

[www.steelcase.com](http://www.steelcase.com)  
NYSE: SCS



# THIRD QUARTER FISCAL 2015 RESULTS

Quarter ended November 28, 2014

**WEBCAST**

Tuesday, December 23, 2014

**steelcase** inc

## Forward-looking statements

From time to time, in written and oral statements, the company discusses its expectations regarding future events and its plans and objectives for future operations. These forward-looking statements generally are accompanied by words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "possible," "potential," "predict," "project," or other similar words, phrases or expressions. Forward-looking statements involve a number of risks and uncertainties that could cause actual results to vary from the company's expectations because of factors such as, but not limited to, competitive and general economic conditions domestically and internationally; acts of terrorism, war, governmental action, natural disasters and other Force Majeure events; changes in the legal and regulatory environment; restructuring activities; changes in raw materials and commodity costs; currency fluctuations; changes in customer demands; and the other risks and contingencies detailed in the company's most recent Annual Report on Form 10-K and its other filings with the Securities and Exchange Commission. Steelcase undertakes no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

## Updating of information

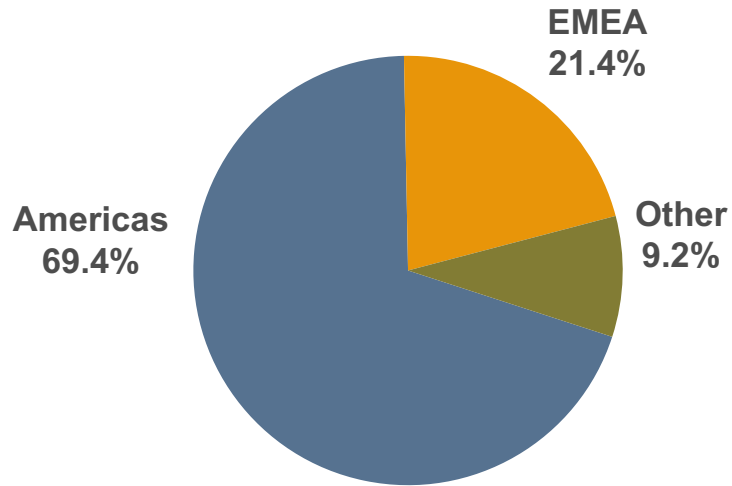
This presentation is provided as a supplement to our earnings release conference call and webcast on the date stated on the cover and is intended to be read in connection with the information provided therein and the related earnings press release. The information contained in this presentation is provided as of the date stated on the cover and may be superseded by information disclosed in our subsequent Form 10-Q, Form 10-K or other filings with the Securities and Exchange Commission. We undertake no obligation to update, amend or clarify this presentation, or any forward-looking statements included herein, whether as a result of new information, future events or otherwise.

## Basis of presentation

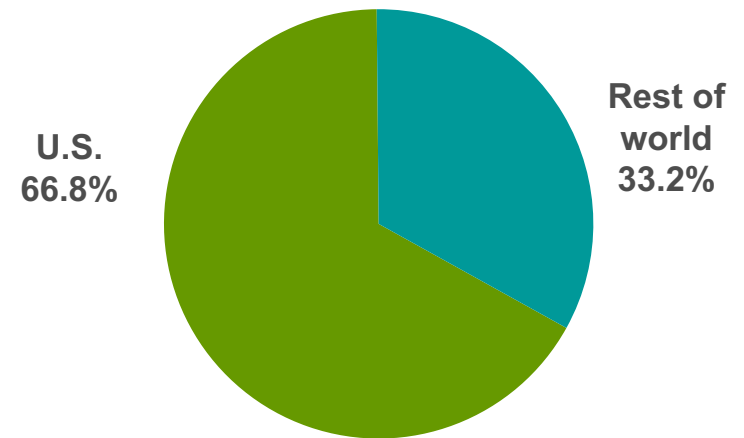
Reference to a year relates to the fiscal year, ended in February of the year indicated, rather than the calendar year, unless indicated by a specific date. Additionally, Q1, Q2, Q3 and Q4 reference the first, second, third and fourth quarter, respectively, of the fiscal year indicated. All amounts are in millions, except share and per share data, data presented as a percentage or as otherwise indicated.

<b>Q3 2015 results</b>	<b>slide</b>
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Segment View



Geographic View



**BUSINESS SEGMENTS**

- The Americas segment serves customers in the U.S., Canada and Latin America with a portfolio of integrated architecture, furniture and technology products marketed to corporate, government, healthcare, education and retail customers through the Steelcase, Coalesse, Details and Turnstone brands.
- The EMEA segment serves customers in Europe, the Middle East and Africa primarily under the Steelcase and Coalesse brands, with an emphasis on freestanding furniture systems, storage and seating solutions.
- The Other category includes Asia Pacific, Designtex and PolyVision.

