2023

Investor Presentation

Flexsteel Industries, Inc.

charisma™ the good life made better

FLEXSTEEL®

homestyles®

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 furniture industry, the economy, and the company itself. Words like "anticipates," "believes," "confident," "estimates," "expects," "forecasts," "aspires," "likely," "plans," "projects," "should," variations of such words, and similar expressions identify such forward looking statements. For those statements, Flexsteel Industries, Inc. claims the protection of the safe harbor for forward looking statements contained in the Private Securities Litigation Reform Act of 1995.

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 goals; employment and the impact of general economic or other conditions and future events on the demand for home furnishings; the pace of economic recovery in the U.S.; the types of products purchased by customers; competitive pricing pressures; the availability and pricing of raw materials and sourced finished goods; the availability and pricing of ocean freight; changes in global tariff regulations; our reliance on a limited number of suppliers; changes in future tax legislation or interpretation of current tax legislation; the ability to increase prices to absorb the additional costs of raw materials, labor, US transportation, and ocean freight; the financial strength of our customers and their ability to access credit; 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; political risk in the markets we serve or source from; 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, Flexsteel Industries, Inc. undertakes no obligation to update, amend or clarify forward looking statements.

Overview

1

Company Overview

2

Investment Thesis

3

Growth Initiatives

4

Financial Highlights

5

Appendix

1

Company Overview

COMPANY SNAPSHOT

OUR COMPANY

Top 10

U.S. Furniture Manufacturer[1]

1893

Company Founded

+1550

Team Members

INDUSTRY LEADING PORTFOLIO

FLEXSTEEL®

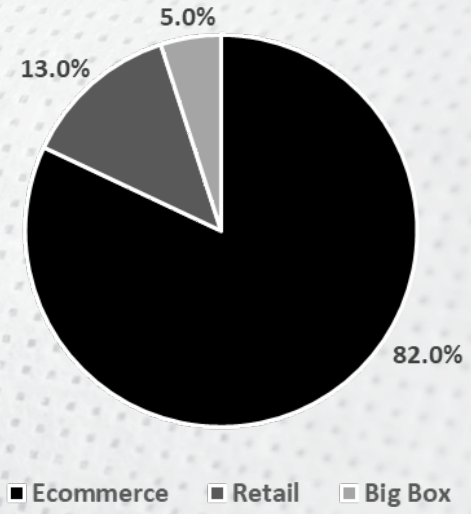
flex
Flexible Modular Seating

zecliner
Live. Sleep. Be Well.

charisma™
the good life made better

homestyles®

OMNI-CHANNEL DISTRIBUTION[3]



FY23 PROJECTIONS

Revenue	$390M to $410M
Adj. Operating Income	$5.5M to $7.5M
Non-GAAP EPS[2]	$0.60 to $0.86

(1) Source: PBM Strategic Insights, 2020 Furniture Today study
(2) See non-GAAP disclosures in the Appendix
(3) Based on FY23 projections

POWERFUL DISTRIBUTION

RETAIL

+1300
Customers

+2200
Store Fronts

FURNITURE ROW
Real Furniture. Real Value.

Raymour & Flanigan
FURNITURE | MATTRESSES

LIVING SPACES

NFM

Jordan's FURNITURE

E-TAIL

+20
Leading e-tailers

amazon

wayfair

THE HOME DEPOT

BIG-BOX

Quickly growing

COSTCO WHOLESALE

HomeGoods

TRANSFORMATIONAL PROCESS

FY19 - FY20
COMPLETE

PHASE 1

Simplify & Focus

Refocus on Core Home Furnishings Business

- Exited RV, hospitality & healthcare product lines

Remove complexity

- Rationalized ~50% of SKUs

Reduce structural costs

- Closed 4 plants, 1 DC
- SG&A reduced 15%

FY21 - FY23
IN-PROGRESS

PHASE 2

Build Growth Foundation

Build culture and talent

- 8 of 11 executive leaders new in last 4 years

Modernize systems and processes

- SAP implementation
- SI&OP
- Product development & management

Expand supply chain capacity

Strengthen digital / e-Commerce

Reimagine customer experience

FY24 - FY27
JUST BEGINNING

PHASE 3

Unleash Growth Potential

Gain share in existing Core

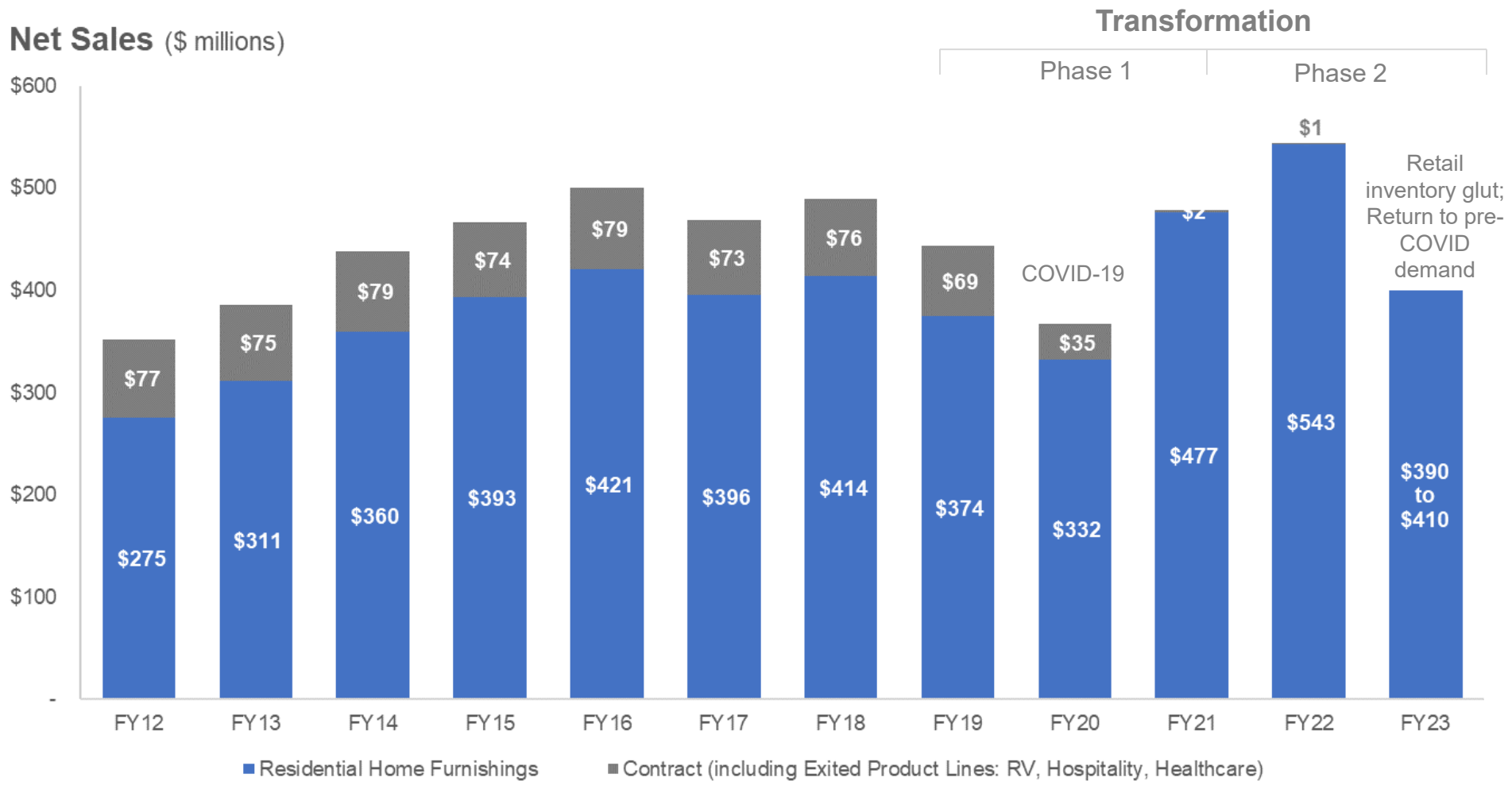
- Best overall value proposition
  - Superior quality, comfort and durability at an attainable price with an exceptional customer experience

Expand addressable market

- New consumer segments
  - New brands, price points, styles
- New product categories
  - New innovation
- New sales distribution

