

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



**steelcase** inc

December 20, 2012

# THIRD QUARTER FISCAL 2013 RESULTS

Quarter ended November 23, 2012

**WEBCAST**

Thursday, December 20, 2012

**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

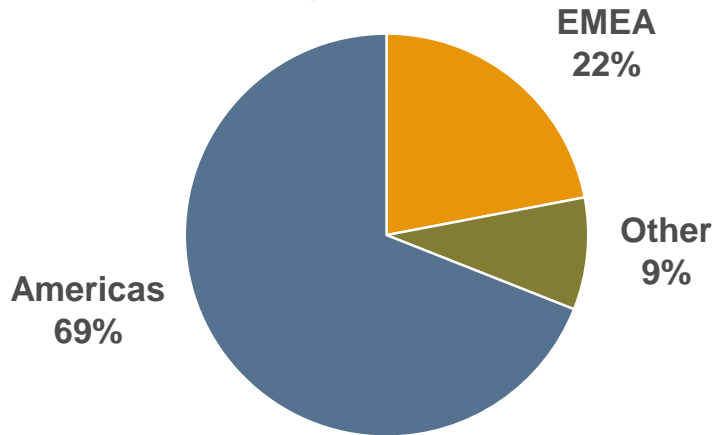
This presentation is provided as a supplement to our earnings release conference call and webcast on the date stated on the cover and is intended to be read in connection with the information provided therein and the related earnings press release. The information contained in this presentation is provided as of the date stated on the cover and may be superseded by information disclosed in our subsequent Form 10-Q, Form 10-K or other filings with the Securities and Exchange Commission.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

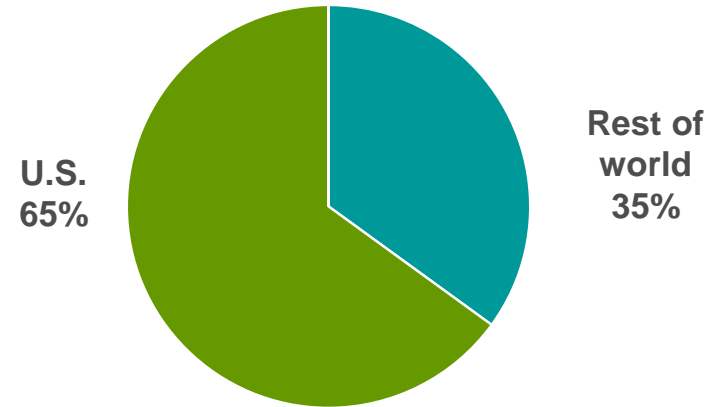
Reference to a year relates to the fiscal year, ended in February of the year indicated, rather than the calendar year, unless indicated by a specific date. Additionally, Q1, Q2, Q3 and Q4 reference the first, second, third and fourth quarter, respectively, of the fiscal year indicated. All amounts are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

<b>Q3 2013 results</b>	<b>slide</b>
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Segment View



Geographic View



**BUSINESS SEGMENTS**

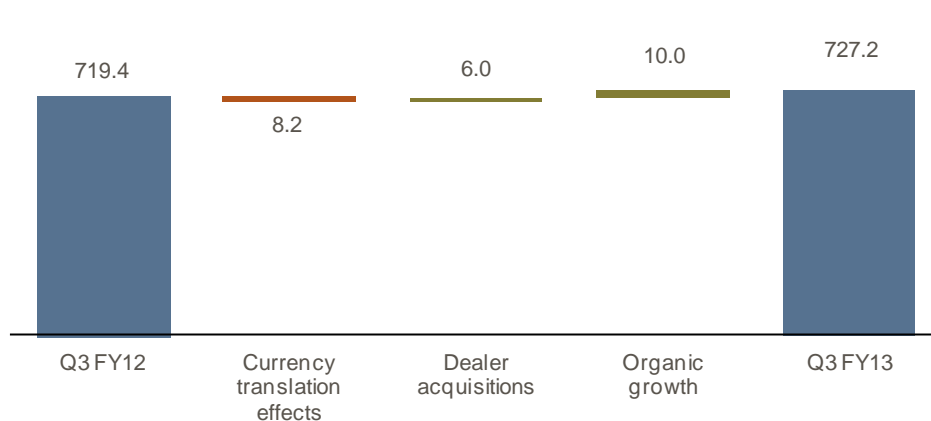
- The Americas segment serves customers in the U.S., Canada and Latin America with a portfolio of integrated architecture, furniture and technology products marketed to corporate, government, healthcare, education and retail customers through the Steelcase, Coalesse, Turnstone, Details and Nurture by Steelcase brands.
- The EMEA segment serves customers in Europe, the Middle East and Africa primarily under the Steelcase brand, with an emphasis on freestanding furniture systems, storage and seating solutions.
- The Other category includes Asia Pacific, Designtex and PolyVision. As of November 23, 2012, we realigned portions of our reportable segments for financial reporting purposes as a result of the integration of the PolyVision global technology business into the Steelcase Education Solutions group. Prior to this change, the PolyVision global technology business was combined with the PolyVision surfaces business and was reported collectively as PolyVision in the Other category along with Asia Pacific and Designtex. As a result of these changes, the results of the PolyVision technology business are now reported in the Americas and EMEA segments. The PolyVision surfaces business remains in the Other category.