	(Unaudited) Three Months Ended				(Unaudited) Three Months Ended	
	November 28, 2014		November 22, 2013		August 29, 2014	
Revenue	\$ 800.0	100.0%	\$ 784.8	100.0%	\$ 786.7	100.0%
Cost of sales	549.0	68.6	541.1	69.0	536.1	68.1
Restructuring costs	36.1	4.5	0.9	0.1	6.2	0.8
Gross profit	214.9	26.9	242.8	30.9	244.4	31.1
Operating expenses	194.9	24.4	189.8	24.2	191.4	24.4
Goodwill and intangible asset	—	—	12.9	1.6	—	—
Restructuring costs	1.3	0.2	0.8	0.1	0.2	—
Operating income	18.7	2.3	39.3	5.0	52.8	6.7
Interest expense	(4.5)	(0.5)	(4.4)	(0.6)	(4.4)	(0.6)
Investment income	0.3	—	0.6	0.1	0.5	0.1
Other income, net	2.3	0.3	3.0	0.4	3.2	0.4
Income before income tax expense	16.8	2.1	38.5	4.9	52.1	6.6
Income tax expense	5.0	0.6	15.5	2.0	21.6	2.7
Net income	\$ 11.8	1.5%	\$ 23.0	2.9%	\$ 30.5	3.9%
Diluted earnings per share	\$ 0.09		\$ 0.18		\$ 0.24	

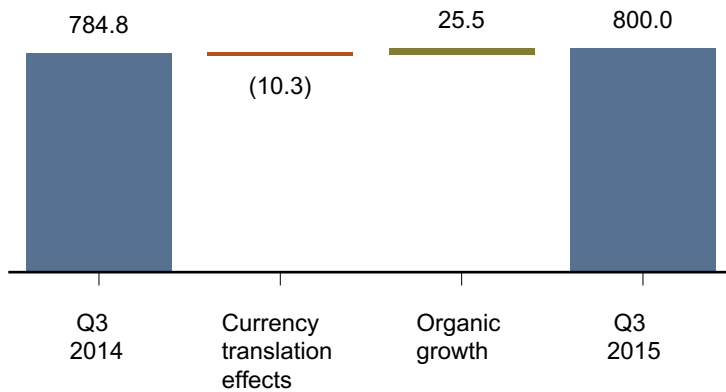
- **Net income** – The decrease was driven by higher restructuring costs primarily associated with the transfer of a manufacturing facility in Wisches, France, partially offset by goodwill and intangible asset impairment charges of \$12.9 in the prior year, a modest increase in adjusted operating income and lower income tax expense.
- **Operating income** – The increase in adjusted operating income compared to the prior year was driven by operating leverage from the revenue growth in EMEA and the Other category and benefits of improved pricing and favorable business mix in the Americas, partially offset by approximately \$9 of disruption and inefficiencies associated with the manufacturing footprint changes in EMEA.

Sequentially, the modest decrease in adjusted operating income was driven by lower revenue and increased operating expenses in the Americas, offset in part by benefits associated with revenue growth in EMEA.

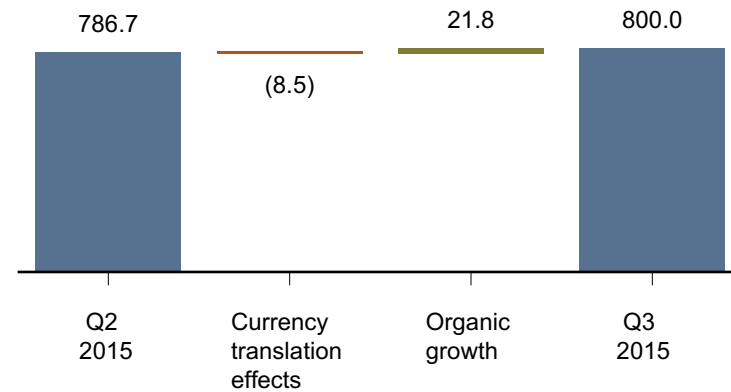
- **Other income, net** – The decrease was primarily due to higher foreign currency losses, partially offset by higher equity in income of unconsolidated ventures.
- **Income tax expense** – Income tax expense reflects a net \$2 million benefit from discrete income tax credits associated with the manufacturing footprint changes in EMEA, offset in part by discrete tax charges and the impact of recording a higher year-to-date effective tax rate.

