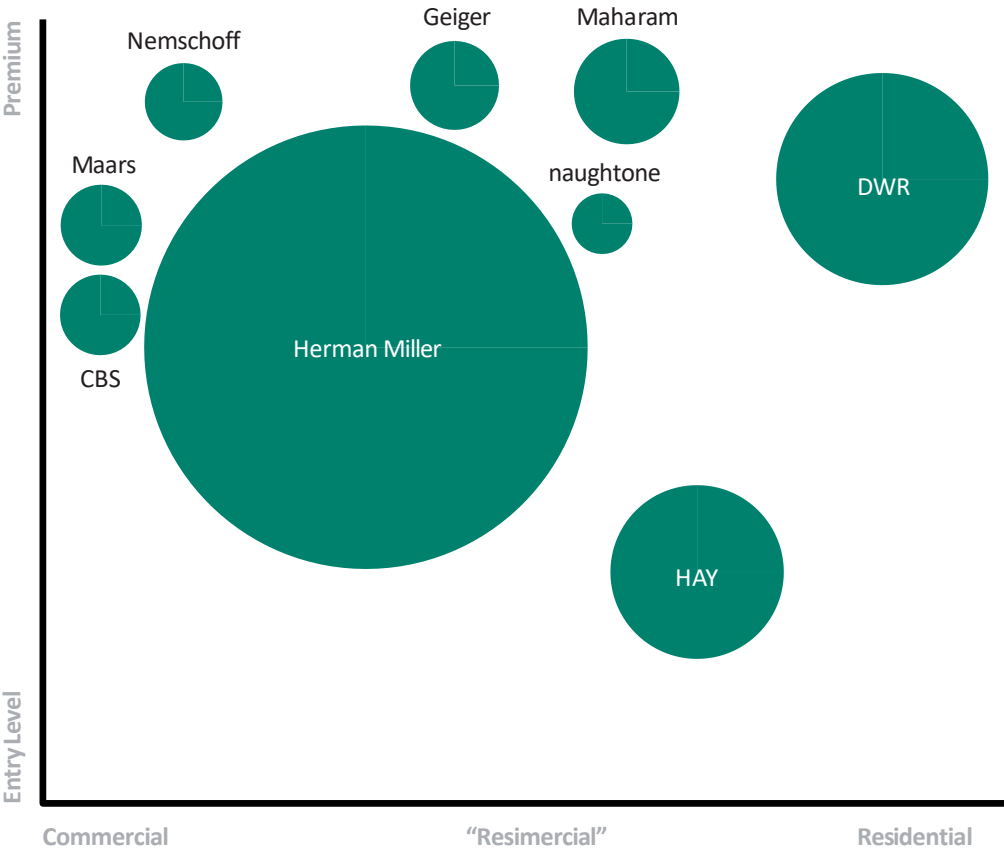
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# Our Evolving Product Offer

Five Years Ago



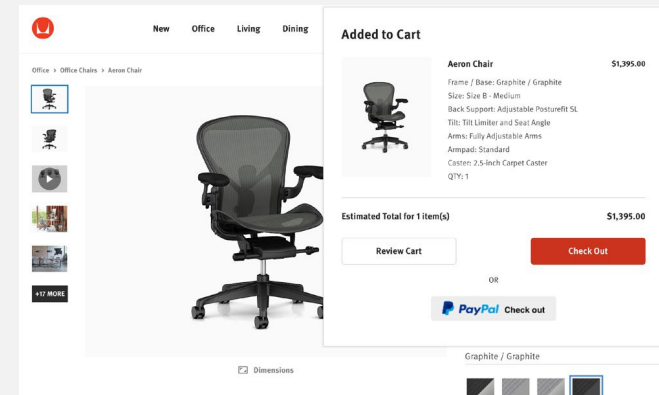
Today



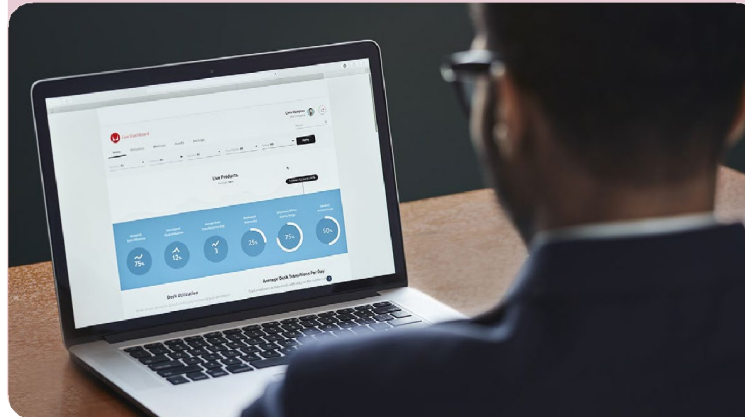
## 2 Build a Customer-Centric, Digitally-Enabled Business Model

### Objectives:

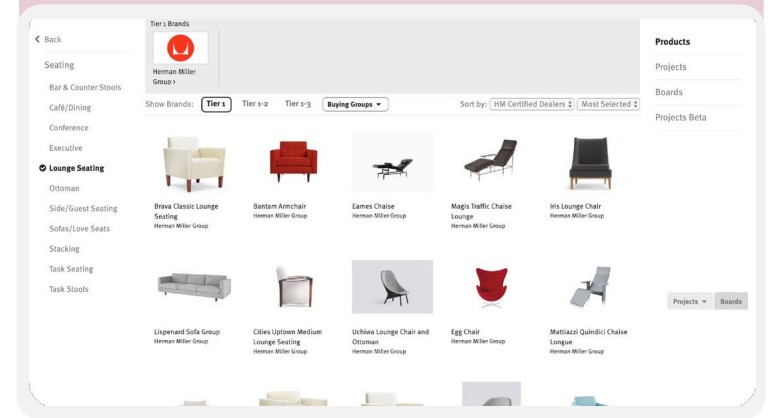
Leverage deep understanding of customer journeys to deliver inspired products and frictionless customer experiences