	(Unaudited)				(Unaudited)	
	Three Months Ended				Three Months Ended	
	November 23, 2012		November 25, 2011		August 24, 2012	
Revenue	\$ 727.2	100.0%	\$ 719.4	100.0%	\$ 744.9	100.0%
Cost of sales	498.0	68.5	496.3	69.0	513.4	68.9
Restructuring costs	<u>3.3</u>	<u>0.4</u>	<u>3.3</u>	<u>0.4</u>	<u>3.4</u>	<u>0.5</u>
Gross profit	225.9	31.1	219.8	30.6	228.1	30.6
Operating expenses	184.8	25.4	181.1	25.2	181.0	24.3
Restructuring costs	<u>2.7</u>	<u>0.4</u>	<u>0.5</u>	<u>0.1</u>	<u>0.3</u>	<u>-</u>
Operating income	38.4	5.3	38.2	5.3	46.8	6.3
Interest expense	(4.2)	(0.6)	(4.1)	(0.6)	(4.6)	(0.6)
Investment income (loss)	1.1	0.2	(0.6)	(0.1)	1.3	0.2
Other income, net	<u>1.8</u>	<u>0.2</u>	<u>1.1</u>	<u>0.2</u>	<u>1.7</u>	<u>0.2</u>
Income before income taxes	37.1	5.1	34.6	4.8	45.2	6.1
Income tax expense	<u>13.5</u>	<u>1.9</u>	<u>12.2</u>	<u>1.7</u>	<u>15.7</u>	<u>2.1</u>
Net income	<u>\$ 23.6</u>	<u>3.2%</u>	<u>\$ 22.4</u>	<u>3.1%</u>	<u>\$ 29.5</u>	<u>4.0%</u>
Basic earnings per share	\$ 0.19		\$ 0.17		\$ 0.23	

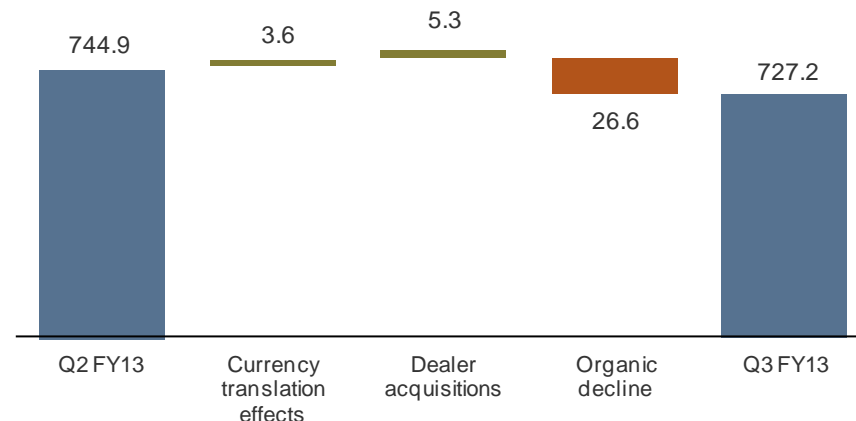
- **Net income** – We reported net income of \$23.6, or \$0.19 per share in Q3 2013, which included pre-tax restructuring costs of \$6.0 (\$3.0 of which was associated with the North America plant closures and \$1.6 of which was associated with the PolyVision technology integration into Steelcase Education Solutions). Excluding restructuring costs of \$0.03 per share, adjusted earnings equaled \$0.22 per share.
- **Operating income** – Current quarter operating income of \$38.4 compares to prior year operating income of \$38.2. Current quarter results include \$6.0 of restructuring costs compared to \$3.8 of restructuring costs in the prior year. Excluding restructuring costs, adjusted operating income of \$44.4 was \$2.4 million higher compared to the prior year. Strength in the Americas was offset by lower profitability in EMEA and the Other category.
  - Sequentially, reported operating income decreased \$8.4 and adjusted operating income decreased \$6.1. The sequential comparison was unfavorably impacted by the organic revenue decline and higher variable compensation, partially offset by benefits from recent pricing actions and higher net savings (after related disruption costs) associated with our North America plant consolidations.
- **Investment income (loss) and income tax expense** – Investment income increased due to gains in the cash surrender value of variable life company-owned life insurance policies as compared to losses in the prior year. The effective income tax rate for the quarter approximated 36.5%.