Revenue

Current year quarter over prior year quarter



Sequential quarter over quarter

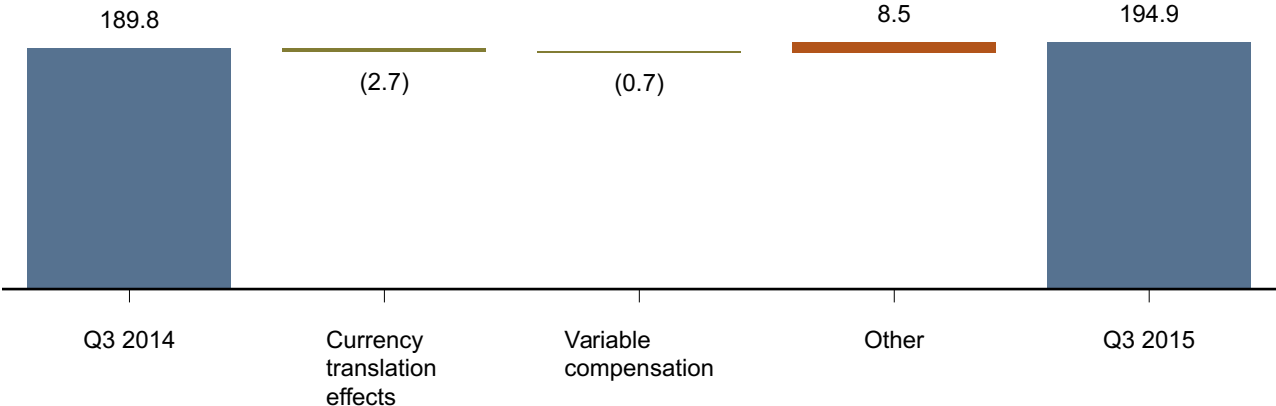


- **Revenue** – Organic revenue growth was 3% over the prior year quarter. The Americas had an organic decline of less than 1%, while EMEA and the Other category experienced organic revenue growth of 14% and 8%, respectively.

On a sequential quarter basis, the organic revenue growth was 3%.

Operating expenses

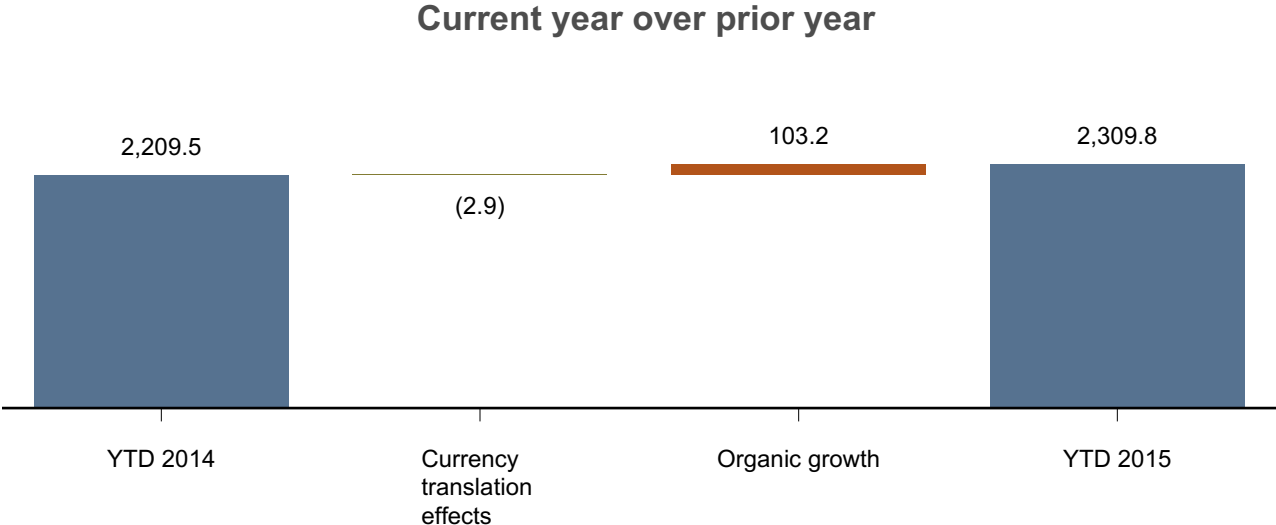
Current year quarter over prior year quarter



- **Operating expenses** – The increase over the prior year was driven by higher operating expenses in the Americas, which included a biennial sales and dealer conference, an increase in the allowance for doubtful accounts and increased spending on sales and other growth initiatives.

