

# FLEXSTEEL INDUSTRIES, INC. INVESTOR PRESENTATION

January 2024



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 and uncertainties are detailed in certain of Flexsteel's filings with the Securities and Exchange Commission ("SEC"), including in its Annual Report on Form 10-K for the year ended June 30, 2023 under the heading "Risk Factors", and under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook," and updated by our subsequent quarterly reports on Form 10-Q, and other SEC filings, as applicable." These reports, as well as the other documents filed by Flexsteel with the SEC, are available free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov). Due to these risks and uncertainties, 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.





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Competitive Advantage and Differentiation

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1

## Company Overview

# Company Overview

## KEY FACTS

**Top 10**

U.S. Furniture Manufacturer

**\$403 to 413 million**

FY24 Estimated Revenue

**~ 50 / 50**

Mix of North American Manufacturing  
and Global Sourcing

**1893**

Company Founded

**~1700**

Team Members

**8**

Manufacturing and Distribution Facilities

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**One of the largest manufacturers, importers, and marketers of residential furniture products in the U.S.**

**Our furniture is built for everyday life and lasting beauty, and it's differentiated due to its superior quality, comfort and durability derived from innovation, like our patented Blue Steel Spring.**

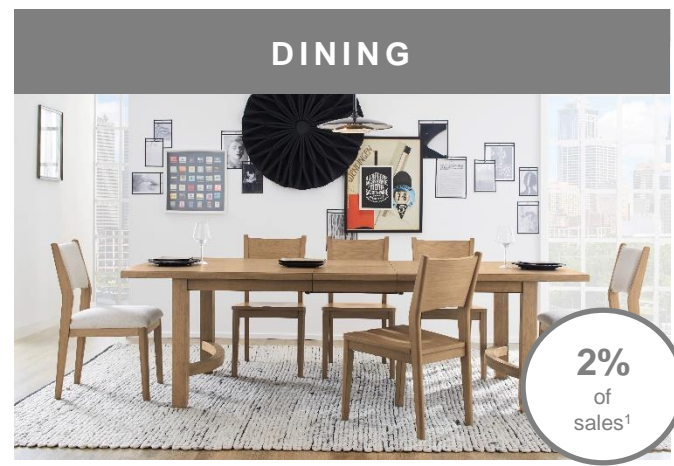
**Over 2,700 retail stores and dozens of leading e-tailers choose to sell Flexsteel because it's a trusted brand supported by passionate people that strive to deliver the highest service levels and customer experience in the industry.**



# Our Product Offering

Flexsteel offers a wide breadth of products to meet diverse consumer needs throughout their homes.

**Growth opportunity:** Expand penetration in the home beyond primary living areas.



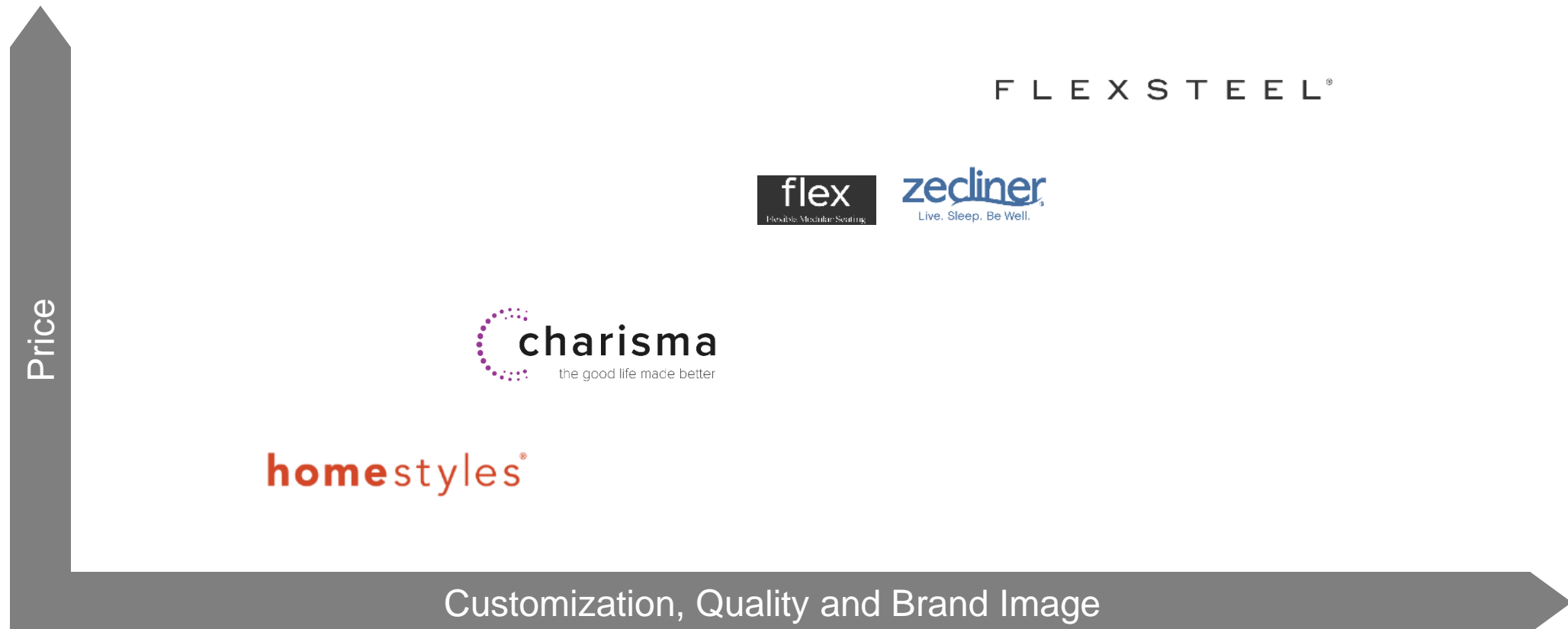
(1) Based on FY24 estimated sales

# Our Go-To-Market Brand Positioning

Flexsteel addresses different market segments through three distinct core brands: **Flexsteel™**, **Charisma™**, and **homestyles™**, and several category specific sub-brands: **flex™** and **Zecliner™**. Each has a unique value proposition tailored to specific consumer needs.

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**Growth opportunity:** Expand consumer brand awareness and strengthen brand portfolio to resonate with younger consumers.



# Our Omni-Channel Sales Distribution

Flexsteel has broad sales distribution across the US through multiple channels. We strive to position our brands where and how consumers want to purchase furniture both now and in the future.

**Growth opportunity:** Accelerate sales distribution expansion beyond independent retailers.

## INDEPENDENT RETAIL

Large and important; Aligned with the winners and gaining share

**82 to 86%**

of estimated FY24 sales

**+1400**

Customers

**+2700**

Store Fronts



Raymour & Flanigan  
FURNITURE | MATTRESSES®

Jordan's  
FURNITURE

GF GALLERY FURNITURE

LEVIN  
FURNITURE & MATTRESS

HOM  
FURNITURE

## E-TAIL

Long-term relationships with leading e-tailers

**8 to 10%**

of estimated FY24 sales

**+30**

Leading e-tailers



## BIG BOX

New; Quickly growing and profitable

**6 to 8%**

of estimated FY24 sales



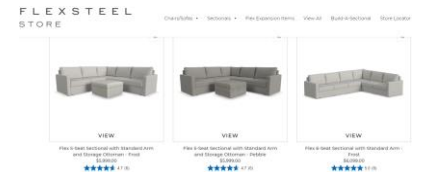
## DIRECT-TO-CONSUMER

Learning & building new capabilities; Complements core selling channels

**<1%**

of estimated FY24 sales

**flexsteelstore.com**



**www.homestylesfurniture.com**





# Our Leadership

## Experienced and results-driven management team



**Bob Bestercy**

VP, Global Logistics & Distribution



**David Crimmins**

VP, Sales & Product Management



**Jerald Dittmer**

Chief Executive Officer



**Stacy Kammes**

VP, Human Resources



**Michael McClaflin**

Chief Information Officer



**Tim Newlin**

VP, Strategic Business Development



**Mike Ressler**

Chief Financial Officer



**Derek Schmidt**

President



**Vic Tsai**

VP, Global Strategic Sourcing & GM Asia



**Dan Wallace**

VP, Customer Experience



Years of Experience: Total Furniture Industry Flexsteel

# Our North American Operations

**Strong, advantaged operations: efficient, agile and cost competitive.**

**Manufacturing locations are cost advantaged. Logistics operations positioned to efficiently serve all major US markets. Breadth of fulfillment capabilities to serve wide range of customer needs.**

