

FLEXSTEEL INDUSTRIES, INC. INVESTOR PRESENTATION

April 2024



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 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. 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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1

Company Overview

Company Overview

KEY FACTS

Top 10

U.S. Furniture Manufacturer

\$409 to 414 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

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

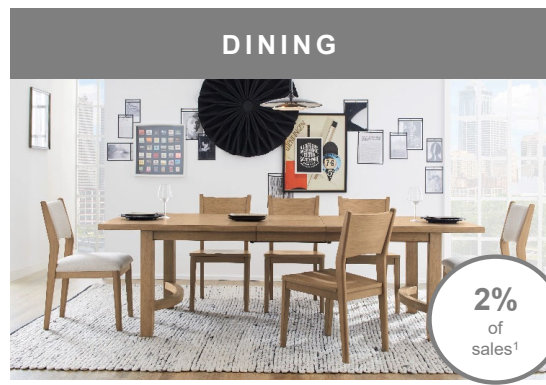
**Our furniture is built for everyday
life and lasting beauty, and it's
differentiated due to its superior
quality, comfort and durability
derived from innovation, like our
patented Blue Steel Spring.**

**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.

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



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

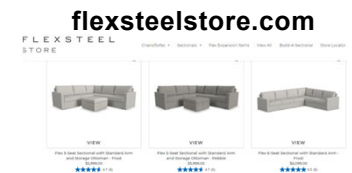
6 to 8%
of estimated FY24 sales



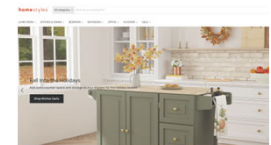
DIRECT-TO-CONSUMER

Learning & building new capabilities; Complements core selling channels

<1%
of estimated FY24 sales



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



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:

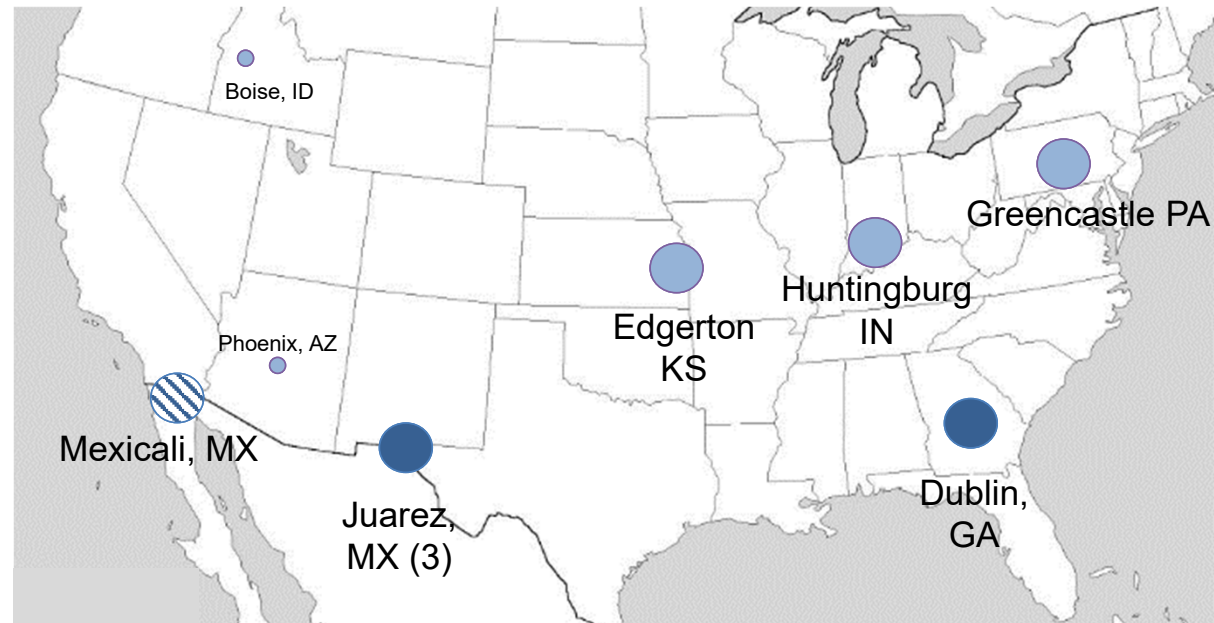
- Dublin, Georgia
- Juarez, Mexico (3 plants)
- Mexicali, Mexico (no current production; available for future growth)

Distribution Centers:

- Edgerton, KS (500K ft²)
- Greencastle, PA (242K ft²)
- Huntingburg, IN (611K ft²)
- 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

