

2022

Investor Presentation

Flexsteel Industries, Inc.

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

+1600

Team Members

INDUSTRY LEADING PORTFOLIO

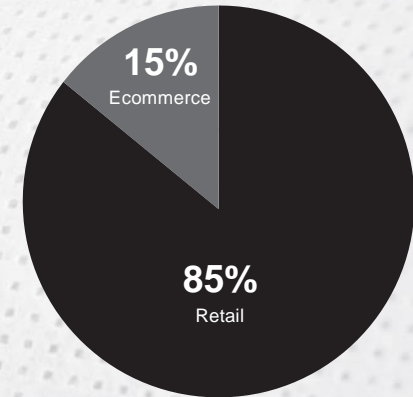
FLEXSTEEL®

Living
Bedroom
Kitchen & Dining
Home Office

homestyles®

Living
Bedroom
Kitchen & Dining
Home Office
Outdoor

OMNI-CHANNEL DISTRIBUTION



FY21 RESULTS

Revenue	\$479M
Adj. Operating Income ⁽²⁾	\$30.1M
Non-GAAP EPS ⁽²⁾	\$2.99

FY22 PROJECTIONS

Revenue	\$540M to \$555M
Adj. Operating Income	\$6.0M to \$7.0M
Non-GAAP EPS	\$0.62 to \$0.73

(1) Source: PBM Strategic Insights, 2020 Furniture Today study

(2) See non-GAAP disclosures in the Appendix

POWERFUL DISTRIBUTION

RETAIL

+1300
Customers

+2200
Store Fronts

FURNITURE ROW®
Real Furniture. Real Value.

Raymour & Flanigan
FURNITURE | MATTRESSES®



Jordan's
FURNITURE

E-TAIL

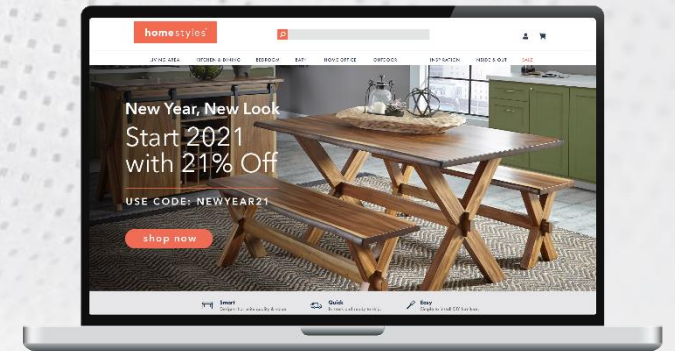
+20
Leading e-tailers



DIRECT-TO-CONSUMER

Incubating DTC
Capabilities

85%
Retail





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 - FY22
IN-PROGRESS

PHASE 2

Build Growth Foundation

Build culture and talent

- 7 of 9 executive leaders new in last 3 years

Modernize systems and processes

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

Expand supply chain capacity

Strengthen digital / e-Commerce

Reimagine customer experience

FY22 - FY26
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

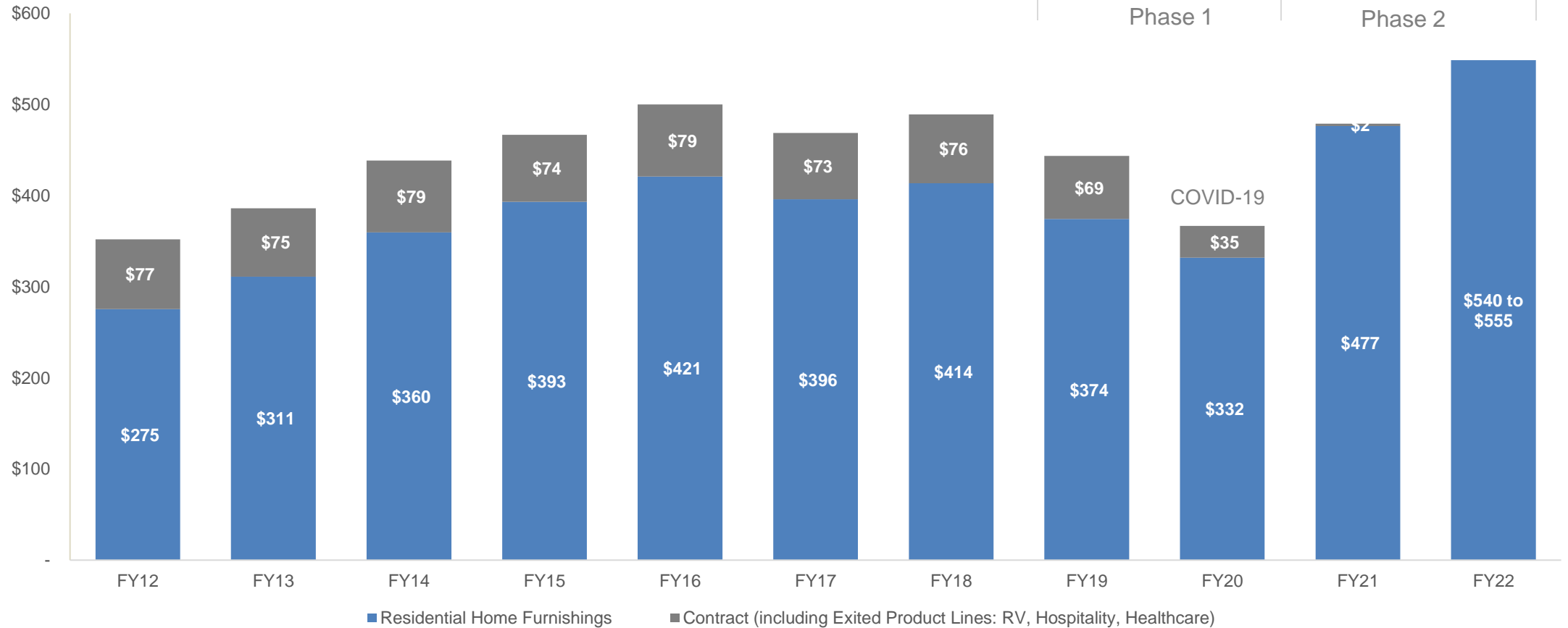
Expand addressable market

- New consumer segments
- New price points
- New brands
- New product categories
- New styles
- New distribution points