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



Strengthen our core technology backbone



# 3 Accelerate Profitable Growth

## Objectives:

Continued leadership in  
North America Contract business



Drive outsized growth in  
International



Expand our Retail business

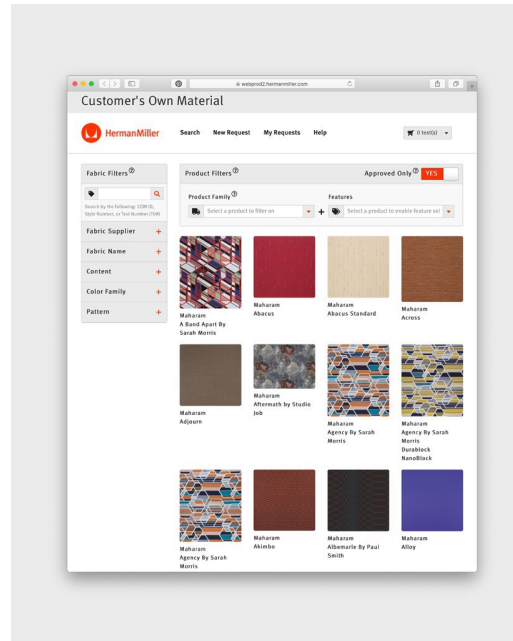




# Objective: Continued leadership in North America Contract business



Go-to-market Alignment



Digital Tools



New Products



Profit Improvement

## Objective: Drive outsized growth in International



Expand Dealer  
Distribution



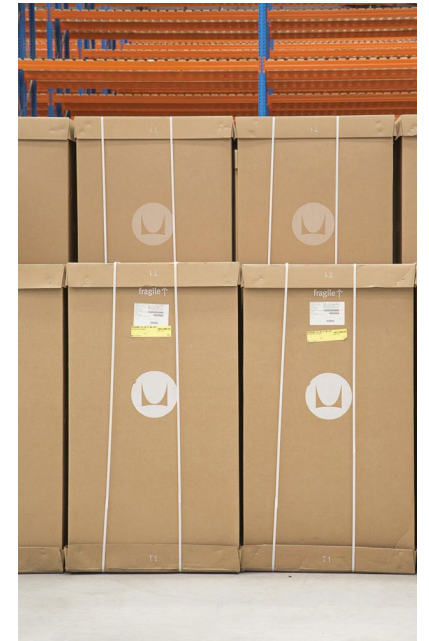
Enter New Product  
Categories



Grow Ancillary



Align Global  
Accounts Team



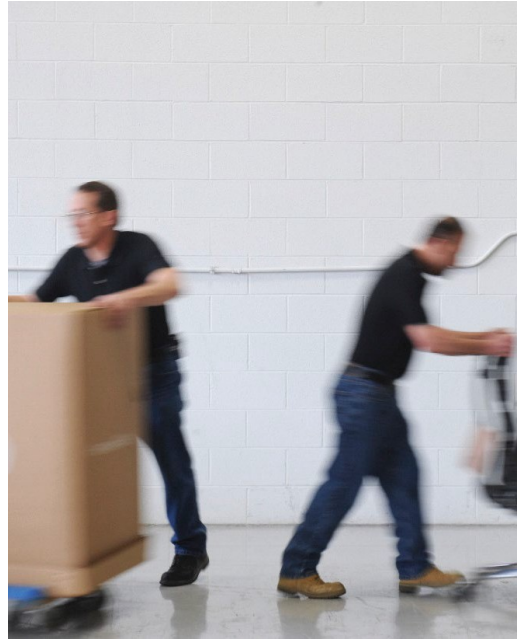
Execute Profitability  
Improvement  
Initiatives



## Objective: Expand our Retail business



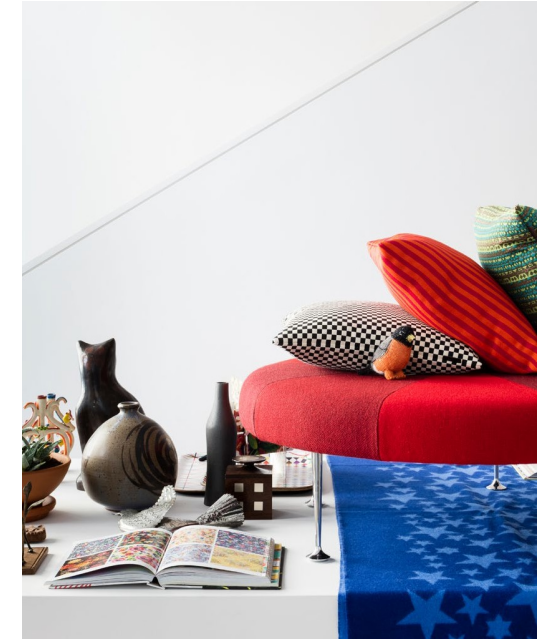
Capability



Delivery Experience



Launch HAY in  
North America



Profitability Improvement  
Initiatives



## 4 Reinforce Our Commitment To Our People, Our Planet, & Our Communities

### Objectives:

Build, develop, and retain  
world-class talent



Shape an inclusive and diverse  
work force



Elevate our Total Societal Impact  
(Better World) Commitment



# Creating A Better World

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

— D.J. De Pree, Herman Miller Founder



HermanMiller

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## Sustainability

**2019 Overall Category Leader**  
*in the IBD 50 Best ESG Companies*

**2019 Gold Medalist CSR Recognition**  
*EcoVadis Business Sustainability rating*

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

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

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## Inclusivity & Diversity

**2019 100 Best Companies for Working Mothers**  
*by Working Mothers Magazine*

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

**2019 Class 1 Corporation of the Year**  
*by the National Minority Supplier Development Council*

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## Wellness

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

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## Community Impact: Herman Miller Cares