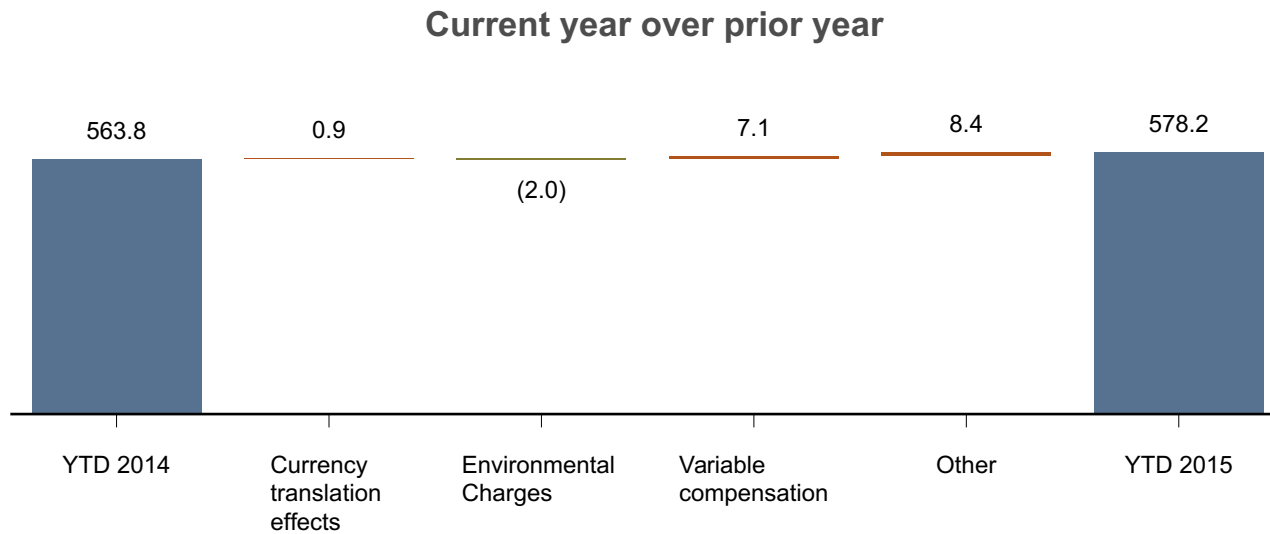


Revenue



- **Revenue** – Organic revenue growth year-to-date was 5% compared to the prior year. We realized organic revenue growth of 3% in the Americas, 7% in EMEA and 11% in the Other category.

Operating expenses



- Operating expenses** – The year-to-date increase was largely driven by higher variable compensation and higher operating expenses in the Americas, which included a biennial sales and dealer conference, an increase in the allowance for doubtful accounts and increased spending on sales and other growth initiatives.

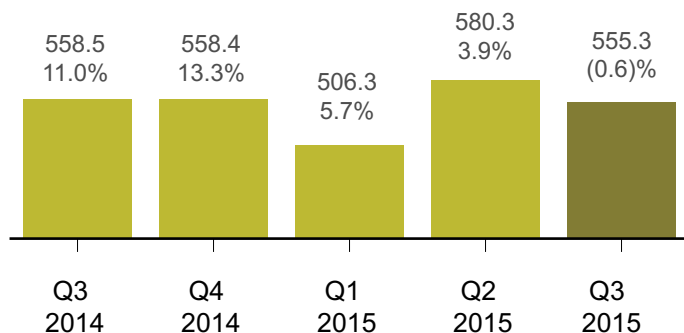
## Quarterly cash flow data (unaudited)

steelcase inc

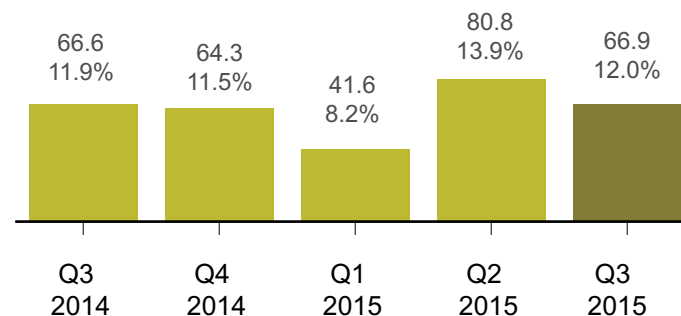
	November 22, 2013	February 28, 2014	May 30, 2014	August 29, 2014	November 28, 2014
<b>OPERATING ACTIVITIES</b>					
Net income	\$ 23.0	\$ 23.9	\$ 21.0	\$ 30.5	\$ 11.8
Depreciation and amortization	14.9	16.2	14.7	14.6	14.9
Deferred income taxes	(2.8)	16.8	13.0	5.1	(26.5)
Goodwill and intangible asset impairment charges	12.9	—	—	—	—
Non-cash restructuring charges (benefits)	1.7	(2.8)	(9.7)	6.4	8.4
Non-cash stock compensation	2.2	2.1	9.6	3.0	2.9
Equity in income of unconsolidated affiliates	(3.1)	(2.6)	(3.7)	(3.7)	(4.2)
Dividends received from unconsolidated affiliates	0.8	2.2	2.3	3.1	2.6
Changes in accounts receivable, net, inventories and accounts payable	(24.6)	41.3	(16.9)	(26.6)	(27.2)
Changes in employee compensation liabilities	27.6	9.2	(74.4)	19.9	16.3
Changes in other operating assets and liabilities	28.9	(28.0)	(26.7)	6.0	26.7
Other, net	(1.6)	3.5	(1.8)	(1.9)	(2.0)
Net cash provided by (used in) operating activities	<u>79.9</u>	<u>81.8</u>	<u>(72.6)</u>	<u>56.4</u>	<u>23.7</u> *
<b>INVESTING ACTIVITIES</b>					
Capital expenditures	(15.5)	(34.9)	(15.8)	(28.5)	(24.7)
Proceeds from disposal of fixed assets	0.5	7.4	19.0	0.1	0.3
Changes in investments, net	(104.3)	23.2	35.8	10.7	(7.8)
Liquidation of COLI investment	74.5	—	—	—	—
Other, net	(0.5)	4.0	9.8	1.2	(2.6)
Net cash provided by (used in) investing activities	<u>(45.3)</u>	<u>(0.3)</u>	<u>48.8</u>	<u>(16.5)</u>	<u>(34.8)</u>
<b>FINANCING ACTIVITIES</b>					
Dividends paid	(12.5)	(12.6)	(13.6)	(13.0)	(13.0)
Common stock repurchases	(1.0)	(17.1)	(5.9)	(28.4)	(1.0)
Other, net	(0.4)	1.2	(0.6)	(0.4)	(0.1)
Net cash used in financing activities	<u>(13.9)</u>	<u>(28.5)</u>	<u>(20.1)</u>	<u>(41.8)</u>	<u>(14.1)</u>
Effect of exchange rate changes on cash and cash equivalents	0.6	(0.3)	0.4	(0.7)	(1.7)
Net increase (decrease) in cash and cash equivalents	21.3	52.7	(43.5)	(2.6)	(26.9)
Cash and cash equivalents, beginning of period	127.8	149.1	201.8	158.3	155.7
Cash and cash equivalents, end of period	<u>\$ 149.1</u>	<u>\$ 201.8</u>	<u>\$ 158.3</u>	<u>\$ 155.7</u>	<u>\$ 128.8</u>