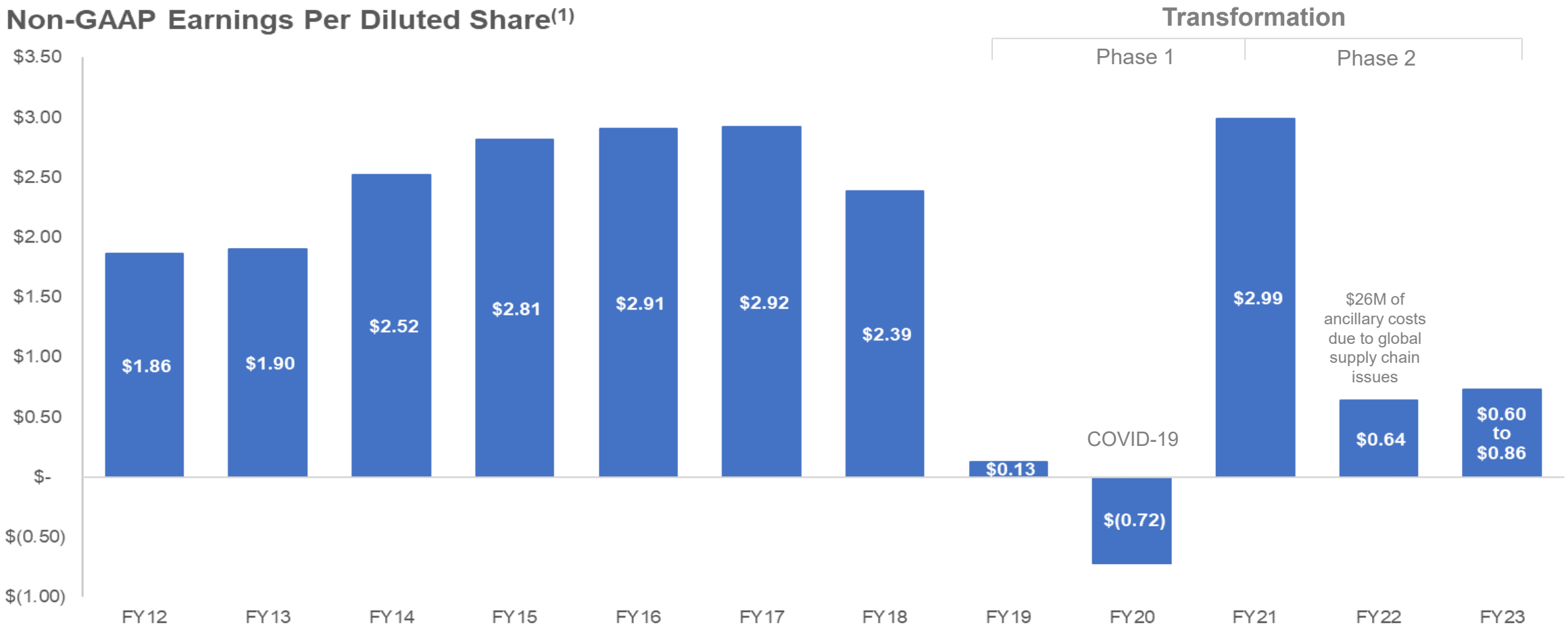
HISTORICAL PERFORMANCE

Achieved record residential home furnishings sales of $544M in FY22; Normalized pre-covid revenues forecasted in FY23 of $390M-$410M



HISTORICAL PERFORMANCE

Excluding unplanned ancillary costs related to global supply chain issues, FY22 would have surpassed record EPS. FY23 earnings adversely impacted by sharp drop in demand, pricing pressures, and cost volatility.



	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
GAAP EPS	$1.86	$1.80	$2.00	$2.89	$3.12	$3.02	$2.23	($4.13)	($3.37)	$3.09	$0.28	TBD

(1) See non-GAAP disclosures in the Appendix

OUR VISION

We exist…

to create better living spaces that improve lives

We care…

about our employees, customers, partners and society

We strive…

to be a sustainable, industry leader in home furnishings

We aspire…

to profitably grow to +$750M in sales through organic growth and acquisitions

We are committed…

to accelerating our sustainability, social responsibility and governance initiatives

2

Investment Thesis

Investment Thesis

1

Compelling long-term industry outlook

2

Significant market expansion and share growth opportunity

3

Experienced management team

4

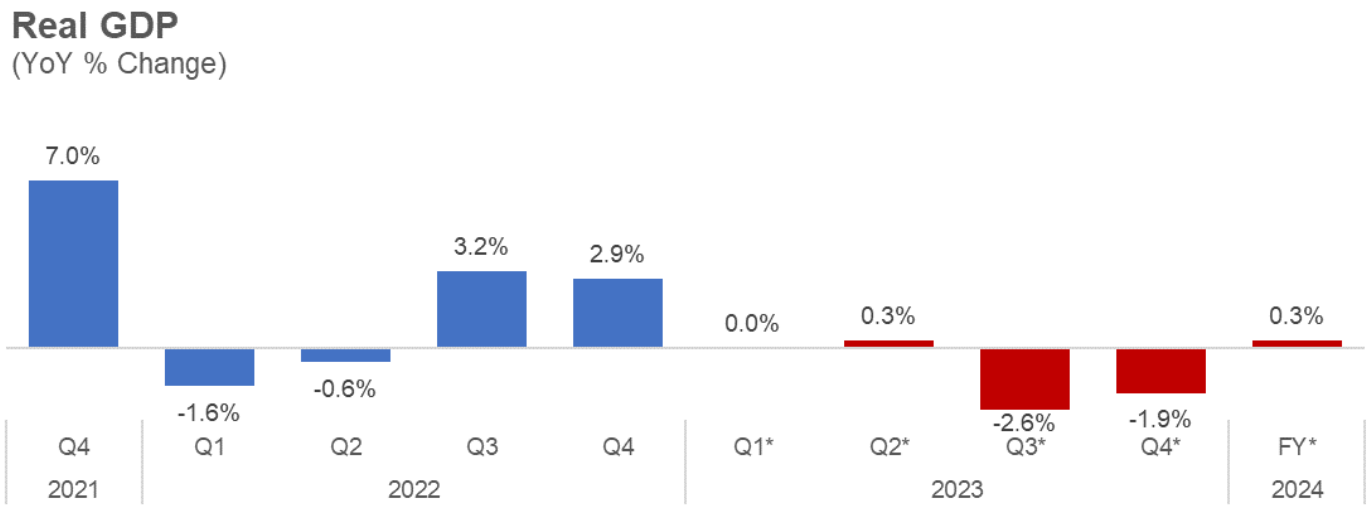
Financial discipline

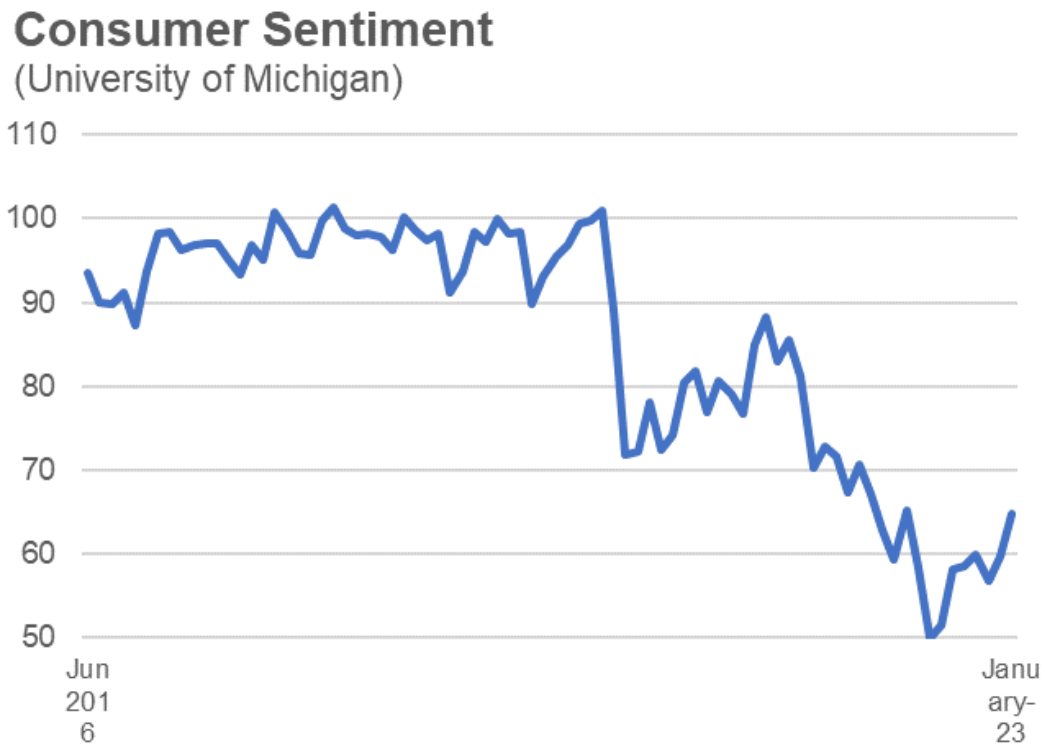
5

Attractive valuation

INDUSTRY OUTLOOK

Near-term, industry faces growth headwinds due to economic uncertainty, waning consumer demand for durable goods and high inventory levels at retail