HISTORICAL PERFORMANCE

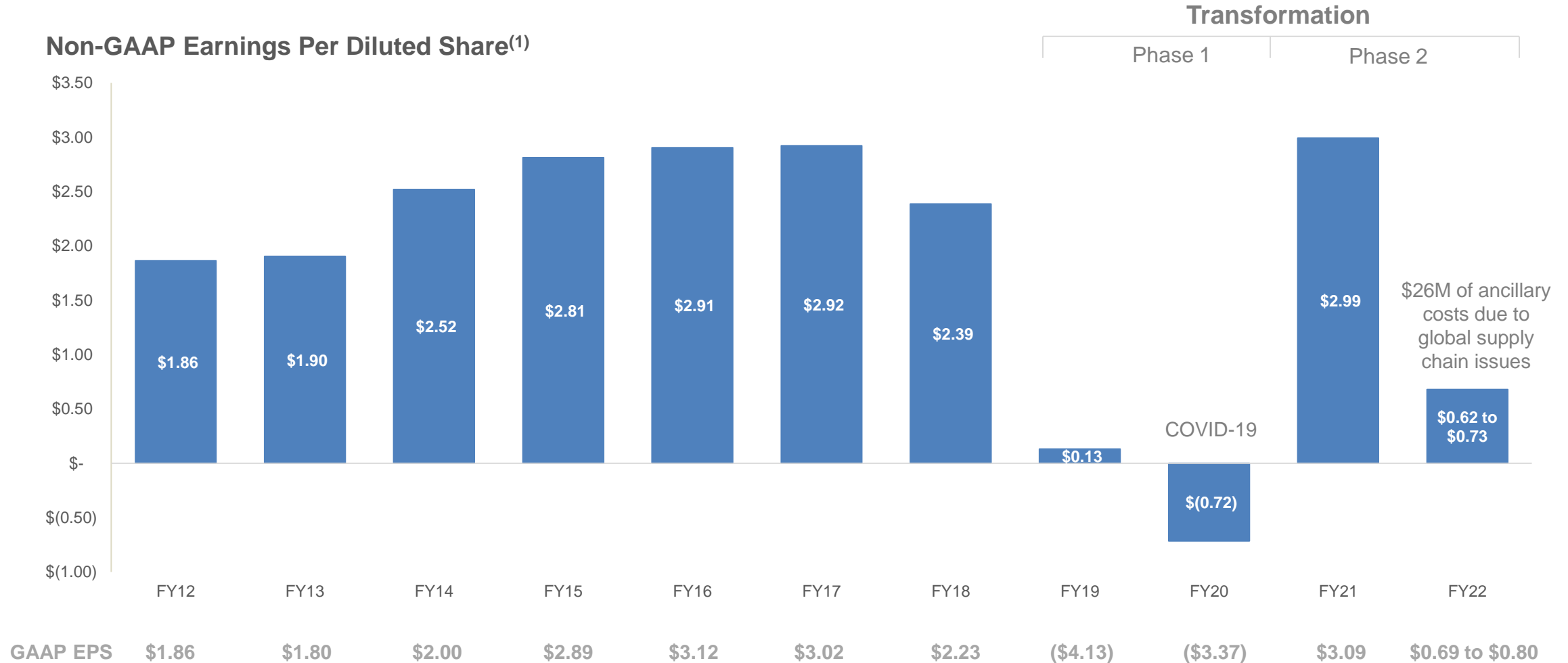
**Achieved record residential home furnishings sales of \$477M in FY21;
Expecting new record sales of \$540M to \$555M in FY22**

Net Sales (\$ millions)



HISTORICAL PERFORMANCE

Achieved record Non-GAAP EPS of \$2.99 in FY21. Absent unplanned costs related to global supply chain issues, could have surpassed EPS record in FY22.



(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 +\$1B 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

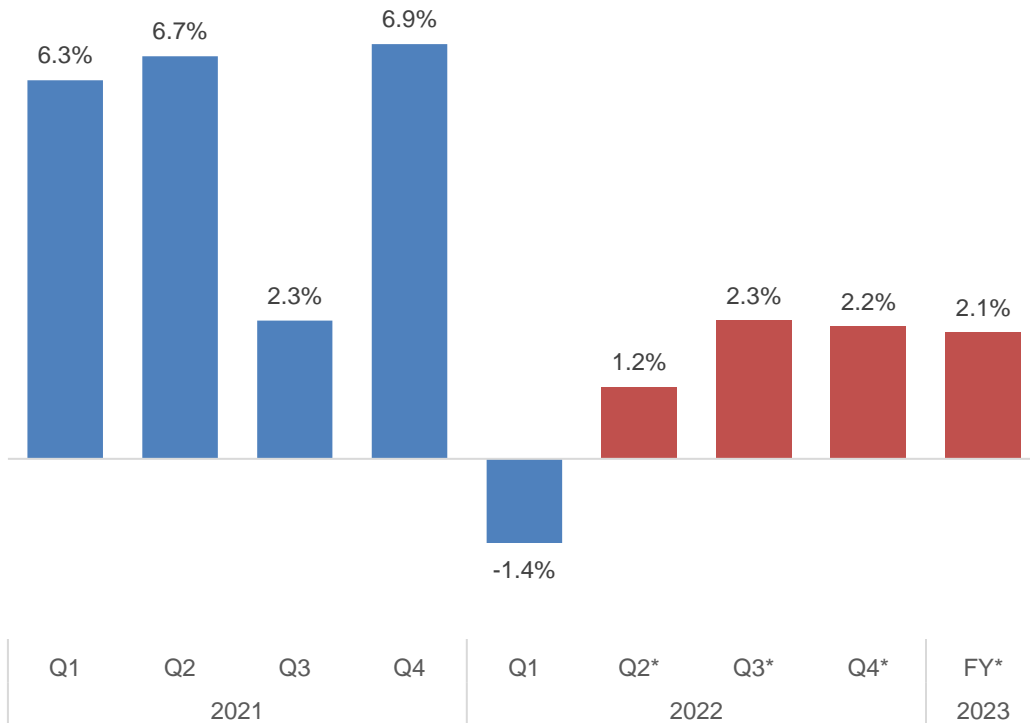
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Attractive valuation