\* The decrease in cash provided by operating activities in year-to-date 2015 compared to year-to-date 2014 was due to increased payments associated with restructuring activities in EMEA, higher estimated tax payments in the U.S. and the timing of employee payroll liabilities.

**Revenue**  
(% change versus prior year)



**Adjusted operating income**  
(% of revenue)



- **Revenue** – Organic revenue declined \$0.8, or less than 1%.

- **Product categories** – Four out of seven categories experienced growth, led by Coalesse, Architectural Solutions and Turnstone.

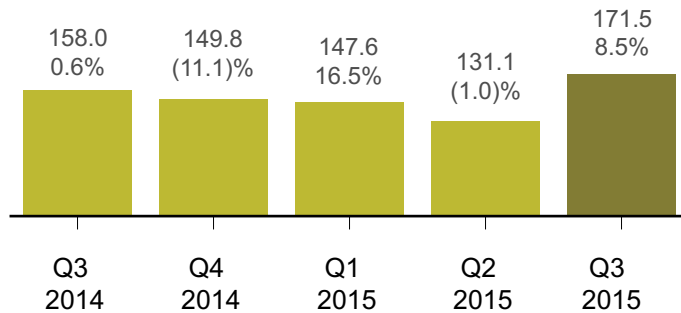
- **Vertical markets** – Information Technology, Technical and Professional and State and Local Government experienced strong growth, while Federal Government, Insurance Services, Healthcare, Education, Manufacturing and Energy declined year-over-year.

- **Geographic regions** – The West Business Group experienced strong growth, while the South and East Business Groups declined.

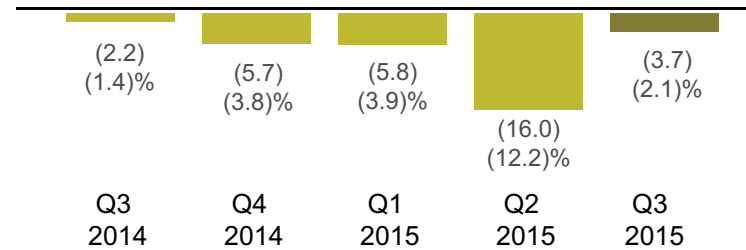
- **Contract type** – Project business had strong growth, while continuing business and marketing programs declined year-over-year.

- **Adjusted operating income** – Current quarter adjusted operating income increased modestly compared to the prior year. Benefits associated with lower cost of sales were largely offset by higher operating expenses.

**Revenue**  
(% change versus prior year)

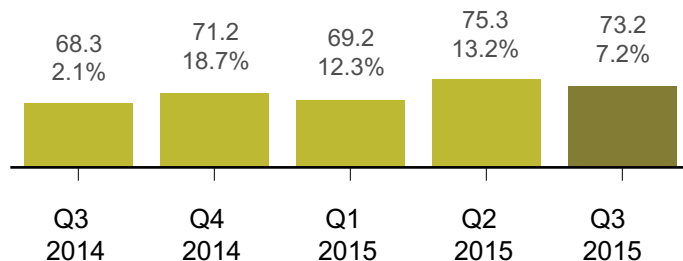


**Adjusted operating loss**  
(% of revenue)

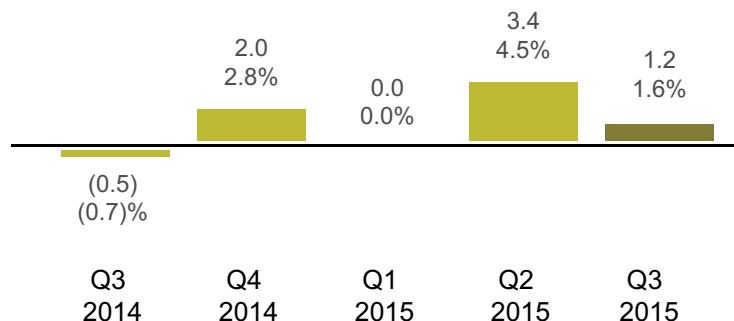


- **Revenue** – The organic revenue growth was \$21.1, or 14%. The Middle East, Africa, France and Iberia posted organic revenue growth while Benelux and the export markets of the central, eastern and southern parts of Europe (as a group) declined.
- **Adjusted operating loss** – The higher adjusted operating loss was primarily driven by higher cost of sales due to disruption and inefficiencies associated with the manufacturing footprint changes, partially offset by the organic revenue growth.