**Ample capacity to support future growth with minimal investment.**

## Manufacturing Locations:

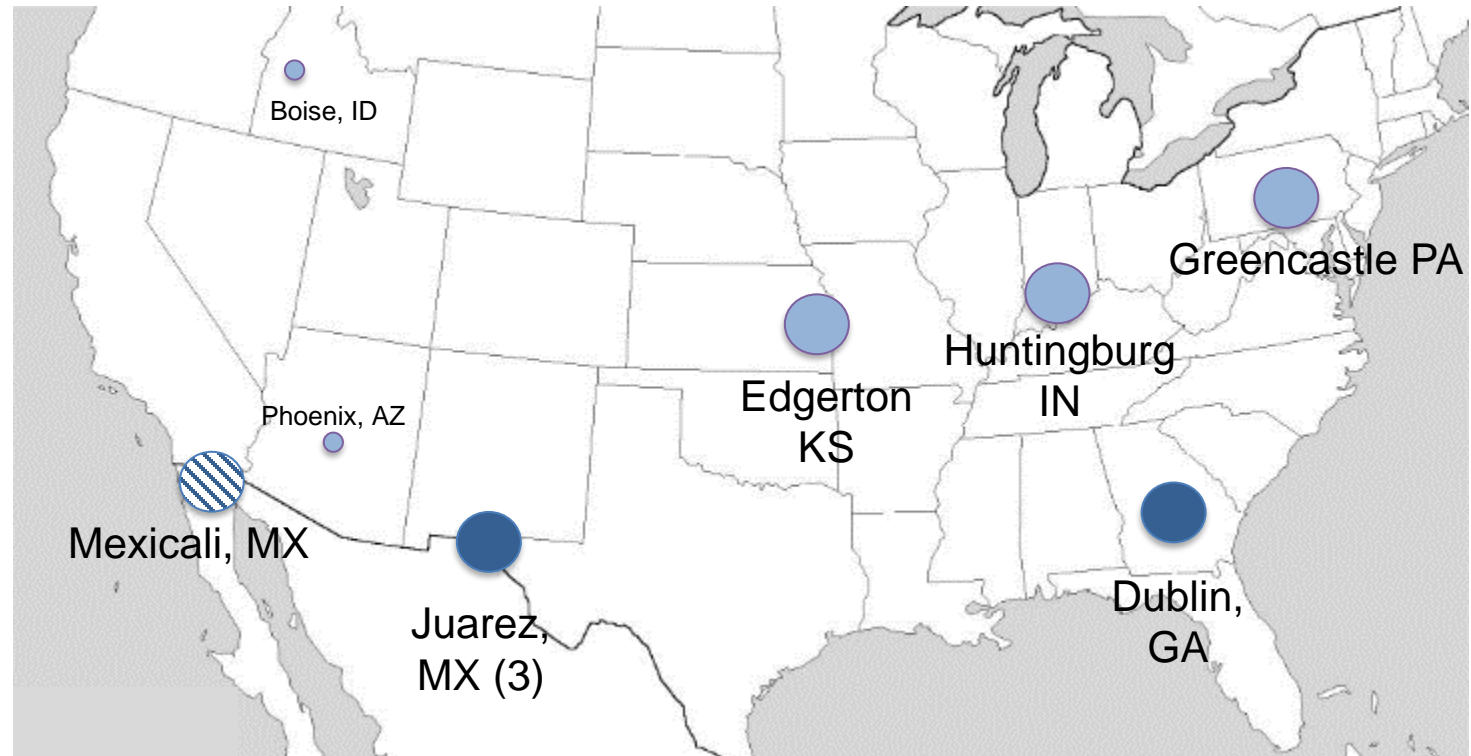
- Dublin, Georgia
- Juarez, Mexico (3 plants)
- Mexicali, Mexico (no current production; available for future growth)

## Distribution Centers:

- Edgerton, KS (500K ft<sup>2</sup>)
- Greencastle, PA (242K ft<sup>2</sup>)
- Huntingburg, IN (611K ft<sup>2</sup>)
- Trailer Transfer Points: Boise, ID & Phoenix, AZ

## Fulfillment Capabilities:

- Container direct
- Full truckload
- Customer pickup
- Direct-to-consumer small parcel
- Direct-to-consumer white-glove delivery





# Our Global Sourcing Operations

**Diversified global supply chain supported with offices and talent in Vietnam, China, Thailand and Indonesia.**  
**Aligned with strong, capable strategic partners. Expanding geographic sources to further diversify.**

## CURRENT SOURCES



## NEW EMERGING SOURCES





# Our Vision

## **We exist...**

to create better living spaces that improve lives

## **We care...**

about our employees, customers, partners and communities

## **We strive...**

to be a sustainable, industry leader in home furnishings

## **We aspire...**

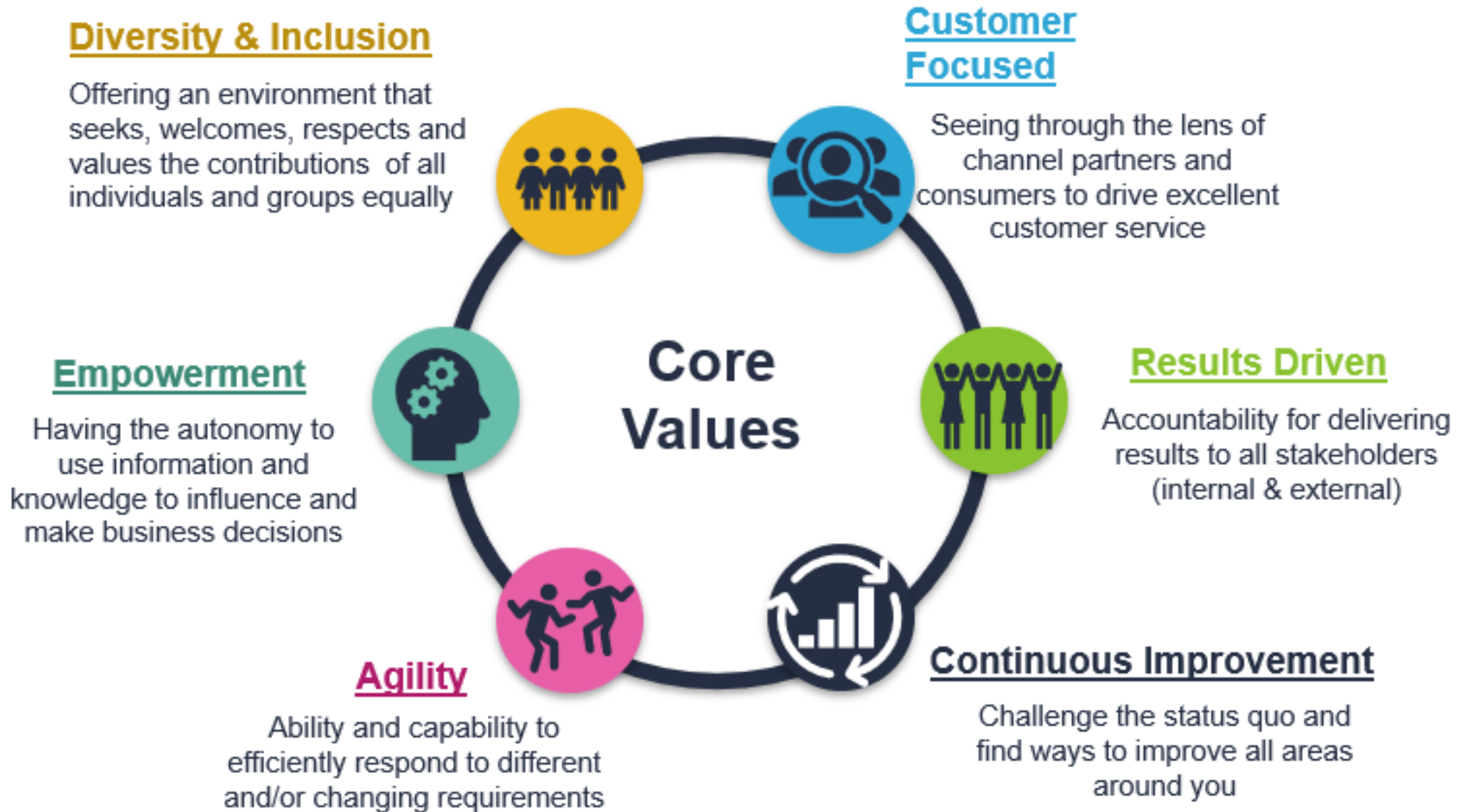
to profitably grow to +\$750M in sales through organic growth and acquisitions

## **We are committed...**

to accelerating our sustainability, social responsibility and governance initiatives



# Our Values



# Our Approach to Responsible Business

**Committed to positively impacting healthy people, healthy communities, and a healthy planet. Key focus areas:**

Sustainable Products &  
Packaging



Responsible Material Sourcing



Waste Reduction &  
Recycling



Environmental Stewardship



Community Giving



Employee Volunteerism



Employee Engagement &  
Development



Employee Safety







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## Competitive Advantage & Differentiation

# Competitive Advantage

**Operating from a position of strength.**

F L E X S T E E L<sup>®</sup>



**homestyles<sup>®</sup>**

- 1 Growing, relevant product assortment with compelling value propositions
- 2 Strong and broad national and omni-channel distribution
- 3 Diverse, agile and resilient global supply chain with scalable efficiencies
- 4 Expanding our leverageable digital content and marketing capabilities
- 5 Strong financial position and cash flow generation ability



# Differentiation

We win by providing compelling designs with **unmatched quality, comfort and durability**, all supported by **innovation** that drives strong consumer value and sustainable differentiation.



FLEXSTEEL®

## The Blue Steel Advantage

At the heart of our upholstered seating is our Blue Steel Spring™ - a patented ribbon of steel that provides unmatched comfort and durability.



flex™  
FLEXSTEEL

 **Easy Assembly - No Tools Required**  
Patent-Pending J-Brackets and C-Clips Included

 **Done in Minutes**



Now with  
**Nanobionic  
Wellness  
Fabric**

Recycles your body's energy for:

- Improved blood flow
- Enhanced recovery
- More restful sleep

**zcdiner**  
Live. Sleep. Be Well.  
FLEXSTEEL®



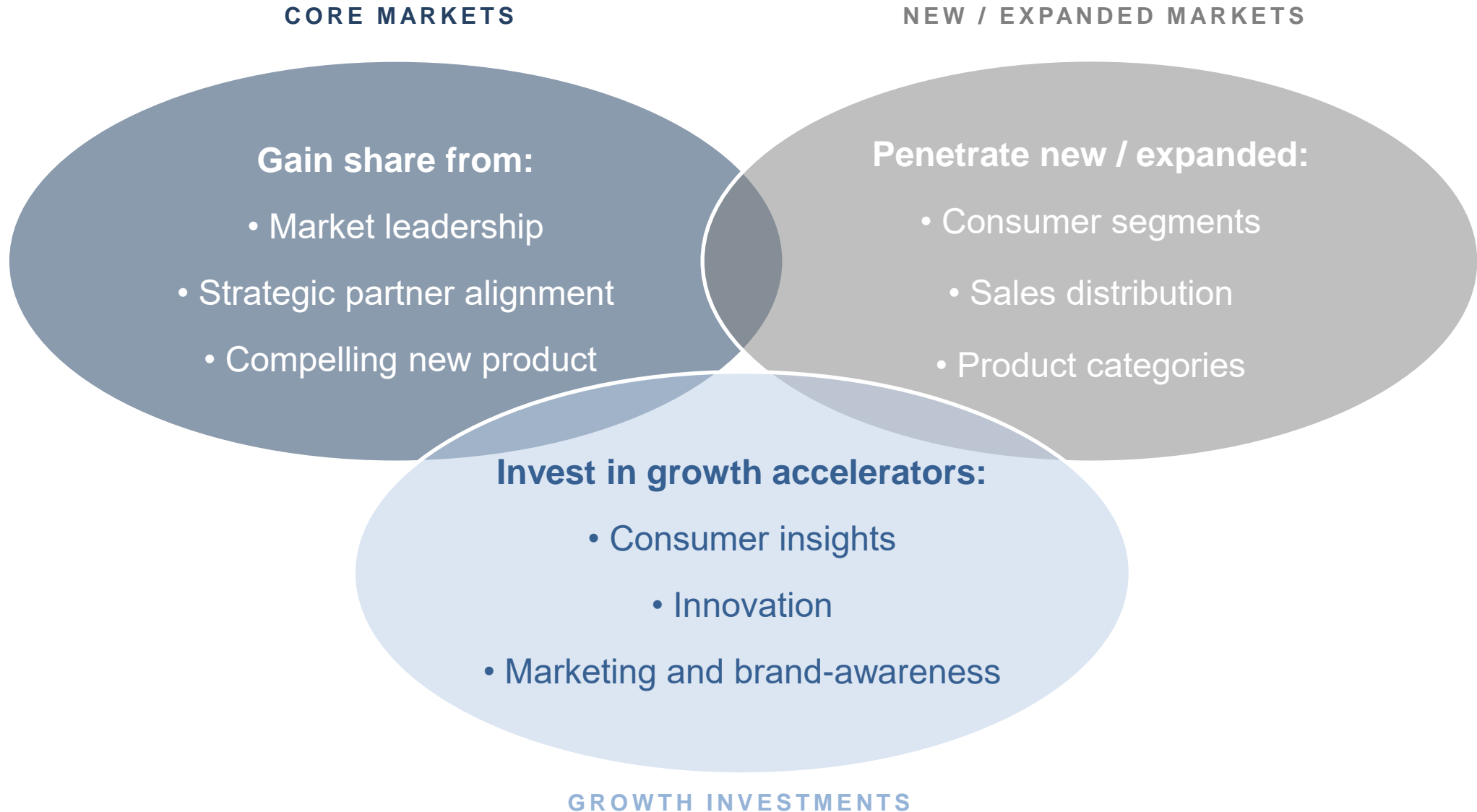


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## Growth Drivers

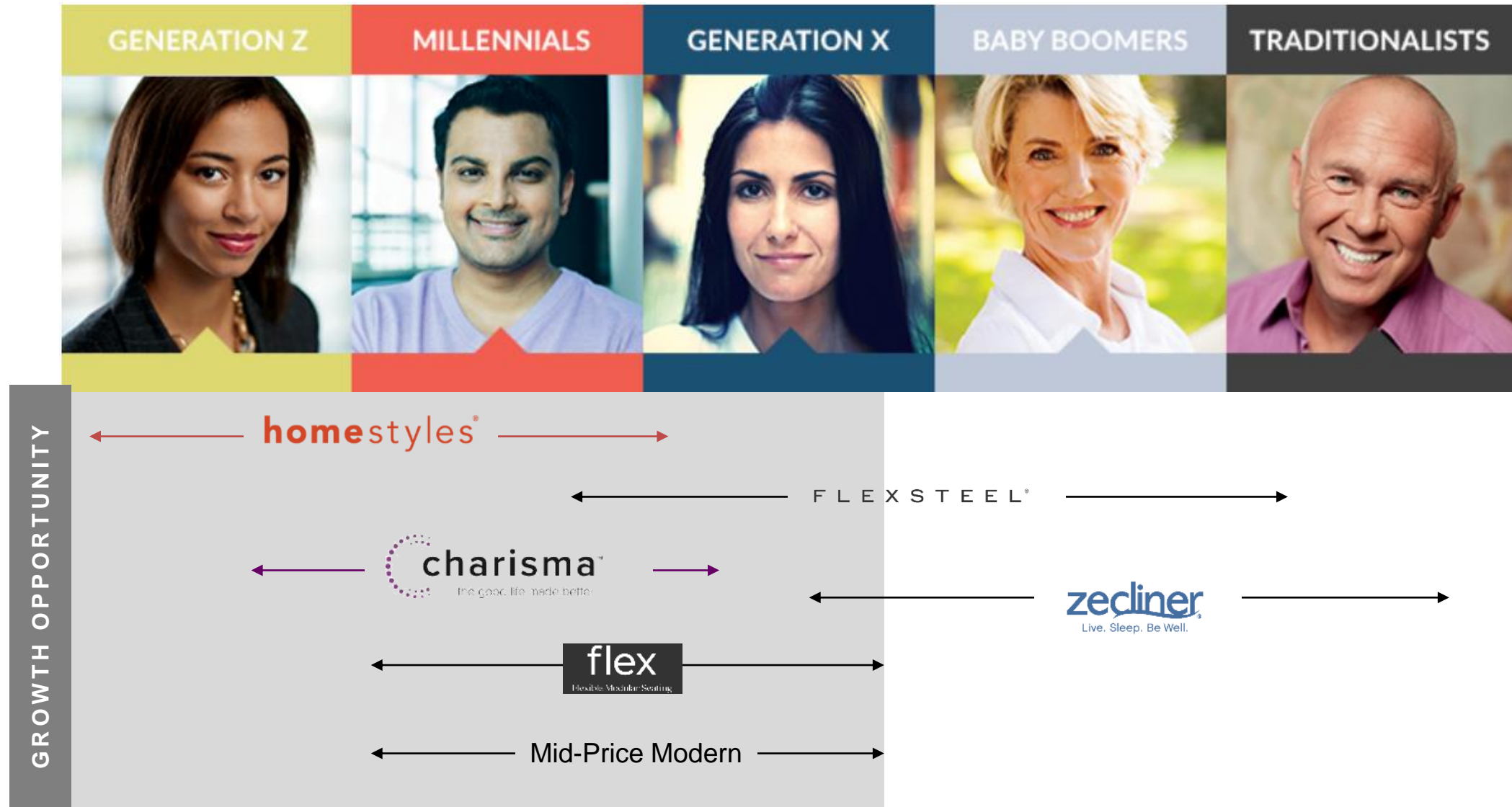


# Growth Drivers



# Growth Drivers: Consumer Segment Expansion

Expanding and repositioning our brand portfolio to align with the consumer needs of the future.



# Growth Drivers: Sales Distribution Expansion

Expanding beyond our core sales distribution and into NEW brick & mortar and e-commerce channels to position our brands wherever consumers desire to shop both today and in the future.

## BRICK & MORTAR

### CORE

#### Independent Retail



Raymour & Flanigan  
FURNITURE | MATTRESSES ®

HOM  
FURNITURE

GF GALLERY FURNITURE

LEVIN  
FURNITURE & MATTRESS

Jordan's  
FURNITURE

### EXPANSION

#### Big Box Retail

HomeGoods®



## E-COMMERCE

### EXPANSION

#### Big Box e-Commerce



#### Leading e-Tailers



#### Independent e-Com



Raymour & Flanigan  
FURNITURE | MATTRESSES ®

#### Direct-to-Consumer





# Growth Drivers: Product Category Expansion

Expanding penetration in the home beyond primary living areas.

## CORE

### PRIMARY LIVING AREAS



## EXPANSION

### BEDROOM



### STORAGE / ORGANIZATION



### HEALTH & WELLNESS



### DINING



### OUTDOOR





# Growth Drivers: Innovation Investment

Our new flex™ line is a modular seating system backed by innovation: patented easy assembly system, sustainable & livable fabric, and a unique set of hubs & accessories to ‘flex’ with consumers’ changing needs.



## MOVEABLE

Expand. Move. Rearrange. Flex offers countless configurations for evolving lifestyles.



## EASY ASSEMBLY

Easily assembles with our patented J-bracket and C-clips—no tools needed.



## DURABLE

Sustainable and stain-resistant performance fabric provides long-lasting livability.



Pet Bed Hub



Smart Hub



Narrow Hub



Storage Hub



# Growth Drivers: Innovation Investment

7% of U.S. adults can't consistently sleep in a bed at night, but most other furniture isn't designed for sleep. Our new Zecliner™ is a sleep chair that aesthetically fits into any living room or bedroom and is innovatively designed to sleep comfortably for 8+ hours as validated by independent sleep studies.







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## Investment Thesis





# Investment Thesis

**1**

Compelling long-term industry outlook

**2**

Strong growth prospects

**3**

Margin expansion potential

**4**

Strong cash flow generation

**5**

Disciplined capital allocation

**6**

Attractive valuation

# Industry Outlook: Near-Term

Near-term, the furniture industry faces multiple growth headwinds due to macroeconomic challenges.