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

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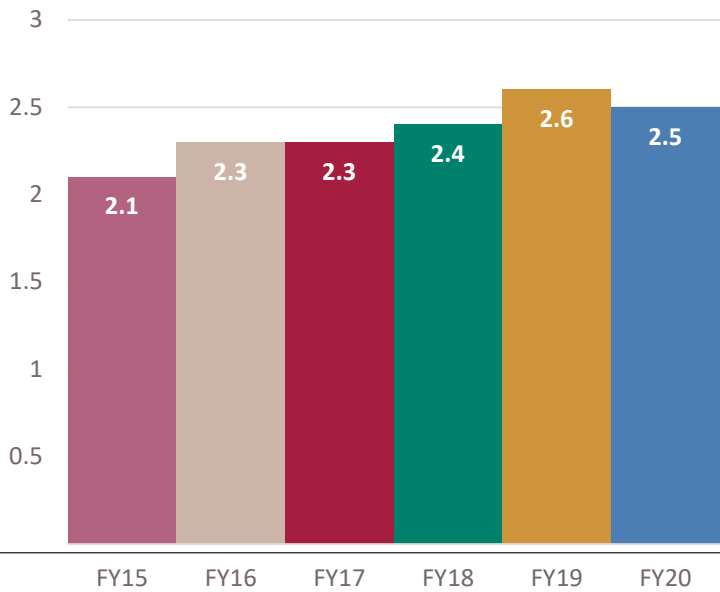
# Financial Outlook

# Strong track record of financial performance

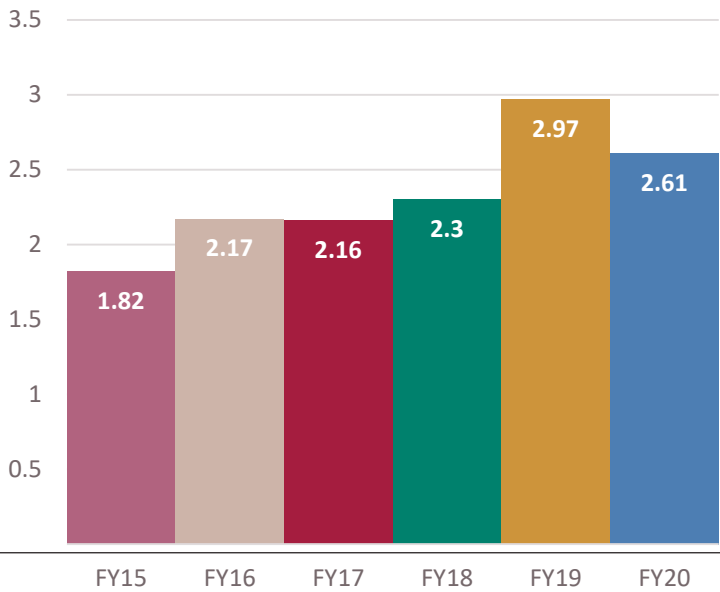
5 yr. organic revenue growth of 3.3% at a premium to North America industry growth

Robust EPS and free cash flow generation over past 5 years

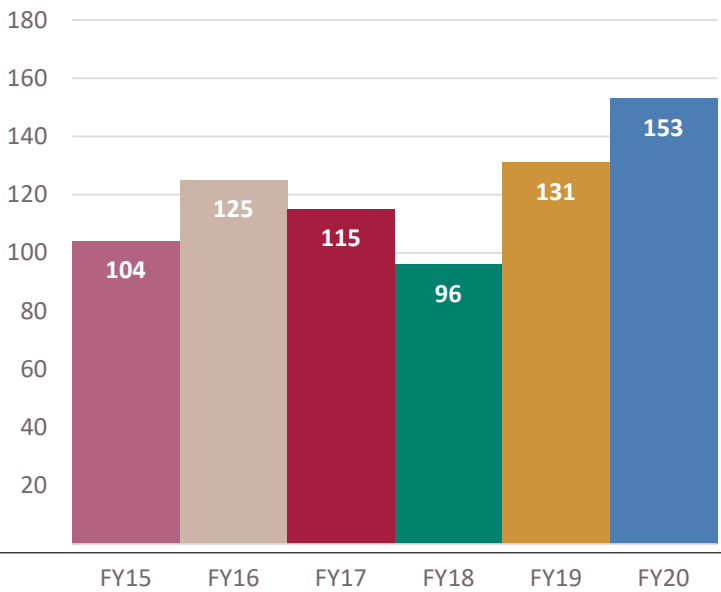
Revenue  
(\$ billions)



Adjusted EPS

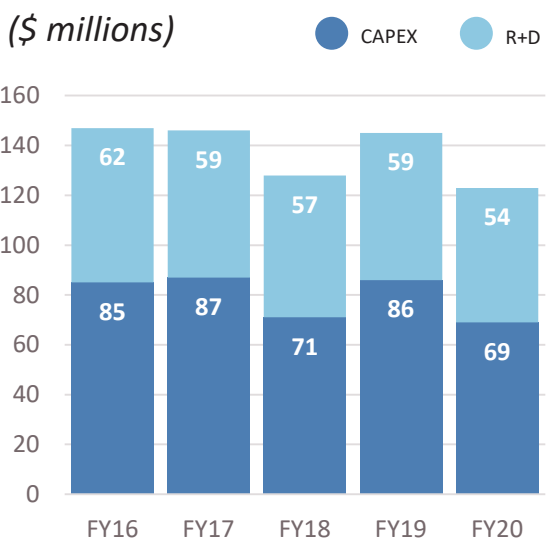


Free Cash Flow <sup>(1)</sup>  
(\$ millions)