INDUSTRY OUTLOOK

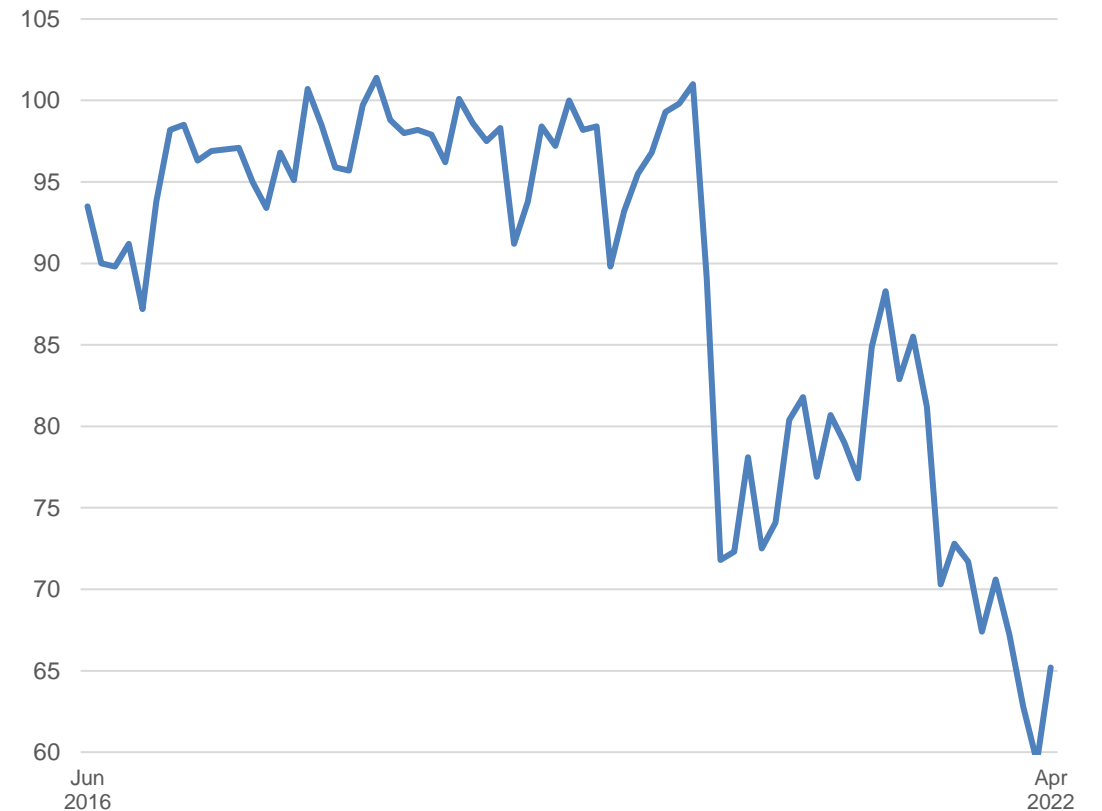
Near-term, industry faces growth headwinds due to economic uncertainty, waning consumer demand for durable goods and high inventory levels at retail

Real GDP
(YoY % Change)



*Source: Wells Fargo Securities Forecast as of April 7, 2022

Consumer Sentiment
(University of Michigan)

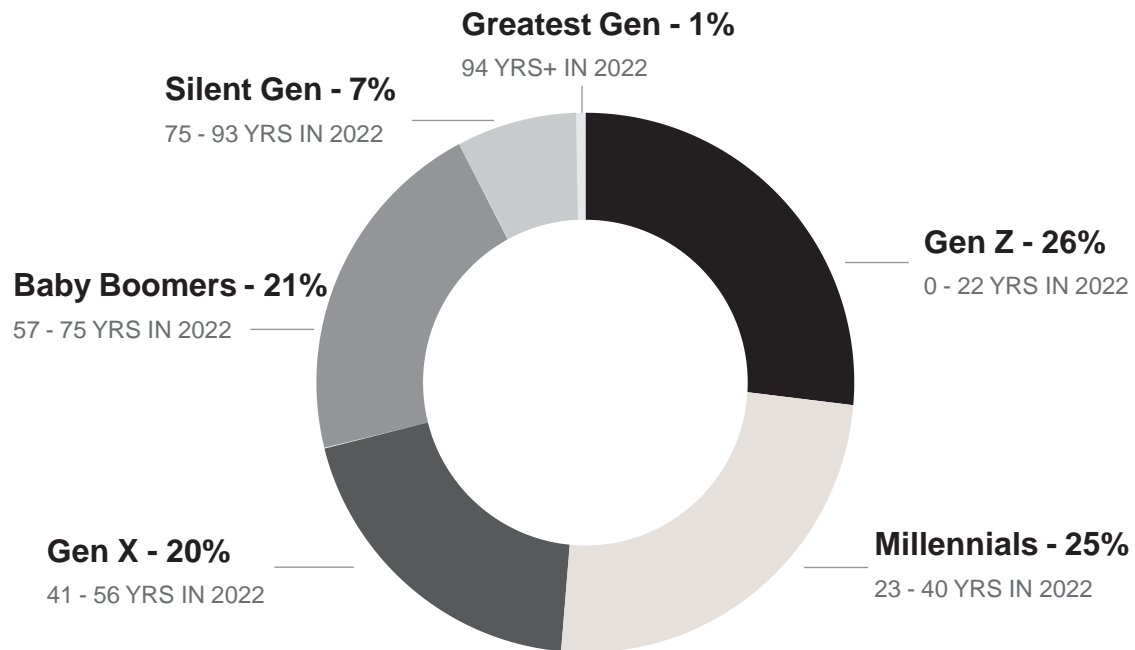


Source: Federal Reserve Bank of St. Louis

INDUSTRY OUTLOOK

Favorable long-term conditions support industry expansion: generational shifts, strong housing demand, and household formation growth

Share of US Population by Generation



Housing Starts

(New Privately-Owned Housing Units)