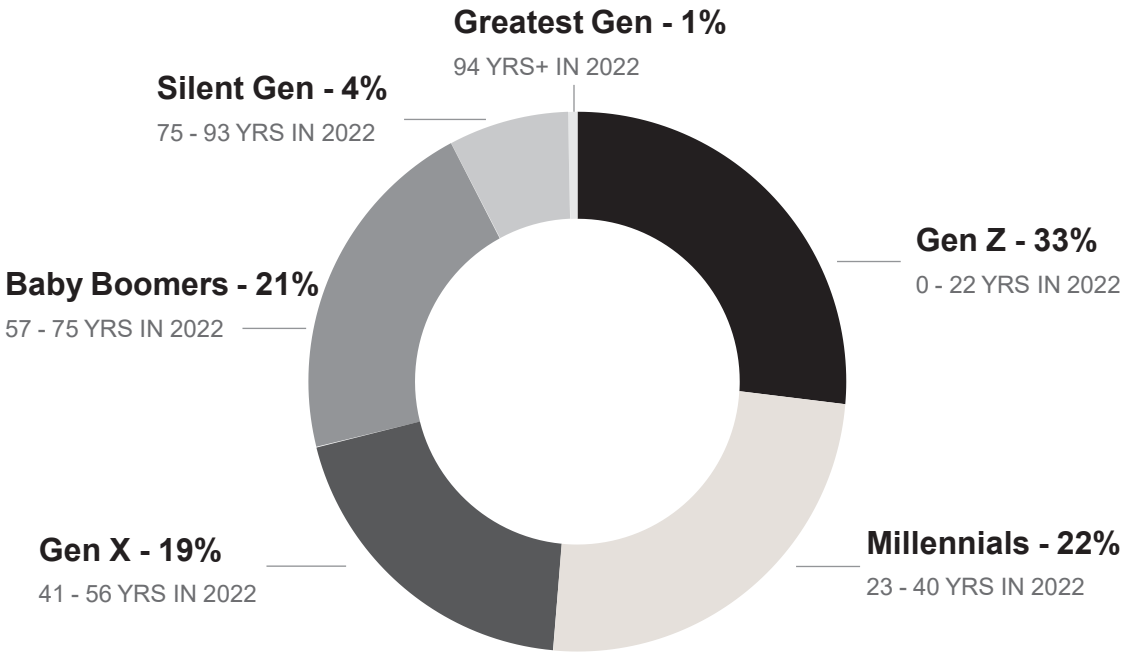
*Source: Wells Fargo Securities Forecast as of February 6, 2023

Source: Federal Reserve Bank of St. Louis

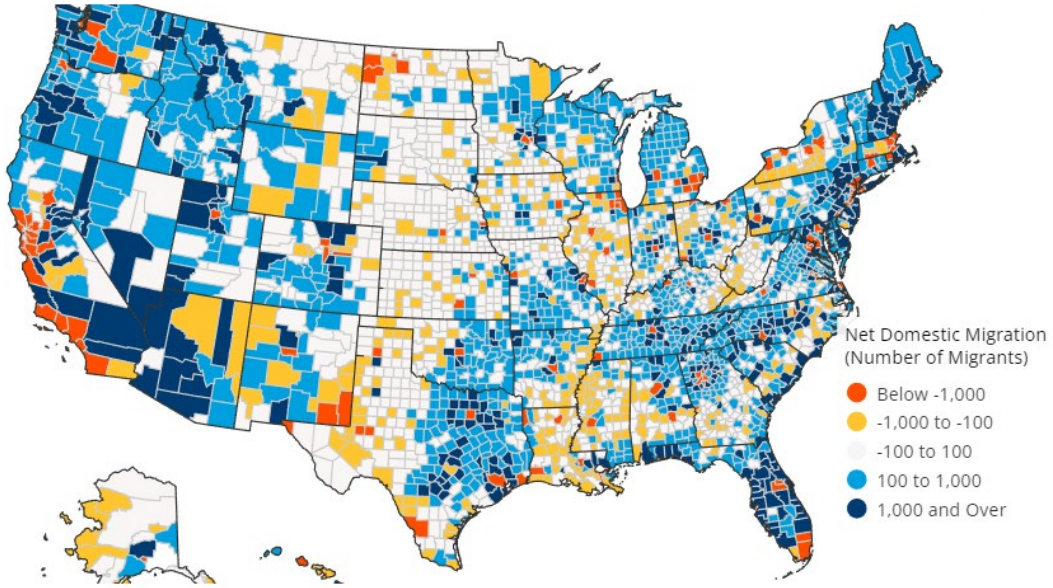
INDUSTRY OUTLOOK

Favorable long-term conditions should support industry expansion: consumer generation shifts, continued domestic migration, and healthy long-term demand for housing.

