

HNI Corporation Announces Increased Sales And Earnings For Third Quarter Fiscal 2013

Written by Australian Business

MUSCATINE, Iowa, Oct. 16, 2013 /PRNewswire/ -- **HNI Corporation** (NYSE: [HNI](#)) today announced sales for the third quarter ended September 28, 2013, of \$565.7 million, a 3 percent increase from the prior year quarter and net income of \$28.1 million, a 15 percent increase from the prior year quarter. Net income per diluted share for the quarter was \$0.61.

Third Quarter Summary Comments"We continue to compete well in our markets and are pleased with our sales performance and profit growth over prior year. Strong operational execution and investment returns drove third quarter profit improvement while we continued to invest in new products and operational capabilities to meet changing market demands.

We delivered solid sales and profit growth in our office furniture businesses despite a recent sharp decline in federal government spending. Continued strong profit growth in our hearth business was driven by outstanding operational performance and growth in the new construction and remodel/retrofit channels. We continue to make good progress on our core

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strategies, improving our competitive position and investing for long-term profitable growth," said Stan Askren, HNI Corporation Chairman, President and Chief Executive Officer.

Third Quarter – GAAP Financial Measures

Three Months Ended

Percent

Change

Dollars in millions

except per share data

9/28/2013

9/29/2012

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Net sales

\$565.7

\$550.9

2.7%

Gross profit

\$199.9

\$191.3

4.5%

Gross profit %

35.3%

34.7%

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SG&A

\$154.8

\$149.6

3.5%

SG&A %

27.4%

27.2%

Operating income

\$45.1

\$41.7

8.1%

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Operating income %

8.0%

7.6%

Net income attributable to HNI Corporation

\$28.1

\$24.5

14.7%

Earnings per share attributable to HNI Corporation – diluted

\$0.61

\$0.53

Third Quarter Results

- Consolidated net sales increased \$14.9 million or 2.7 percent to \$565.7 million. Compared to prior year quarter, divestitures, partially offset by the acquisition of BP Ergo, resulted in a \$12.5 million sales decline.

- Gross margin was 0.6 percentage points higher than prior year primarily due to higher volume and increased price realization partially offset by new product ramp-up and operation reconfiguration costs to meet changing market demands.

- Total selling and administrative expenses as a percent of net sales, including restructuring charges, increased 0.2 percentage points from the prior year quarter due to investment in growth initiatives and higher incentive-based compensation partially offset by higher volume, network distribution realignment savings and lower restructuring charges.

- The Corporation's third quarter results included \$0.1 million of restructuring charges associated with previously announced shutdown and consolidation of office furniture manufacturing locations. Included in the third quarter of 2012 was \$0.8 million of restructuring and transition costs of which \$0.2 million was included in cost of sales.

Third Quarter – Non-GAAP Financial Measures

(Reconciled with most comparable GAAP financial measures)

Dollars in millions

Except per share data

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Three Months Ended

9/28/2013

Three Months Ended

9/29/2012

Gross

Profit

Operating

Income

EPS

Gross

Profit

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Operating

Income

EPS

As reported (GAAP)

\$199.9

\$45.1

\$0.61

\$191.3

\$41.7

\$0.53

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% of net sales

35.3%

8.0%

34.7%

7.6%

Restructuring and impairment

-

\$0.1

\$0.00

-

\$0.2

\$0.00

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Transition costs

-

-

-

\$0.2

\$0.6

\$0.01

Results (non-GAAP)

\$199.9

\$45.2

\$0.61

\$191.5

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\$42.5

\$0.55

% of net sales

35.3%

8.0%

34.8%

7.7%

Office Furniture – GAAP Financial Measures

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Dollars in millions

Three Months Ended

Percent

Change

9/28/2013

9/29/2012

Sales

\$466.2

\$467.8

-0.3%

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Operating profit

\$40.7

\$38.4

5.9%

Operating profit %

8.7%

8.2%

Third Quarter – Non-GAAP Financial Measures

(Reconciled with most comparable GAAP financial measures)

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Three Months Ended

Percent

Dollars in millions

9/28/2013

9/29/2012

Change

Operating profit as reported (GAAP)

\$40.7

\$38.4

5.9%

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% of Net Sales

8.7%

8.2%

Restructuring and impairment

\$0.1

\$0.2

Transition costs

-

\$0.6

Operating profit (non-GAAP)

\$40.8

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\$39.2

4.0%

% of Net Sales

8.8%

8.4%

- Third quarter sales for the office furniture segment decreased \$1.6 million or 0.3 percent to \$466.2 million. Compared to prior year quarter, divestitures, partially offset by the acquisition of BP Ergo, resulted in a \$12.5 million sales decline. On an organic basis sales increased 2.3 percent driven by growth in both channels of the Corporation's office furniture segment.