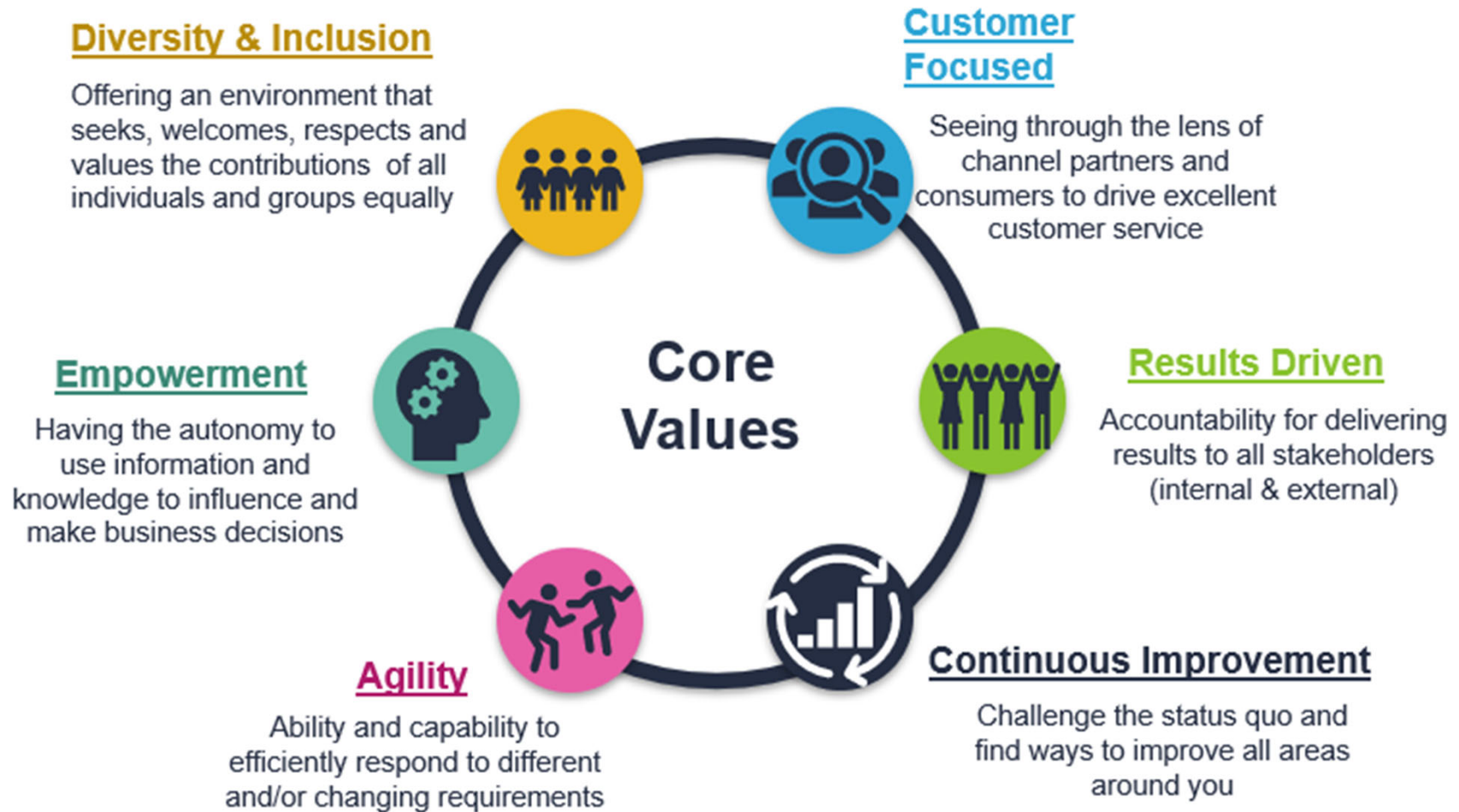
We aspire...

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.

FLEXSTEEL®



homestyles®

- 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

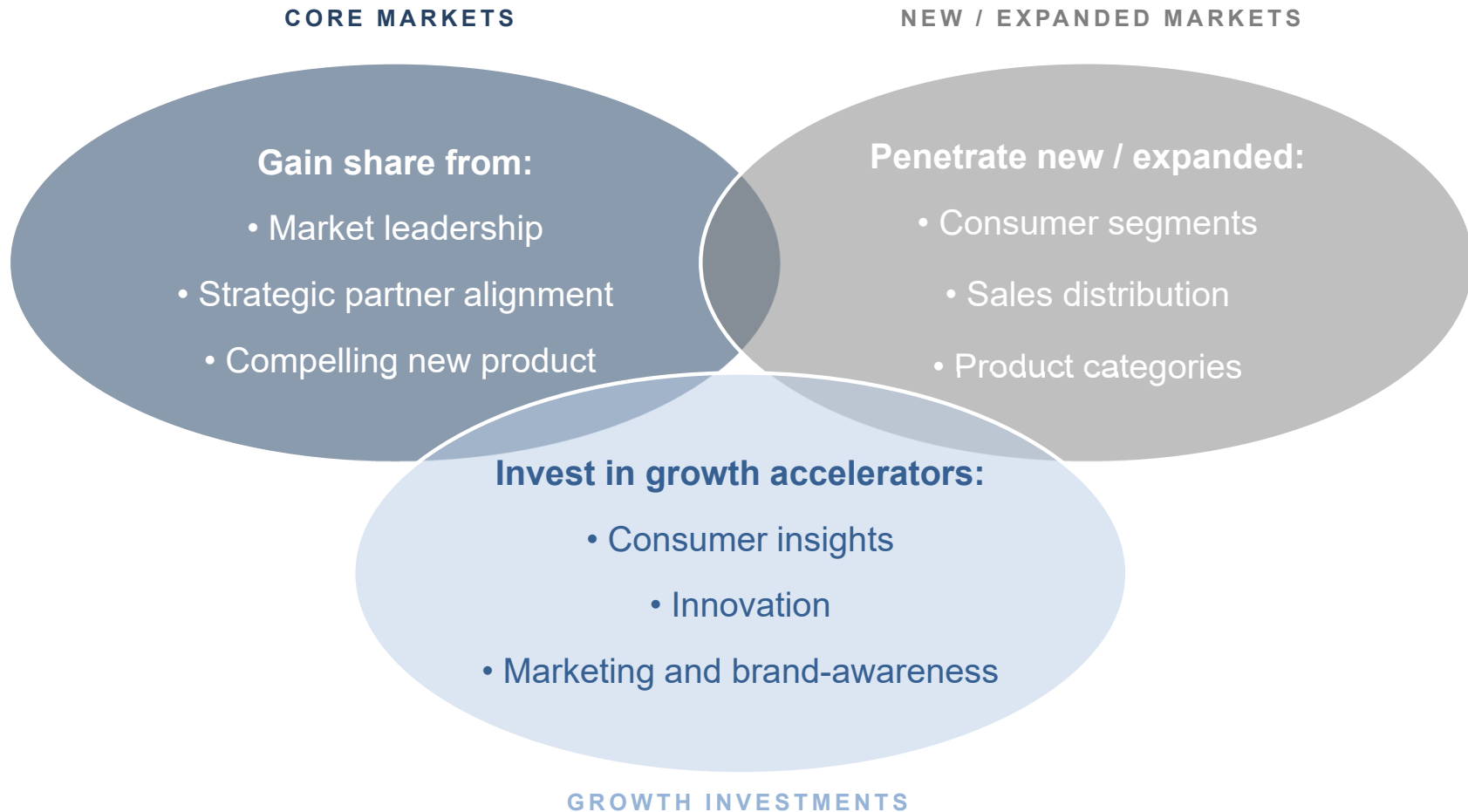
zedliner
Live. Sleep. Be Well.
FLEXSTEEL™