(1) Cash flow from operations less CAPEX

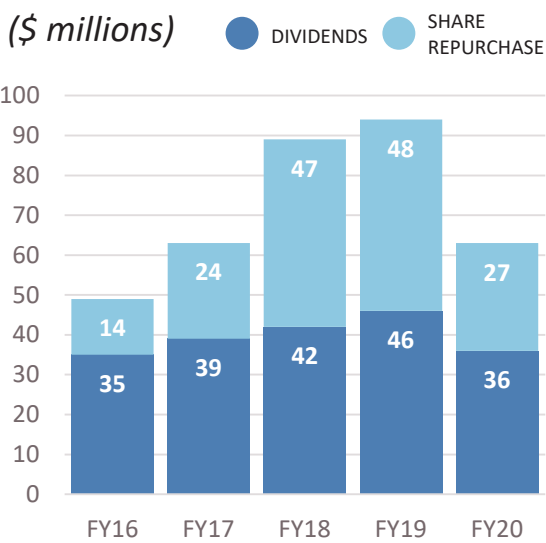
# Disciplined capital allocation approach focused on value creation



Investments in M&A, including naughtone, HAY, and Maars Living Walls totaling **\$202M** in past 5 years.

	Q4 FY20
Cash	\$454M
L/T Debt	\$590M
Leverage Ratio	2.1x
Revolver Avail.	Fully Drawn*







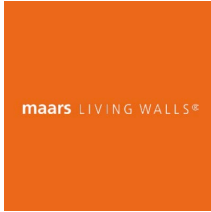

\* \$265 million repaid on June 29, 2020



Note: Dividend and share repurchase programs temporarily suspended in Q4 FY20 as part of managing liquidity in COVID pandemic.

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

# Focused acquisition and partnership strategy

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



# Opportunity for continued revenue growth over the next five years

## Revenue

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

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Estimated Annual Organic Revenue Growth *	4-7%
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*\* Assumed to be through an economic cycle*





# Operating income growth of 2x to 2.5x the rate of organic revenue growth

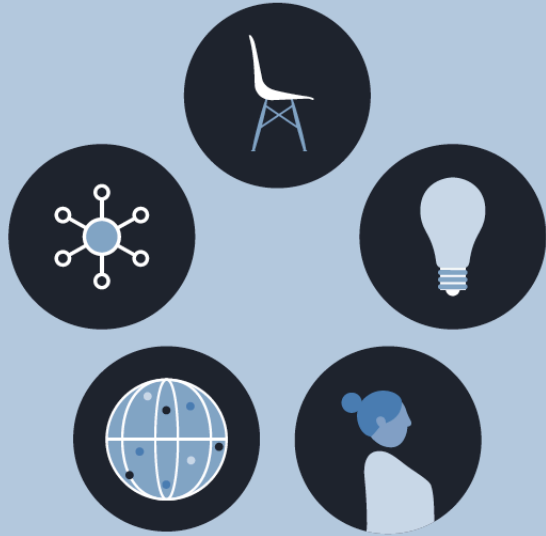
**Structurally higher operating margins driven by:**

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





# Our Compelling Story



Distinct Capabilities



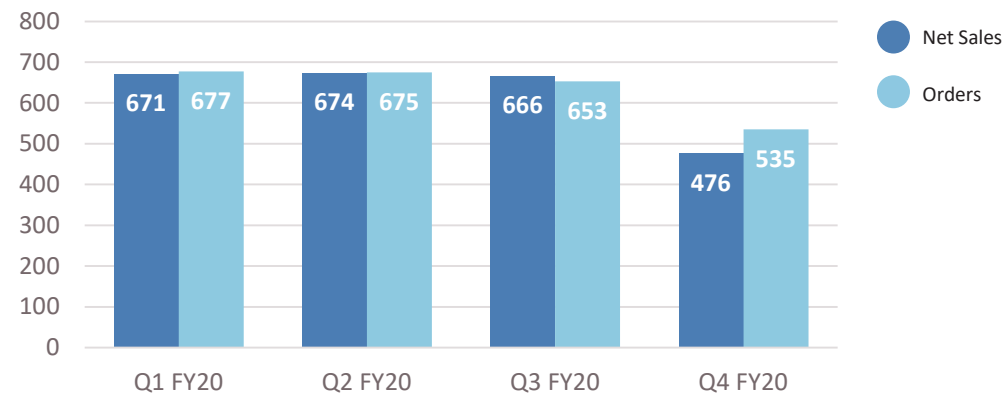
Clear strategic priorities



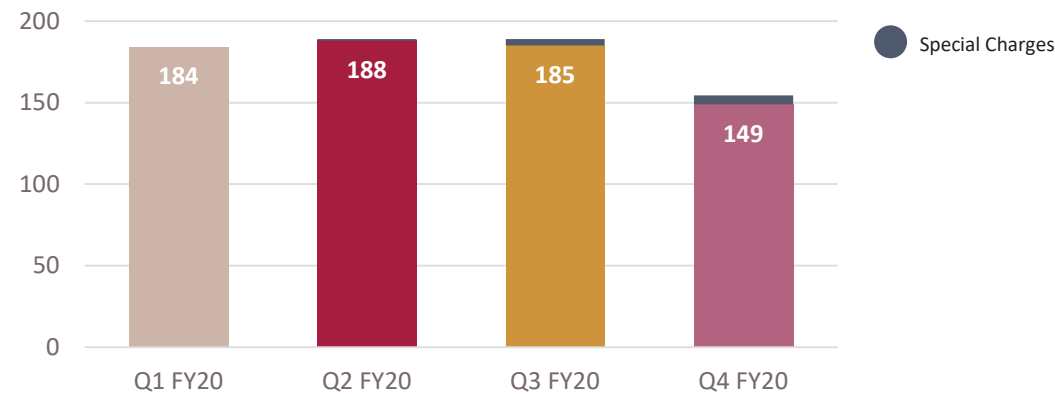
Strong track record of financial performance and compelling outlook