**Revenue**  
(% change versus prior year)



**Adjusted operating income (loss)**  
(% of revenue)



**Other**

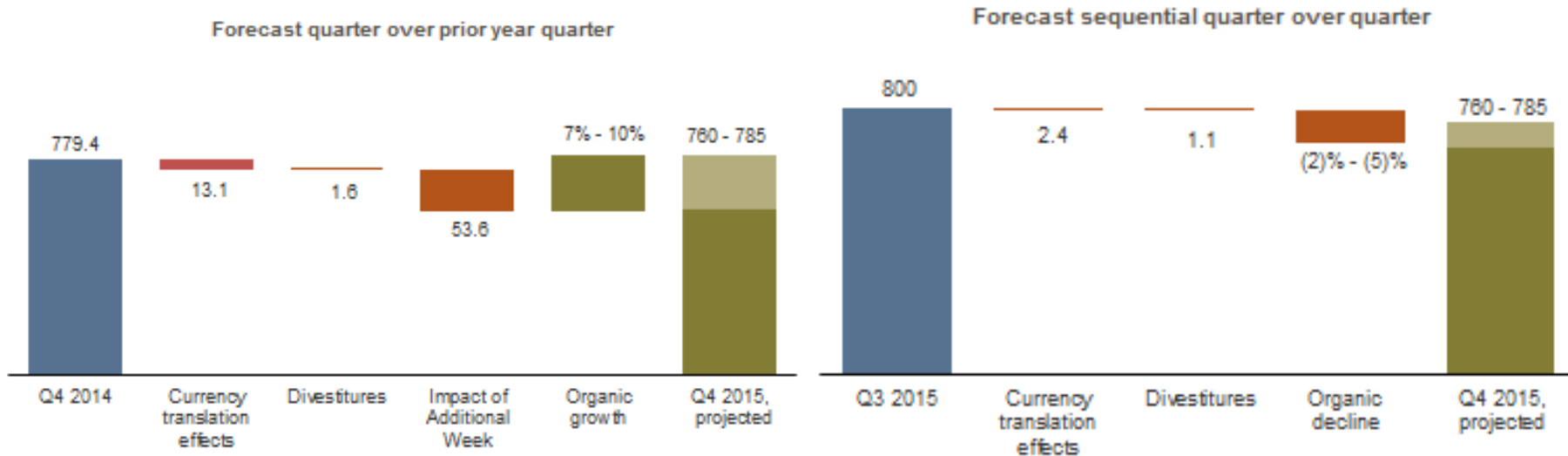
The Other category includes Asia Pacific, Designtex and PolyVision.

- **Revenue** – Organic revenue growth was \$5.2, or 8%. Asia Pacific, PolyVision and Designtex all contributed to the growth in Q3 2015.
- **Adjusted operating income (loss)** – The improvement was driven by higher operating income at Designtex and PolyVision and lower operating losses in Asia Pacific.

**Corporate**

- **Operating loss** – Corporate costs of \$8.3 decreased from \$10.0 in the prior year primarily due to higher income associated with company-owned life insurance and lower earnings associated with deferred compensation.

Revenue



Net income

- Expect Q4 2015 diluted earnings per share in the range of \$0.16 - \$0.20. This estimate includes:
  - approximately \$0.03 per share of restructuring costs relating to previously announced restructuring projects and
  - approximately \$7 million of operating costs associated with disruption and inefficiencies associated with the manufacturing footprint changes in EMEA.
- Expect Q4 2015 adjusted earnings per share in the range of \$0.19 - \$0.23.
- Reported diluted earnings per share in Q4 2014 were \$0.19, and adjusted earnings per share were \$0.18.

Revenue

Expect Q4 2015 revenue in the range of \$760 - \$785. Adjusted for the items below, we project organic revenue growth in the range of 7% to 10% compared to the prior year. The company reported revenue of \$779.4 in Q4 2014, which included an additional week across all segments.

- This revenue estimate is based on a euro to U.S. dollar exchange rate assumption of 1.25 as of the end of Q3 2015, which compares to an average exchange rate of 1.36 for Q4 2014 and 1.27 for Q3 2015. This and other currency assumptions included in our fourth quarter revenue estimate are expected to have unfavorable effects on the year-over-year comparison of approximately \$13.1 and unfavorable effects on the sequential comparison of approximately \$2.4.
- Q4 2015 is projected to have lower revenue related to small divestitures.

