Herman Miller, Inc.
Fourth Quarter Fiscal 2018
Investor Conference Call
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The following document is a replication of the notes used in Herman Miller, Inc.'s Fourth Quarter Fiscal 2018 conference call presentation. Brian Walker, President and CEO; Jeff Stutz, Executive Vice President and CFO; and Kevin Veltman, Vice President – Investor Relations and Treasurer, hosted the call. These notes represent an abridged version of the conference call and do not include the Q & A portion. Those wishing to hear the associated Q & A segment can do so by listening to the archived webcast version of the call on the investor relations page at www.hermanmiller.com.

This presentation will include forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. These risks and uncertainties include those risk factors discussed at the end of this presentation and in the Company's reports on forms 10-K and 10-Q and other reports filed with the Securities and Exchange Commission.

Also, the financial amounts and references to internal measures mentioned today are unaudited.

OPENING – BRIAN WALKER, PRESIDENT AND CEO

Good morning everyone, and thank you for joining us. I'll begin the call today with a brief overview of our results for the quarter and full year. After that, I'll provide a review of our five key priorities for the business. I'll close with an overview of the current economic backdrop, before I turn the call over to Jeff and Kevin to provide a more detailed picture of our financial results.

Sales of $618 million for the quarter were a record and represents growth of 7% over the same period last year. At the segment level, our International and Consumer businesses also achieved their highest ever sales for a quarterly period, and both segments (along with the Specialty group) posted double-digit growth over last year.

Order growth at the consolidated level of 9% was broad-based across all our business segments. Our International business delivered another period of impressive organic growth – posting a year-over-year increase of 20%. This was complemented by 12% order growth in both our Consumer and Specialty segments. Perhaps most encouraging was the improved momentum we saw this quarter in the North America Contract business, which delivered organic order growth of 4%.

We reported EPS on a GAAP basis of $0.53 for the quarter. On an adjusted basis, which excludes certain restructuring and other special charges for the quarter, we reported EPS of $0.66 – an amount well ahead of our expectations coming into the quarter driven by the above-forecast top line.

For the full fiscal year, net sales of $2.38 billion were a record and reflected growth across each of our business segments. The organization did a great job of managing operating expenses over the full year, which helped to mitigate gross margin pressures. We also benefitted from lower U.S. statutory tax rates that went into effect in the third quarter. We reported full year EPS on a GAAP basis of $2.12 compared to $2.05 last year. Adjusted EPS of $2.30 increased 6% over fiscal 2017.

Reflecting the strength of our current financial position, yesterday we announced a 10% increase in our quarterly shareholder dividend. This marks the seventh dividend increase in the past six years. It's a move that reflects the confidence of our management team and Board of Directors in our growth strategy, multi-channel distribution model, and leading design and innovation capability.

We have discussed with you before the five strategic priorities that have guided our business over the past two years. We made meaningful progress in each of these areas this year as a result of tremendous effort from our employee-owners around the world. As a reminder, these five priorities are:

- Realizing our vision for the Living Office;
- Delivering on our new product Innovation agenda;
- Leveraging our Dealer Eco-System;
- Scaling our Consumer business; and
- Driving Profit Optimization

Let me spend a few minutes highlighting our progress in these areas.

Our Living Office framework for helping our customers design compelling, high-performing work spaces is a critical foundation for setting our innovation agenda and leveraging our dealer eco-system. In the past year, we added significantly to our research into workplace environments with a number of studies demonstrating the meaningful impact that applying Living Office concepts can have for our customers. We also launched the new Live OS technology platform that provides real-time data insights to help individuals and organizations improve work space performance and achieve wellness goals.

Regarding our drive for innovation, 2018 was an active year for new product launches. New products introduced over the past four years accounted for 29% of total sales for the year - well above our annual target of 20%. This quarter, we announced the upcoming launch of Cosm, a great new addition to our leading performance seating line-up that will be available for order by the end of July. We were pleased to be recognized at the recent NeoCon industry tradeshow with a

Best of NeoCon Gold award in the ergonomic seating category for Cosm. This is just one launch from a robust pipeline of new contract furnishing launches - 46 in total for last year - plus a number of upcoming launches that we shared at NeoCon. Altogether, our new products have the Herman Miller and dealer sales teams energized and well-positioned for the opportunities ahead.