- Third quarter operating profit increased \$2.3 million. Operating profit was positively impacted by higher volume, increased price realization, network realignment savings and lower restructuring charges. These were partially offset by new product ramp-up and operation reconfiguration to meet changing market demands.

Hearth Products

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Dollars in millions

Three Months Ended

Percent

Change

9/28/2013

9/29/2012

Sales

\$99.5

\$83.1

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19.8%

Operating profit

\$14.4

\$9.1

58.7%

Operating profit %

14.5%

10.9%

- Third quarter sales for the hearth products segment increased \$16.4 million or 19.8 percent to \$99.5 million

driven by increases in both the new construction and the remodel/retrofit channels.

- Third quarter operating profit increased \$5.3 million. Operating profit was positively impacted by increased volume, higher price realization and lower input costs partially offset by investments in growth initiatives and higher incentive-based compensation.

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Year-to-Date Results Consolidated net sales for the first nine months of 2013 increased \$42.2 million or 2.9 percent, to \$1.52 billion compared to \$1.48 billion in 2012. Gross margin increased to 34.4 percent compared to 34.1 percent last year even with increased investments related to growth and manufacturing capability reconfiguration. Net income attributable to HNI Corporation was \$40.9 million compared to \$31.4 million in 2012. Earnings per share increased to \$0.89 per diluted share compared to \$0.68 per diluted share for the first nine months of 2012.

Operating activities generated \$88.0 million of cash during the first nine months of 2013 compared to \$80.8 million of cash for the same period last year. Capital expenditures during the first nine months were \$59.6 million in 2013 compared to \$44.7 million in 2012.

Outlook"Despite near-term political uncertainty, I remain confident in our strategies to drive profit improvement while simultaneously investing for long-term profitable growth. We will achieve our objective of growing sales and solidly increasing profits in 2013," said Mr. Askren.

The Corporation estimates sales growth to be flat to up 3 percent in the fourth quarter over the same period in the prior year. For the full year, the Corporation is narrowing its estimate of non-GAAP earnings per diluted share to the range of \$1.35 to \$1.40, which excludes restructuring charges, transition costs and a loss on the sale of a business.

The Corporation remains focused on creating long-term shareholder value by growing its

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business through investment in building brands, product solutions and selling models, enhancing its strong member-owner culture and remaining focused on its long-standing rapid continuous improvement programs to build best total cost and a lean enterprise.

Conference Call HNI Corporation will host a conference call on Thursday, October 17, 2013 at 10:00 a.m.

(Central) to discuss third quarter 2013 results. To participate, call 1-877-512-9166 – conference ID number 65147219. A live webcast of the call, and a replay of the webcast, will be available on HNI Corporation's website at

<http://www.hnicorp.com>

(under Investor Information – Webcasts). An audio replay of the call will be available until Thursday, October 24, 2013

,
10:59 p.m.

(Central) by dialing 1-855-859-2056 or 1-404-537-3406 – Conference ID number 65147219.

About HNI Corporation HNI Corporation is a NYSE traded company (ticker symbol: HNI) providing products and solutions for the home and workplace environments. HNI Corporation is the second largest office furniture manufacturer in the world and is also the nation's leading manufacturer and marketer of gas- and wood-burning fireplaces. The Corporation's strong brands, including HON[®], Allsteel[®], Gunlocke[®], Paoli[®], Maxon[®], Lamex

, HBF

[®]

, artcobell

TM

, Midwest Folding Products

TM

, ERGO

[®]

, Heatilator

[®]

, Heat & Glo

[®]

, Quadra-Fire

[®]

and

Harman Stove

TM

have leading positions in their markets. HNI Corporation is committed to maintaining its long-standing corporate values of integrity, financial soundness and a culture of service and responsiveness. More information can be found on the Corporation's website at

www.hnicorp.com

Non-GAAP Financial Measures This earnings release contains certain non-GAAP financial measures. A "non-GAAP financial measure" is a numerical measure of a company's financial performance that excludes or includes amounts different than the most directly comparable measure calculated and presented in accordance with GAAP in the statements of income, balance sheets or statements of cash flow of the company. We have provided a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measure.