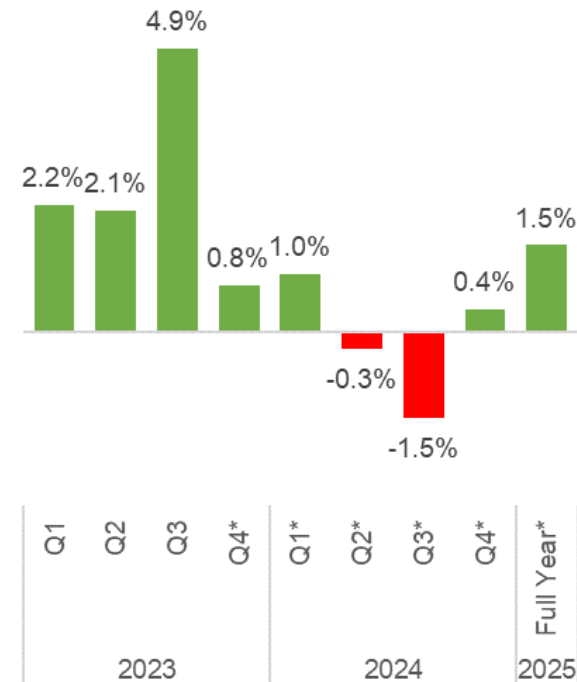
## Near-term macro challenges:

- Low/negative GDP forecasts
- Elevated interest rates
- Softening labor market
- Geopolitical uncertainties
- Student loan repayments
- Weakening consumer credit conditions
- Unwinding of pandemic-related spending shifts: higher spending on “experiences” and lower spending on “things” like furniture

## Potential upsides:

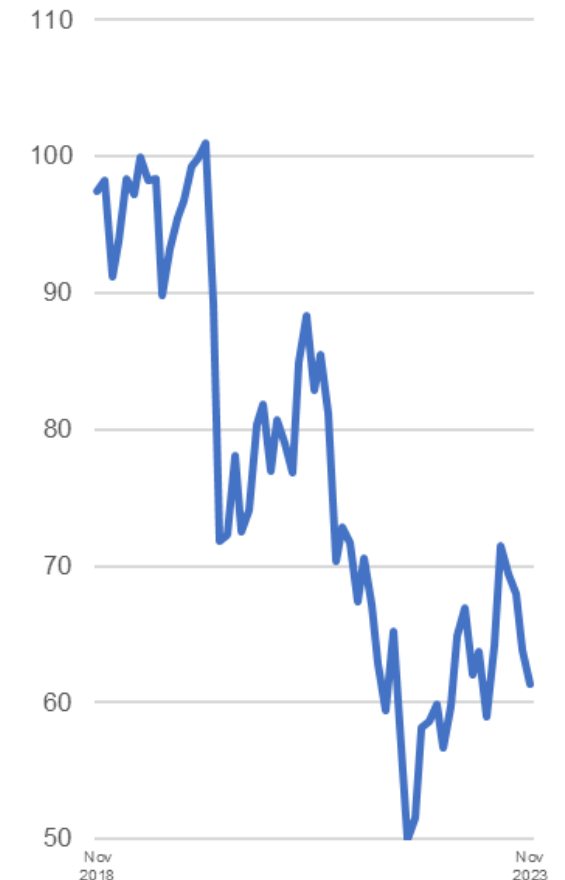
- Encouraging prospects of an economic ‘soft landing’
- Fed signal of multiple interest rate cuts
- Improving consumer confidence
- Stabilized input costs

**Real GDP**  
(YoY % Change)



\*Source: Wells Fargo Securities Forecast as of December 14, 2023

**Consumer Sentiment**  
(University of Michigan)



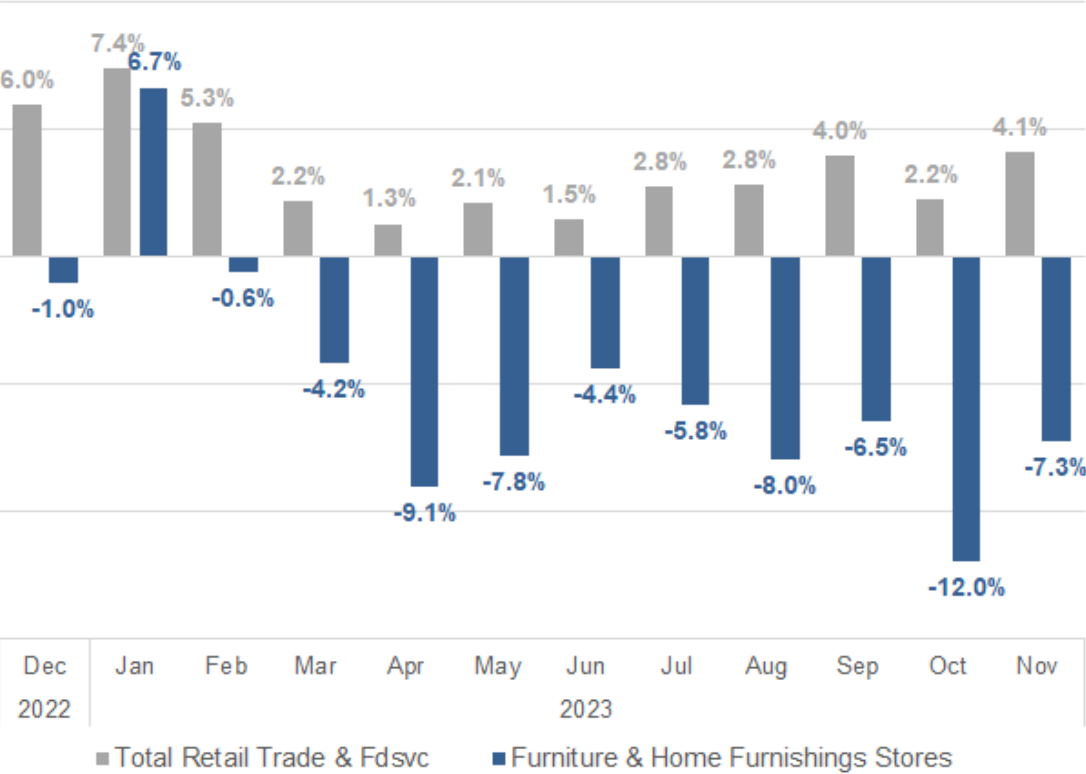
Source: Federal Reserve Bank of St. Louis



# Industry Outlook: Near-Term

Retail furniture sales have **declined 11 out of the last 12 months** and are lagging total retail sales due to a shift of consumer spending towards “experiences” and away from “things”.

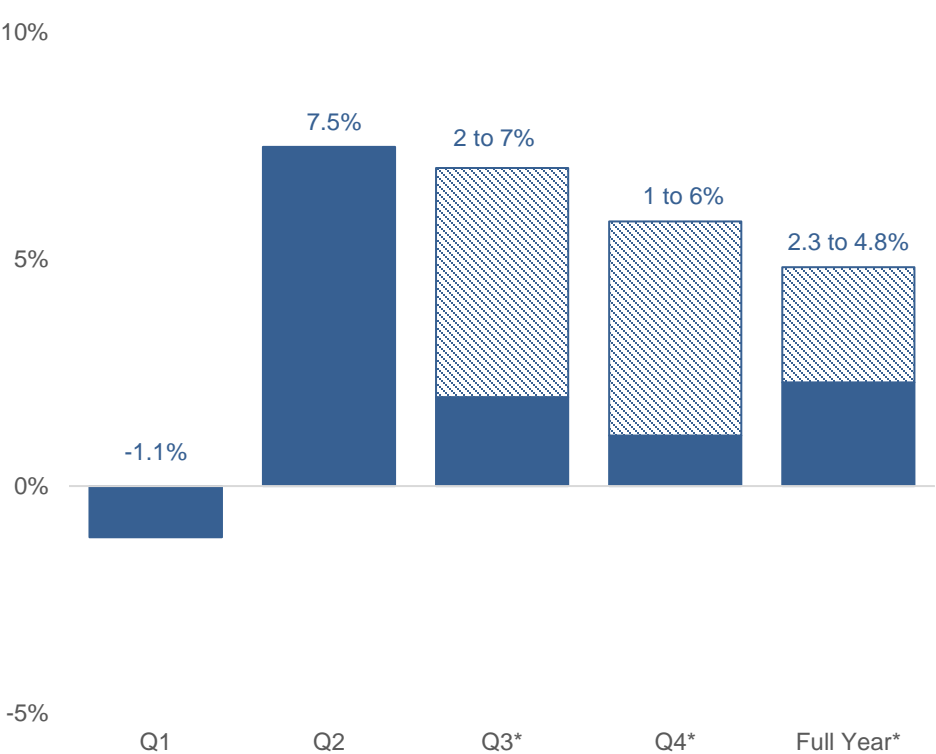
Trailing Twelve Month Year-over-Year Sales Growth



\*Source: US Census Bureau release December 14, 2023

Despite these industry headwinds, Flexsteel is leveraging innovation and its growth initiatives to grow and gain share in a difficult market.

Flexsteel FY24 Year-over-Year Sales Growth



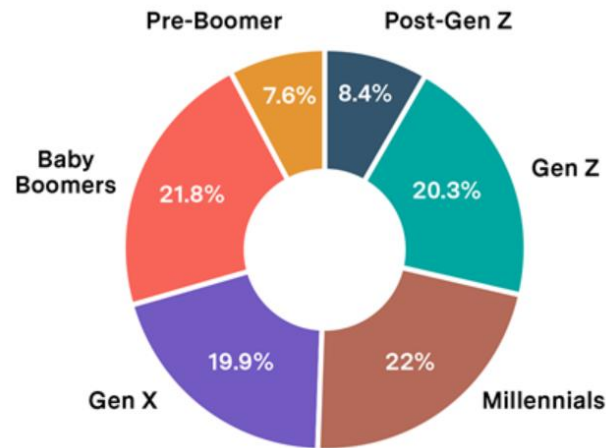
\*Forward-looking estimates

# Industry Outlook: Long-Term

Despite near-term choppiness, conditions are favorable to long-term industry growth. Three key drivers: consumer generation shifts, continued domestic migration, and healthy long-term demand for housing.