# Recent Quarterly Financial Trends

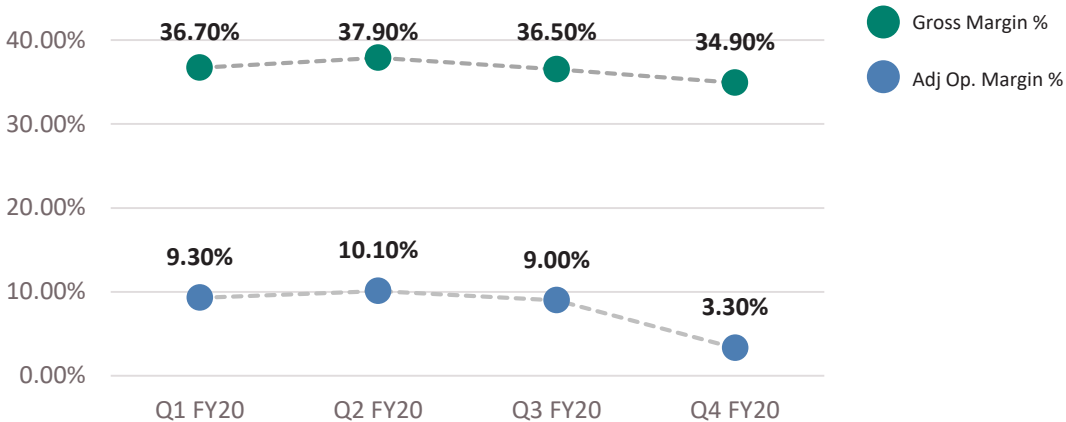
Quarterly Net Sales + Orders (\$ millions)



Quarterly Operating Expenses (\$ millions)



Gross Margin and Adjusted Operating Margin (% net sales)



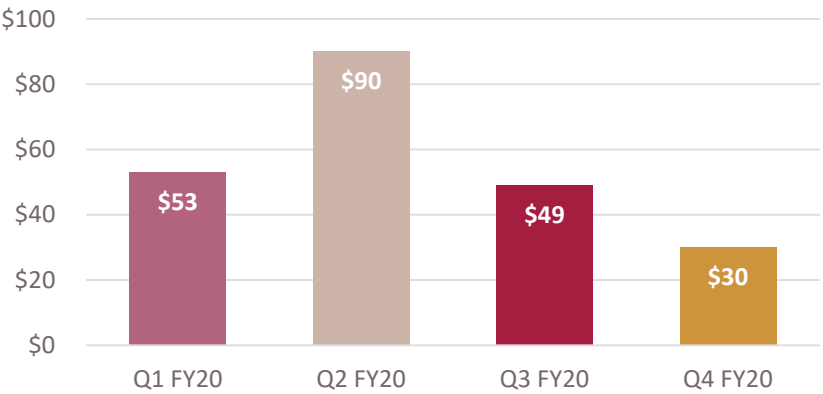
Q4 net sales and orders decreased 29% and 19%, respectively, from the prior year related to demand pressures from COVID-19 pandemic.

Gross margin in Q4 reflected an 250-basis point decrease over prior year primarily due to lower production leverage.

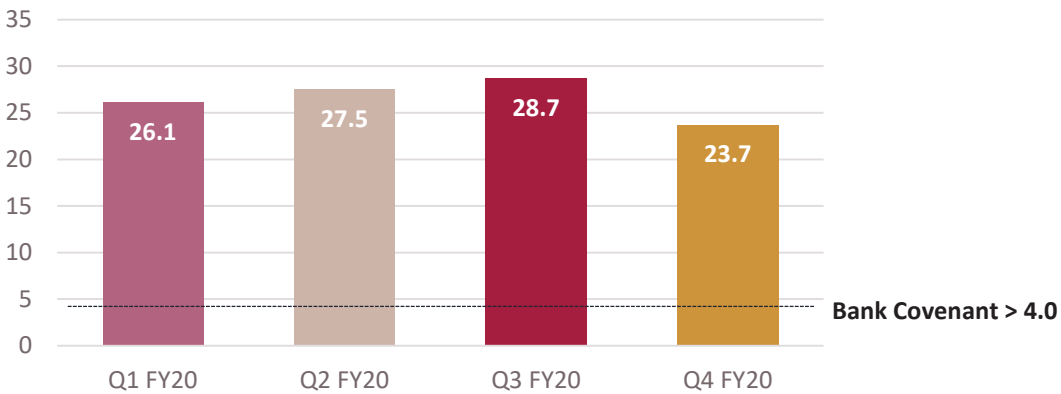
Operating expenses in Q4 of \$155M include \$5.5 million of special charges.

EPS in Q4 totaled a loss of \$2.85 per share; \$0.11 earnings per share on an adjusted basis, compared to \$0.78 per share last year on a reported basis and \$0.88 adjusted.

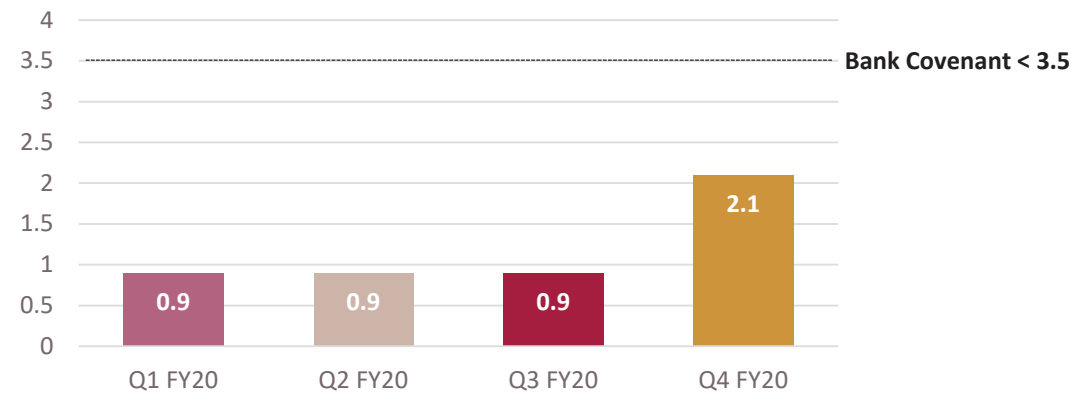
Quarterly Cash Flow from Operations (\$ millions)