Revenue

Current year quarter over prior year quarter

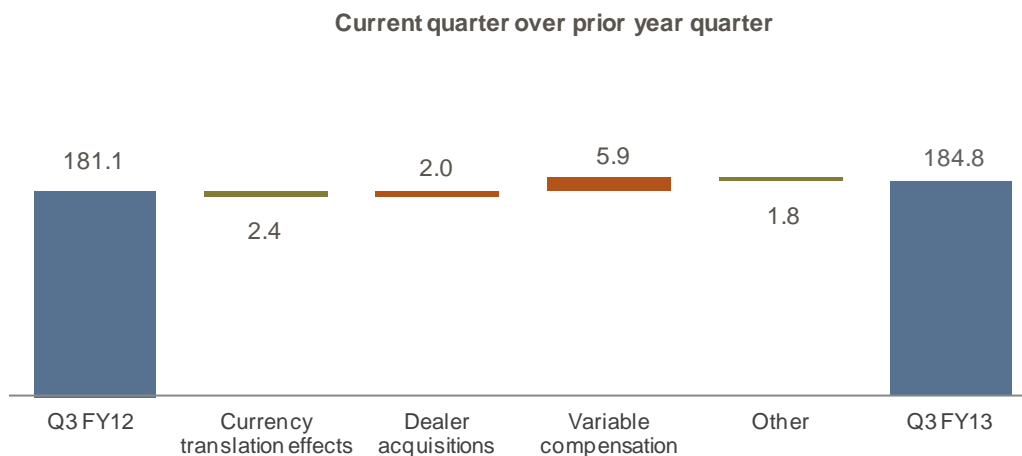


Sequential quarter over quarter



- **Revenue** – Revenue increased \$7.8 or 1.1% in Q3 2013 compared to Q3 2012. The revenue comparison to the prior year was negatively impacted by \$8.2 of unfavorable currency translation effects and positively impacted by \$6.0 from recent dealer acquisitions. After adjusting for these impacts, organic revenue growth was \$10.0 or 1%. We realized organic revenue growth of 3% in the Americas while EMEA and the Other category experienced organic declines of 1% and 3%, respectively.
- On a sequential quarter basis, Q3 2013 revenue decreased \$17.7 or 2.4% compared to Q2 2013. After adjusting for \$3.6 of favorable currency translation effects and \$5.3 related to recent dealer acquisitions, the organic revenue decline was \$26.6 or 4%, which represented a larger decline than normal seasonality, due to strength in Q2.

Operating expenses



- Operating expenses** – Current quarter operating expenses of \$184.8 represent an increase of \$3.7 compared to the prior year operating expenses of \$181.1. The quarter over quarter comparison included \$2.4 of favorable currency translation effects, \$2.0 of additional operating expenses related to recent dealer acquisitions and \$5.9 of higher variable compensation (including expenses associated with our EVA-based bonus programs and the Steelcase Inc. Retirement Plan).