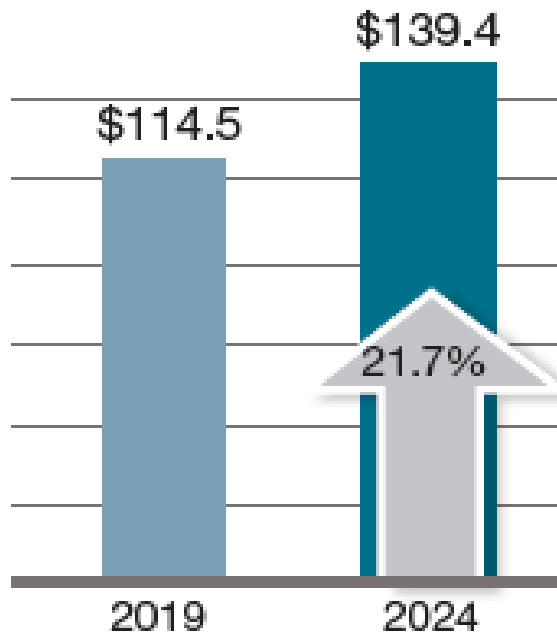


Source: Federal Reserve Bank of St. Louis

SHARE GROWTH OPPORTUNITY

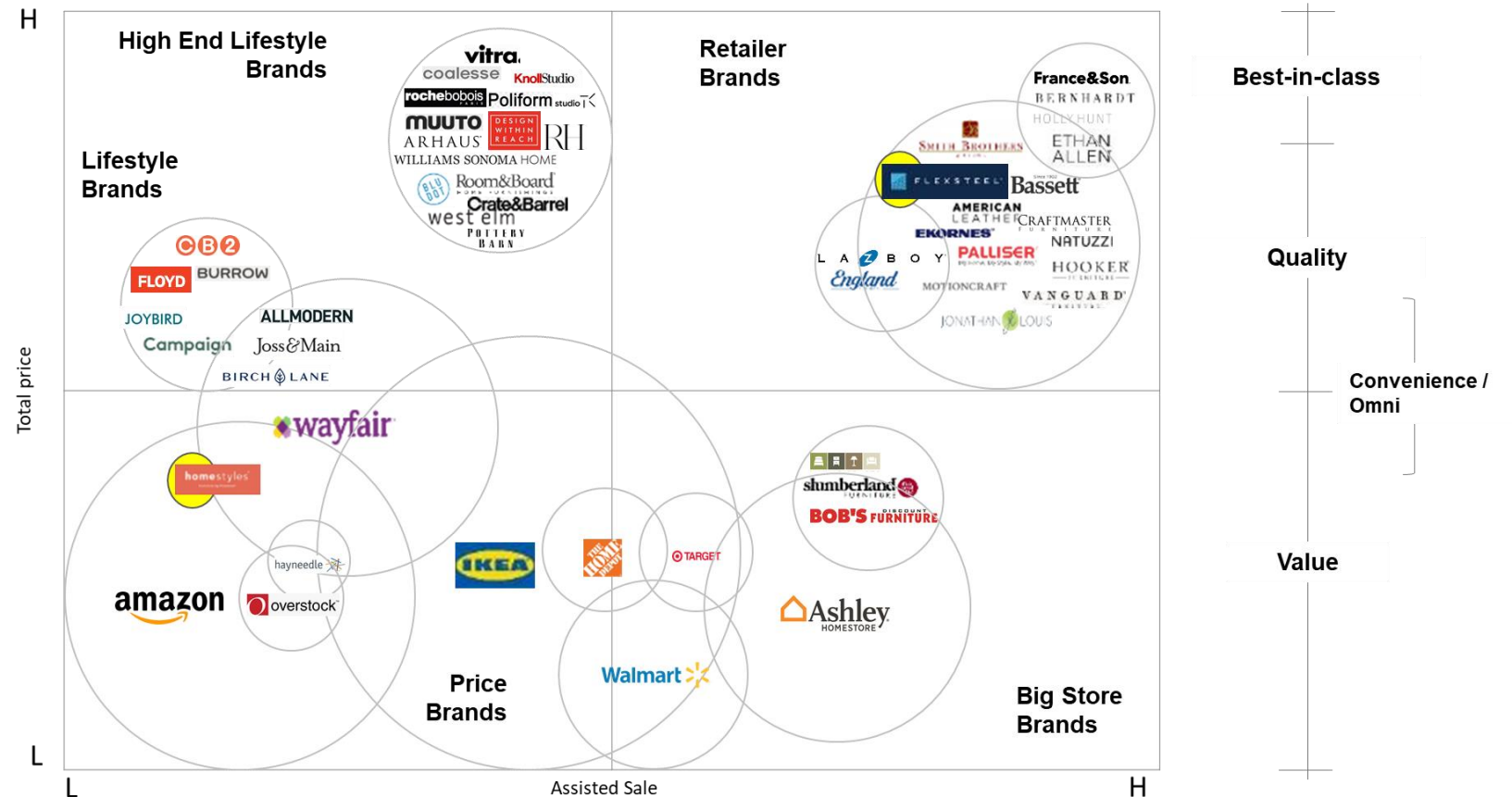
Gaining share in a large, highly fragmented industry

Industry Forecast



Source: Strategic Insights, 2019 Furniture Today Study and US Dept. of Commerce

Industry Landscape by Price Position



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

	<u>Change in Addressable %</u>	<u>Future Addressable \$</u>
Stationary	25% to 65%	\$13.7B
Motion	35% to 50%	\$ 2.8B
Recliners	35% to 60%	\$ 3.2B

Case Goods

	<u>Change in Addressable %</u>	<u>Future Addressable \$</u>
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
Outdoor	20% to 60%	\$ 4.2B

NEW MARKETS

Categories

Accessories	(estimated \$1.1B)
Home Storage	(estimated \$1.2B)
Mattress	(estimated \$5.3B)

EXPERIENCED
MANAGEMENT TEAM

Accountable and progressive management team

President & CEO

Jerald Dittmer



VP, Sales

David Crimmins



CIO & CTO

Michael McClaflin



VP, Global Strategic Sourcing and
GM, Asia

Vic Tsai



VP, Operations

Tony Hayden



VP, Product Management

Tim Newlin



VP, Customer Experience

Dan Wallace



VP, Human Resources

Stacy Kammes



CFO & COO

Derek Schmidt



Years of Experience: Total Furniture Industry Flexsteel

FINANCIAL DISCIPLINE

Capital Allocation

Disciplined

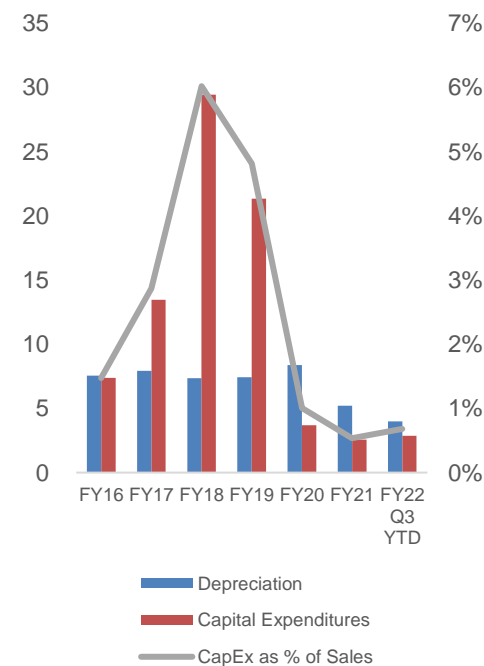
Ranked Priorities:

1. Reinvestment for Growth
2. Acquisitions
3. Dividends
4. Opportunistic Share Repurchases

Growth Requirements

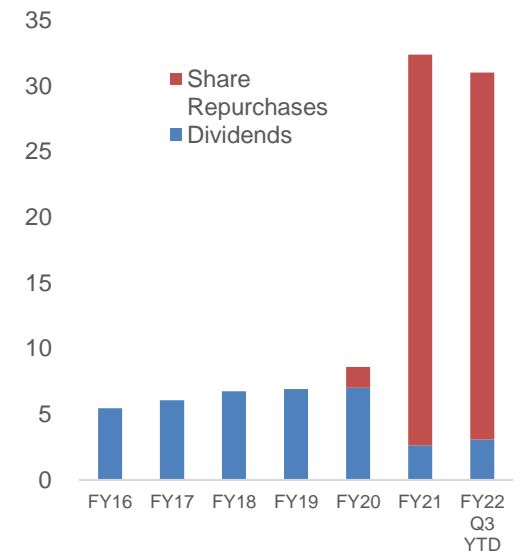
Low Fixed Capital Requirements

Capital Expenditures vs. Depreciation (\$ in millions)



Return of Capital

Dividends and Share Repurchases (\$s in millions)



ATTRACTIVE VALUATION

Trading under book value and at a discount relative to industry peers; Attractive dividend yield of ~2.75%; FY23 financial scenarios yield a compelling forward P/E multiple.

Compelling valuation relative to peers



Attractive forward P/E multiple under various scenarios:

	FY23 Scenarios			
	Pessimistic			Optimistic
\$000s				
Net Sales	\$ 375,000	\$ 425,000	\$ 475,000	\$ 525,000
Operating Income	\$ 11,250	\$ 15,598	\$ 20,615	\$ 26,303
% of Sales	3.0%	3.7%	4.3%	5.0%
Interest	\$ 800	\$ 800	\$ 800	\$ 800
Taxes (@ 27%)	\$ 2,822	\$ 3,995	\$ 5,350	\$ 6,886
Net Income	\$ 7,629	\$ 10,802	\$ 14,465	\$ 18,617
Diluted Shares Outstanding (000s)	5,700	5,700	5,700	5,700
Earnings Per Diluted Share	\$ 1.34	\$ 1.90	\$ 2.54	\$ 3.27
Stock Price (5/8/22)	21.85	21.85	21.85	21.85
Forward P/E	16.3	11.5	8.6	6.7



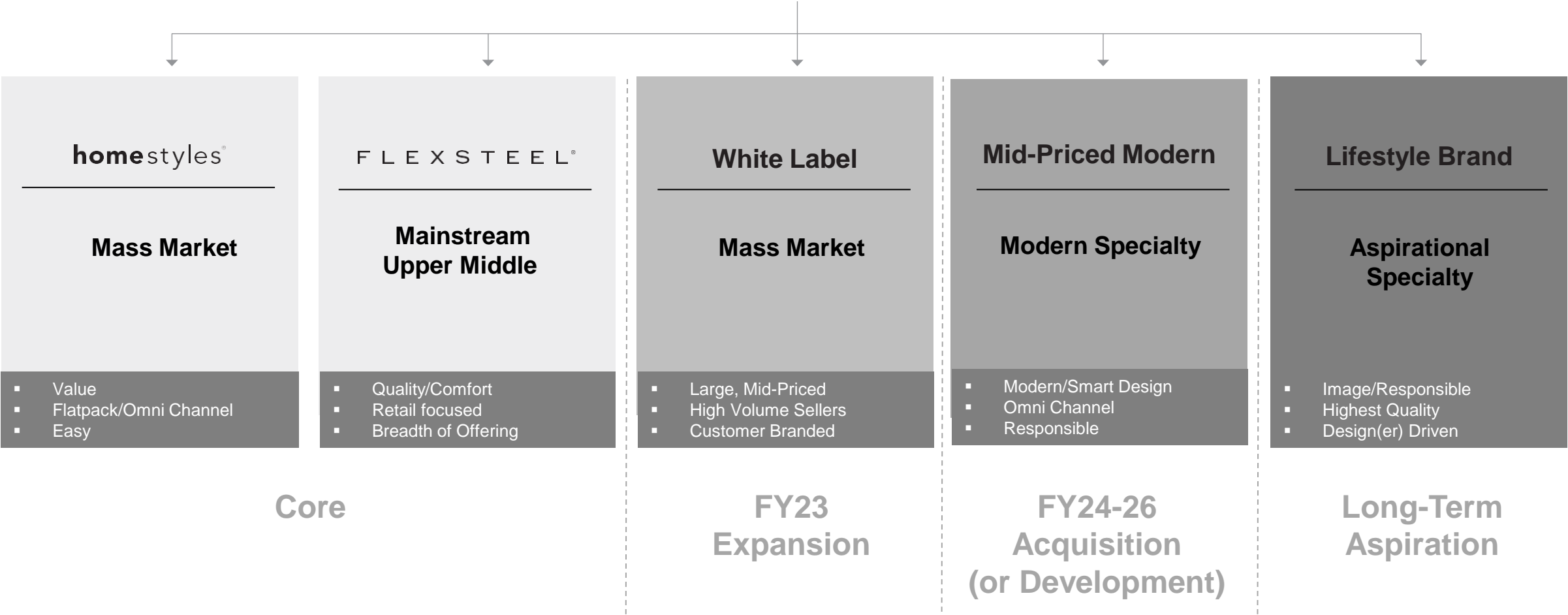
3

Growth Strategies

Growth Priority #1

CONSUMER SEGMENT
EXPANSION

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



Growth Priority #2

SALES DISTRIBUTION
EXPANSION

Retail

CORE



Traditional Furniture Retail

E-Commerce

CORE



Pure Play E-Tail

EXPANSION

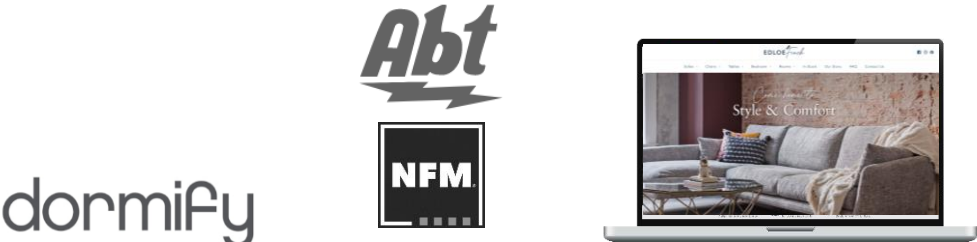


Other Furniture
Retail



Big Box
Retail

EXPANSION



Specialty E-Tail

Brick & Click

Direct-to-Consumer
(Acquisition)