3

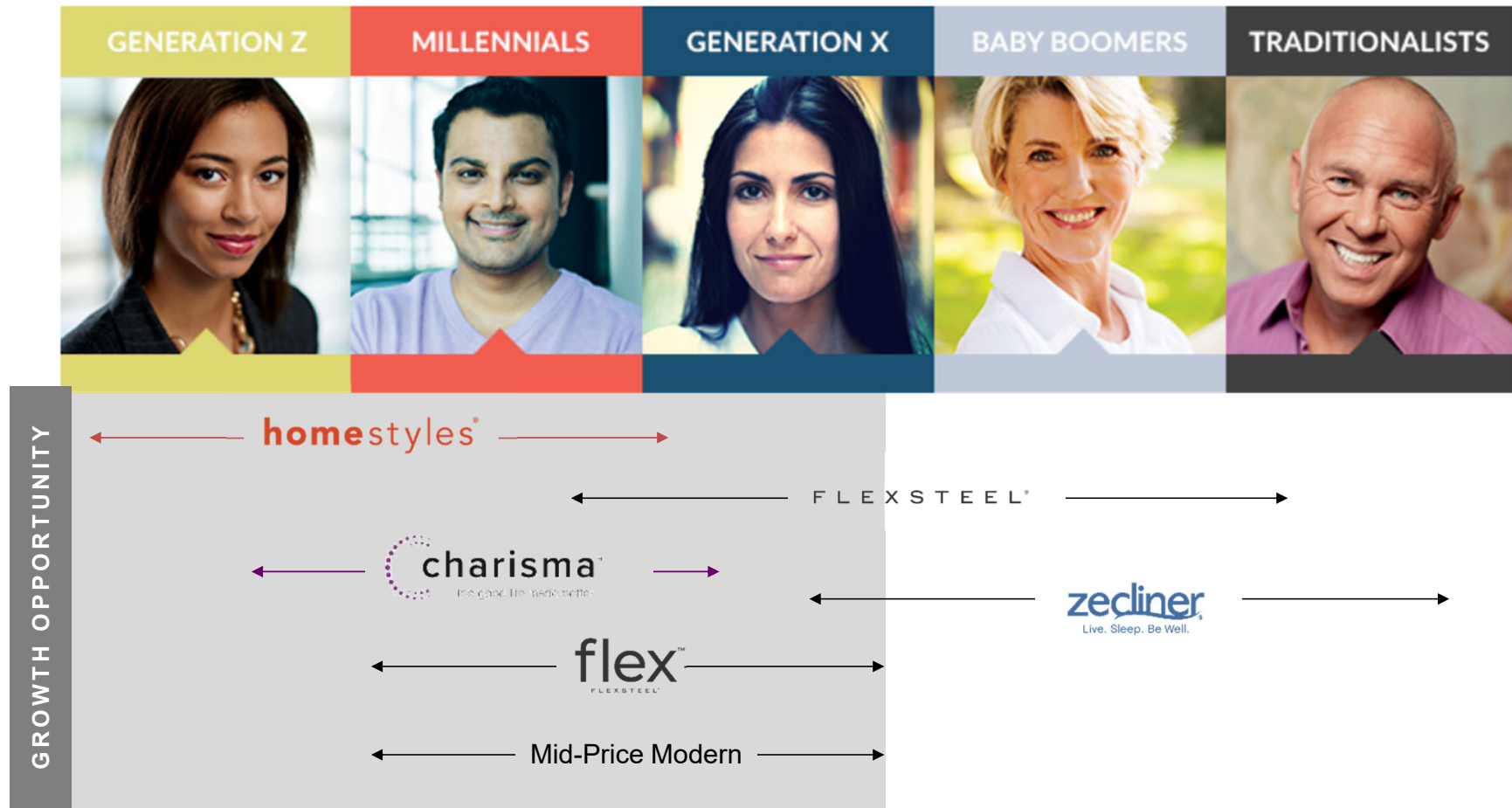
Growth Drivers

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®

COSTCO
WHOLESALE

E-COMMERCE

EXPANSION

Big Box e-Commerce

COSTCO
WHOLESALE



Leading e-Tailers

amazon

wayfair®

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



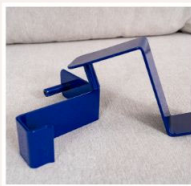
Growth Drivers: Innovation Investment

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.





4

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

Industry Outlook: Near-Term

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

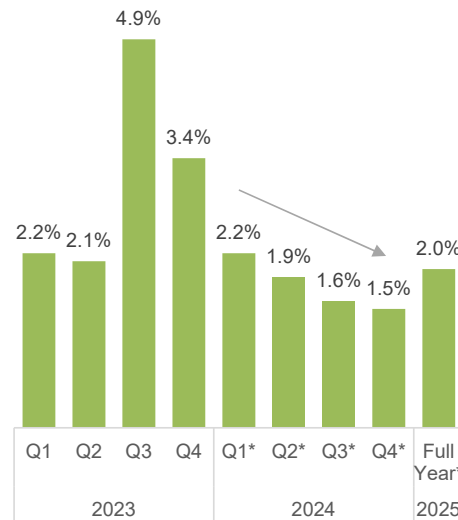
Near-term macro challenges:

- Low 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:

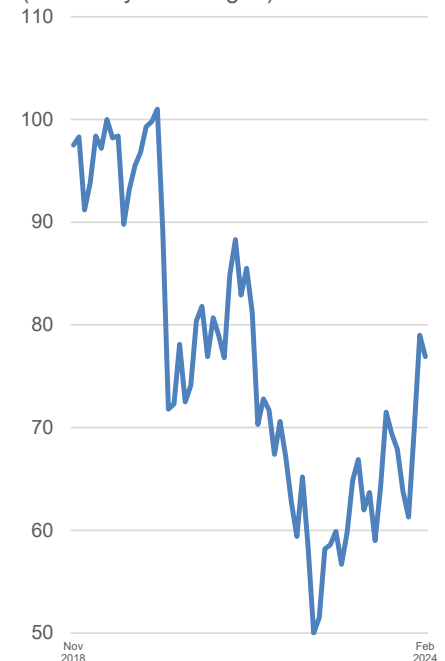
- Encouraging prospects of an economic ‘soft landing’
- Fed signal of multiple interest rate cuts
- Improving consumer confidence
- Stabilized input costs

Real GDP
(YoY % Change)



*Source: Wells Fargo Securities Forecast as of April 11, 2024

Consumer Sentiment
(University of Michigan)

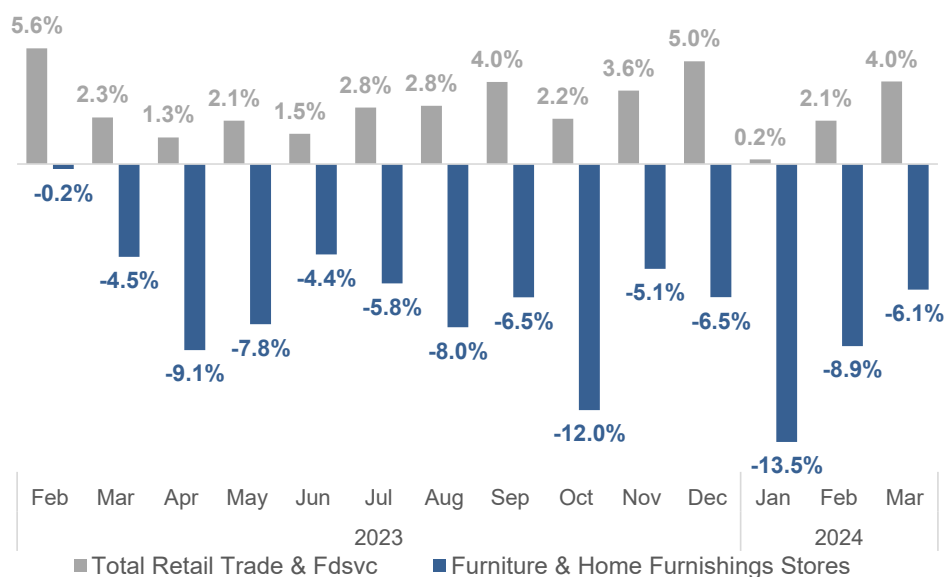


Source: Federal Reserve Bank of St. Louis

Industry Outlook: Near-Term

Retail furniture sales have **declined 14 consecutive months** and are lagging total retail sales due to a shift of consumer spending towards “experiences” and away from “things”.

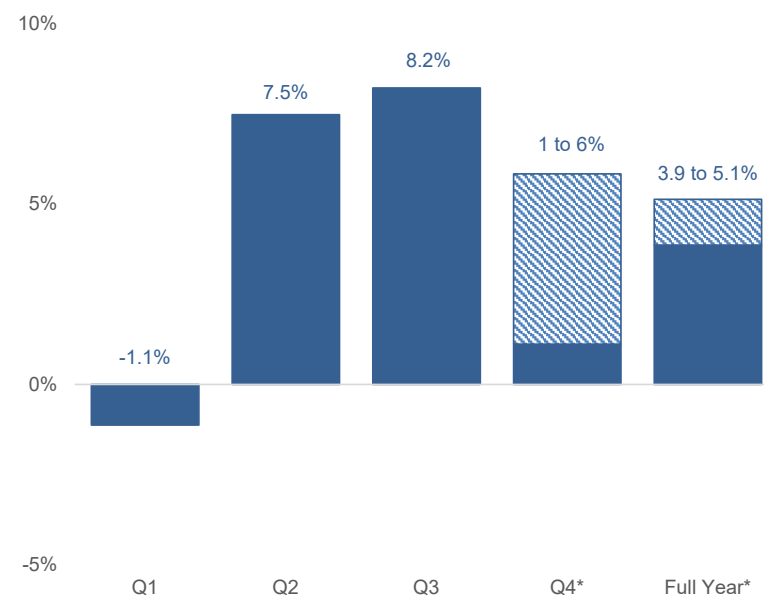
Trailing 14 Month Year-over-Year Sales Growth



*Source: US Census Bureau release April 15, 2024

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



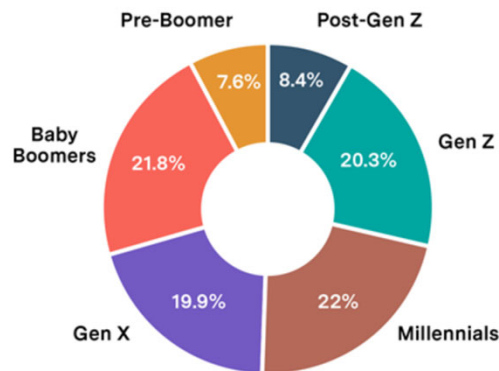
*Forward-looking estimates

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.