Rolling 4 Qtr Coverage Ratio (EBITDA<sup>(1)</sup> to Interest)



Rolling 4 Qtr Leverage Ratio (Debt to EBITDA)<sup>(1)</sup>



Q4 ending cash and equivalents totaled \$454 million. Includes a temporary draw on revolving credit facility of \$265M (subsequently repaid in June 2020)

LT Debt maturity schedule:

- PPN (\$50M) due 2021
- Revolver (\$225M) due 2024
- PPN (\$50M) due 2030

CAPEX totaled \$13 million in Q4 and \$69 million for FY20.

There was no quarterly dividend paid in Q4.

(1) See appendix for reconciliation of non-GAAP measures

# Appendix

Overview

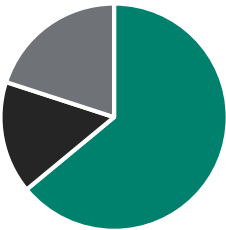
Description: Furniture product design, manufacture and sale for office, healthcare, and education customers throughout the United States and Canada. The North America Contract brand portfolio includes the Herman Miller, Geiger, Maharam, HAY, naughtone and Nemschoff brands.

FY20 Percent of Consolidated Revenues

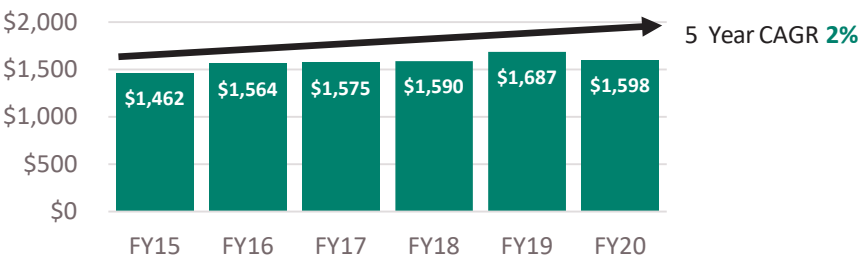
North America 64%

Retail 16%

International 20%



Revenue Trend (\$ millions)



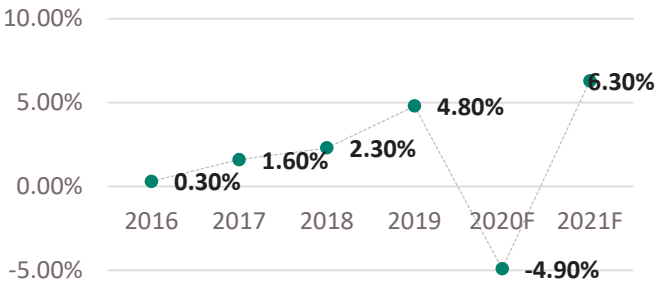
FY20 Adj. Operating Margin

12.5%

Macro-Economic Drivers

Other Leading Economic Indicators include: Corporate profitability, service sector employment,, Office vacancy rates, CEO and small business confidence

U.S. Commercial Market Sales



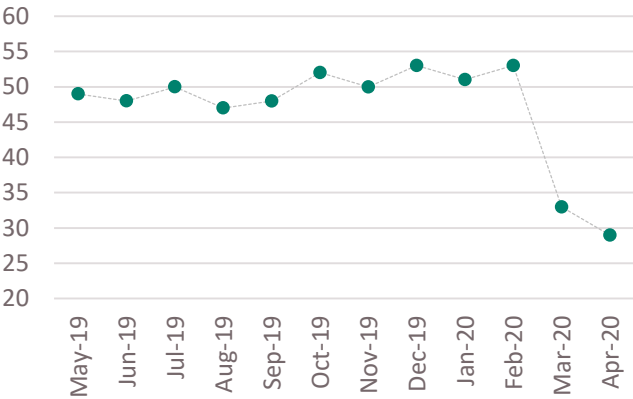
Source: BIFMA, May 2020

AIA Consensus Construction Forecast (%YOY Growth)

	2019	2020
Non-Residential	3.8%	2.4%
Commercial Total	2.5%	1.1%
Office	6.9%	2.2%
Health	2.7%	3.7%
Education	6.1%	4.4%
Hotel	3.6%	0.5%

Source: The American Institute of Architects, December 2019

U.S. Architects Billing Index



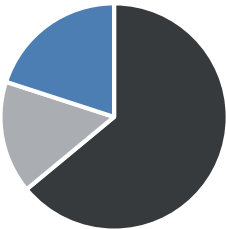
Source: The American Institute of Architects

Overview

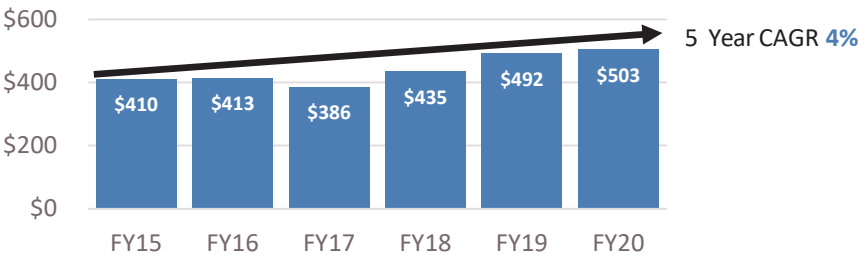
Description: Design, manufacture and sale of furniture products primarily for office settings in EMEA (45% of sales in FY19), Latin America (17% of sales in FY19) and Asia-Pacific (38% of sales in FY19)