Share of US Population by Generation



US Domestic Migration Trends

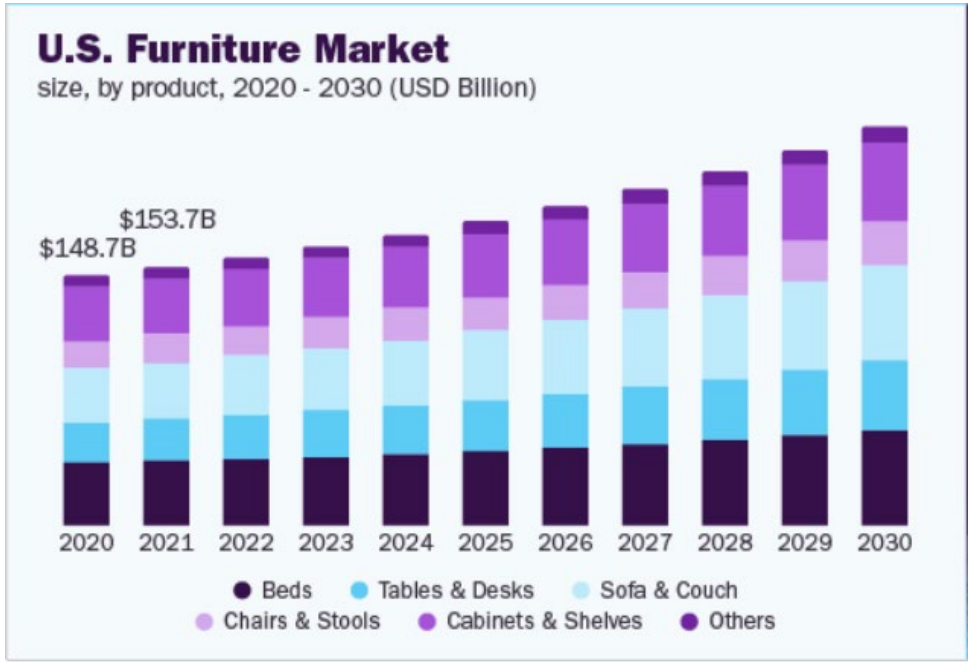


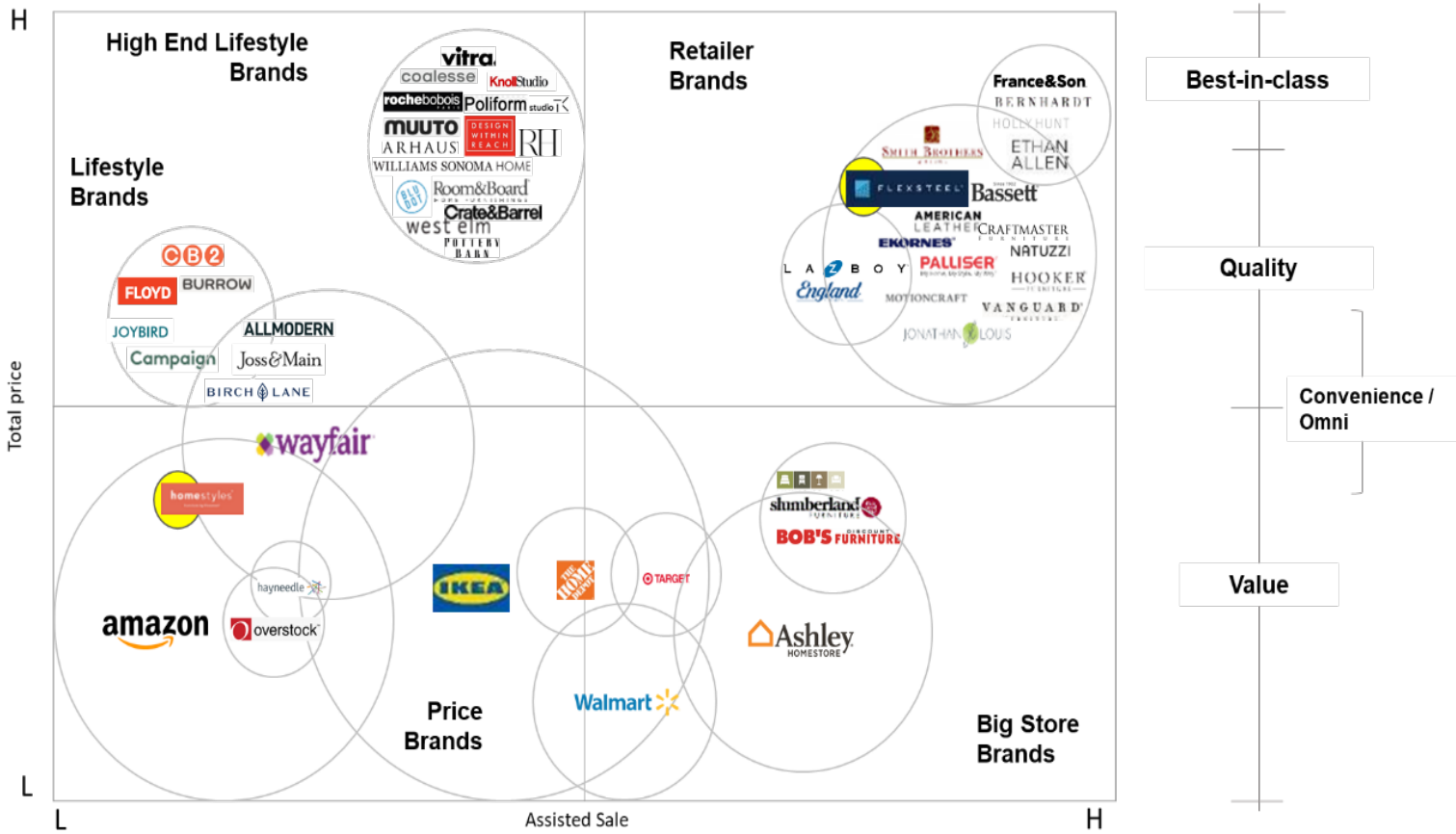
Source: Harvard Joint Center for Housing Studies tabulations of US Census Bureau, Population Estimates Program, Vintage 2021 Tables.

SHARE GROWTH OPPORTUNITY

Gaining share in a large, highly fragmented industry

Industry Landscape by Price Position





Source: Strategic Insights, 2022 Grand View Research

MARKET EXPANSION

Significant growth opportunity through expansion of addressable market

CURRENT ADDRESSABLE MARKET = $26.8B
FLEXSTEEL MARKET SHARE = 1.7%

FUTURE ADDRESSABLE MARKET = $58.8B
FLEXSTEEL MARKET SHARE = ?

EXPANSION

Soft Goods

	Change in Addressable %	Future Addressable $
Stationary	25% to 65%	$13.7B
Motion	35% to 50%	$ 2.8B
Recliners	35% to 60%	$ 3.2B

Case Goods

	Change in Addressable %	Future Addressable $
Bedroom	40% to 65%	$13.0B
Dining Room	30% to 50%	$ 6.6B
Kitchen	40% to 55%	$ 1.1B
Occasional	40% to 60%	$ 3.6B

NEW MARKETS

Categories

Accessories	(estimated $1.1B)
Health & Wellness	(estimated $2.0B)
Modular	(estimated $5.0B)
Outdoor	(estimated $4.2B)

EXPERIENCED MANAGEMENT TEAM

Accountable and progressive management team

President & CEO
Jerald Dittmer 43 32 4

VP, Global Logistics & Distribution
Bob Bestercy 37 1 1

VP, Sales & Product Development
David Crimmins 15 15 4

CFO
Alejandro Huerta 19 1 1

VP, Human Resources
Stacy Kammes 21 9 9

CIO & CTO
Michael McClaflin 35 15 4

VP, Product Management
Tim Newlin 30 29 26

VP, Manufacturing
Mike Ressler 17 17 17

COO
Derek Schmidt 27 9 2

VP, Global Strategic Sourcing and GM Asia
Vic Tsai 17 17 2

VP, Customer Experience
Dan Wallace 35 25 4

Years of Experience: Total Furniture Industry Flexsteel

FINANCIAL DISCIPLINE

Capital Allocation

Disciplined

Short-Term Priorities:

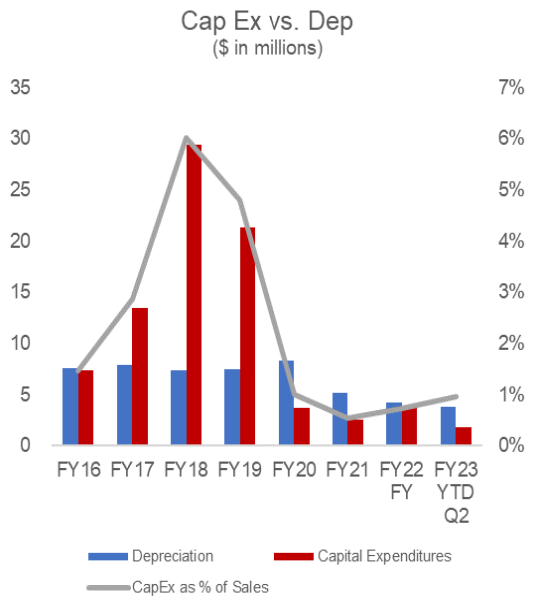
1. Repayment of Debt
2. Reinvestment for Growth
3. Maintain dividend

Long-Term Priorities:

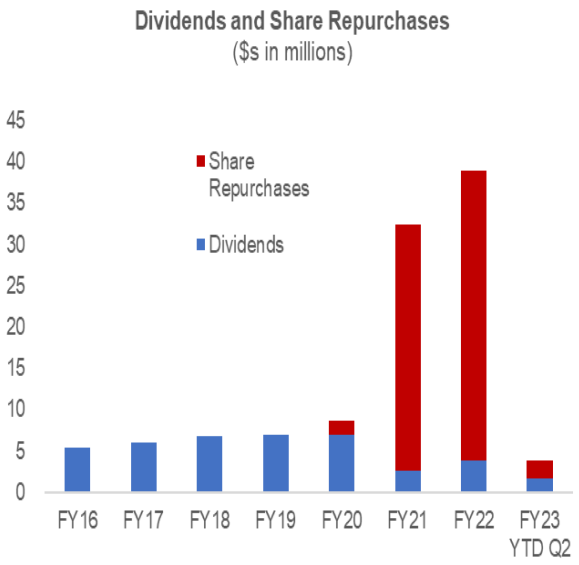
1. Reinvestment for Growth
2. Acquisitions
3. Dividend Growth
4. Share Repurchases