# Summary of Costs Associated with Manufacturing Footprint Changes

	Total Estimated Project Costs	Projected				Projected	Projected	Total Estimated Annual Project Savings	
		2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015		2016 & Beyond
<b>Restructuring costs</b>									
Wisches, France facility exit	\$ 39	\$ —	\$ —	\$ 1	\$ 30	\$ 1	\$ 32	\$ 7	\$ 10
Durlangen, Germany facility closure	26	1	1	4	6	6	17	8	10
Total EMEA segment	65	1	1	5	36	7	49	15	20
High Point, North Carolina facility closure (Americas segment)	8	—	—	1	1	1	3	5	5
	\$ 73	\$ 1	\$ 1	\$ 6	\$ 37	\$ 8	\$ 52	\$ 20	\$ 25
<b>Disruption &amp; inefficiencies (recorded in cost of sales)</b>									
Wisches, France facility exit	\$ 17	\$ —	\$ —	\$ 5	\$ 5	\$ 3	\$ 13	\$ 4	
Durlangen, Germany facility closure	25	4	3	4	4	4	15	6	
Total EMEA segment	42	4	3	9	9	7	28	10	
High Point, North Carolina facility closure (Americas segment)	2	—	—	—	—	—	—	2	
	\$ 44	\$ 4	\$ 3	\$ 9	\$ 9	\$ 7	\$ 28	\$ 12	

## Notes

- Disruption and inefficiencies (recorded in cost of sales) include labor premiums paid to employees during transition periods and labor inefficiencies caused by work stoppages or slowdowns resulting from restructuring activities. They also include incremental logistics costs caused by split shipments (linked to labor inefficiencies) and interim supply chains during production moves. Lastly, these costs include duplicate labor and overhead at the new Czech Republic facility and other plants impacted by production moves. We believe these costs are temporary and will be eliminated from our cost structure once the manufacturing changes are complete and the industrial model returns to normal levels of operating efficiency.
- Wisches, France facility exit expected to be completed by end of Q2 FY16; savings expected to begin thereafter.
- Durlangen, Germany facility closure expected to be completed by end of Q3 FY16; savings expected to be phased in beginning in Q2 FY16.
- Remaining restructuring and disruption costs for High Point, North Carolina facility closure expected to occur equally in FY16 and FY17.



# Supplemental Slides

## Non-GAAP financial measures

These webcast slides contain certain non-GAAP financial measures. A “non-GAAP financial measure” is defined as a numerical measure of a company’s financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with GAAP in the statements of income, balance sheets or statements of cash flow of the company. Pursuant to the requirements of Regulation G, the company has provided a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measure.

The non-GAAP financial measures used within these webcast slides are: (1) organic revenue growth (decline), which represents the change in revenue excluding currency translation effects, the impacts of acquisitions and divestitures and an additional week in Q4 2014; (2) adjusted operating income (loss), which represents operating income (loss), excluding restructuring costs (benefits) and goodwill and intangible asset impairment charges; and (3) adjusted earnings (loss) per share, which represents earnings (loss) per share, excluding restructuring costs (benefits) and goodwill and intangible asset impairment charges, net of tax. These measures are presented because management uses this information to monitor and evaluate financial results and trends. Therefore, management believes this information is also useful for investors.

# Reconciliation of non-GAAP measures – organic growth (decline) and adjusted earnings per share

## YEAR OVER YEAR ORGANIC REVENUE GROWTH (DECLINE) BY SEGMENT

### Q3 2015 vs. Q3 2014

	Steelcase Inc.	Americas	EMEA	Other category
Q3 2014 revenue	\$ 784.8	\$ 558.5	\$ 158.0	\$ 68.3
Currency translation effects*	(10.3)	(2.4)	(7.6)	(0.3)
Q3 2014 revenue, adjusted	774.5	556.1	150.4	68.0
Q3 2015 revenue, reported	800.0	555.3	171.5	73.2
Organic growth (decline) \$	\$ 25.5	\$ (0.8)	\$ 21.1	\$ 5.2
Organic growth (decline) %	3%	— %	14%	8%

## SEQUENTIAL ORGANIC REVENUE GROWTH (DECLINE) BY SEGMENT

### Q3 2015 vs. Q2 2015

	Steelcase Inc.	Americas	EMEA	Other category
Q2 2015 revenue	\$ 786.7	\$ 580.3	\$ 131.1	\$ 75.3
Currency translation effects*	(8.5)	(1.0)	(7.0)	(0.5)
Q2 2015 revenue, adjusted	778.2	579.3	124.1	74.8
Q3 2015 revenue, reported	800.0	555.3	171.5	73.2
Organic growth (decline) \$	\$ 21.8	\$ (24.0)	\$ 47.4	\$ (1.6)
Organic growth (decline) %	3%	(4)%	38%	(2)%

## PROJECTED ORGANIC REVENUE GROWTH

	Year over year		Sequential	
	Q4 2015 vs. Q4 2014	Q4 2015 vs. Q3 2015	Q4 2015 vs. Q3 2015	Q4 2015 vs. Q3 2015
Prior quarter revenue	\$ 779.4	\$ 800.0		
Currency translation effects**	(13.1)	(2.4)		
Divestitures	(1.6)	(1.1)		
Impact of additional week	(53.6)	—		
Prior quarter revenue, adjusted	711.1	796.5		
Q4 2015 revenue, projected	760 - 785	760 - 785		
Organic growth (decline) \$	\$ 49 - 74	\$ (37) - (12)		
Organic growth (decline) %	7% - 10%	(5)% - (2)%		

## PROJECTED ADJUSTED EARNINGS PER SHARE

### Q4 2015 vs. Q4 2014

	Projected	
	Q4 2015	Q4 2014
Diluted earnings per share	\$ 0.16 - 0.20	\$ 0.19
Restructuring costs (benefits) per share, net of tax	0.03	(0.01)
Diluted earnings per share, adjusted	\$ 0.19 - 0.23	0.18

\* Currency translation effects represent the estimated net effect of translating prior quarter foreign currency revenues using the average exchange rate during the current quarter.