FY20 Percent of Consolidated Revenues

North America **64%**  
Retail **16%**  
International **20%**



Revenue Trend (\$ millions)



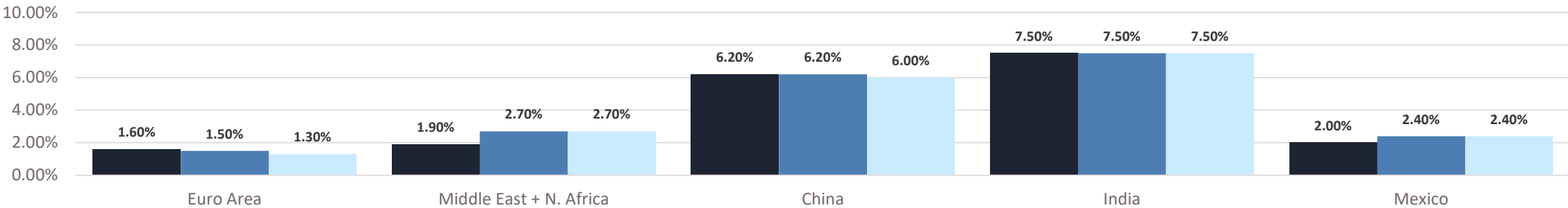
FY20 Adj. Operating Margin

**9.8%**

Macro-Economic Drivers

GDP Forecast

● 2019 ● 2020 ● 2021



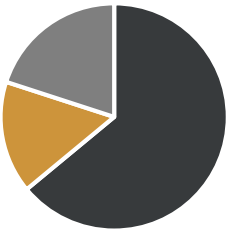
Source: World Bank (January 2020)

Overview

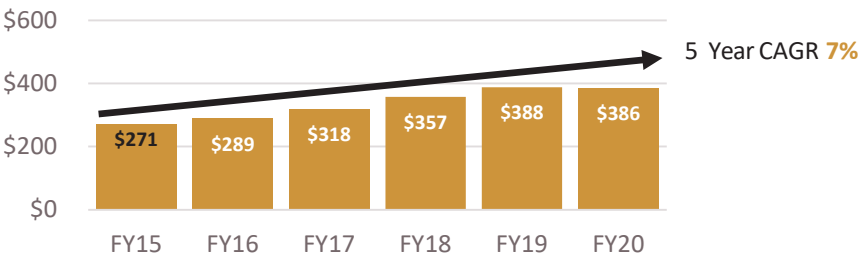
Description: Sale of modern design furnishings and accessories in North America through multiple channels, including eCommerce storefronts, direct mailing catalogs and independent retailers.

FY20 Percent of Consolidated Revenues

North America **64%**  
Retail **16%**  
International **20%**



Revenue Trend (\$ millions)

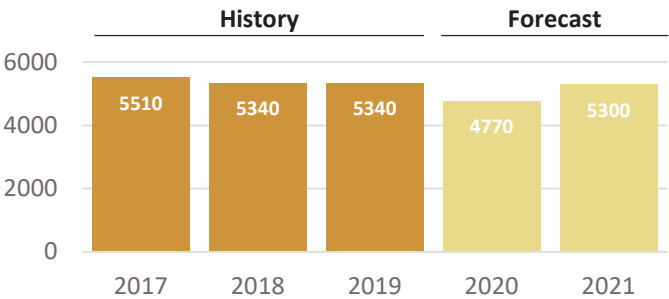


FY20 Adj. Operating Margin

**(1.7)%**

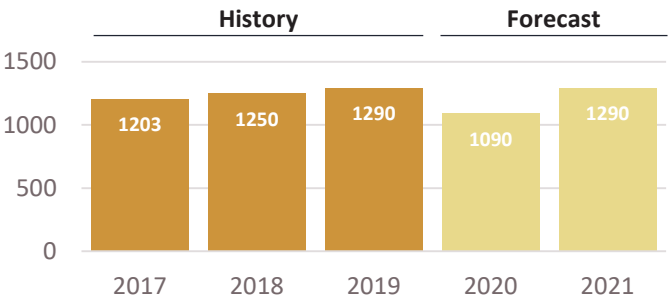
Macro-Economic Drivers

Existing Home Sales (thousands of units)



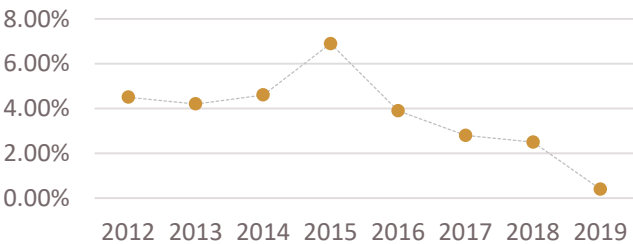
Source: Ntl. Assoc. of Realtors U.S. Economic Outlook (June 2020)

Housing Starts (thousands of units)



Source: Ntl. Assoc. of Realtors U.S. Economic Outlook (June 2020)

Furniture and Home Furnishing Stores Annual Sales Growth



Source: US Census Bureau



## APPENDIX—RECONCILIATION OF NON-GAAP MEASURES

This presentation contains certain non-GAAP financial measures. Each of these financial measures is calculated by excluding items the Company believes are not indicative of its ongoing operating performance. The Company presents these non-GAAP financial measures because it considers them to be important supplemental indicators of financial performance and believes them to be useful in analyzing ongoing results from operations.

