The following document is a replication of the notes used in Herman Miller, Inc.’s Fourth Quarter Fiscal 2019 conference call presentation. Andi Owen, President and Chief Executive Officer; Jeff Stutz, Chief Financial Officer; Greg Bylsma, President, North America Contract 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.

OPERATOR

Good morning and welcome to Herman Miller’s fourth quarter earnings conference call. As a reminder, this call is being recorded. I would now like to introduce your host for today’s conference, Kevin Veltman, Vice President of Investor Relations & Treasurer.

KEVIN VELTMAN, VICE PRESIDENT – INVESTOR RELATIONS & TREASURER

Good morning everyone. Joining me today on our fourth quarter earnings call are Andi Owen, our President and Chief Executive Officer, Jeff Stutz, our Chief Financial Officer, and Greg Bylsma, our President of North America Contract.

We have posted yesterday’s press release on our investor relations website at hermanmiller.com. Some of the figures that we’ll cover today are presented on a non-GAAP basis. We’ve reconciled the comparable GAAP and non-GAAP amounts in a supplemental file that can also be accessed on the website.

Before we begin our prepared remarks, I will remind everyone that this call will include forward-looking statements. For information on factors that could cause actual results to differ materially from these forward-looking statements, please
refer to the earnings press release we issued last night as well as our annual and quarterly SEC filings.

At the conclusion of our prepared remarks, we will have a Q&A session. Today’s call is scheduled for 60 minutes and we ask that callers limit their questions to no more than three to allow time for all to participate.

With that, I’ll now turn the call over to Andi.

ANDI OWEN, PRESIDENT AND CEO

Good morning and thank you for joining us today. I’ll begin our call by covering highlights of our results for the fourth quarter and the full year, followed by some perspective on the current macro-economic picture. I’ll close with a recap of our refreshed strategic priorities that we rolled out at our investor day on May 9. Then I’ll turn the call over to Greg Bylsma, who is joining us today to share some of the initiatives in place for our North America business that support our strategy. Jeff and Kevin will close by providing more information on our financial results.

We built on our momentum this year by finishing the fiscal year on a strong note with a record level of quarterly sales for Herman Miller. When compared to last year, the quarter reflected organic sales growth of 8% and organic order growth of 6%. Encouragingly, we delivered sales and order growth across each of our business units.

We leveraged this growth to the bottom line as well with adjusted operating margins that were 140 basis points higher than the same quarter last year. We reported earnings per share on a GAAP basis of $0.78 during the quarter. On an adjusted basis, earnings per share of $0.88 reflected an increase of 33% over the same quarter last year.

For the full fiscal year, net sales totaled $2.57 billion – an increase of 8% over last year and also a record sales level. Full year operating margins of 8.8% reflected expansion of 50 basis points over the prior year despite the challenge of inflationary pressures on key commodities and the impact of trade tariffs throughout most of the year. We delivered reported EPS of $2.70 for the year, and adjusted earnings per share of $2.97 were 29% higher than last year.

Behind the strength of our current financial position, yesterday we announced a 6% increase in our quarterly shareholder dividend, reflecting the confidence of our management team and Board of Directors in our strategy going forward.

While the broader geo-political environment continues to be mixed, with uncertainty surrounding Brexit and global trade relationships, underlying market fundamentals in our space remain relatively supportive. Contract industry order growth in North America as measured by BIFMA remains robust. Service sector employment continues to rise and architectural billing levels have been positive.
for eleven of the past twelve months. The retail furniture sector, as reported by the US Census Bureau, has experienced lower demand year-to-date as retail sales are down 1% compared to last year through April. We believe stock market volatility, weather, and trade tensions have all impacted retail furnishing conditions. While U.S. tariffs on certain goods imported from China increased to 25% during the quarter, trade negotiations continue between the U.S. and China and the final story is not yet written. That said, between a range of short and long-term actions, including the benefits we project from our profit improvement initiatives, we continue to expect to fully offset the impact of tariffs on our business.

As many of you know, we hosted investors at our New York showroom on May 9 to provide an updated view of our strategic priorities going forward. While the full webcast replay and presentation materials are available on our investor site, I'd like to share an overview of our strategic priorities going forward on the call today.