## Quarterly cash flow data (unaudited)

steelcase inc

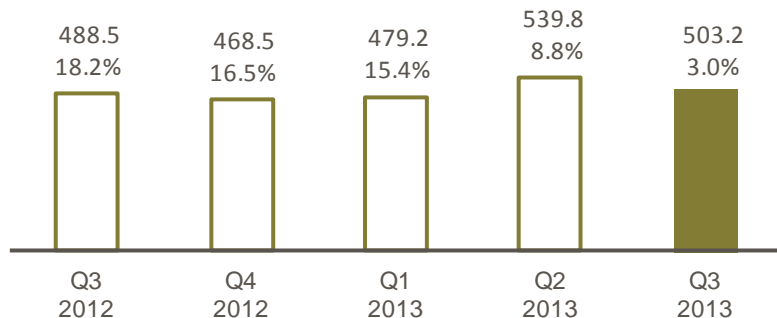
	<u>November 25,</u> <u>2011</u>	<u>February 24,</u> <u>2012</u>	<u>May 25,</u> <u>2012</u>	<u>August 24,</u> <u>2012</u>	<u>November 23,</u> <u>2012</u>
<b>OPERATING ACTIVITIES</b>					
Net income	\$ 22.4	\$ 13.9 *	\$ 13.2	\$ 29.5	\$ 23.6
Depreciation and amortization	14.1	14.7	13.6	13.8	15.1
Changes in cash surrender value of company-owned life insurance	-	(5.4)	(1.7)	(2.8)	0.8
Changes in deferred income taxes	6.7	10.8 *	8.0	3.8	3.5
Restructuring charges	3.8	4.5	5.1	3.7	6.0
Non-cash stock compensation	1.9	1.5	5.0	1.4	1.4
Changes in accounts receivable, net, inventories and accounts payable	(25.0)	36.3	(32.7)	(1.0)	4.0
Changes in employee compensation liabilities	14.1	(8.5)	(36.7)	10.4	31.7
Changes in other operating assets and liabilities	13.5	(15.8)	(9.2)	7.1	13.6
Other, net	(0.5)	1.8	(1.5)	0.2	0.9
Net cash provided by (used in) operating activities	<u>51.0</u>	<u>53.8</u>	<u>(36.9)</u>	<u>66.1</u>	<u>100.6</u>
<b>INVESTING ACTIVITIES</b>					
Capital expenditures	(20.0) **	(15.9)	(10.1)	(15.7)	(24.1)
Changes in investments, net	0.2	(28.1)	26.8	0.6	(25.2)
Proceeds from the disposal of fixed assets	7.7	3.6	14.1 ***	-	-
Acquisitions, net of cash acquired	(1.8)	(0.4)	-	(4.9)	(1.2)
Other, net	2.0	(2.8)	0.1	(6.1)	(4.0)
Net cash provided by (used in) investing activities	<u>(11.9)</u>	<u>(43.6)</u>	<u>30.9</u>	<u>(26.1)</u>	<u>(54.5)</u>
<b>FINANCING ACTIVITIES</b>					
Repayments of long-term debt	(2.3)	-	(0.7)	(0.8)	(0.5)
Dividends paid	(7.9)	(7.8)	(11.6)	(11.4)	(11.4)
Common stock repurchases	(17.9)	(6.7)	(11.8)	(7.6)	(0.5)
Other, net	1.5	0.3	0.2	1.7	(1.2)
Net cash used in financing activities	<u>(26.6)</u>	<u>(14.2)</u>	<u>(23.9)</u>	<u>(18.1)</u>	<u>(13.6)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2.0)</u>	<u>1.2</u>	<u>(1.7)</u>	<u>0.8</u>	<u>0.3</u>
Net increase (decrease) in cash and cash equivalents	10.5	(2.8)	(31.6)	22.7	32.8
Cash and cash equivalents, beginning of period	<u>104.4</u>	<u>114.9</u>	<u>112.1</u>	<u>80.5</u>	<u>103.2</u>
Cash and cash equivalents, end of period	<u>\$ 114.9</u>	<u>\$ 112.1</u>	<u>\$ 80.5</u>	<u>\$ 103.2</u>	<u>\$ 136.0</u>

\* Q4 2012 net income has been decreased, and the change in deferred income taxes has been increased, by \$1.0 from the amounts previously reported to correct for the net effect of two immaterial errors.