Growth Requirements

Low Fixed Capital Requirements



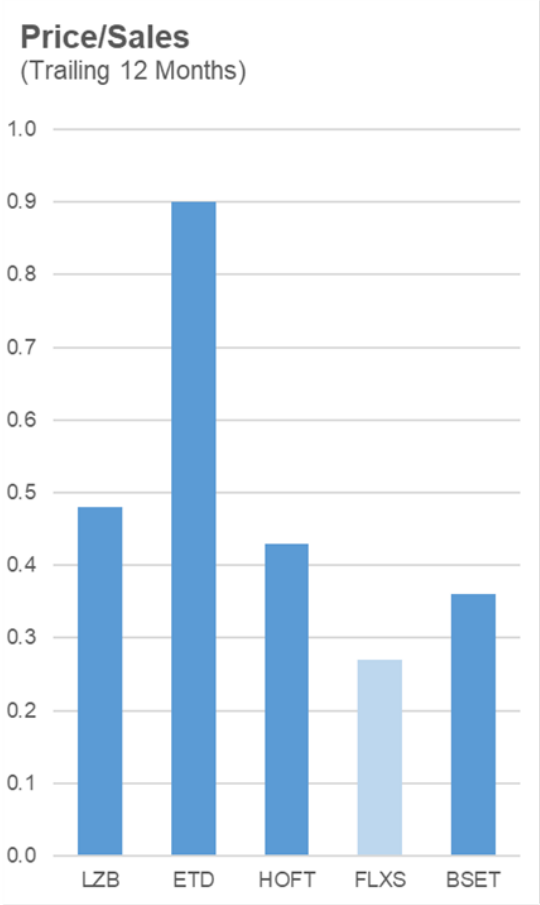
Return of Capital

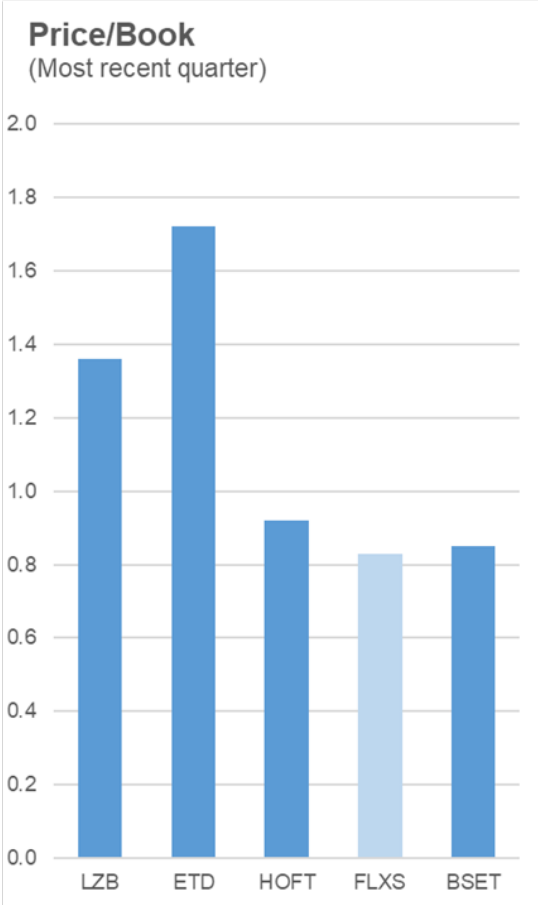


ATTRACTIVE VALUATION

Trading under book value and at a discount relative to industry peers; Attractive dividend yield of ~3.10%; FY24 financial scenarios yield a compelling forward P/E multiple in optimistic scenarios.

Compelling valuation relative to peers

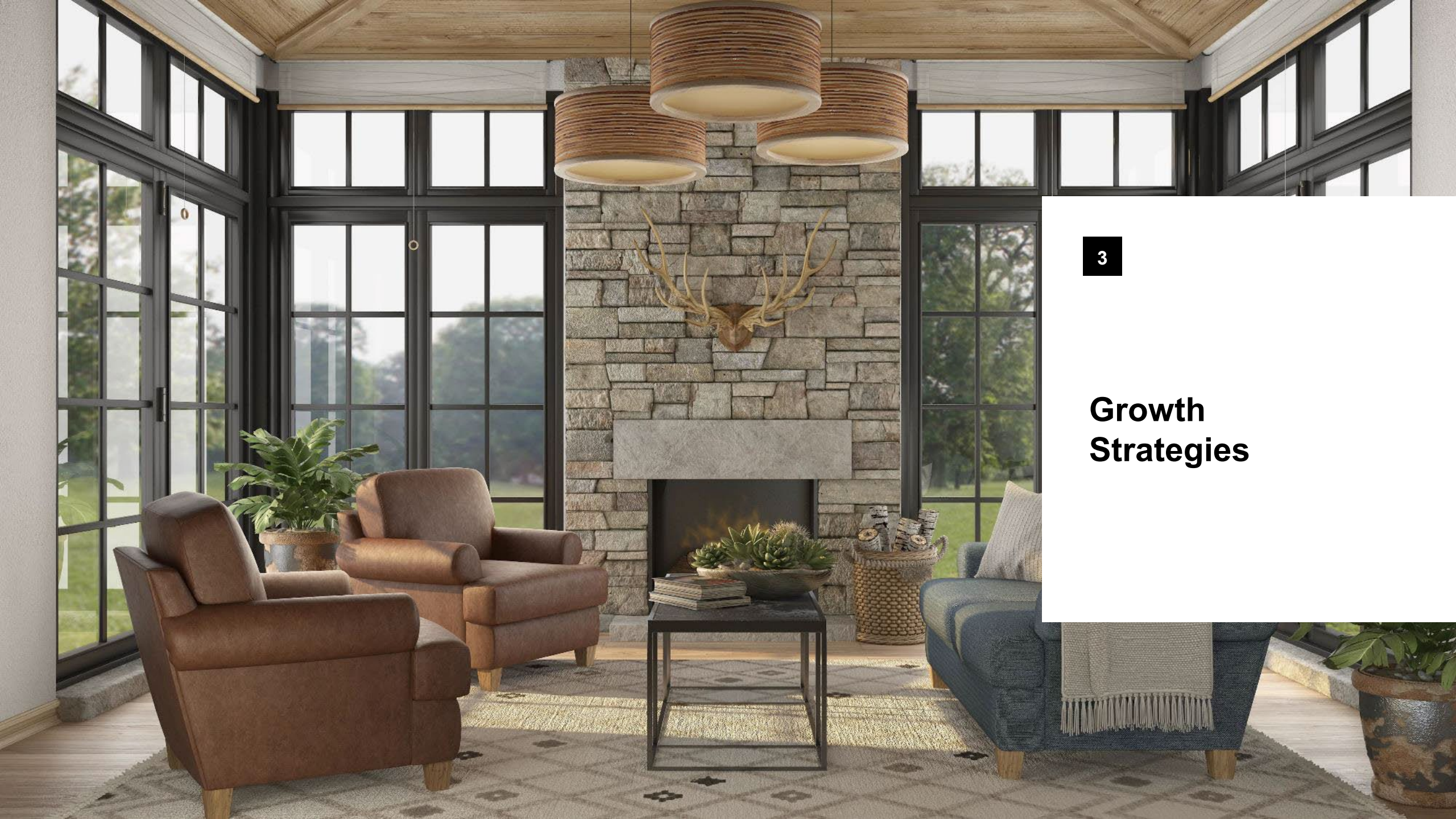




Source: Yahoo Finance (Feb 2023)

Attractive forward P/E multiple under various scenarios:

$000s	FY24 Scenarios			
	Pessimistic →			Optimistic
Net Sales	$ 390,500	$ 408,200	$ 452,200	$ 485,000
Operating Income	*$ 7,000*	$ 9,100	$ 17,000	$ 21,000
% of Sales	*1.8%*	*2.2%*	*3.8%*	*4.3%*
Interest	$ 1,200	$ 800	$ 400	$ 400
Taxes (@ 27%)	$ 1,566	$ 2,241	$ 4,482	$ 5,562
Net Income	$ 4,234	$ 6,059	$ 12,118	$ 15,038
Diluted Shares Outstanding (000s)	5,300	5,300	5,300	5,300
Earnings Per Diluted Share	$ 0.80	$ 1.14	$ 2.29	$ 2.84
Stock Price (3/10/2023)	$ 19.27	$ 19.27	$ 19.27	$ 19.27
Forward P/E	**24.1**	**16.9**	**8.4**	**6.8**



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Growth Strategies

Growth Priority #1

GROWTH LEVERS:
CONSUMER SEGMENT EXPANSION

Unique Brands Tuned and Tailored to the Needs of Specific Consumer Segments

homestyles®

FLEXSTEEL®

charisma®
the good life made better

FLEXSTEEL®
zecliner
Live. Sleep. Be Well.

