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HNI CORP

Form 10-Q

April 30, 2019

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

**FORM 10-Q**

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

For the quarterly period ended March 30, 2019

OR

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

Commission File Number: 1-14225

# HNI Corporation

Iowa 42-0617510  
(State of Incorporation) (I.R.S. Employer No.)

600 East Second Street  
P. O. Box 1109  
Muscatine, Iowa 52761-0071  
(563) 272-7400

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	HNI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES  NO

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

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, \$1 Par	Outstanding as of March 30, 2019
Value	43,339,040

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HNI Corporation and Subsidiaries  
 Quarterly Report on Form 10-Q

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## PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HNI Corporation and Subsidiaries

**Condensed Consolidated Statements of Comprehensive Income**

(In thousands, except share and per share data)

(Unaudited)

	Three Months Ended	
	March 30,	March 31,
	2019	2018
Net sales	\$479,456	\$505,069
Cost of sales	309,842	328,150
Gross profit	169,614	176,919
Selling and administrative expenses	165,937	171,895
Restructuring charges	—	1,338
Operating income	3,677	3,686
Interest income	356	113
Interest expense	2,467	2,337
Income before income taxes	1,566	1,462
Income tax expense (benefit)	546	(999 )
Net income	1,020	2,461
Less: Net income (loss) attributable to non-controlling interest	(2 )	(49 )
Net income attributable to HNI Corporation	\$1,022	\$2,510
Average number of common shares outstanding – basic	43,533,527	43,359,971
Net income attributable to HNI Corporation per common share – basic	\$0.02	\$0.06
Average number of common shares outstanding – diluted	44,088,784	44,134,142
Net income attributable to HNI Corporation per common share – diluted	\$0.02	\$0.06
Foreign currency translation adjustments	\$963	\$1
Change in unrealized gains (losses) on marketable securities, net of tax	90	(79 )
Change in pension and post-retirement liability, net of tax	(1,185 )	—
Change in derivative financial instruments, net of tax	(309 )	1,027
Other comprehensive income (loss), net of tax	(441 )	949
Comprehensive income	579	3,410
Less: Comprehensive income (loss) attributable to non-controlling interest	(2 )	(49 )
Comprehensive income attributable to HNI Corporation	\$581	\$3,459

*See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).*



HNI Corporation and Subsidiaries  
**Condensed Consolidated Balance Sheets**  
(In thousands)  
(Unaudited)

	March 30, 2019	December 29, 2018
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$47,872	\$ 76,819
Short-term investments	1,705	1,327
Receivables	224,650	255,207
Inventories	170,589	157,178
Prepaid expenses and other current assets	39,192	41,352
Total Current Assets	484,008	531,883
Property, Plant, and Equipment:		
Land and land improvements	29,110	28,377
Buildings	291,005	290,263
Machinery and equipment	570,121	565,884
Construction in progress	32,132	28,443
	922,368	912,967
Less accumulated depreciation	534,439	528,034
Net Property, Plant, and Equipment	387,929	384,933
Right-of-use Operating / Finance Leases	72,925	—
Goodwill and Other Intangible Assets	458,550	463,290
Deferred Income Taxes	1,569	1,569
Other Assets	18,415	20,169
Total Assets	\$1,423,396	\$ 1,401,844

*See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).*

HNI Corporation and Subsidiaries  
**Condensed Consolidated Balance Sheets**  
(In thousands, except par value)  
(Unaudited)