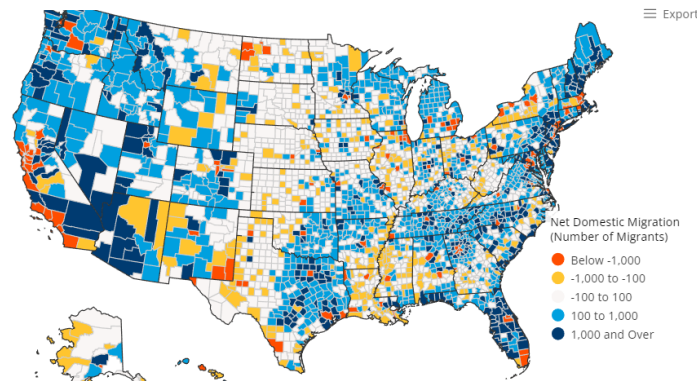
## US Population by Generation

*Adult Gen Z and Gen Y Millennials are an emerging demographic whose unique preferences will drive furniture demand as their buying power increases.*



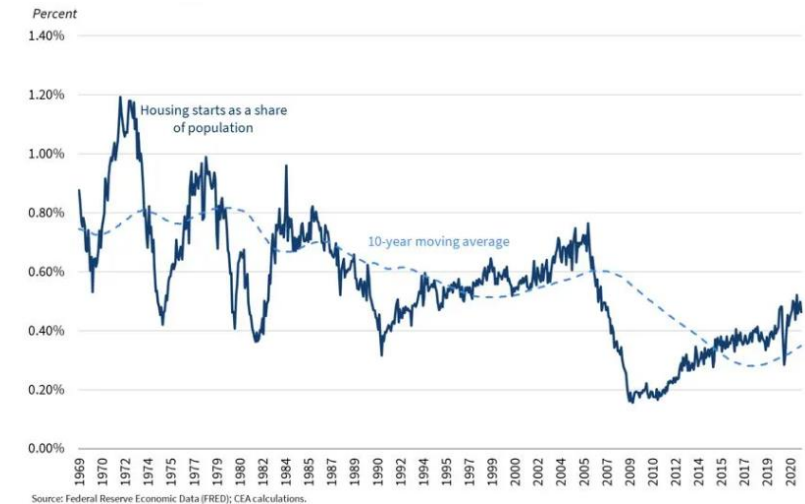
## US Domestic Migration Trends

*The pandemic and rise of remote working has propelled state-to-state migration which is expected to continue. Moving drives housing turnover which in turn drives furniture purchases.*



## Housing Demand

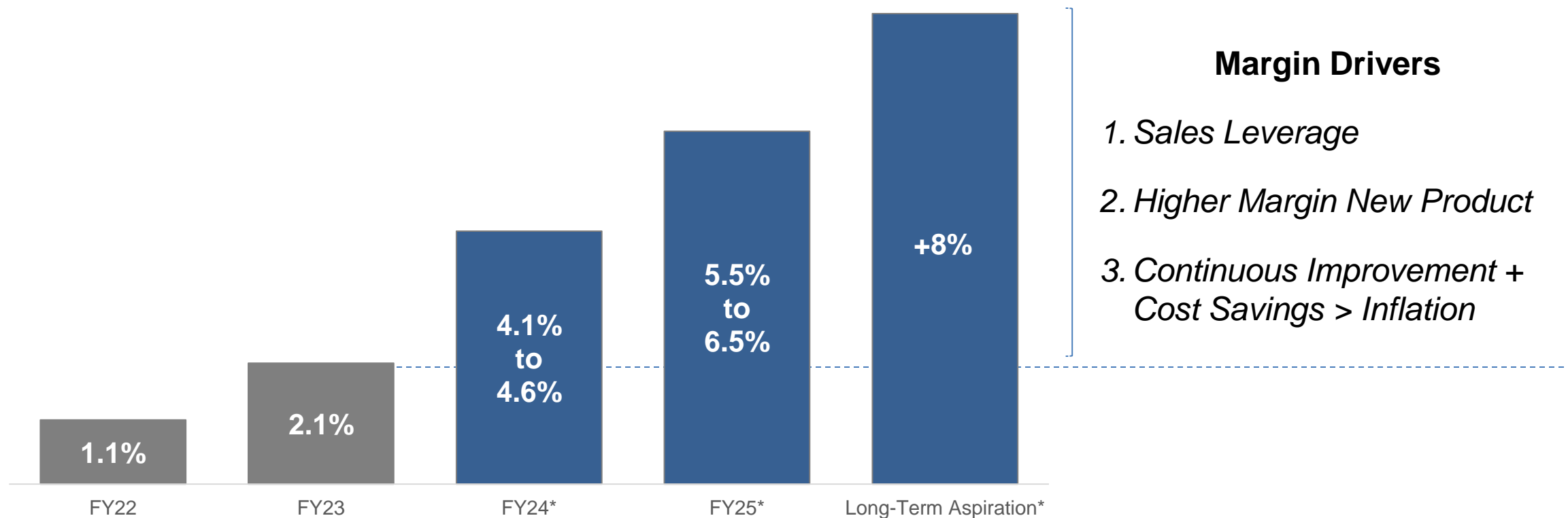
*Housing production has not kept up with population growth and new household formation. New housing demand will remain strong for many years which will also drive demand for new furniture.*



# Margin Expansion Potential

**Solid profit improvement momentum with compelling outlook for continued margin expansion.**

## Operating Margin



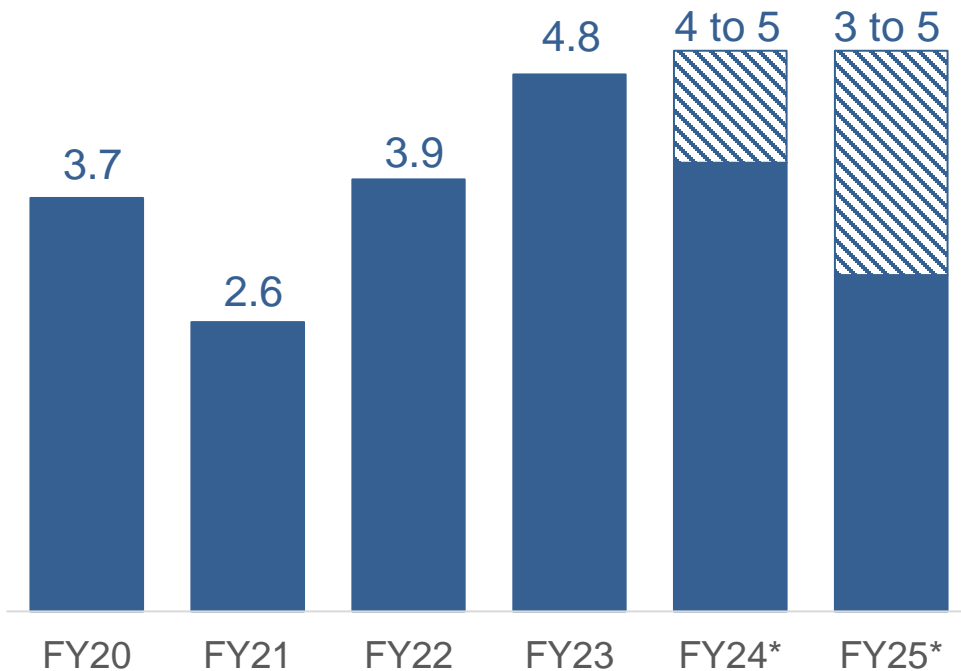
\*Forward-looking estimates



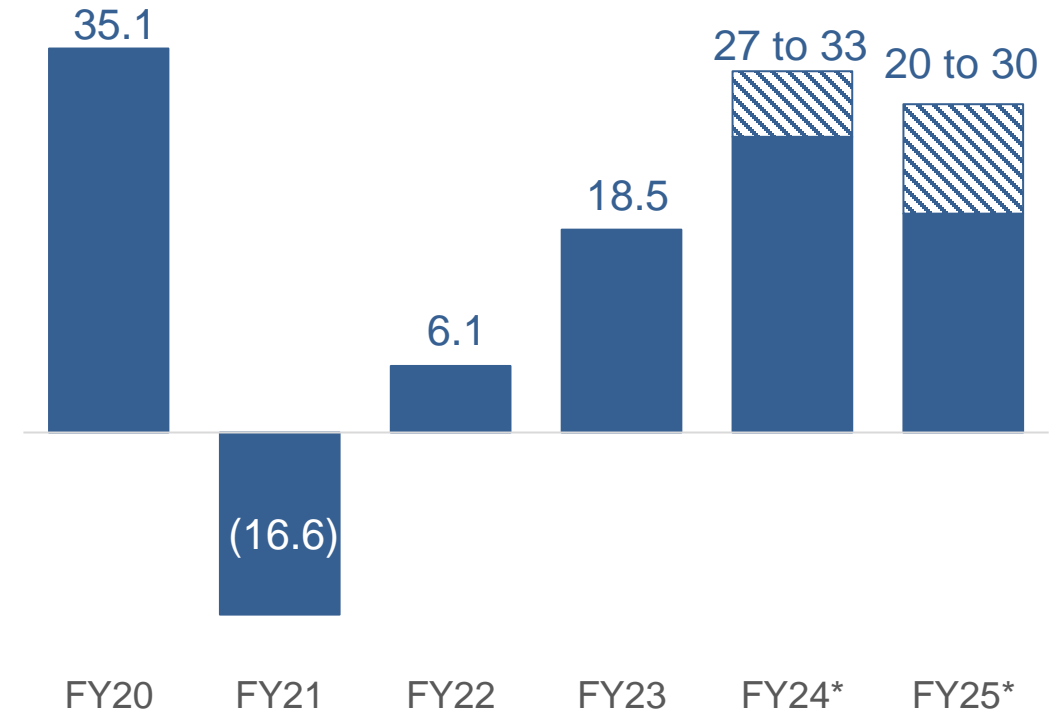
# Strong Cash Generation

**Low maintenance capital requirements (~1% of sales) combined with sales growth and improved profitability expected to generate sizable free cash flow.**