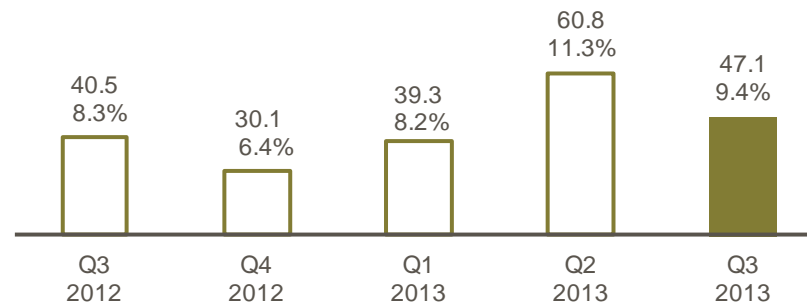
\*\* Q3 2012 capital expenditures include \$11 of progress payments on a replacement corporate aircraft of which we took delivery in November 2011.

\*\*\* Q1 2013 proceeds from the disposal of fixed assets included \$13.7 related to the sale of a corporate aircraft.

## Revenue (% change versus prior year)

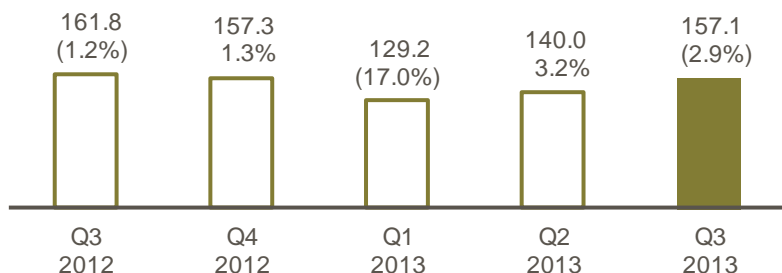


## Adjusted operating income (% of revenue)

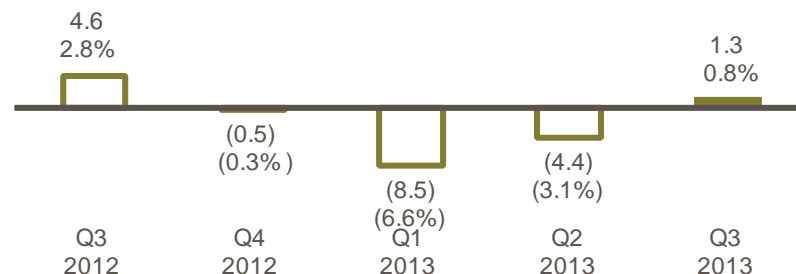


- Operating income** – Current quarter operating income of \$42.1 represents an increase of \$5.0 compared to prior year operating income of \$37.1. Current quarter results included \$5.0 of restructuring costs compared to \$3.4 in the prior year. Excluding restructuring costs, adjusted operating income increased \$6.6. The improvement was driven largely by year-over-year benefits from improved pricing (net of commodity cost changes) and restructuring actions (net of related disruption costs), but impacted by a higher mix of project business from some of the company’s largest corporate customers.
- Revenue** – Americas revenue increased \$14.7 or 3.0% in Q3 2013 compared to Q3 2012. After adjusting for \$0.7 of favorable currency translation effects, organic revenue growth was \$14.0 or 3%.
  - Product categories** – Eight of the ten product categories experienced growth in Q3, with notable growth rates in Seating, Technology and Details.
  - Vertical markets** – Strength in the Manufacturing, Insurance Services, and Information Technology sectors more than offset continued weakness in the Federal Government and Financial Services sectors.
  - Geographic regions** – Growth rates were the strongest in Latin America and in the Eastern Region of North America.
  - Contract type** – Growth in project business continued to outpace growth in continuing business.

## Revenue (% change versus prior year)



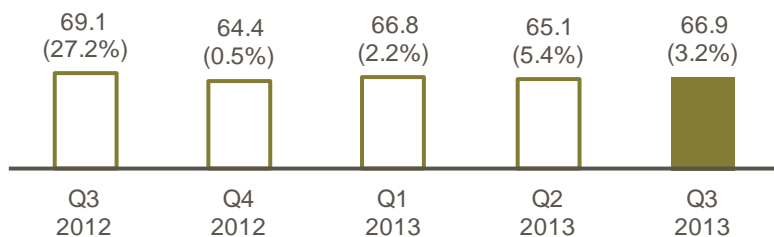
## Adjusted operating income (loss) (% of revenue)