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

# Organic Sales Growth (Decline) by Segment

(\$ Millions); (unaudited)

	North America		International		Retail		Total	
	2015	2020	2015	2020	2015	2020	2015	2020
Net Sales, as reported	\$1,461.8	\$1,598.2	\$409.9	\$502.8	\$270.5	\$385.9	\$2,142.2	\$2,486.6
Proforma Adjustments								
Dealer Divestitures	(38.9)	–	(22.4)	–	–	–	(61.3)	–
Cumulative foreign exchange	–	14.2	–	44.1	–	0.9	–	59.2
Acquisition—base year	–	(11.8)	–	(83.8)	–	–	–	(95.6)
Net Sales, organic	\$1,422.9	\$1,600.6	\$387.5	\$463.1	\$270.5	\$386.8	\$2,080.9	\$2,450.2
Compound Annual Growth Rate, as reported		1.8%		4.2%		7.4%		3.0%
Compound Annual Growth Rate, organic		2.4%		3.6%		7.4%		3.3%

# Adjusted Operating Margin by Segment

(\$ Millions); (unaudited)

	Consolidated	North America	International	Retail	Corporate
Operating Earnings	\$(38.4)	\$130.9	\$18.2	\$(148.3)	\$(39.2)
Add: Restructuring/Impairment Expenses	231.8	61.9	28.0	141.9	
Add: Special Charges	12.3	7.5	2.9	–	1.9
Adjusted Operating Earnings	\$205.7	\$200.3	\$49.1	\$(6.4)	\$(37.3)
Net Sales	\$2,486.6	\$1,598.2	\$502.8	\$385.6	–
Adjusted Operating Margin	8.3%	12.5%	9.8%	(1.7)%	–

# Adjusted Earnings per Share

(\$ Millions); (unaudited)

	FY15	FY16	FY17	FY18	FY19	FY20
<b>Earnings Per Share—Diluted</b>	\$1.62	\$2.26	\$2.05	\$2.12	\$2.70	\$(0.15)
Add: Acquisition-related Adjustments	\$0.10	—	—	—	—	\$(0.63)
Add: Special Charges	—	—	—	\$0.16	\$0.18	\$0.15
Add: Restructuring/Impairment Expenses	\$0.17	—	\$0.13	\$0.07	\$0.13	\$3.24
Add: HAY Inventory Step-up	—	—	—	—	\$0.01	—
Less: Tax Impact	\$(0.07)	—	—	\$(0.05)	\$(0.02)	—
Less: Non-recurring Gain	—	\$(0.09)	\$(0.02)	—	—	—
Less: Investment Fair Value Adjustment	—	—	—	—	\$(0.03)	—
<b>Adjusted Earnings Per Share—Diluted</b>	\$1.82	\$2.17	\$2.16	\$2.30	\$2.97	\$2.61

# Organic Sales and Orders Growth (Decline)

(\$ Millions); (unaudited)

## Organic Sales Growth (Decline)

	Q4 FY20	Q4 FY19
Net Sales, as reported	\$475.7	\$671.0
% change from PY	(29.1)%	
Proforma Adjustments		
Acquisitions	(41.9)	
Currency Translation Effects	3.3	
Net Sales, organic	\$437.1	\$671.0
% change from PY	(34.9)%	

## Organic Order Growth (Decline)

	Q4 FY20	Q4 FY19
Orders, as reported	\$535.3	\$664.5
% change from PY	(19.4)%	
Proforma Adjustments		
Acquisitions	(44.0)	
Currency Translation Effects	5.3	
Orders, organic	\$496.6	\$664.5
% change from PY	(25.3)%	

# Adjusted Operating Earnings and Adjusted Earnings Per Share

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

## Adjusted Operating Earnings

	Q4 FY20	Q3 FY20	Q2 FY20	Q1 FY20
<b>Net Sales</b>	\$475.7	\$665.7	\$674.2	\$670.9
Operating Earnings (GAAP)	(211.4)	60.1	62.4	60.1
<b>Operating Earnings</b>	(44.4)%	7.6%	9.3%	9.0%
Add: Special Charges	4.6	6.1	1.2	0.4
Add: Restructuring and Impairment Expenses	222.3	3.5	4.2	1.8
<b>Adj. Operating Earnings (non-GAAP)</b>	\$15.5	\$60.0	\$67.8	\$62.3
<b>Adj. Operating Margin</b>	3.3%	9.0%	10.1%	9.3%

## Adjusted Earnings per Share

	Q4 FY20	Q4 FY19
<b>Earnings per Share—Diluted</b>	\$(2.95)	\$0.78
Add: Special charges, after tax	0.06	0.02
Add: Restructuring and impairment expenses, after tax	3.12	
Less: Adjustments related to U.S. Tax Cuts and Jobs Act		(0.11)
Less: Investment fair value adjustments, after tax	\$(0.12)	(0.03)
<b>Adjusted Earnings per Share—Diluted</b>	\$0.11	\$0.88

# Adjusted EBITDA and Adjusted EBITDA Ratios

(\$ millions); (unaudited)

	Q4 FY20	Q3 FY20	Q2 FY20	Q1 FY20
<b>Earnings Before Income Taxes (EBT)</b>	\$ (8.4)	\$258.4	\$257.0	\$215.9
Add: Depreciation	68.1	65.0	66.1	66.6
Add: Amortization	11.4	7.3	6.3	5.9
Add: Interest	12.5	11.9	12.1	12.1
Add: Other Adjustments (1)	212.2	(\$0.7)	\$10.0)	\$16.3
Adjusted EBITDA—Bank	\$295.9	\$341.9	\$331.4	\$316.8
Total Debt, End of Trailing Period (includes outstanding LC's)	\$624.4	\$303.4	\$293.3	\$298.2
<b>Rolling 4-Quarter Debt-to-Adj. EBITDA</b>	<b>2.1</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
<b>Rolling 4-Quarter Adj. EBITDA-to-Interest</b>	<b>23.7</b>	<b>28.7</b>	<b>27.5</b>	<b>26.1</b>

<sup>(1)</sup> “Other Adjustments” include, as applicable in the period, charges associated with business restructuring actions, impairment expenses, non-cash stock-based compensation, and other items as described in lending agreements.