The non-GAAP financial measures used within this earnings release are: gross profit, operating income, operating profit and net income per diluted share (i.e., EPS), excluding restructuring and impairment charges, transition costs and loss on sale of a business. Non-GAAP EPS is calculated using the Corporation's overall effective tax rate for the period. We present these measures because management uses this information to monitor and evaluate financial results and trends. Management believes this information is also useful for investors. This earnings release also contains a forward-looking estimate of non-GAAP earnings per diluted share for the full fiscal year 2013. We provide such non-GAAP measures to investors on a prospective basis for the same reasons we provide them to investors on a historical basis. We are unable to provide a reconciliation of our forward-looking estimate of non-GAAP earnings per diluted share to a forward-looking estimate of GAAP earnings per diluted share because certain information needed to make a reasonable forward-looking estimate of GAAP earnings per diluted share for the full fiscal year is difficult to predict and estimate and is often dependent on future events which may be uncertain or outside of our control. These may include unanticipated charges related to asset impairments (fixed assets, intangibles or goodwill), unanticipated acquisition related costs and other unanticipated non-recurring items not reflective of ongoing operations.

Forward-looking Statements This release contains "forward-looking" statements that refer to future events and expectations. These statements address future plans, outlook, objectives and financial performance including expectations for future sales growth and earnings per diluted share (GAAP and non-GAAP) for the fourth quarter and full year fiscal 2013. In addition, forward-looking statements may be identified by words such as "anticipate," "believe," "could," "confident," "estimate," "expect," "forecast," "hope," "intend," "likely," "may," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and variations of such words and similar expressions. Forward-looking statements involve known and unknown risks, which may cause the Corporation's actual future results to differ materially from expected results. These risks include, without limitation: the Corporation's ability to realize financial benefits from its (a) price increases, (b) cost containment and business simplification initiatives, (c) investments in strategic acquisitions, new products and brand building, (d) investments in distribution and rapid

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continuous improvement, (e) ability to maintain its effective tax rate, (f) repurchases of common stock and (g) consolidation and logistical realignment initiatives; uncertainty related to the availability of cash and credit, and the terms and interest rates on which credit would be available, to fund operations and future growth; lower than expected demand for the Corporation's products due to uncertain political and economic conditions; slow or negative growth rates in global and domestic economies and the protracted decline in the domestic housing market; lower industry growth than expected; major disruptions at key facilities or in the supply of any key raw materials, components or finished goods; competitive pricing pressure from foreign and domestic competitors; higher than expected costs and lower than expected supplies of materials; higher costs for energy and fuel; changes in the mix of products sold and of customers purchasing; relationships with distribution channel partners, including the financial viability of distributors and dealers; restrictions imposed by the terms of the Corporation's revolving credit facility and note purchase agreement; currency fluctuations and other factors described in the Corporation's annual and quarterly reports filed with the Securities and Exchange Commission on Forms 10-K and 10-Q. The Corporation undertakes no obligation to update, amend or clarify forward-looking statements.

For Information Contact: Kurt A. Tjaden, Vice President and Chief Financial Officer (563) 272-7400

HNI CORPORATION

Unaudited Condensed Consolidated Statement of Operations

(Dollars in thousands, except per share data)

Three Months Ended

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Nine Months Ended

Sept. 28, 2013

Sept. 29, 2012

Sept. 28, 2013

Sept. 29, 2012

Net Sales

\$ 565,706

\$ 550,855

\$1,518,701

\$1,476,467

Cost of products sold

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365,835

359,519

996,390

973,191

Gross profit

199,871

191,336

522,311

503,276

Selling and administrative expenses

154,641

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149,421

453,735

444,610

Restructuring and impairment charges

115

172

236

1,361

Operating income

45,115

41,743

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68,340

57,305

Interest income

158

155

468

610

Interest expense

2,826

2,658

8,219

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8,181

Income before income taxes

42,447

39,240

60,589

49,734

Income taxes

14,398

15,036

19,962

18,785

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Net income

28,049

24,204

40,627

30,949

Less: Net (loss) attributable to the noncontrolling interest

(45)

(286)

(296)

(425)