	March 30, 2019	December 29, 2018
<b>Liabilities and Equity</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$346,185	\$ 428,865
Current maturities of long-term debt	478	679
Current maturities of other long-term obligations	3,478	4,764
Current lease obligations - Operating / Finance	22,719	—
Total Current Liabilities	372,860	434,308
Long-Term Debt	295,876	249,355
Long-Term Lease Obligations - Operating / Finance	58,688	—
Other Long-Term Liabilities	67,650	72,767
Deferred Income Taxes	83,071	82,155
Equity:		
HNI Corporation shareholders' equity:		
Capital Stock:		
Preferred stock - \$1 par value, authorized 2,000 shares, no shares outstanding	—	—
Common stock - \$1 par value, authorized 200,000 shares, outstanding:		
March 30, 2019 – 43,339 shares		
December 29, 2018 – 43,582 shares	43,339	43,582
Additional paid-in capital	15,921	18,041
Retained earnings	489,707	504,909
Accumulated other comprehensive income (loss)	(4,040	) (3,599 )
Total HNI Corporation shareholders' equity	544,927	562,933
Non-controlling interest	324	326
Total Equity	545,251	563,259
Total Liabilities and Equity	\$1,423,396	\$ 1,401,844

*See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).*

HNI Corporation and Subsidiaries  
**Consolidated Statements of Equity**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended - March 30, 2019					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Shareholders' Equity
Balance, December 29, 2018	\$43,582	\$18,041	\$504,909	\$ (3,599 )	\$ 326	\$ 563,259
Comprehensive income:						
Net income (loss)	—	—	1,022	—	(2 )	1,020
Other comprehensive income (loss), net of tax	—	—	—	298	—	298
Reclassification of Stranded Tax Effects (ASU 2018-02)	—	—	739	(739 )	—	—
Impact of Implementation of Lease Guidance	—	—	2,999	—	—	2,999
Cash dividends; \$0.295 per share	—	—	(12,872 )	—	—	(12,872 )
Common shares – treasury:						
Shares purchased	(647 )	(16,948 )	(7,090 )	—	—	(24,685 )
Shares issued under Members' Stock Purchase Plan and stock awards, net of tax	404	14,828	—	—	—	15,232
Balance, March 30, 2019	\$43,339	\$15,921	\$489,707	\$ (4,040 )	\$ 324	\$ 545,251
	Three Months Ended - March 31, 2018					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Shareholders' Equity
Balance, December 30, 2017	\$43,354	\$7,029	\$467,296	\$ (3,611 )	\$ 509	\$ 514,577
Comprehensive income:						
Net income (loss)	—	—	2,510	—	(49 )	2,461
Other comprehensive income (loss), net of tax	—	—	—	949	—	949
Change in ownership of non-controlling interest	—	—	(41 )	—	41	—
Cash dividends; \$0.285 per share	—	—	(12,381 )	—	—	(12,381 )
Common shares – treasury:						
Shares purchased	(153 )	(1,175 )	(4,636 )	—	—	(5,964 )
Shares issued under Members' Stock Purchase Plan and stock awards, net of tax	329	14,270	—	—	—	14,599
Balance, March 31, 2018	\$43,530	\$20,124	\$452,748	\$ (2,662 )	\$ 501	\$ 514,241

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).



HNI Corporation and Subsidiaries  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	Three Months Ended	
	March 30, 2019	March 31, 2018
Net Cash Flows From (To) Operating Activities:		
Net income	\$1,020	\$ 2,461
Non-cash items included in net income:		
Depreciation and amortization	19,040	18,445
Other post-retirement and post-employment benefits	369	447
Stock-based compensation	2,451	3,712
Operating / finance lease interest and amortization	5,559	—
Deferred income taxes	1,119	(1,196 )
(Gain) loss on sale and retirement of long-lived assets, net	334	808
Other – net	1,704	(742 )
Net increase (decrease) in operating assets and liabilities, net of divestitures	(55,038)	(55,135 )
Increase (decrease) in other liabilities	(4,832 )	447
Net cash flows from (to) operating activities	(28,274)	(30,753 )
Net Cash Flows From (To) Investing Activities:		
Capital expenditures	(17,575)	(12,383 )
Proceeds from sale of property, plant, and equipment	68	18,353
Capitalized software	(1,521 )	(3,948 )
Purchase of investments	—	(605 )
Sales or maturities of investments	450	650
Other – net	—	794
Net cash flows from (to) investing activities	(18,578)	2,861