FLEXSTEEL®
flex
Flexible Modular Seating

Mid-Price
Modern

Growth Priority #2

SALES DISTRIBUTION EXPANSION

Retail

CORE

FURNITURE ROW
Real Furniture. Real Value.

LIVING SPACES

NFM

Raymour & Flanigan
FURNITURE | MATTRESSES

Jordan's FURNITURE

Est. 1945 WALTER E. SMITHE Furniture & Design

Traditional Furniture Retail

E-Commerce

CORE

amazon

wayfair

THE HOME DEPOT

Pure Play E-Tail

EXPANSION

Aaron's

curacao

Other Furniture Retail

HomeGoods

sam's club

Big Box Retail

COSTCO WHOLESALE

EXPANSION

dormify

Specialty E-Tail

Abt

NFM

Brick & Click

Direct-to-Consumer (Acquisition)

Growth Priority #3

PRODUCT CATEGORY EXPANSION

Core

Living - Motion

Living- Stationary

Bedroom

Kitchen & Dining

Expansion

Outdoor

Health & Wellness

Accessories

Living - Modular

COMPETITIVE ADVANTAGE

Operating from a position of strength

FLEXSTEEL®

charisma™
the good life made better

homestyles®

1. Growing, relevant product assortment with compelling value propositions
2. Strong national and omni-channel distribution
3. Efficient operating model with diverse supply chain capabilities
4. Rapidly growing digital capabilities
5. Strong financial position and cash flow generation ability

KEY GROWTH INVESTMENTS

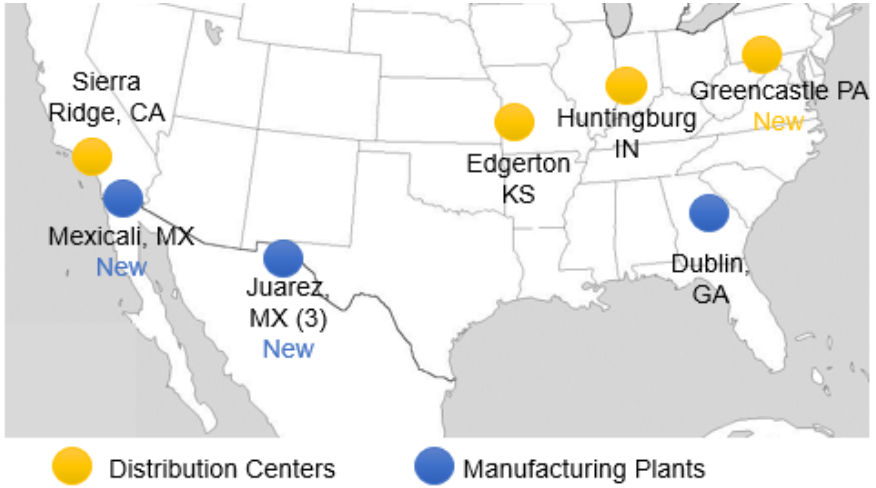
Resilient and agile supply chain

Global Sourcing

Expanding our network of strong global suppliers; diversifying country exposure

Manufacturing & Distribution

Investing to support growth



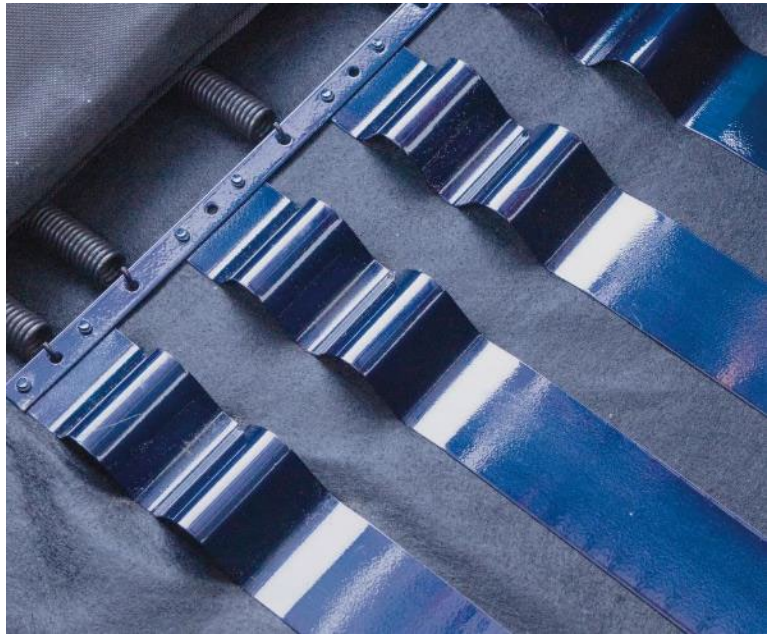
Transportation

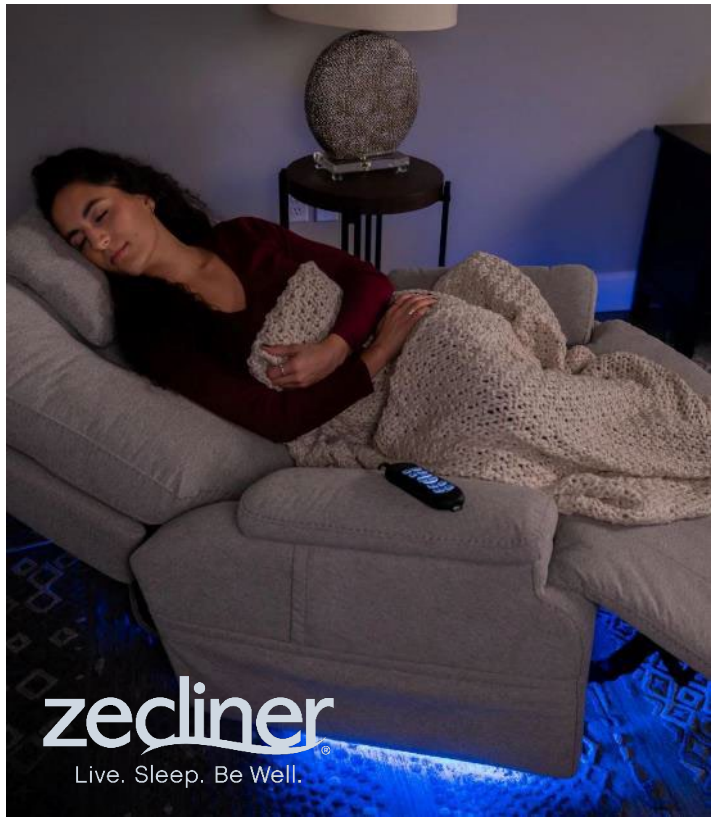
Partnering with highly capable, global transportation partners

Expeditors
DE WELL GROUP
PILOT A Maersk Company
Apexlogistics
HECNY GROUP
RUAN
SCHNEIDER
GES
flexport.