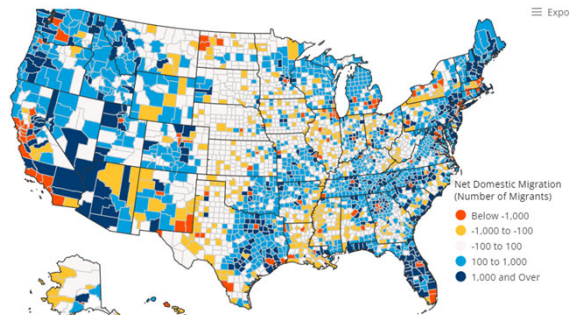
US Population by Generation

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



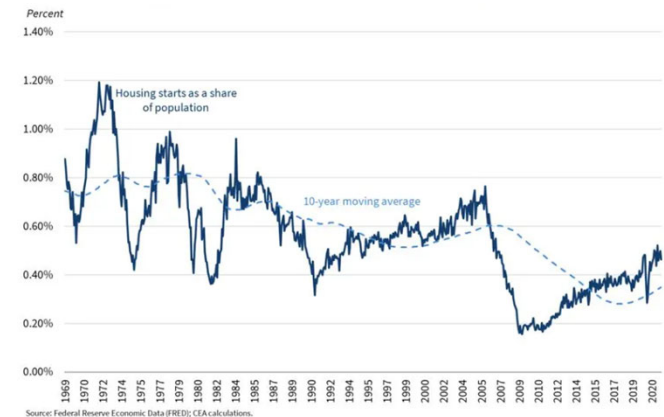
US Domestic Migration Trends

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

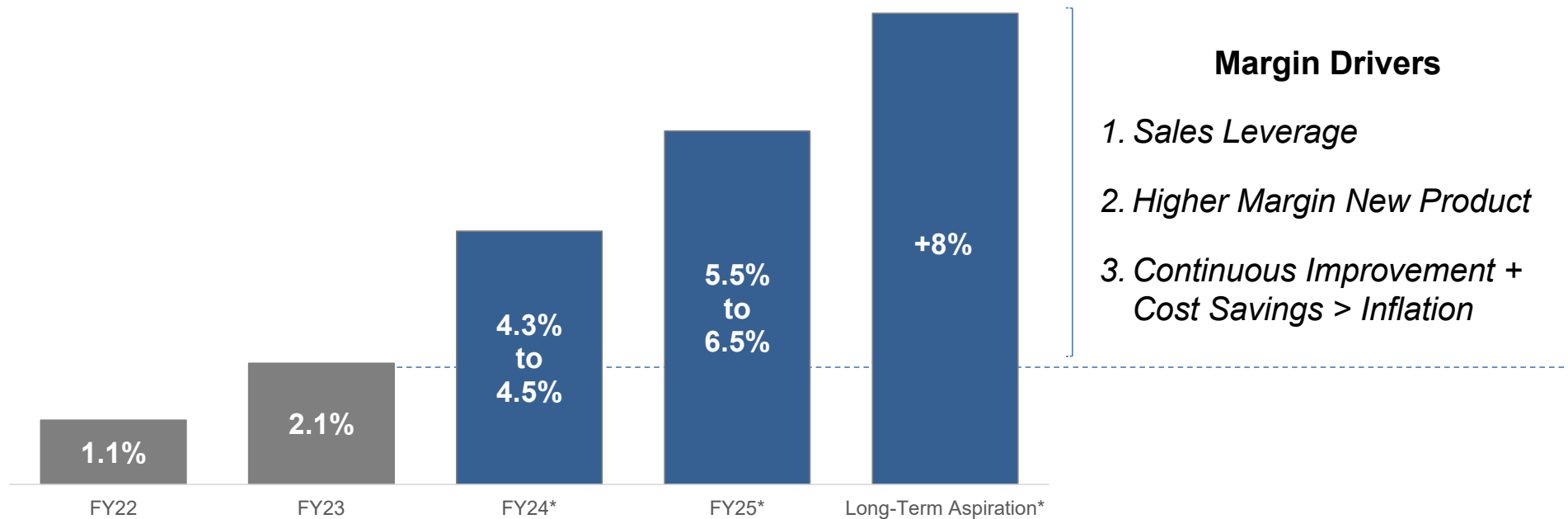
Housing production has not kept up with population growth and new household formation. New housing demand will remain strong for many years which will also drive demand for new furniture.