First, I'd like to give some context to the trends which have helped shape our priorities. We know the world is changing and digital disruption is at the center of many of those changes. We're also seeing the rise of data-driven direct to consumer business models. A growing middle class and more knowledge workers support a favorable global picture, and we see retail growth opportunities in our space as well. In the North America contract market, there are opportunities to capture more share of our dealers' business. It's also apparent that people are changing where and how they work. Offices are looking more residential, building demand for ancillary products. And lastly, we believe viewing the impact of an organization through the lens of Total Societal Impact is a business imperative – giving consideration to value created for shareholders as well as the broader communities and environment in which we operate.

With those trends as context, we have focused on building a set of strategic priorities that create a sustainable and diverse revenue model putting the customer at the center of everything we do and helping drive operating margin expansion.

First, we have an amazing portfolio of brands, businesses, and capabilities, but at times operate too independently of each other, which makes us not as easy to do business with as we should be. Going forward, we are going to be very intentional about unlocking the power of One Herman Miller. This includes the recent combination of our legacy North America and Specialty segments under Greg Bylsma’s leadership, which he will share more about in a moment.

Second, a customer-oriented and digitally-enabled business model will be an important driver for reaching our aspirations in both the contract and retail spaces. We are taking the next steps in enhancing our goal for frictionless customer experiences. Since the start of the year, we’ve already created over 1,700 projects on our new proprietary visualization tool for our North America Contract business and are expanding this tool to International markets in the
coming months. We are also taking the next steps to enhance our retail ecommerce experience, including improved functionality, new visualization and configuration capabilities, and gearing up to expand our e-commerce presence across brands and geographies.

These two foundational priorities set the stage for our third priority—accelerating profitable growth. We see clear opportunities for growth ahead in all of our business segments. In fact, we believe we are the only player in our space with access to meaningful contract and retail growth opportunities on a global scale. Our International business set the pace for us this fiscal year with 13% sales growth – leveraging a powerful combination of broad and expanding dealer distribution, new products tuned to the needs of the market, and a talented sales organization. Similarly, the Retail business contributed meaningful organic sales growth of 10.5% this fiscal year. This growth was driven by new Design Within Reach studio openings, Design Within Reach contract growth, Retail eCommerce growth and the launch of the HAY brand in North America. In the fourth quarter, we also executed a number of important initiatives aimed as positioning us for profitable growth going forward. We opened three new Design Within Reach studios during the quarter, terminated the lease of one underperforming studio location and are in the process of moving to a larger, state-of-the-art distribution center in Batavia, Ohio. This distribution center will provide enhanced technology benefits, including auto-positioning and slotting optimization capabilities that will allow us to better serve our customers.

Finally, on the heels of our 12th consecutive year of inclusion on the Human Rights Campaign Corporate Equality Index, we believe now is the right time to reinforce our commitment to our people, our planet and our communities in a more integrated and deliberate way than ever before. Beyond simply being the right thing to do, we are confident that elevating our focus on positive social and environmental business practices will positively impact our customers and enhance returns for our shareholders over the long term.

Before I turn it over to Greg, I want to thank all of our employees for their tremendous effort this year in delivering these results. My team and I are excited to build on this momentum as we execute on our strategic direction. Now, Greg is going to share what he and his team are focused on for our North America business.

GREG BYLSMA, PRESIDENT – NORTH AMERICA CONTRACT

Thanks Andi. I appreciate the opportunity to provide some additional background on initiatives within the North America Contract business that support our growth agenda.

First, we are combining our legacy North America and Specialty businesses together as part of our One Herman Miller priority. The benefits of this move will result in a better alignment of our sales team. By ensuring this go-to-market
alignment, our sales force will more effectively present products across all of our brands – ultimately helping our customers build high performing workspaces.

The power of this combination was demonstrated earlier this month when we were recognized as the Best Large Showroom at the NeoCon industry tradeshow in Chicago. Our goal for the showroom was to highlight the depth of our brands and their ability to work seamlessly together under the theme of “All Together Now”. It’s important to note that the digital tools that Andi referred to earlier are a critical component to this process – allowing our dealer designers to more easily help customers visualize, specify and order products from our entire group of brands.

Another important opportunity as we accelerate growth is the launch of the HAY brand in North America. We continue to localize key products within our North America manufacturing footprint to drive improved lead-times for delivering these well-crafted and beautifully-designed products to our contract customers. As a great tribute to the design leadership that Rolf and Mette Hay bring to the Herman Miller family of brands, we are proud they were named to Fast Company’s 100 Most Creative People list for 2019.