KEY GROWTH INVESTMENTS

Innovation that drives stronger consumer value and competitive differentiation

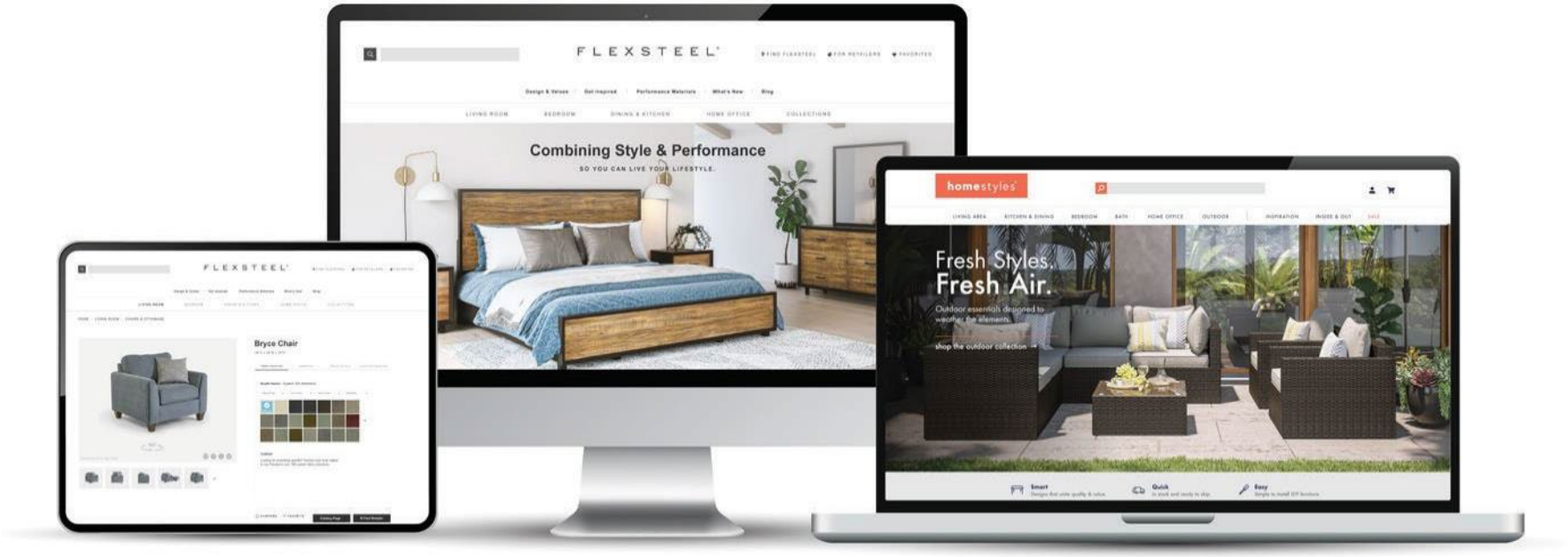




flex
FLEXSTEEL

KEY GROWTH INVESTMENTS

Customer-focused, digitally-enabled business model



OBJECTIVES:

1 Customer Insights
Leveraging deep understanding of customer journeys to create unique and valued customer experiences

2 Digital Platforms & Content
Building powerful digital engagement and seamless interactions with customers

3 Analytics
Leveraging big data to quickly address changing market dynamics and customer needs

.

KEY GROWTH INVESTMENTS

Committed to advancing ESG initiatives

Our Values

Our Environment

Good Steward of Nature

- Climate Change / Energy Management
- Natural Resources
- Waste and Recycling
- Environmental Opportunities

Our Society

Healthy Relationship Management

- Human Capital - Wellbeing, Safety and Development
- Diversity, Equity & Inclusion
- Community Engagement

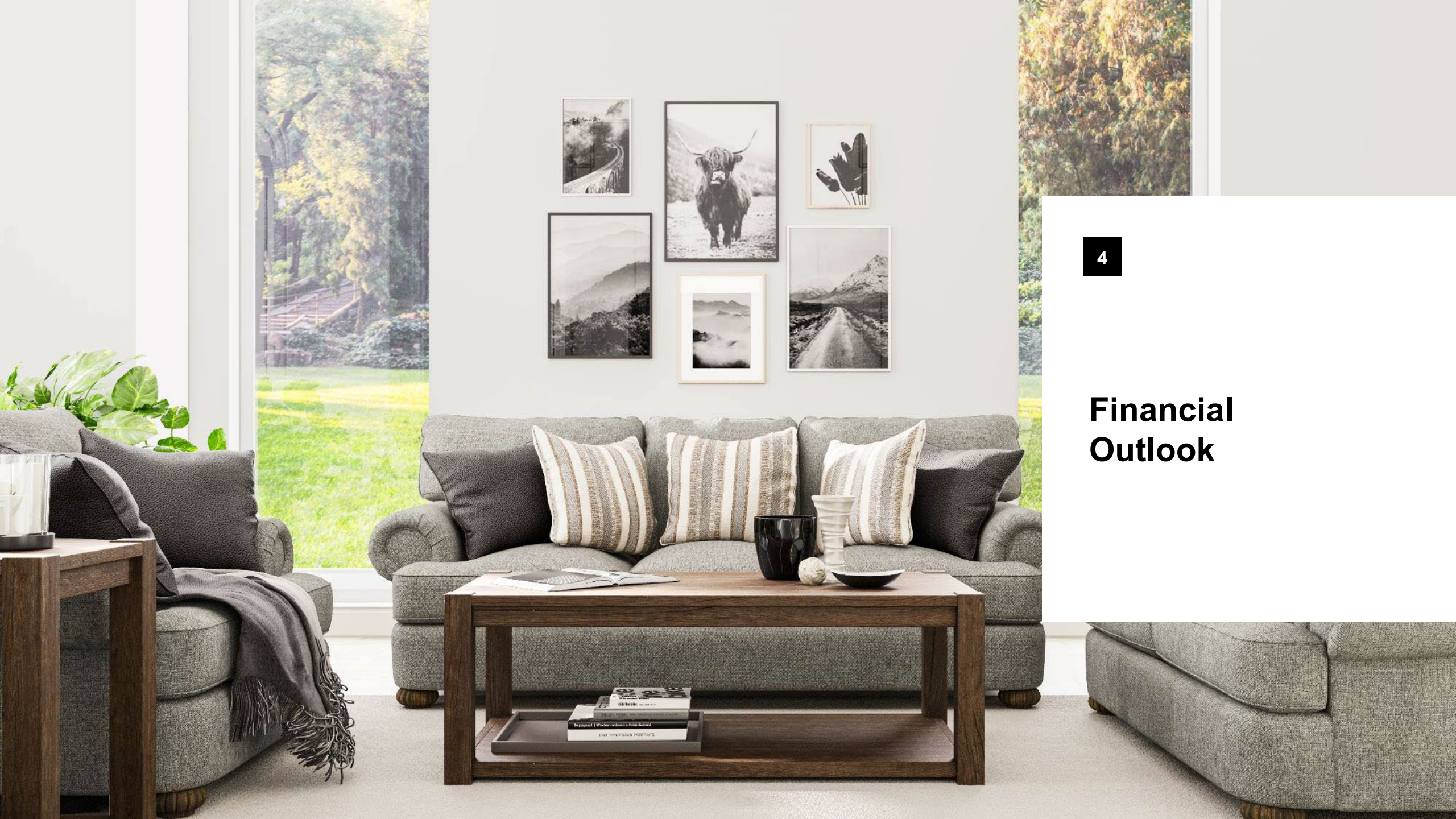
Our Governance

Strong Ethics, Culture & Leadership

- Ethical Practices & Compliance
- Board Structure & Diversity
- Executive Compensation
- Shareholder Rights

Our Healthy Environments Inside and Out

sustainable FURNISHINGS COUNCIL
sustainablefurnishings.org



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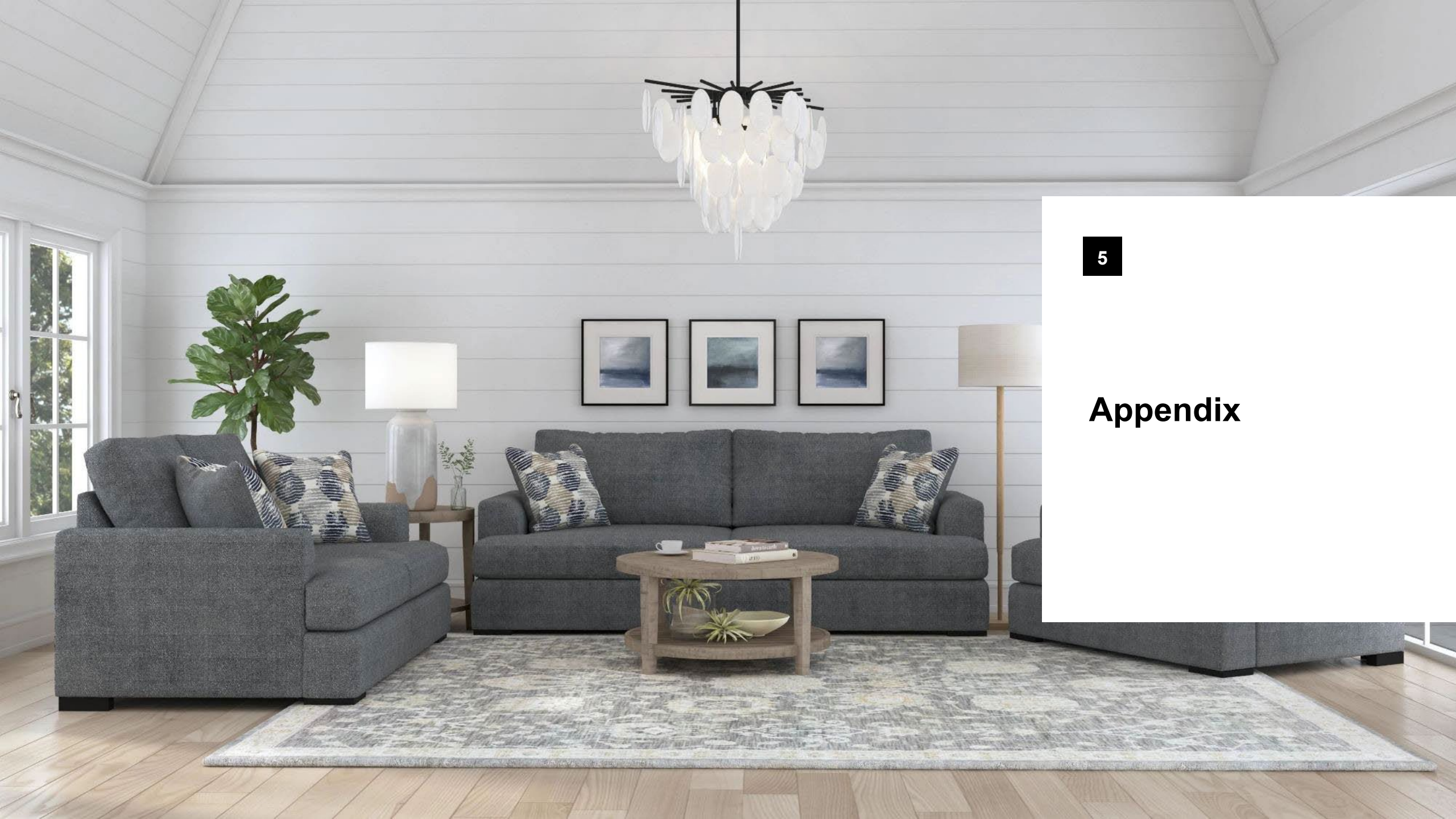
Financial Outlook