Net income attributable to HNI Corporation

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\$ 28,094

\$ 24,490

\$40,923

\$ 31,374

Net income attributable to HNI Corporation common shareholders – basic

\$0.62

\$0.54

\$0.90

\$0.69

Average number of common shares outstanding – basic

45,317,912

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45,224,059

45,295,115

45,265,050

Net income attributable to HNI Corporation common shareholders – diluted

\$0.61

\$0.53

\$0.89

\$0.68

Average number of common shares outstanding – diluted

46,089,580

45,820,422

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45,951,775

45,839,917

Unaudited Condensed Consolidated Balance Sheet

Assets

Liabilities and Shareholders' Equity

As of

As of

(Dollars in thousands)

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Sept. 28,

2013

Dec. 29,

2012

Sept. 28, 2013

Dec. 29,

2012

Cash and cash equivalents

\$ 36,891

\$ 41,782

Accounts payable and

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Short-term investments

7,251

7,250

accrued expenses

\$405,211

\$ 390,958

Receivables

249,255

213,490

Note payable and current

Inventories

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99,109

93,515

maturities of long-term debt

8,869

4,554

Deferred income taxes

16,183

21,977

Current maturities of other

Prepaid expenses and

long-term obligations

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3,169

373

other current assets

25,759

26,926

Current assets

434,448

404,940

Current liabilities

417,249

395,885

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Long-term debt

150,105

150,146

Capital lease obligations

150

226

Other long-term liabilities

62,771

57,281

Property and equipment – net

258,976

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240,490

Deferred income taxes

65,333

55,433

Goodwill

286,572

288,348

Other assets

147,360

145,853

Parent Company shareholders'

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equity

431,647

420,359

Noncontrolling interest

101

301

Shareholders' equity

431,748

420,660

Total liabilities and

Total assets

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\$1,127,356

\$1,079,631

shareholders' equity

\$1,127,356

\$1,079,631

Unaudited Condensed Consolidated Statement of Cash Flows

Nine Months Ended

(Dollars in thousands)

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Sept. 28, 2013

Sept. 29, 2012

Net cash flows from (to) operating activities

\$ 87,969

\$ 80,836

Net cash flows from (to) investing activities:

Capital expenditures

(59,589)

(44,659)

Other

1,151

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(27,048)

Net cash flows from (to) financing activities

(34,422)

(32,676)

Net increase (decrease) in cash and cash equivalents

(4,891)

(23,547)

Cash and cash equivalents at beginning of period

41,782

72,812

Cash and cash equivalents at end of period

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\$ 36,891

\$ 49,265

Business Segment Data

Three Months Ended

Nine Months Ended

(Dollars in thousands)

Sept. 28, 2013

Sept. 29, 2012

Sept. 28, 2013

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Sept. 29, 2012

Net sales:

Office furniture

\$466,213

\$467,787

\$1,268,214

\$1,264,953

Hearth products

99,493

83,068

250,487

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211,514

\$565,706

\$550,855

\$1,518,701

\$1,476,467

Operating profit:

Office furniture

Operations before restructuring and impairment charges

\$40,811

\$38,605

\$71,759

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\$69,707

Restructuring and impairment charges

(115)

(172)

(236)

(1,361)

Office furniture – net

40,696

38,433

71,523

68,346

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Hearth products

14,409

9,077

23,699

11,066

Total operating profit

55,105

47,510

95,222

79,412

Unallocated corporate expense

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(12,658)

(8,270)

(34,633)

(29,678)

Income before income taxes

\$42,447

\$39,240

\$60,589

\$49,734

Depreciation and amortization expense:

Office furniture

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\$ 9,257

\$ 8,542

\$27,384

\$25,423

Hearth products

1,274

1,454

4,039

4,519

General corporate

1,201

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751

3,147

2,162

\$11,732

\$10,747

\$34,570

\$32,104

Capital expenditures – net:

Office furniture

\$13,225

\$10,206

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\$39,402

\$25,206

Hearth products

1,335

519

3,568

1,472

General corporate

5,723

8,868

16,619

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17,981

\$20,283

\$19,593

\$59,589

\$44,659

As of

Sept. 28, 2013

As of

Sept. 29, 2012

Identifiable assets:

Office furniture

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\$ 733,258

\$ 725,763

Hearth products

275,736

272,951

General corporate

118,362

124,068

\$1,127,356

\$1,122,782

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