Margin Expansion Potential

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

Operating Margin

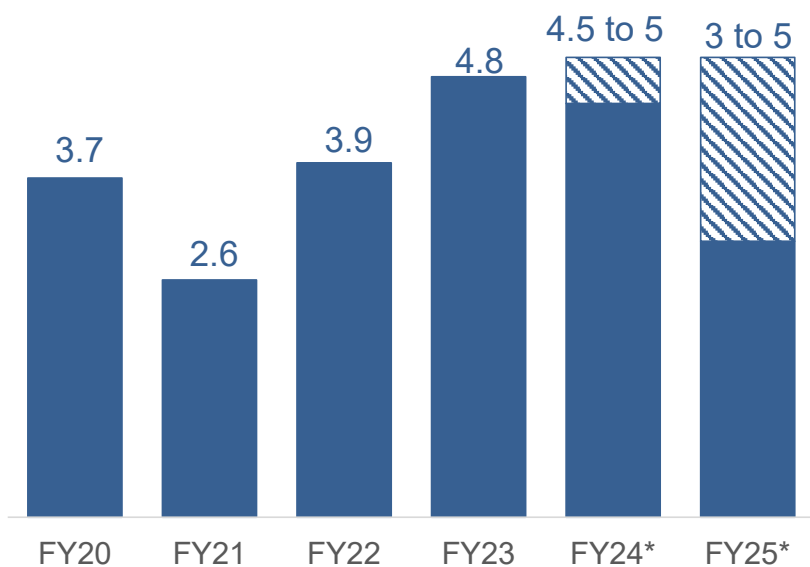


*Adjusted Forward-looking estimates

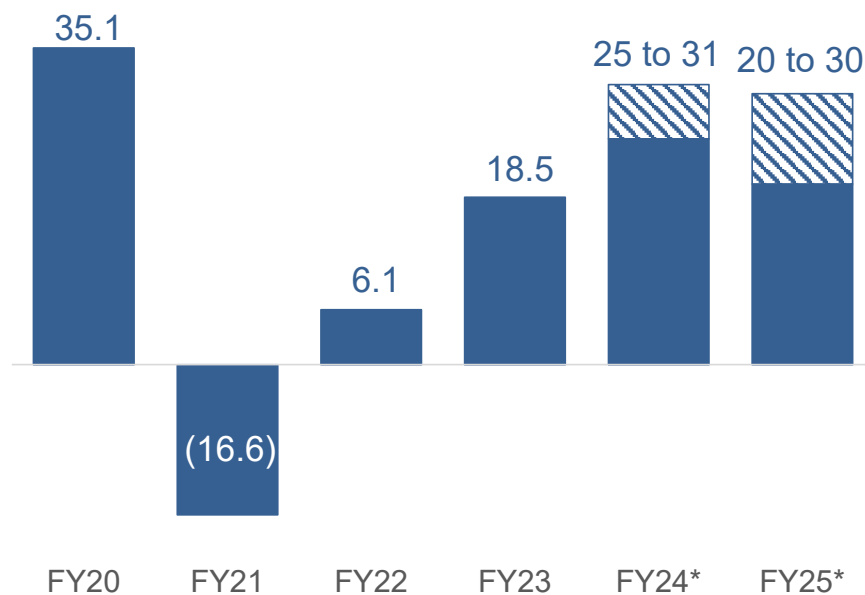
Strong Cash Generation

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)

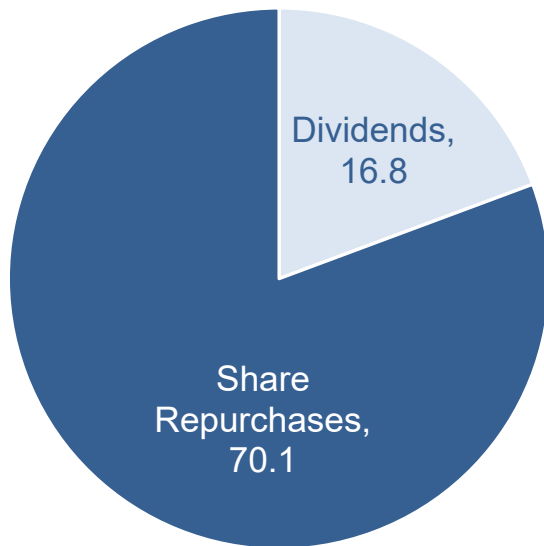


*Forward-looking estimates

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



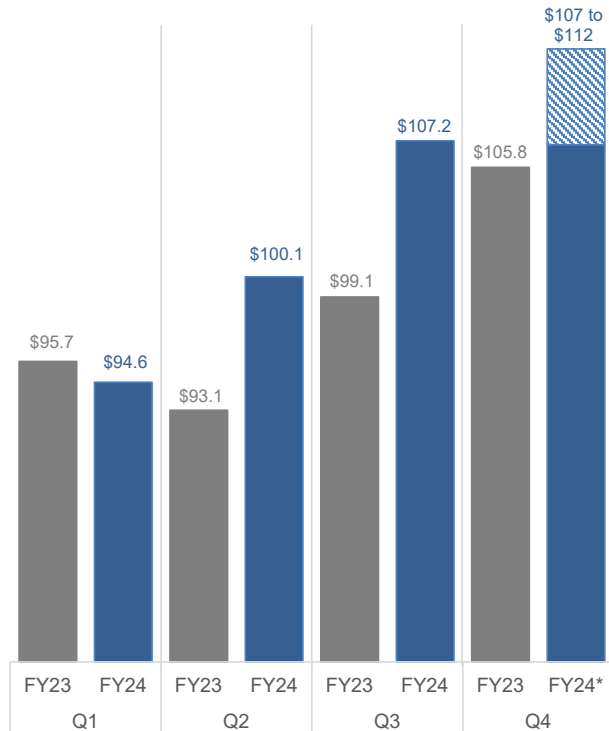
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Financial Outlook

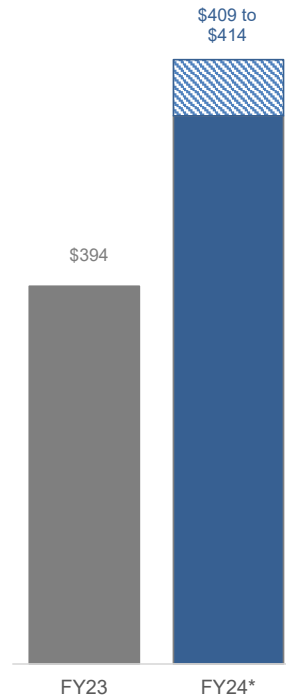
FY24 Outlook

Driving consistent growth despite industry challenges.

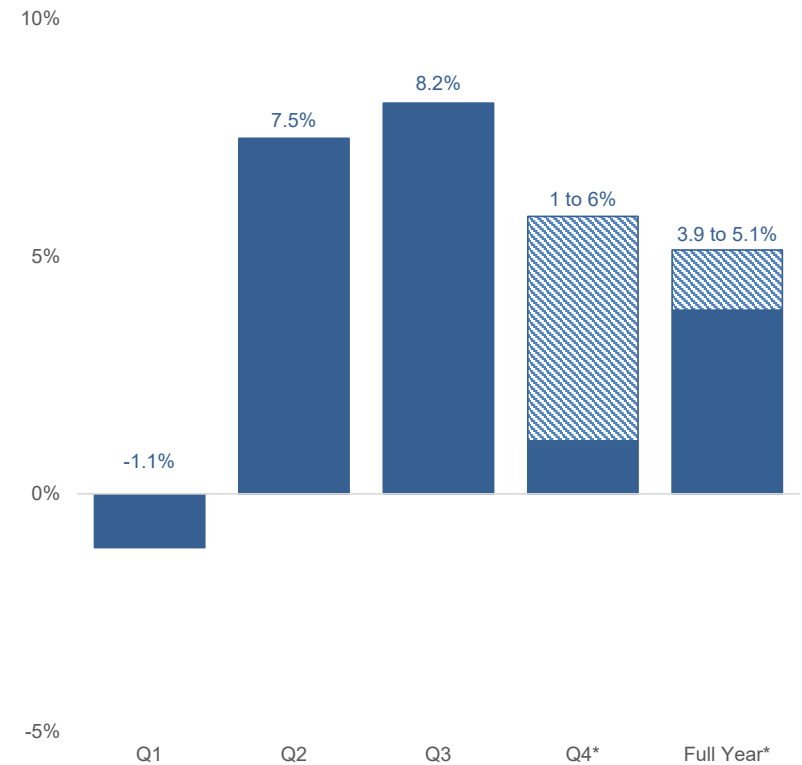
Quarterly Sales
(\$ millions)