Finally, our North America profit improvement initiative is playing a key role in margin expansion. We continue to expect $30 million to $40 million of annual run rate savings from this initiative as we work through our implementation plans over the upcoming fiscal year. Highlighting our progress here, we generated run rate savings of $24 million in the fourth quarter which were an important contributor to the 54% growth in adjusted operating income that the North America Contract business delivered in the fourth quarter.

In closing, I’m especially grateful for the energy our North America team is bringing behind each of these initiatives as we focus on continued growth in our core contract business. With that, I’ll turn the call over to Jeff to provide more perspective on the financial results for the quarter.

FINANCIAL REVIEW – JEFF STUTZ, CFO

Thanks Greg and good morning everyone.

Consolidated net sales in the fourth quarter of $671 million were 9% above the same quarter last year on a GAAP basis, and up 8% organically after adjusting for the impacts of year-over-year changes in foreign currency rates and the adoption of new revenue recognition rules earlier this fiscal year. New orders in the period of $665 million were 7% above last year on a reported basis and up 6% organically.

Before I begin reviewing our results by segment, I want to cover the changes that Andi and Greg referred to earlier in the way we report our results across each of our business segments in more detail. Effective in the fourth quarter, we combined our legacy North America and Specialty segments into the North
America Contract segment under Greg’s leadership. This change was made in support of our One Herman Miller strategic priority to better leverage the power of all of our brands across our sales force. Also, while our other two segments will continue to be reported on the same basis, we have renamed each of them. Our ELA segment will be referred to going forward as our International Contract segment and our Consumer segment has been renamed as our Retail segment. On June 19, we filed an 8-K that included a recast of our segment results under these new definitions on a quarterly basis over the past two fiscal years. With that background, let me turn to Q4 results by business segment:

Within our North American Contract segment, sales were $434 million in the fourth quarter, representing an increase of 11% from last year on a reported basis and up 9% compared to last year organically. New orders were $441 million in the quarter, up 8% on a reported basis and 7% organically over last year. The order growth in North America this quarter was generally broad-based and was driven mainly by large and medium size projects. From a regional perspective, we saw year-over-year increases in both the eastern and western areas of the U.S.

Our International Contract segment reported sales of $132 million in the fourth quarter – an increase of 6% compared to last year. New orders totaled $112 million, representing growth of approximately 1% over the same quarter last year on a reported basis and 2% organically. The continued growth for the International business is notable as they faced difficult sales and order growth comparisons for the quarter as the business generated growth in excess of 20% last year on both of those measures. The year-over-year order performance reflected growth in India, Japan and China offset by relatively softer demand levels in Australia, Mexico and the Middle East.

Our Retail business segment reported sales in the quarter of $105 million, an increase of 5% from the same quarter last year. New orders for the quarter of $112 million were 10% ahead of the same quarter last year. Sales growth for this segment during the quarter was primarily driven by growth from the HAY brand, contract, new studios, and outlet stores. Our retail team pursued several important initiatives this quarter – all aimed at sustaining top-line growth and improving bottom-line profitability going forward. These include several actions related to DWR’s studio channel, including opening two new DWR studios in California – in Larkspur and LaJolla – and a new location in New York’s upper West side. We also initiated a planned exit of an underperforming studio location on Long Island, NY late in the quarter. As Andi noted, the team is also making good progress transitioning from an existing distribution center in Kentucky to a larger facility in Ohio. Each of these actions are strategically important to the business and will contribute to improved growth and efficiency over the long-run. With that said, together they drove incremental expenses in the quarter totaling approximately $4.5 million.

From a currency translation perspective, the general strengthening of the U.S. dollar relative to year-ago levels was a head-wind to sales growth this quarter.
We estimate the translation impact from year-over-year changes in currency rates had an unfavorable impact on consolidated net sales of approximately $5 million in the period.

Consolidated gross margin in the fourth quarter was 37.0%. Excluding approximately 60 basis points of impact from adopting new revenue recognition rules at the start of our current fiscal year that we have discussed in prior quarters, gross margin was 70 basis points above the same quarter last year. The gross margin expansion was primarily driven by manufacturing production leverage on higher shipment volumes and benefits from our profit improvement initiatives, offset by gross margin pressures in our Retail business from reduced freight revenues, transition costs related to the distribution center move and higher year-over-year tariff costs.