I'll begin the discussion of leveraging our dealer ecosystem with the recent announcement of our planned investment in Maars Living Walls – a global leader in interior wall solutions focused on design, acoustics and fireproofing. Now more than ever, customers are demanding flexible environments and modular solutions for their open spaces. Maars products will be a key part of our offering in the fast-growing *Enclosures* category. In addition to our 48% equity stake in Maars, members of the Maars management team and select Herman Miller dealers have partnered in this investment.

In addition to Maars, we have also expanded our Enclosures offering with two new product lines and an exciting alliance partnership.

- Prospect is a recently launched line of free-standing furnishings that help create a sense of privacy and thoughtful space delineation.
- The next product – called Overlay - is a soon-to-be launched system of sub-architectural, moveable walls and ceiling elements, which can be used to create flexible, free-standing rooms.
- In addition to these new products, we recently entered into an alliance partnership with an innovative company called *Framery*. Based in Finland, Framery creates beautifully designed, high-performance soundproof enclosures – offering customers elegant and cost-effective solutions for acoustic privacy in open plan office environments.

Beyond these initiatives, fiscal 2018 was a year of accomplishment in several other areas of our dealer ecosystem effort. The Herman Miller Elements team is helping our dealers fully understand the breadth of our offering across the Herman Miller Group of brands in the fast-growing ancillary space.

In addition to the Cosm chair launch that I mentioned earlier, we also expanded our range of performance seating options with the recently launched Verus task chair and upcoming Lino chair that provide two distinct aesthetic options and have comfort, quality and accessible price points in common. To further support our dealers, we've made significant progress this year enhancing our digital tools to make it as easy as possible for dealers to order, specify, and visualize the entire product offering of the Herman Miller group of brands. We'll continue to enhance these tools with new search and visualization features planned for the year ahead.

Finally, our recent investment to acquire a 33% equity interest in HAY supports our priority to Scale our Consumer business and is another building block in our Dealer Eco-System. HAY is a Denmark-based leader in ancillary furnishings in

Europe and Asia and active in both the contract and residential furnishing markets. This transaction expands our portfolio of leading global brands and allows us to scale the Consumer business by accessing a growing customer base that prioritizes both industry-leading design and value. It helps us in our efforts to target the segment we call “HENRY” – High Earning, Not Rich Yet – with HAY’s portfolio of authentic modern designs. We also acquired the rights to the HAY brand in North America. In the first year, we plan to launch an on-line store, open four HAY retail locations in North America and make an assortment of HAY products available in Design Within Reach studios. HAY products will also be integrated across our contract furnishings dealer network. Given only 4% of HAY revenues come from North America today, we see great opportunity to bring this fast-growing design brand through our multi-channel distribution. Jeff will unpack the financial elements of the Maars and HAY transactions further in a few minutes.

In addition to this important investment for the future, fiscal 2018 was a year of great progress for our Consumer business. Revenues in this business grew by 12% over last year as we grew comparable brand sales each quarter and expanded selling square footage by 40,000 square feet. We also continued to expand our mix of exclusive products designed by modern design leaders exclusively for Herman Miller and Design Within Reach.

Finally, we made great progress this year on our corporate-wide profit optimization goal, our fifth strategic priority. Given inflationary pressures over the past year, this work is proving to be critical and we have a number of actions we are focused on. While I’ll share more specific details in a moment, let me start with an overview of the impact of this initiative and how it is and will help us address inflationary pressures and drive improvements in operating margins. Across the three phases of work that are in process, we are building line of sight toward achieving between $60 million and $90 million of profit optimization. To date we have realized approximately $30 million of those annualized benefits. Unfortunately, most of the benefits realized to this point have been offset by inflationary pressures and increased discounting. Therefore, as we discussed in the third quarter, we have increased the scope of our efforts in the North American business. Combined with pricing actions we implemented in Q3 and a planned increase in January of 2019, we are confident we can both offset the emergent inflationary pressures and achieve the consolidated operating margin goal we established for fiscal 2020. The actions to achieve these benefits are at varying stages of development and implementation. So, we will see the benefits begin to ramp into the results over the next six to eight quarters. To be clear, this will not be an even distribution as the work we started this past quarter is significant.