Annual Sales
(\$ millions)



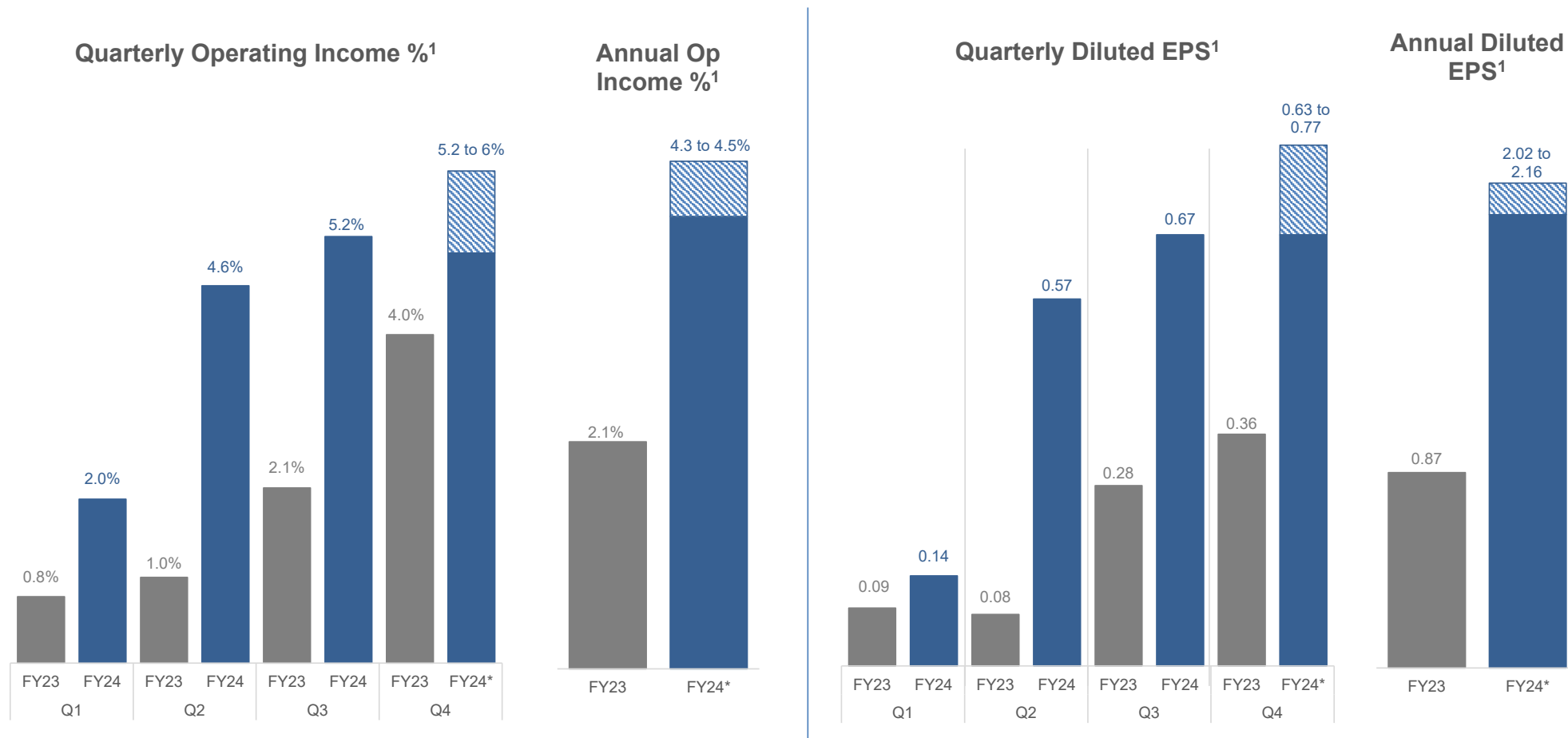
FY24 Year-over-Year Sales Growth



* Forward-looking estimates

FY24 Outlook

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



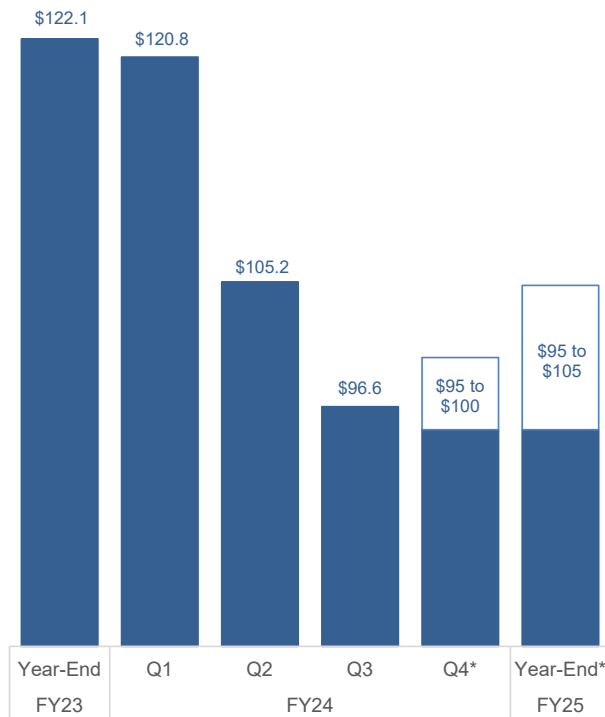
* Forward-looking estimates

¹ Non-GAAP; See Appendix for FY23 & FY24 GAAP to Non-GAAP reconciliations

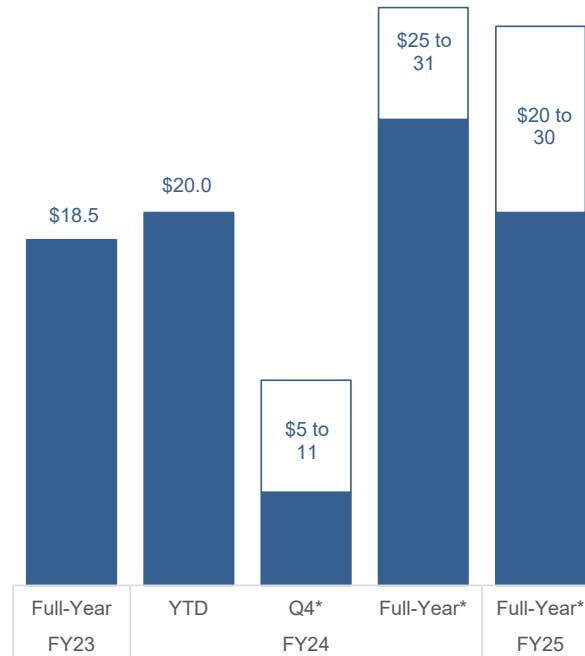
FY24 Outlook

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

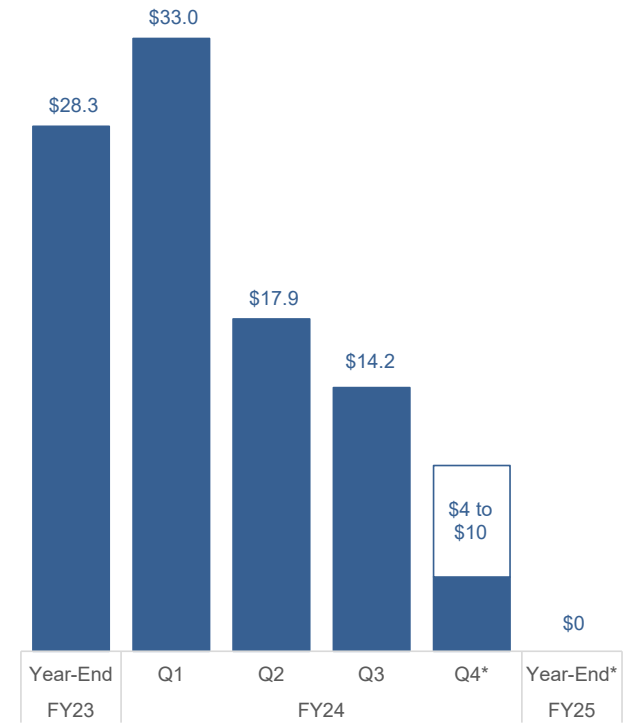
Inventory
(\$ millions)



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)	\$409 to 414	\$416 to 432	Up to \$750 (with acquisitions)
Gross Margin	21.1 to 21.3%	21.5 to 22.0%	23%+
Operating Income Margin	4.3 to 4.5%	5.5 to 6.5%	8%+
Earnings Per Diluted Share	\$2.02 to 2.16	\$2.68 to 3.30	\$7.00+
Free Cash Flow (\$ millions)	\$25 to 31	\$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.

FY23 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 adjusted operating income for fiscal year ended June 30, 2023:

<i>(in thousands)</i>	Q1	% of Sales	Q2	% of Sales	Q3	% of Sales	Q4	% of Sales	FY23	% of Sales
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%
Adjusted operating income	<u>\$ 775</u>	<u>0.8%</u>	<u>\$ 974</u>	<u>1.0%</u>	<u>\$ 2,116</u>	<u>2.1%</u>	<u>\$ 4,236</u>	<u>4.0%</u>	<u>\$ 8,101</u>	<u>2.1%</u>

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

	Q1	Q2	Q3	Q4	FY23
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 ⁽¹⁾	(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)