Growth Priority #3

PRODUCT CATEGORY
EXPANSION

Core



Living - Motion



Living- Stationary



Outdoor



Recliner/Sleep
Solutions



Bedroom



Kitchen & Dining



Accessories



Home Storage

COMPETITIVE
ADVANTAGE

Operating from a position of strength

FLEXSTEEL®

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

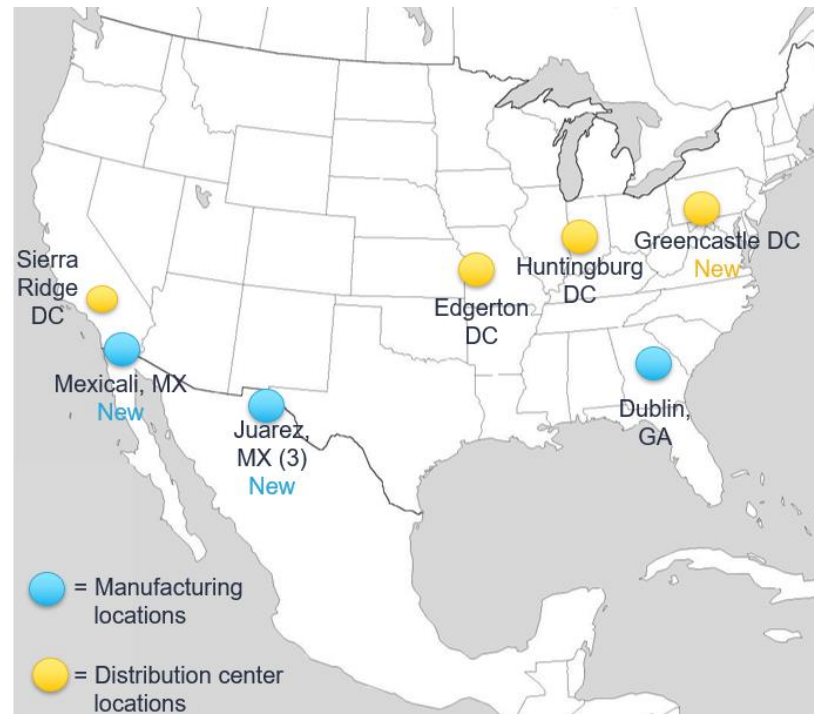
Global Sourcing

Expanding our network of strong global suppliers; diversifying country exposure



Manufacturing & Warehousing

Investing to support growth



Transportation

Partnering with highly capable, global transportation partners

Expeditors[®]