**Capital Expenditures**  
(\$ millions)



**Free Cash Flow**  
(\$ millions)

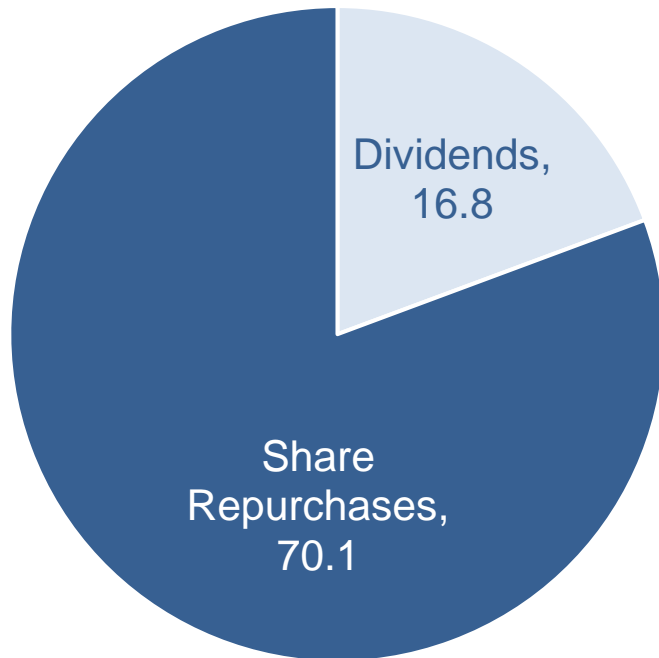


\*Forward-looking estimates

# Disciplined Capital Allocation

**Demonstrated history of returning excess capital to shareholders. Long-term capital prioritization focused on business reinvestment and growth opportunities with high ROI.**

**Return of Capital (FY20-23)**  
(\$ millions)



## Capital Allocation Priorities

### *Short-term (6-9 months)*

1. Debt Reduction
2. Maintenance CapEx
3. Dividend

### *Long-term*

#### ~70% Business Reinvestment

1. Growth (including acquisitions)
2. Maintenance CapEx

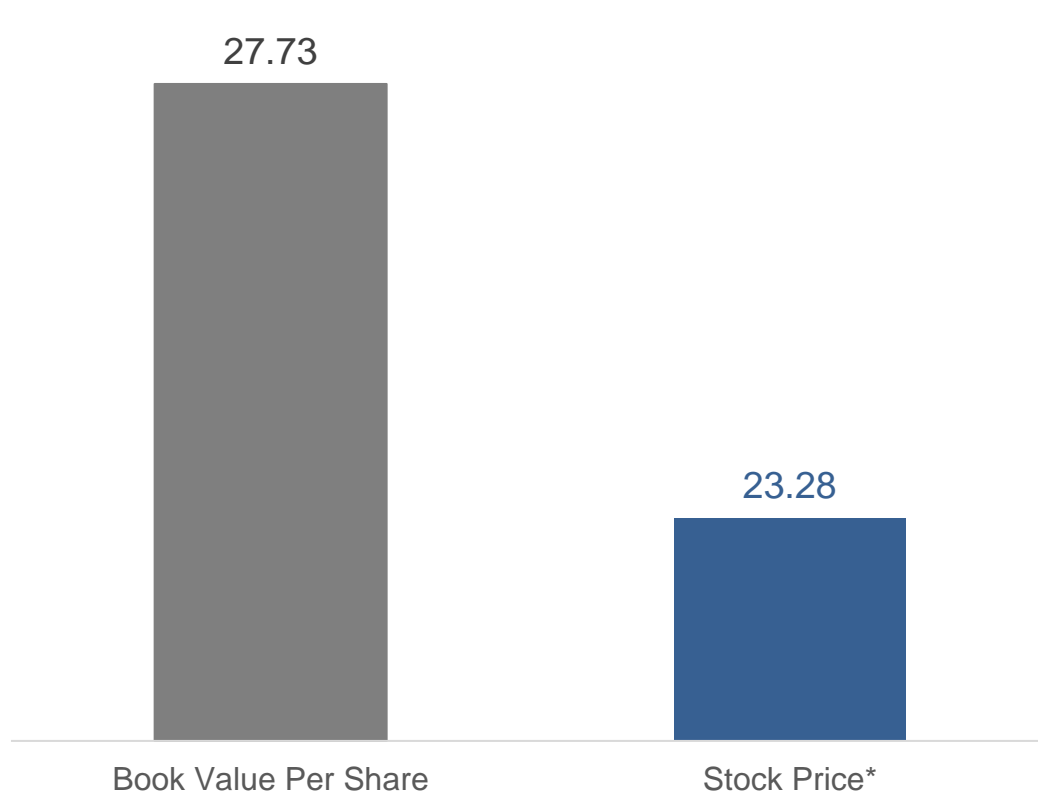
#### ~30% Return to Shareholders

1. Dividend growth
2. Opportunistic share repurchases

# Attractive Valuation

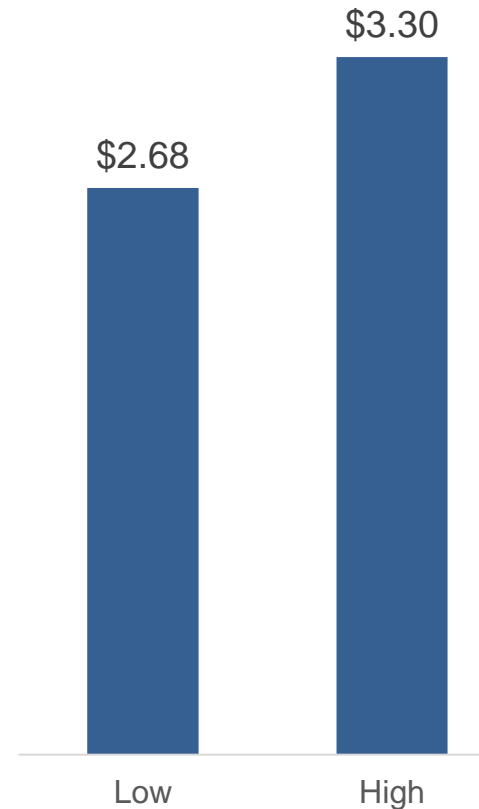
**Trading ~16% under book value. Attractive dividend yield of 2.60%.  
FY25 financial outlook yields compelling forward P/E range.**

## Stock Price vs. Book Value Per Share

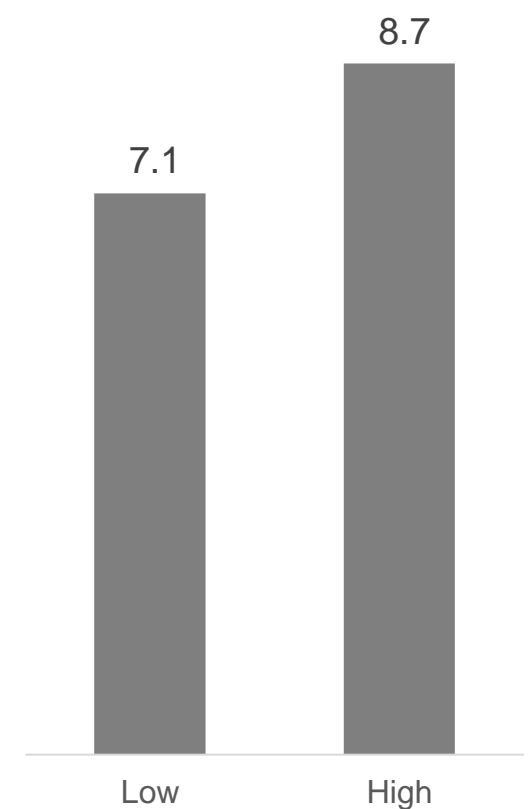


\*Based on stock price as of 1/15/24

## FY25 Diluted EPS Guidance



## Forward P/E\*







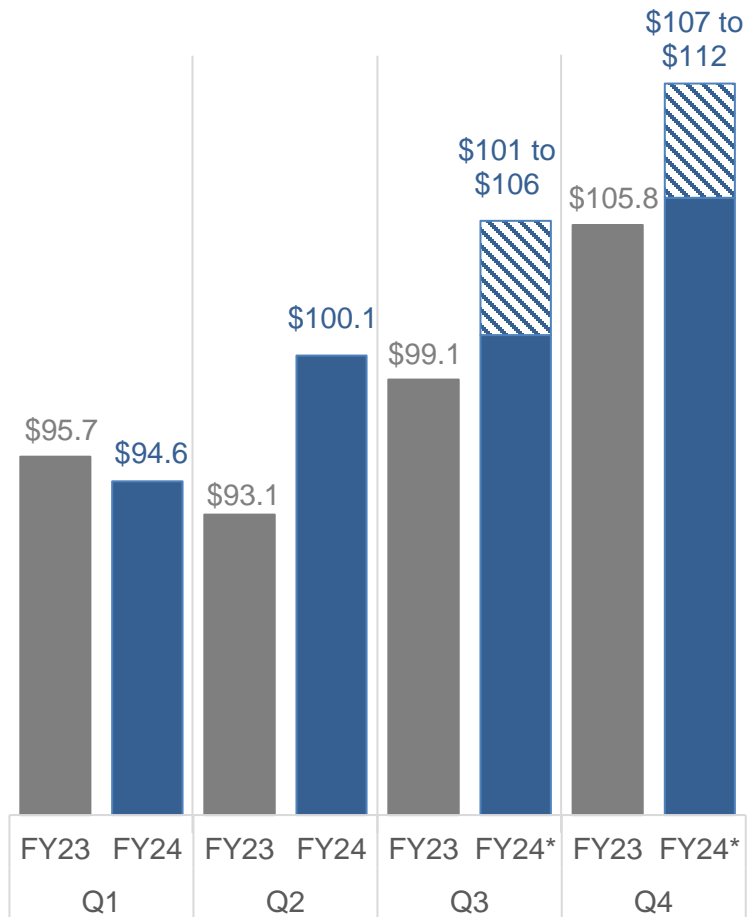
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## Financial Outlook

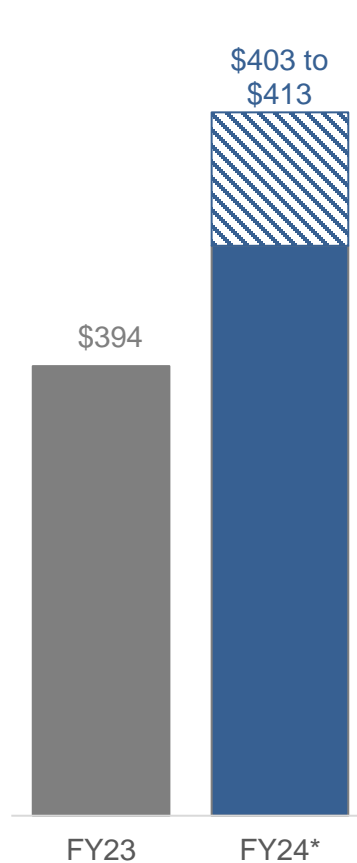
# FY24 Outlook

Driving consistent growth despite industry challenges.