When we first announced this priority 18 months ago, we established a target goal for gross annual cost savings of $25 million to $35 million by fiscal 2020 for the initial phase of this work. Our rationale for pursuing these savings was threefold:

- First, to provide an offset to potential inflationary pressures facing our business;
- Second, to free up operating head-room necessary to fund strategic growth investments; and
- Third, to improve operating leverage on our path toward achieving our 10% operating margin goal at the consolidated level.

To date we have achieved approximately $23 million of the actions we originally identified and we believe $5 million is yet to be realized from our manufacturing consolidation efforts in Asia and the U.K. These actions are underway and we expect to have them completed by the end of this fiscal year.

In August of last year, we began work on a focused initiative within our Consumer business utilizing help from a third-party consulting firm. We have continued to refine this work and our estimates each quarter. We now believe the ultimate benefits will range between $15 million to $20 million of profit improvement for our Consumer segment. This past quarter we estimate that this work enhanced profitability in this segment, excluding any fees paid to the consulting firm, by $2 million. With year-over-year operating margin expansion of 450 basis points in Q4 to 8.4% of net sales, our fourth quarter Consumer results highlight that this initiative is beginning to gain traction. Ultimately, we believe this initiative is a critical element in our drive to achieve sustained operating margins in this segment of 8% to 10%. With full year operating margins of approximately 4% this year, we still have work to do but the trend line for this is positive and our recent performance adds to our confidence that we are on track toward achieving this goal. The action plans for this work have been fully developed and are in varying stages of implementation, so, the benefits will feather in over the next few quarters.

Finally, as we discussed during the Q3 investor call, in April we formally kicked off a third optimization project – this one focused on our North America Contract business. We've engaged the same third-party consultant to assist us in this effort, which consists of distinct work streams focused on a range of aspects – including pricing strategy, supply chain, logistics, and reducing complexity. While still in the opportunity confirmation stage, we have growing confidence that we can drive significant improvement in the operating performance of this business, and our working target is to achieve between $20 million and $40 million of annual benefit. Of course, it will take some time before we begin to generate benefits from this initiative. Our best estimate is we will see some benefits in the fourth quarter of fiscal 2019, with the majority to come in fiscal 2020. Of course, we will be looking for quick wins and will keep you updated each quarter on our progress.

In summary, we are aggressively pursuing profit optimization to offset inflationary pressures and drive our profitability goals. Our best estimate at this point is additional inflationary cost pressures, primarily related to steel, will impact our annual results by $15 million to $20 million when fully absorbed. Jeff will provide further perspective on the impact for the next two quarters when he discusses our Q1 outlook. In addition to these profit optimization actions, we also plan to implement an additional price increase in January of 2019. We explored accelerating the price increase to earlier in this fiscal year, but concluded this would delay the implementation of the more structural actions contained in our profit optimization plans. Having said that, we will be implementing tactical pricing actions that don't require a list price change in recognition of the higher input costs. And, we will continue to train our sales professionals and dealers on how to best position our ever-broadening range of price points and solutions to maximize our collective competitiveness and profitability.

Let me now provide some context on the current macro-economic backdrop, which remains generally positive and supportive of further growth.

In the North America Contract space, macro-economic indicators, including GDP growth, low unemployment, confidence measures, service sector employment, and architectural billings continue to be supportive. The new U.S. federal tax regulations have the potential to be an industry tailwind through higher employment levels and increased investment spending. The ability to immediately deduct capital expenditures for furnishings over the next five years is a meaningful benefit for our customers as well.

On the consumer front in North America, supportive consumer sentiment, low unemployment, relatively low interest rates, and limited unsold home inventory make for a generally positive backdrop.

In the ELA regions, while stable overall, there are still pockets of political uncertainty, and we continue watching the recent U.S. actions related to tariffs and the responses from other nations. As a result, we have proactively developed and continue to refine contingency plans.