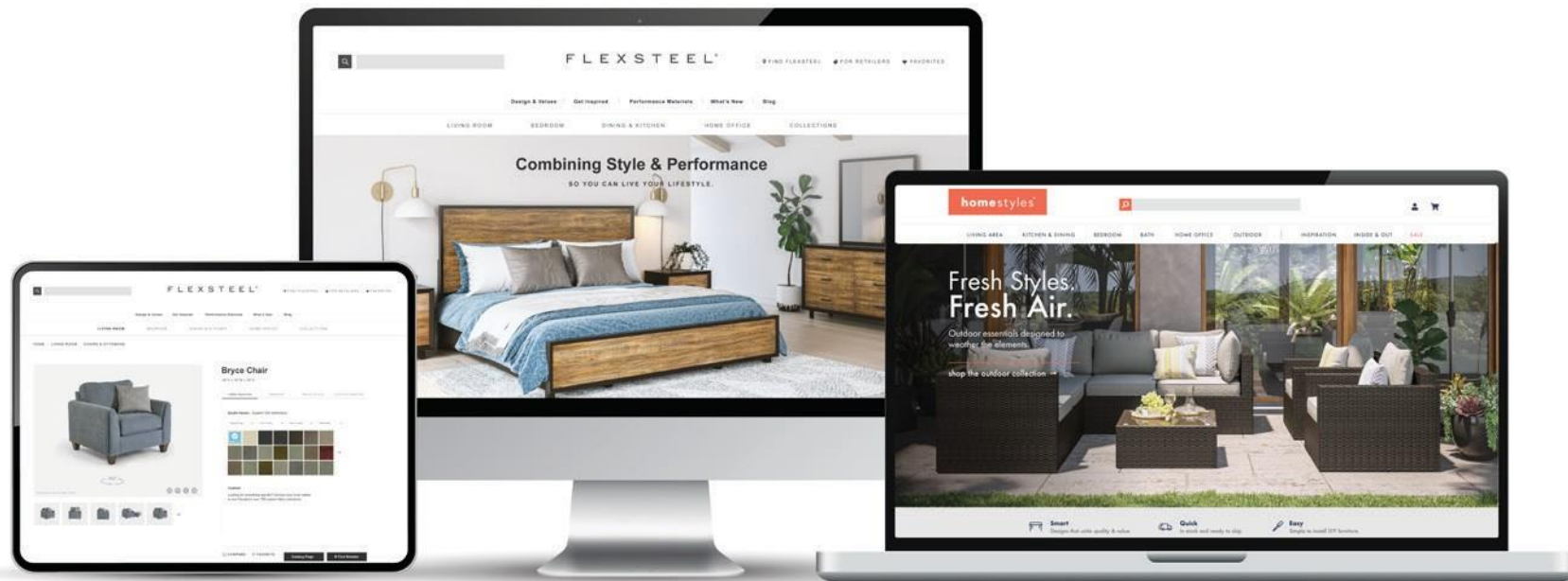


RUAN

ControlPay[®]
The global Freight Audit company

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

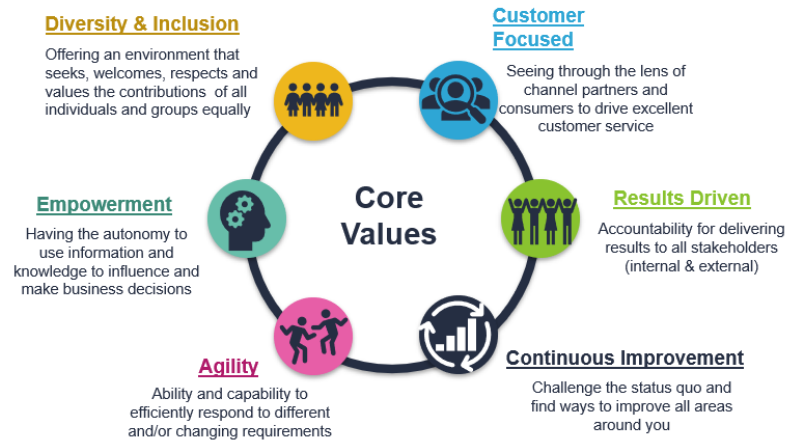
3 Analytics

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



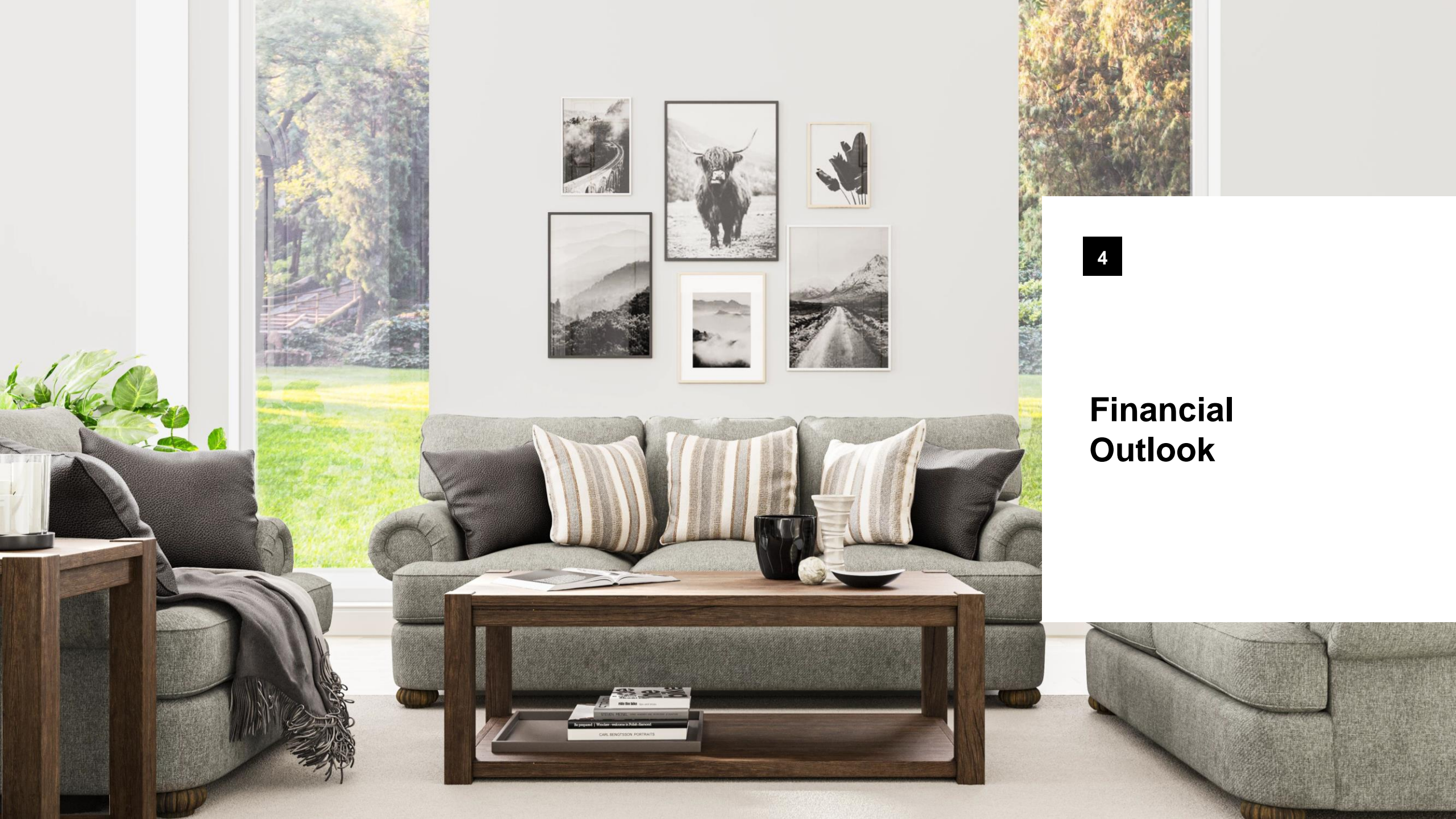
- Human Capital - Wellbeing, Safety and Development
- Diversity, Equity & Inclusion
- Community Engagement