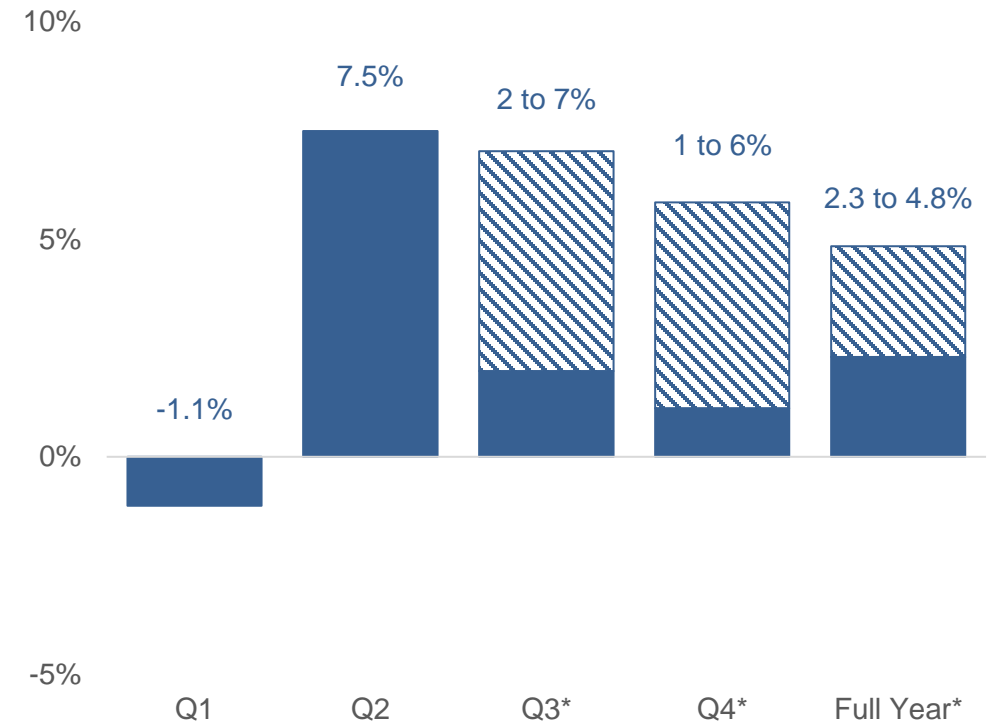
## Quarterly Sales (\$ millions)



## Annual Sales (\$ millions)



## FY24 Year-over-Year Sales Growth

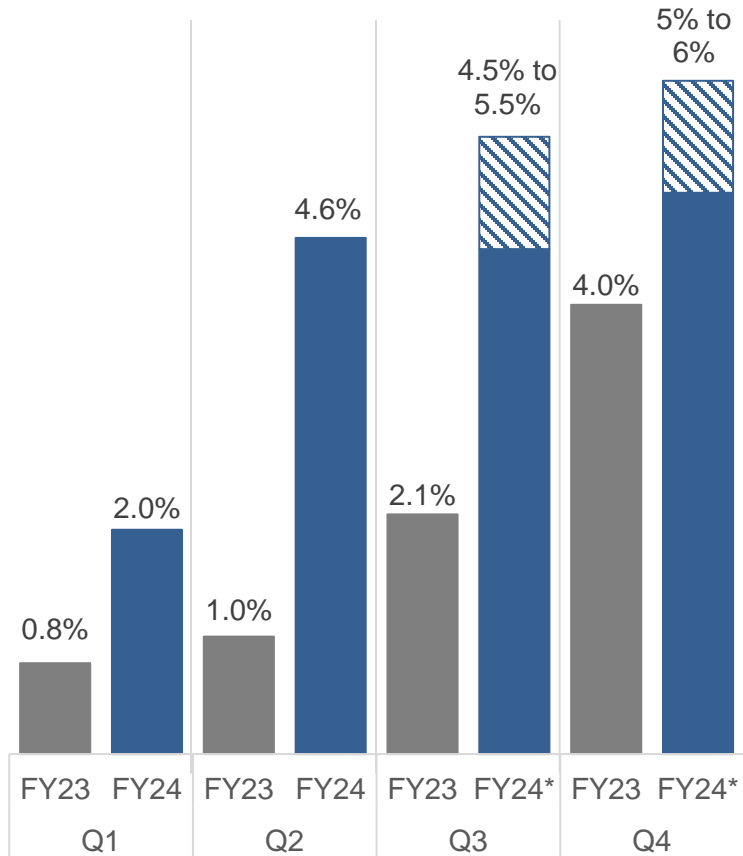


\* Forward-looking estimates

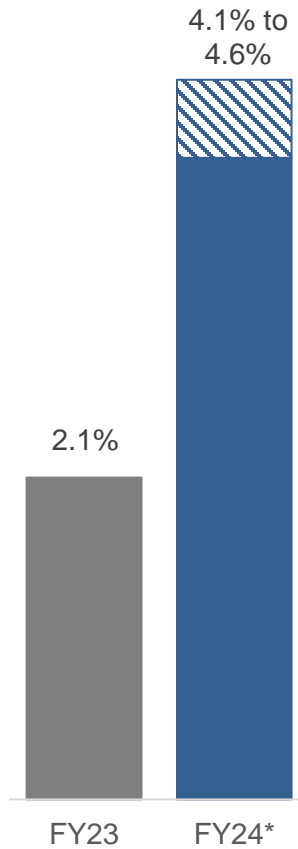
# FY24 Outlook

Significantly improving profitability through cost savings, pricing optimization, and portfolio management.

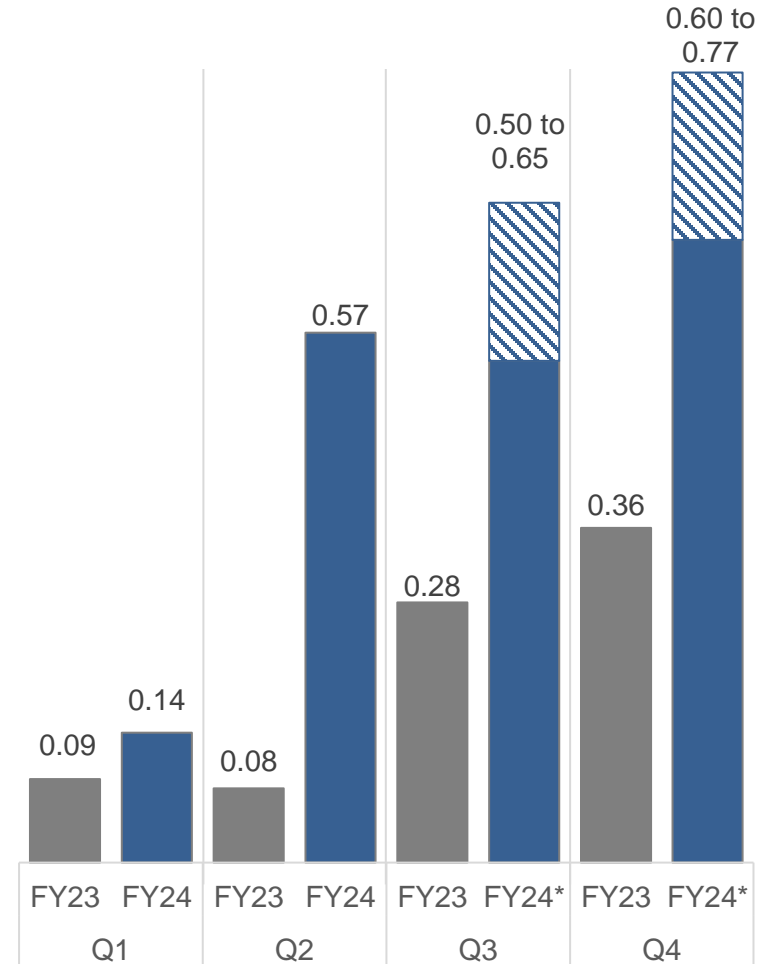
## Quarterly Operating Income %<sup>1</sup>