Before I turn things over to Jeff, let me provide a brief update regarding my upcoming retirement. Over the past few months, the Board has been working with an executive search firm to identify and evaluate potential external candidates. In addition, it has been working with a firm we use for internal leadership development to evaluate potential internal candidates. At this point, we are still anticipating a final decision around the first part of August. Whoever the new CEO is, he or she will step into a heathy and focused organization with strong business momentum that is intent on leveraging our global, multi-channel business as a platform for sustainable, profitable growth.

With that overview, I'll turn the call over to Jeff to provide more detail on the financial results for the quarter.

FINANCIAL REVIEW – JEFF STUTZ, CFO

Thanks, Brian and good morning everyone.

Before we take a closer look at our consolidated results for the quarter, let me take a few moments to provide some additional information on the Maars and HAY transactions.

On June 6 we announced our intent to acquire an ownership position in Maars Living Walls, a global designer and manufacturer of modular wall systems. The transaction, which we expect will close later this month, will give us a 48% equity interest in Maars' for a cash investment of approximately $6 million. Revenue for Maars in the most recently completed fiscal year totaled approximately $65 million. We expect to reflect our share of Maars operating results within equity earnings from non-consolidated affiliates going forward. On a GAAP basis, this transaction is expected to be approximately $0.01 dilutive to earnings per share in fiscal 2019. On an adjusted basis, excluding the estimated impact of certain purchase accounting adjustments, the transaction is expected to be break-even to earnings per share in fiscal 2019. As we look forward, we estimate this Maars investment will be $0.03 to $0.06 accretive to EPS in Year 5 based on our initial ownership percentage.

Closely on the heels of the Maars announcement, on June 7, we acquired a 33% equity interest in HAY through a cash investment of approximately $66 million. Revenue for HAY in the most recently completed fiscal year totaled approximately $155 million and the business has grown at rate of 14% per year over the past four years. HAY's existing business reflects a revenue mix of approximately 60% consumer and 40% contract. We expect to reflect our share of HAY operating results within equity earnings from non-consolidated affiliates going forward. On a GAAP basis, this equity investment is expected to be approximately $0.02 to $0.04 accretive to earnings per share in fiscal 2019. On an adjusted basis, excluding the estimated impact of certain purchase accounting adjustments, the transaction is expected to be accretive by $0.04 to $0.06 per share in fiscal 2019.

In addition to the equity investment in HAY, we also acquired the North America licensing rights for a cash investment of approximately $5 million. This grants us access to the full HAY design catalog for our Consumer and Contract channels in North America. The earnings per share contribution from the North America licensing rights is expected to be break-even in the first year as we focus on building out the HAY footprint in North America. Looking ahead, we expect that the HAY North America business can grow to $75 million to $100 million of revenue - at 12% to 14% EBITDA margins. This would be accretive to EPS in Year 5 by $0.11 to $0.14 per share. In total, the combined equity investment and North America license rights are expected to be accretive to EPS by $0.24 to $0.29 in Year 5. We are energized by the addition of Maars and HAY to the Herman Miller group of brands and the strategic fit they provide as we scale our Consumer business and leverage our Dealer Eco-system.

Moving to our consolidated results for the quarter, consolidated net sales in the fourth quarter of $618 million were 7% above the same quarter last year. Orders in the period of $621 million represented year-over-year growth of approximately 9%.

Within our North American segment, sales were $309 million in the fourth quarter, representing a decrease of 4% from the same quarter last year on a reported basis; and a decline of 3% on an organic basis. New orders were $324 million in the quarter, reflecting an increase of 4%. The order growth in North America this quarter was broad-based across small, medium and large project sizes, with the strongest sectors being Energy, Computer Equipment, and Financial Services. This was partially offset by lower demand levels in Wholesale, Retail and Communications.

Our ELA segment reported sales of $125 million in the fourth quarter – an increase of 35% compared to last year on a GAAP basis, and up 30% organically. New orders totaled $111 million which is 23% higher than last year on a reported basis, and up 20% organically. The strong year-over-year order growth was broad-based across all regions – with notable strength in the U.K., continental Europe, Mexico, Australia, India and the Middle East.