Our Governance

Strong Ethics, Culture & Leadership



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



4

Financial Outlook



**FINANCIAL
OBJECTIVES**

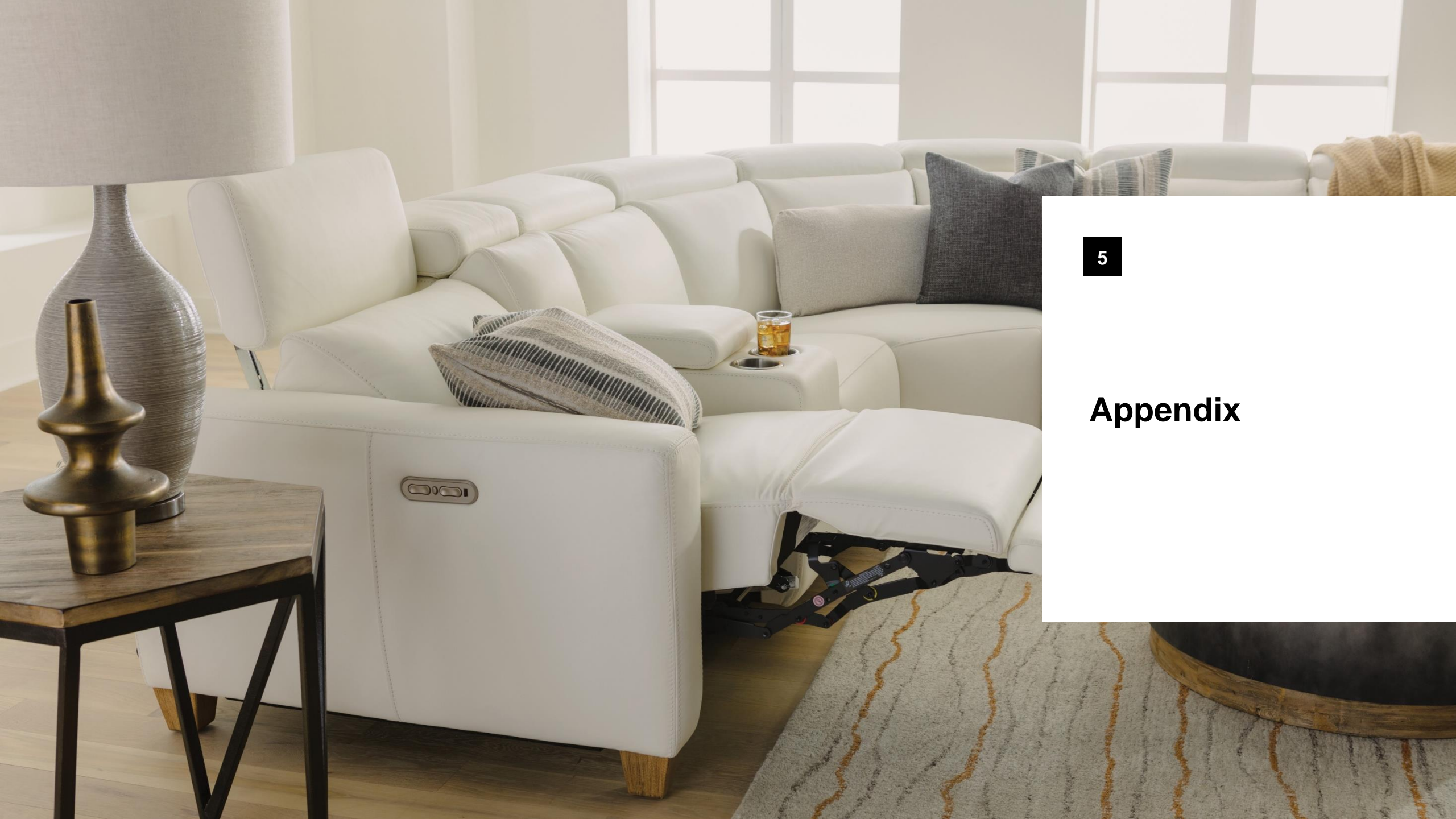
**FOCUSED ON DRIVING LONG-TERM
BREAKTHROUGH PERFORMANCE**

	FY23	Mid-Term (3 years: FY25)	Long-Term Aspiration (5+ years)
Net Sales	\$375M to \$525M	\$550M to \$650M	\$1B+ (with acquisitions)
Gross Margin	16% to 18%	20% to 22%	23%+
Operating Income Margin	3% to 5%	6% to 7%	8%+
Earnings Per Diluted Share	\$1.34 to \$3.27	\$4.12 to \$5.72	\$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)**

FY21 reconciliation of GAAP operating income (loss) to non-GAAP adjusted operating income (loss):

	Twelve Months Ended	
	June 30,	
<i>(in thousands)</i>	2021	2020
Reported GAAP Operating income (loss)	\$ 31,200	(34,395)
Restructuring expense	3,422	34,222
Bad debt expense	1,314	3,535
Inventory impairment related to restructuring	45	3,241
Litigation settlement costs	12	—
CFO transition costs	—	647
Right-of-use asset impairment (leases)	—	2,878
(Gain) loss on disposal of assets	(5,881)	(19,216)
Non-GAAP Operating income (loss)	<u>\$ 30,112</u>	<u>\$ (9,088)</u>

**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.

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
	Twelve Months Ended 6/30/12	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
<i>(\$ in thousands)</i>										
Reported GAAP net income (loss)	\$ 13,068	\$ 13,151	\$ 14,990	\$ 22,299	\$ 24,237	\$ 23,786	\$ 17,666	\$ (32,605)	\$ (26,844)	\$ 23,048
Restructuring expense	-	-	-	-	-	-	-	10,048	34,222	3,422
ERP impairment	-	-	-	-	-	-	-	21,273	-	-
Bad debt expense	-	-	-	-	-	-	-	-	3,535	1,314
Executive transition costs	-	1,270	-	-	-	-	-	-	-	-
CEO transition costs	-	-	-	-	-	-	-	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 on sale of life insurance policies	-	-	-	(745)	(346)	-	-	-	-	-
(Gain) loss on disposal of assets	-	-	-	-	-	-	(1,835)	-	(19,216)	(5,881)
Litigation settlement costs	-	-	6,250	(250)	(2,280)	(1,175)	-	475	-	12
Tax impact of adjustments ⁽¹⁾	-	(470)	(2,314)	371	948	431	(524)	(10,320)	(5,183)	291
Tax rate change on net operating loss carryback related to CARES Act	-	-	-	-	-	-	-	-	(5,831)	-
Remeasurement of deferred tax assets and valuation allowance	-	-	-	-	-	-	-	-	6,782	97
Non-GAAP net income (loss)	\$ 13,068	\$ 13,951	\$ 18,926	\$ 21,675	\$ 22,559	\$ 23,042	\$ 18,907	\$ 1,034	\$ (5,769)	\$ 22,348
⁽¹⁾ Effective tax rate per year:	36.8%	37.0%	37.0%	37.3%	36.1%	36.7%	29.7%	23.5%	20.5%	26.8%

**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.

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
	Twelve Months Ended 6/30/12	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
Reported GAAP diluted income (loss) per share	\$ 1.86	\$ 1.80	\$ 2.00	\$ 2.89	\$ 3.12	\$ 3.02	\$ 2.23	\$ (4.13)	\$ (3.37)	\$ 3.09
Restructuring expense	-	-	-	-	-	-	-	1.27	4.30	0.46
ERP impairment	-	-	-	-	-	-	-	2.70	-	-
Bad debt expense	-	-	-	-	-	-	-	-	0.44	0.18
Executive transition costs	-	0.17	-	-	-	-	-	-	-	-
CEO transition costs	-	-	-	-	-	-	-	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 on sale of life insurance policies	-	-	-	(0.10)	(0.04)	-	-	-	-	-
(Gain) loss on disposal of assets	-	-	-	-	-	-	(0.23)	-	(2.42)	(0.79)
Litigation settlement costs	-	-	0.83	(0.03)	(0.29)	(0.15)	-	0.06	-	0.00
Tax impact of adjustments ⁽¹⁾	-	(0.06)	(0.31)	0.05	0.12	0.05	(0.07)	(1.31)	(0.65)	0.04
Tax rate change on net operating loss carryback related to CARES Act	-	-	-	-	-	-	-	-	(0.73)	-
Remeasurement of deferred tax assets and valuation allowance	-	-	-	-	-	-	-	-	0.85	0.01
Non-GAAP diluted income (loss) per share	\$ 1.86	\$ 1.90	\$ 2.52	\$ 2.81	\$ 2.91	\$ 2.92	\$ 2.39	\$ 0.13	\$ (0.72)	\$ 2.99

⁽¹⁾ Effective tax rate per year:

36.8% 37.0% 37.0% 37.3% 36.1% 36.7% 29.7% 23.5% 20.5% 26.8%