FINANCIAL OBJECTIVES

FOCUSED ON DRIVING LONG-TERM BREAKTHROUGH PERFORMANCE

	FY24	Mid-Term (3 years: FY26)	Long-Term Aspiration (5+ years)
Net Sales	$390M to $485M	$450M to $575M	$750M+ (with acquisitions)
Gross Margin	17% to 19%	19% to 21%	23%+
Operating Income Margin	2% to 4%	3.5% to 6%	8%+
Earnings Per Diluted Share	$0.80 to $2.84	$2.06 to $4.91	$10.00+

Thank You
FLEXSTEEL
homestyles



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Appendix

NON-GAAP DISCLOSURES (UNAUDITED)

The Company is providing information regarding adjusted operating income, adjusted net income and adjusted diluted earnings per share of common stock, which are not recognized terms under U.S. Generally Accepted Accounting Principles (“GAAP”) and do not purport to be alternatives to operating income, net income or diluted earnings per share of common stock as a measure of operating performance. A reconciliation of adjusted operating income, adjusted net income and adjusted diluted earnings per share of common stock is provided in the subsequent slides. Management believes the use of these non-GAAP financial measures provide investors useful information to analyze and compare performance across periods excluding the items which are considered by management to be extraordinary or one-time in nature. Because not all companies use identical calculations, these presentations may not be comparable to other similarly titled measures of other companies.

NON-GAAP
DISCLOSURES (UNAUDITED)

10-year historical reconciliation of GAAP net income (loss) to non-GAAP adjusted net income (loss):

The following table sets forth the reconciliation of the Company's reported GAAP net income (loss) to the calculation of non-GAAP adjusted net income (loss) for historical fiscal years ended June 30.

($ in thousands)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
	Twelve Months Ended 6/30/13	Twelve Months Ended 6/30/14	Twelve Months Ended 6/30/15	Twelve Months Ended 6/30/16	Twelve Months Ended 6/30/17	Twelve Months Ended 6/30/18	Twelve Months Ended 6/30/19	Twelve Months Ended 6/30/20	Twelve Months Ended 6/30/21	Twelve Months Ended 6/30/22
Reported GAAP net income (loss)	**$ 13,151**	**$ 14,990**	**$ 22,299**	**$ 24,237**	**$ 23,786**	**$ 17,666**	**$ (32,605)**	**$ (26,844)**	**$ 23,048**	**$ 1,853**
Restructuring expense	-	-	-	-	-	-	10,048	34,222	3,422	730
ERP impairment	-	-	-	-	-	-	21,273	-	-	-
Bad debt expense	-	-	-	-	-	-	-	3,535	1,314	-
CEO transition costs	1,270	-	-	-	-	-	2,055	-	-	-
CFO transition costs	-	-	-	-	-	-	-	647	-	-
Inventory impairment related to restructuring	-	-	-	-	-	-	7,653	3,241	45	-
Right-of-use asset impairment (leases)	-	-	-	-	-	-	-	2,878	-	-
Defined benefit plan termination	-	-	-	-	-	-	2,455	-	-	-
Environmental remediation	-	-	-	-	-	3,600	-	-	-	-
(Gain) loss on disposal of assets	-	-	(745)	(346)	-	(1,835)	-	(19,216)	(5,881)	(1,400)
Litigation settlement costs	-	6,250	(250)	(2,280)	(1,175)	-	475	(5,831)	12	-
Tax impact of adjustments[1]	(470)	(2,314)	371	948	431	(524)	(10,320)	(5,183)	291	460
Remeasurement of deferred tax assets and valu	-	-	-	-	-	-	-	6,782	97	2,518
Non-GAAP net income (loss)	**$ 13,951**	**$ 18,926**	**$ 21,675**	**$ 22,559**	**$ 23,042**	**$ 18,907**	**$ 1,034**	**$ (5,769)**	**$ 22,348**	**$ 4,161**

NON-GAAP
DISCLOSURES (UNAUDITED)

10-year historical reconciliation of GAAP earnings (loss) per share of common stock to non-GAAP adjusted earnings (loss) per share of common stock:

The following table sets forth the reconciliation of the Company's reported GAAP earnings (loss) per share to the calculation of non-GAAP adjusted earnings (loss) per share for historical fiscal years ended June 30.

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
	Twelve Months Ended 6/30/13	Twelve Months Ended 6/30/14	Twelve Months Ended 6/30/15	Twelve Months Ended 6/30/16	Twelve Months Ended 6/30/17	Twelve Months Ended 6/30/18	Twelve Months Ended 6/30/19	Twelve Months Ended 6/30/20	Twelve Months Ended 6/30/21	Twelve Months Ended 6/30/22
GAAP Diluted Earnings Per Share	**$ 1.80**	**$ 2.00**	**$ 2.89**	**$ 3.12**	**$ 3.02**	**$ 2.23**	**$ (4.13)**	**$ (3.37)**	**$ 3.09**	**$ 0.28**
Restructuring expense	-	-	-	-	-	-	1.27	4.30	0.46	0.11
ERP impairment	-	-	-	-	-	-	2.70	-	-	-
Bad debt expense	-	-	-	-	-	-	-	0.44	0.18	-
CEO transition costs	0.17	-	-	-	-	-	0.26	-	-	-
CFO transition costs	-	-	-	-	-	-	-	0.08	-	-
Inventory impairment related to restructuring	-	-	-	-	-	-	0.97	0.41	0.01	-
Right-of-use asset impairment (leases)	-	-	-	-	-	-	-	0.36	-	-
Defined benefit plan termination	-	-	-	-	-	-	0.31	-	-	-
Environmental remediation	-	-	-	-	-	0.45	-	-	-	-
(Gain) loss on disposal of assets	-	-	(0.10)	(0.04)	-	(0.23)	-	(2.42)	(0.79)	(0.21)
Litigation settlement costs	-	0.83	(0.03)	(0.29)	(0.15)	-	0.06	(0.73)	-	-
Tax impact of adjustments[1]	(0.06)	(0.31)	0.05	0.12	0.05	(0.07)	(1.31)	(0.65)	0.04	0.07
Remeasurement of deferred tax assets and valu	-	-	-	-	-	-	-	0.85	0.01	0.39
Non-GAAP Diluted Earnings Per Share	**$ 1.90**	**$ 2.52**	**$ 2.81**	**$ 2.91**	**$ 2.92**	**$ 2.39**	**$ 0.13**	**$ (0.72)**	**$ 2.99**	**$ 0.64**