Sales in the fourth quarter within our Specialty segment were $83 million, an increase of 13% from the same quarter last year. New orders in the quarter of $85 million were 12% higher than the year ago period. Encouragingly, the increase in orders this quarter was driven by higher demand levels across all four component businesses comprising the Specialty segment.

The Consumer business reported sales in the quarter of $100 million, an increase of 11% compared to last year driven by strong growth across our studio, catalog, outlet, eCommerce and contract channels. New orders for the quarter of $102 million were 12% ahead of the same quarter last year. Design Within Reach comparable brand sales for the quarter were also 12% higher than last year.

As Brian mentioned earlier, the Consumer team has done an excellent job implementing its strategy around scaling the Consumer business this year and its profit optimization work began gaining traction this quarter, as evidenced by operating margins of 8.4% for the quarter.

Related to the impact of foreign exchange rates on our top-line, we continue to experience a tailwind from the weakening of the U.S. dollar. We estimate the translation impact from year-over-year changes in currency exchange rates had a favorable impact on consolidated net sales of $7 million in the quarter.

Consolidated gross margin in the fourth quarter was 36.9%, which was 140 basis points below the same quarter last year. Included in *Cost of Sales* for the quarter were special charges totaling approximately $1.5 million related to increased freight and distribution expenses directly associated with the consolidation of our manufacturing operations in China. Excluding these costs, adjusted gross margin was 37.2% for the quarter. As discussed earlier, we continue to experience a competitive pricing environment and increased commodity costs in areas such as steel, packaging and plastics and Brian provided an overview of the range of actions that we are pursuing to mitigate these pressures. We also experienced less production leverage in our North America manufacturing operations during the quarter when compared to last year.

Operating expenses in the fourth quarter were $184 million compared to $162 million in the same quarter a year ago. This amount includes approximately $6 million in special charges during the quarter primarily associated with the planned CEO transition that we announced in February, transition costs related to the China facility consolidation and consulting fees supporting our profit enhancement initiatives. Excluding these special charges, the increase of $16 million was driven primarily by higher variable selling costs and incentive compensation levels, as well as higher occupancy and staffing costs related to new DWR studios put in place this year.

Restructuring actions involving certain workforce reductions that were announced in the fourth quarter related to the consolidation of certain facilities in China and the United Kingdom. These costs, which totaled approximately $4 million, primarily reflected the recognition of moving costs, severance and outplacement expenses.

On a GAAP basis, we reported operating earnings of $40 million this quarter, compared to operating earnings of $50 million in the same quarter last year. Excluding restructuring and other special charges, adjusted operating earnings this quarter were $52 million, or 8.4% of sales. By comparison, we reported adjusted operating income of $59 million, or 10.2% of sales, in the fourth quarter of last year.

The effective tax rate in the fourth quarter was 18.3%. This rate included both ongoing and one-time impacts of the Tax Cuts and Jobs Act on our U.S. tax rate. Excluding a 150-basis point impact this quarter from adjusting the initial estimates recorded in the third quarter related to one-time elements of the new tax law, the effective tax rate was 19.8%. This normalized rate reflects the impact of a lower ongoing U.S. tax rate, federal and state tax provision to return adjustments, a better than expected mix of income from lower tax jurisdictions, and benefits from R&D credit tax planning.

Finally, net earnings in the fourth quarter totaled $31 million, or $0.53 per share on a diluted basis, compared to $33 million, or $0.55 per share in the same quarter last year. Excluding the impact of restructuring and other special charges, adjusted diluted earnings per share this quarter totaled $0.66 compared to adjusted earnings of $0.64 per share in the fourth quarter of last year.

With that, I'll now turn the call over to Kevin to give us an update on our cash flow and balance sheet.

KEVIN VELTMAN, VICE PRESIDENT – INVESTOR RELATIONS & TREASURER

Thanks, Jeff.

We ended the quarter with total cash and cash equivalents of $204 million, which reflected an increase of $11 million from last quarter. I would note that we will use $77 million of this cash in the first quarter of fiscal 2019 for the HAY and Maars equity investments that Brian and Jeff discussed earlier. Cash flows from operations in the fourth quarter of $56 million were comparable to $80 million generated in the same quarter of last year, primarily driven by changes in working capital from higher accounts receivable and prepaid expense levels compared to last year. For the full fiscal year, cash flows from operations were $167 million compared to $202 million in the prior fiscal year.