\*\* Currency translation effects represent the estimated net effect of translating prior quarter foreign currency revenues using the exchange rate at the end of the most recent quarter.

## YEAR OVER YEAR ORGANIC REVENUE GROWTH BY SEGMENT

YTD 2015 vs. YTD 2014

	Steelcase Inc.	Americas	EMEA	Other category
YTD 2014 revenue	\$ 2,209.5	\$ 1,596.0	\$ 417.1	\$ 196.4
Currency translation effects*	(2.9)	(6.7)	4.8	(1.0)
YTD 2014 revenue, adjusted	2,206.6	1,589.3	421.9	195.4
YTD 2015 revenue, reported	2,309.8	1,641.9	450.2	217.7
Organic growth \$	\$ 103.2	\$ 52.6	\$ 28.3	\$ 22.3
Organic growth %	5%	3%	7%	11%

\* Currency translation effects represent the estimated net effect of translating YTD 2014 foreign currency revenues using the average exchange rates during YTD 2015.

# Reconciliation of non-GAAP measures – adjusted operating income (loss) (\$ and % of revenue)

steelcase inc

Steelcase Inc.	Q3 2014		Q4 2014		Q1 2015		Q2 2015		Q3 2015	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income	\$ 39.3	5.0 %	\$ 54.2	7.0 %	\$ 36.4	5.0 %	\$ 52.8	6.7 %	\$ 18.7	2.3 %
Add: restructuring costs (benefits)	1.7	0.2	(2.8)	(0.4)	(9.7)	(1.3)	6.4	0.8	37.4	4.7
Add: goodwill and intangible asset impairment charges	12.9	1.6	—	—	—	—	—	—	—	—
Adjusted operating income	<u>\$ 53.9</u>	<u>6.8 %</u>	<u>\$ 51.4</u>	<u>6.6 %</u>	<u>\$ 26.7</u>	<u>3.7 %</u>	<u>\$ 59.2</u>	<u>7.5 %</u>	<u>\$ 56.1</u>	<u>7.0 %</u>
<b>Americas</b>	<b>Q3 2014</b>		<b>Q4 2014</b>		<b>Q1 2015</b>		<b>Q2 2015</b>		<b>Q3 2015</b>	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income	\$ 66.6	11.9 %	\$ 63.8	11.4 %	\$ 53.2	10.5 %	\$ 80.1	13.8 %	\$ 66.8	12.0 %
Add: restructuring costs (benefits)	—	—	0.5	0.1	(11.6)	(2.3)	0.7	0.1	0.1	—
Add: goodwill and intangible asset impairment charges	—	—	—	—	—	—	—	—	—	—
Adjusted operating income	<u>\$ 66.6</u>	<u>11.9 %</u>	<u>\$ 64.3</u>	<u>11.5 %</u>	<u>\$ 41.6</u>	<u>8.2 %</u>	<u>\$ 80.8</u>	<u>13.9 %</u>	<u>\$ 66.9</u>	<u>12.0 %</u>
<b>EMEA</b>	<b>Q3 2014</b>		<b>Q4 2014</b>		<b>Q1 2015</b>		<b>Q2 2015</b>		<b>Q3 2015</b>	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating loss	\$ (3.7)	(2.3)%	\$ (2.3)	(1.5)%	\$ (7.7)	(5.2)%	\$ (21.7)	(16.6)%	\$ (41.0)	(23.9)%
Add: restructuring costs (benefits)	1.5	0.9	(3.4)	(2.3)	1.9	1.3	5.7	4.4	37.3	21.8
Add: goodwill and intangible asset impairment charges	—	—	—	—	—	—	—	—	—	—
Adjusted operating loss	<u>\$ (2.2)</u>	<u>(1.4)%</u>	<u>\$ (5.7)</u>	<u>(3.8)%</u>	<u>\$ (5.8)</u>	<u>(3.9)%</u>	<u>\$ (16.0)</u>	<u>(12.2)%</u>	<u>\$ (3.7)</u>	<u>(2.1)%</u>
<b>Other category</b>	<b>Q3 2014</b>		<b>Q4 2014</b>		<b>Q1 2015</b>		<b>Q2 2015</b>		<b>Q3 2015</b>	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income (loss)	\$ (13.6)	(19.9)%	\$ 1.9	2.7 %	\$ —	— %	\$ 3.4	4.5 %	\$ 1.2	1.6 %
Add: restructuring costs	0.2	0.3	0.1	0.1	—	—	—	—	—	—
Add: goodwill and intangible asset impairment charges	12.9	18.9	—	—	—	—	—	—	—	—
Adjusted operating income (loss)	<u>\$ (0.5)</u>	<u>(0.7)%</u>	<u>\$ 2.0</u>	<u>2.8 %</u>	<u>\$ —</u>	<u>— %</u>	<u>\$ 3.4</u>	<u>4.5 %</u>	<u>\$ 1.2</u>	<u>1.6 %</u>