Operating expenses in the fourth quarter of $183 million compared to $184 million in the same quarter a year ago. The current quarter includes $1.7 million of special charges associated primarily with actions aimed at business structure realignment. By comparison, we recorded special charges totaling $7.9 million in the fourth quarter of last fiscal year. Exclusive of these special charges, the year-over-year increase in operating expenses of $5.5 million resulted mainly from higher variable selling expenses and expenses in our Retail business related to occupancy, marketing and staffing for new retail studios and the launch of the HAY brand in North America.

Restructuring charges recorded in the fourth quarter of $8.5 million related primarily to restructuring actions associated with our profit improvement initiative in North America, including an early retirement program initiated in the fourth quarter. Our profit improvement initiatives are progressing on-schedule and we expect benefits will continue to ramp up through fiscal 2020.

On a GAAP basis, we reported operating earnings of $57 million this quarter, compared to operating earnings of $41 million in the year ago period. Excluding restructuring and other special charges, adjusted operating earnings this quarter were $67 million, or 9.9% of sales. By comparison, we reported adjusted operating income of $52 million, or 8.5% of sales, in the fourth quarter of last year. The combination of revenue growth, gross margin improvement and well-managed operating expenses contributed to operating margin expansion over last year.

The effective tax rate in the fourth quarter was 22%.

Finally, net earnings in the fourth quarter totaled $46 million, or $0.78 per share on a diluted basis, compared to $32 million, or $0.53 per share in the same quarter last year. Other income and expense for the quarter includes a pre-tax gain totaling $2 million related to the fair value adjustment of an investment in a technology partner. Excluding this gain, as well as the impact of restructuring and other special charges, adjusted diluted earnings per share this quarter
toted $0.88 compared to adjusted earnings of $0.66 per share in the fourth quarter of last year.

With that, I'll 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 $159 million, an increase of $46 million from the level of cash on hand last quarter. Cash flows from operations in the fourth quarter were $86 million, reflecting an increase of 54% over the $56 million generated in the same quarter of last year. The key contributors to higher operating cash flows were increased net income and higher inflows from working capital, primarily driven by higher accrued liabilities and lower inventory levels. For the full fiscal year, cash flows from operations of $216 million reflected an increase of $50 million from the prior fiscal year.

Capital expenditures were $23 million in the quarter and $86 million year-to-date. Cash dividends paid in the quarter were $12 million and $46 million for the full year. The 6% dividend increase that we announced yesterday increases our expected annual payout level to approximately $49 million. We also returned cash to shareholders through share repurchases of $4 million during the quarter and $48 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 $165 million at the end of the quarter. Given our current cash balance, ongoing cash flow from operations, and 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 2020.

**OUTLOOK – JEFF STUTZ**

Thanks Kevin.

With respect to the forecast, we anticipate sales in the first quarter of fiscal 2020 to range between $650 million and $670 million. The mid-point of this range implies an organic revenue increase of 6% compared to the same quarter last fiscal year.

We expect consolidated gross margin in the first quarter to range between 36.6% and 37.6%. This mid-point gross margin forecast is 110 basis points higher than
the first quarter of fiscal 2019, reflecting improved production leverage, lower steel prices, and net benefits from our ongoing profit improvement initiatives.

Operating expenses in the first quarter are expected to range between $182 million and $186 million.

We anticipate earnings per share to be between $0.77 and $0.81 for the period, and our assumed effective tax rate is between 21% to 23%.

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

[Q&A]

CLOSING – ANDI OWEN

Thanks for joining us on the call today. We appreciate your continued interest in Herman Miller and look forward to updating you again next quarter. Have a great day and be well.
Forward Looking Statements
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 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, 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, changes in global tariff regulations, the financial strength of our dealers and the financial strength of our customers, our ability to locate new retail studios, negotiate favorable lease terms for new and existing locations and implement our studio portfolio transformation, our ability to attract and retain key executives and other qualified employees, our ability to continue to make product innovations, the success of newly-introduced products, our ability to serve all of our markets, possible acquisitions, divestitures or alliances, our ability to integrate and benefit from acquisitions and investments, the pace and level of government procurement, the outcome of pending litigation or governmental audits or investigations, political risk in the markets we serve, and other risks identified in our filings with the Securities and Exchange Commission. Therefore, actual results and outcomes may materially differ from what we express or forecast. Furthermore, Herman Miller, Inc. undertakes no obligation to update, amend or clarify forward-looking statements.