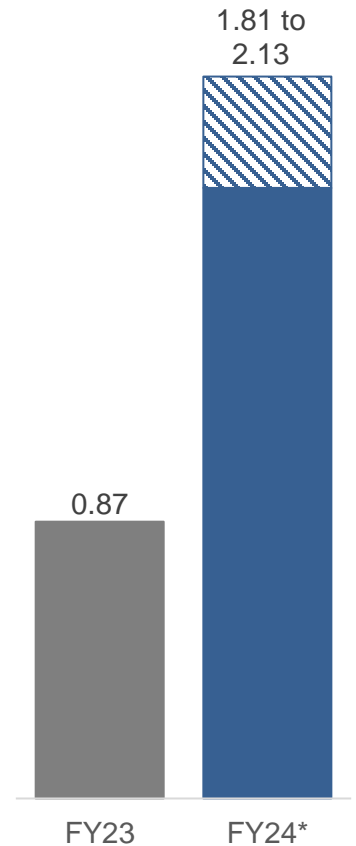
## Annual Op Income %<sup>1</sup>



## Quarterly Diluted EPS<sup>1</sup>



## Annual Diluted EPS<sup>1</sup>



\* Forward-looking estimates

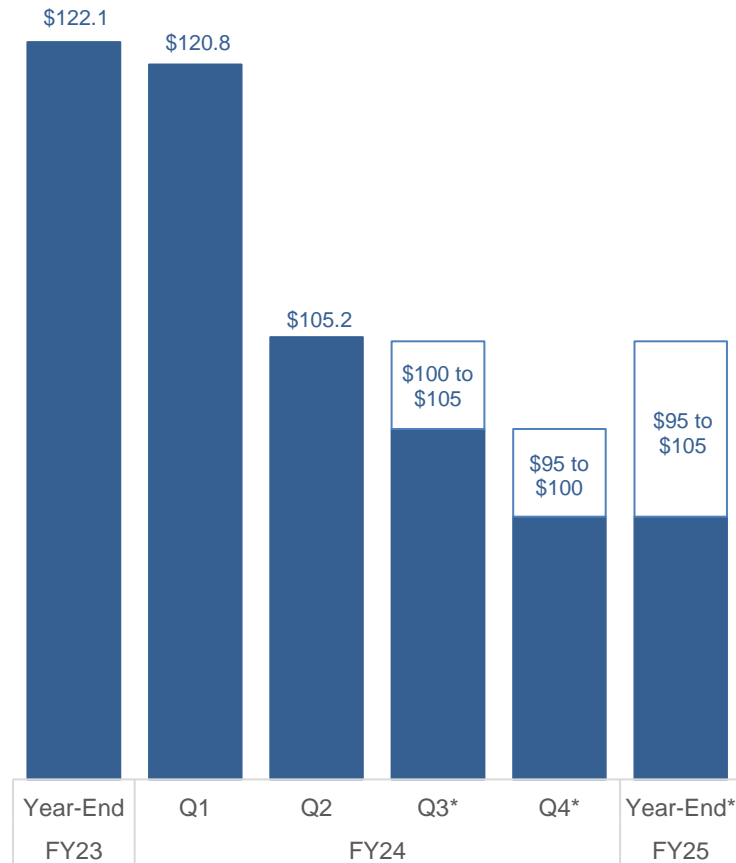
<sup>1</sup> FY23 Non-GAAP; See Appendix for FY23 GAAP to Non-GAAP reconciliations



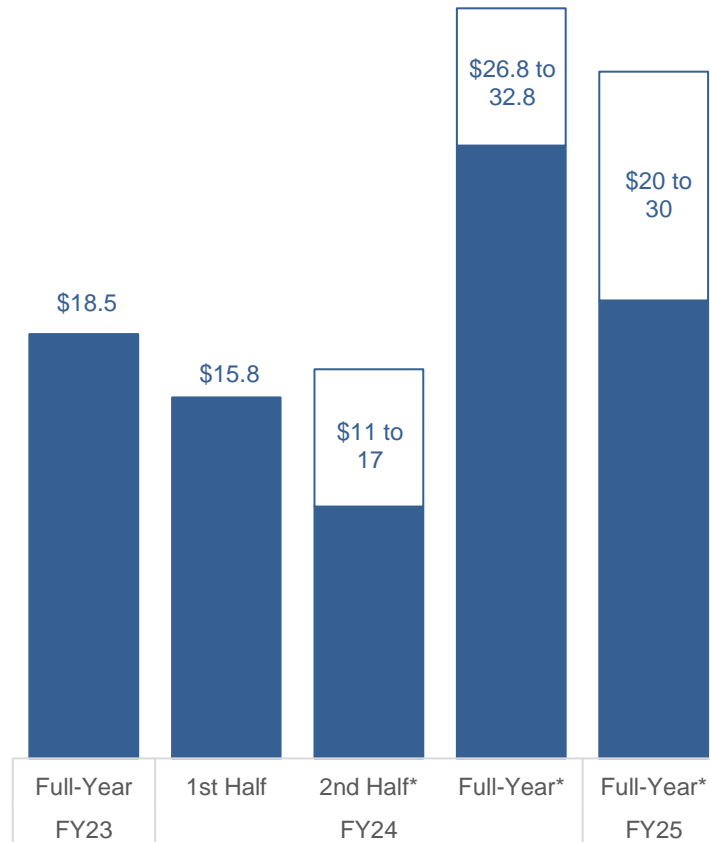
# FY24 Outlook

**Inventory optimization coupled with higher profits are driving strong FCF. Projecting minimal to no debt.**

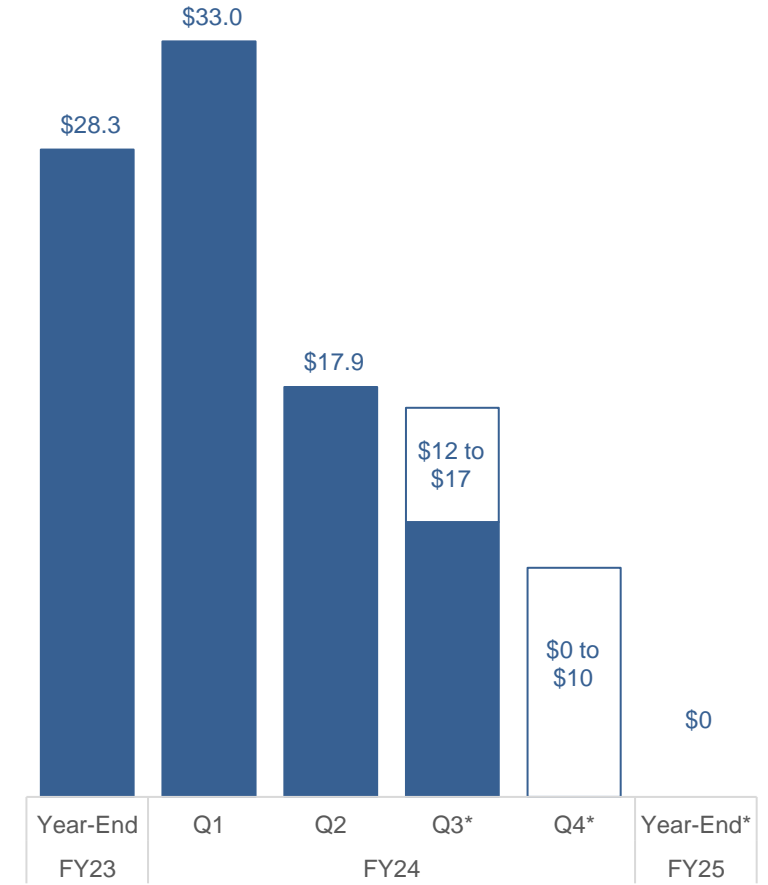
**Inventory**  
(\$ millions)



**Free Cash Flow**  
(\$ millions)



**Line of Credit Borrowings**  
(\$ millions)



\* Forward-looking estimates



# Mid- to Long-Term Financial Objectives

	FY24	FY25	Longer-Term Aspiration
Net Sales (\$ millions)	\$403 to 413	\$416 to 432	Up to \$750 (with acquisitions)
Gross Margin	20.5 to 21.5%	21.0 to 22.0%	23%+
Operating Income Margin	4.1 to 4.6%	5.5 to 6.5%	8%+
Earnings Per Diluted Share	\$1.81 to 2.13	\$2.68 to 3.30	\$7.00+
Free Cash Flow (\$ millions)	\$27 to 33	\$20 to 30	\$40+



Thank You







# Non-GAAP Disclosures (Unaudited)

The Company is providing information regarding adjusted operating 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 or diluted earnings per share of common stock as a measure of operating performance. A reconciliation of adjusted operating income and adjusted diluted earnings per share of common stock is provided in the subsequent slide. 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)

The following table sets forth the reconciliation of the Company's reported quarterly and annual GAAP operating income to the calculation of non-GAAP adjusted operating income for fiscal year ended June 30, 2023:

<i>(in thousands)</i>	<b>Q1</b>	<b>% of Sales</b>	<b>Q2</b>	<b>% of Sales</b>	<b>Q3</b>	<b>% of Sales</b>	<b>Q4</b>	<b>% of Sales</b>	<b>FY23</b>	<b>% of Sales</b>
Reported GAAP operating income	\$ 428	0.4%	\$ 3,762	4.0%	\$ 2,116	2.1%	\$ 4,236	4.0%	\$ 10,542	2.7%
Other expense	347	0.4%	—	—	—	—	—	—	347	0.1%
Environmental remediation	\$ —	—	\$ (2,788)	-3.0%	\$ —	—	\$ —	—	\$ (2,788)	-0.7%
Non-GAAP operating income	\$ 775	0.8%	\$ 974	1.0%	\$ 2,116	2.1%	\$ 4,236	4.0%	\$ 8,101	2.1%

The following table sets forth the reconciliation of the Company's reported quarterly and annual GAAP diluted earnings per share to the calculation of non-GAAP diluted earnings per share for fiscal year ended June 30, 2023:

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY23</b>
Reported GAAP diluted earnings per share	\$ 0.05	\$ 0.53	\$ 0.28	\$ 1.91	\$ 2.74
Other expense	0.06	—	—	—	0.06
Environmental remediation	—	(0.52)	—	—	(0.52)
Tax impact of the above adjustments <sup>(1)</sup>	(0.02)	0.07	—	—	0.11
Expiring state tax credits	—	—	—	0.30	0.29
Remeasurement of deferred tax assets and valuation allowance	—	—	—	(1.85)	(1.83)
Non-GAAP diluted earnings per share	\$ 0.09	\$ 0.08	\$ 0.28	\$ 0.36	\$ 0.87

Note: The table above may not foot due to rounding and changes in effective tax rates and weighted average diluted shares outstanding between quarterly and annual periods

(1) Effective tax rate of 27% and 13.5% was used to calculate the three months ended September 30, 2022, and December 31, 2022, respectively. Effective tax rate of 25.1% was used to calculate the twelve months ended June 30, 2023.