Adjusted diluted earnings per share	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.28</u>	<u>\$ 0.36</u>	<u>\$ 0.87</u>

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.

FY24 Non-GAAP Disclosures (Unaudited)

The following table sets forth the reconciliation of the Company's reported fiscal year 2024 quarterly and nine months ended March 31, 2024, GAAP operating income to the calculation of adjusted operating income:

<i>(in thousands)</i>	Q1	% of Sales	Q2	% of Sales	Q3	% of Sales	Nine Months Ended FY24	% of Sales
Reported GAAP operating income	\$ 1,918	2.0%	\$ 4,585	4.6%	\$ 2,982	2.8%	\$ 9,484	3.1%
Restructuring expense	—		—		2,627		2,627	0.9%
Adjusted operating income	\$ 1,918	2.0%	\$ 4,585	4.6%	\$ 5,609	5.2%	\$ 12,111	4.0%

The following table sets forth the reconciliation of the Company's reported fiscal year 2024 quarterly and nine months ended March 31, 2024, GAAP diluted earnings per share to the calculation of adjusted diluted earnings per share:

	Q1	Q2	Q3	Nine Months Ended FY24
Reported GAAP diluted earnings per share	\$ 0.14	\$ 0.57	\$ 0.33	\$ 1.04
Restructuring expense	—	—	0.48	0.49
Tax impact of the above adjustments ⁽¹⁾	—	—	(0.14)	(0.15)
Adjusted diluted earnings per share	\$ 0.14	\$ 0.57	\$ 0.67	\$ 1.38

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 30.0% and 30.1% was used to calculate the three months ended and nine months ended March 31, 2024, respectively.