Capital expenditures were $20 million in the quarter and $71 million for the full year. Looking ahead to fiscal 2019, we anticipate capital expenditures of $90 million to $100 million for the full fiscal year, including an estimated $5 million to $7 million to build out the HAY North American footprint. Cash dividends paid in the quarter were $11 million and $42 million for the full year. The dividend increase that we announced yesterday increases our expected annual payout level to approximately $47 million. We also returned cash to shareholders through the repurchase of $16 million of shares during the quarter and $46 million for the full year.

We remain in compliance with all debt covenants and as of quarter-end our gross-debt to EBITDA ratio was approximately 1.0 to 1. The available capacity on our bank credit facility stood at $167 million at the end of the quarter. Given our current cash balance, ongoing cash flows from operations, and our total borrowing capacity, we remain well-positioned to meet the financing needs of the business moving forward.

With that, I'll now turn the call back over to Jeff to cover our sales and earnings guidance for the first quarter of fiscal 2019.

OUTLOOK – JEFF STUTZ

Thanks, Kevin.

With respect to the forecast, we anticipate sales in the first quarter of fiscal 2019 to range between $610 million and $630 million.

This forecast includes the impact of adopting the new accounting standard for revenue recognition. Upon adoption at the start of fiscal 2019, we will begin recording certain dealer payments as expense within cost of goods sold that were previously classified as a reduction to net sales. This change will effectively increase our reported net sales going forward.

It's important to note that while this classification change will have zero impact on reported gross profit dollars, the change in net sales will result in a roughly 60 basis point reduction in gross margin percentage at the consolidated level. This is an important point of emphasis for your modeling going forward given the impact on year-over-year comparability of gross margin percentages.

The data supplement included with last night's earnings press release provides a comparative breakdown of the fiscal 2018 amounts impacted by this change in accounting standard. This will assist you in adjusting last year's reported numbers to a comparable basis with the new method that will be applied going forward. You should also note that we will include the impact of this change in determining organic sales and order calculations in future periods. With that in mind, our mid-point revenue forecast for the upcoming first quarter implies an organic increase of 6% compared to the same quarter last fiscal year.

We expect consolidated gross margin in the first quarter to range between 36.25% and 37.25%. Considering the impact of the accounting classification that I just described, the midpoint of this gross margin forecast is roughly in-line with our performance in the first quarter of last fiscal year.

This estimate reflects our latest view on commodities, the impact of our profit optimization work to help offset these pressures and the seasonality that we see in the summer from the Consumer business. To provide more context on the magnitude of the inflationary pressures, we estimate that the first quarter of fiscal 2019 will have sequential pressure of approximately $2 million to $3 million. We estimate that the second quarter will have an additional $1 million of sequential pressure as our steel pricing from suppliers' lags market pricing. The near-term pricing actions and our profit optimization work that Brian laid out is helping mitigate these pressures. By the second half of the fiscal year, we expect to offset these pressures and potentially see additive benefits as we work towards our fiscal 2020 target for consolidated operating margins at or above 10%.

Operating expenses in the first quarter are expected to range between $175 million and $179 million.

We anticipate earnings per share to be between $0.63 and $0.67 for the period. This assumes an effective tax rate in the quarter of 21% to 23%.

With that, I'll now turn the call over to the operator for your questions.

[Q&A]

CLOSING – BRIAN WALKER

Thanks for joining us on the call today. We appreciate your continued interest in Herman Miller and look forward to updating you next quarter. Have a great day.

Risk Factors

This presentation 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," 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, our success in initiatives aimed at achieving long-term cost saving 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, 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, the pace and level of government procurement, the outcome of pending litigation or governmental audits or investigations, political risk in the markets we serve, and other risks identified in our filings with the Securities and Exchange Commission. Therefore, actual results and outcomes may materially differ from what we express or forecast. Furthermore, Herman Miller, Inc., undertakes no obligation to update, amend or clarify forward-looking statements.