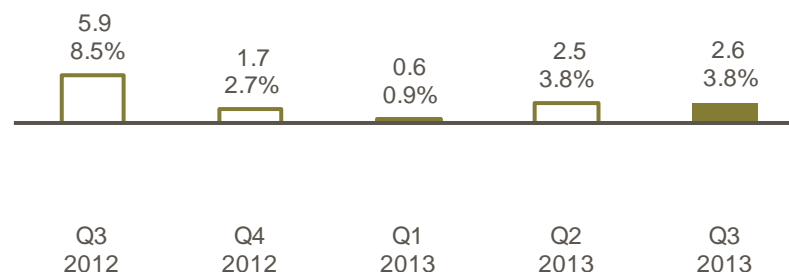
- Operating income (loss)** – Current quarter operating income of \$0.8 represents a decline of \$3.2 compared to prior year operating income of \$4.0. Current year results include \$0.5 of restructuring costs compared to \$0.6 of restructuring costs in the prior year. Excluding restructuring costs, adjusted operating income declined by \$3.3. The decline was driven largely by a higher mix of project business.
- Revenue** – EMEA revenue decreased \$4.7 or 2.9% in Q3 2013 compared to Q3 2012. After adjusting for \$9.1 of unfavorable currency translation effects and \$6.0 related to recent dealer acquisitions, organic revenue decline was \$1.6 or 1%. Growth in France, Northern Europe and the export markets of eastern, central and southern parts of Europe, the Middle East and Africa (as a group) was offset by declines in Germany and Iberia.

## Other category highlights – Q3 2013

### Revenue (% change versus prior year)



### Adjusted operating income (% of revenue)

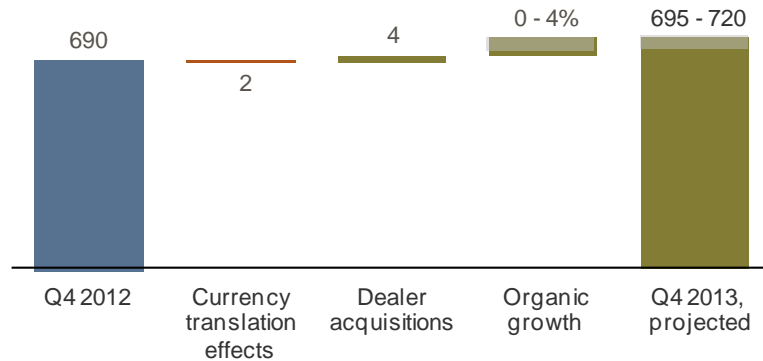


### Other

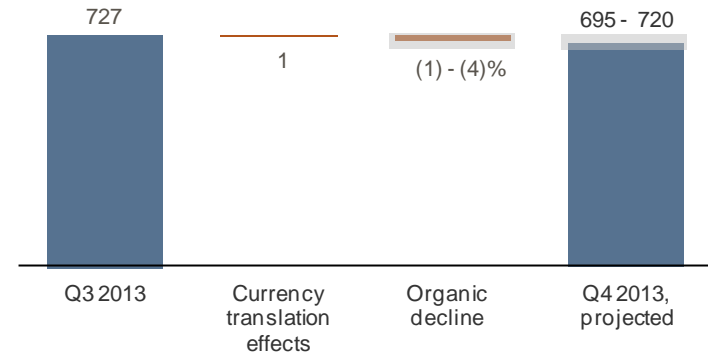
- **Operating income (loss)** – Current quarter operating income of \$2.1 represents a decrease of \$4.0 compared to prior year operating income of \$6.1. Current year results include \$0.5 of restructuring costs compared to \$0.2 of restructuring benefits in the prior year. Excluding restructuring, adjusted operating results declined by \$3.3 primarily due to lower revenue in PolyVision and Asia Pacific, as well as higher operating expenses across the category.
- **Revenue** – Q3 2013 revenue decreased \$2.2 or 3.2% compared to the prior year. Organic revenue declines at PolyVision and in Asia Pacific were partially offset by organic growth at Designtex.

Revenue

Forecast quarter over prior year quarter



Forecast sequential quarter over quarter



Net income

Expect Q4 2013 net income in the range of \$0.14 - \$0.18 per share including restructuring costs of approximately \$0.02 per share after-tax.

- Reported net income in the prior year was \$0.11 per share including restructuring costs of approximately \$0.03 per share.

Revenue

Expect Q4 2013 revenue in the range of \$695 - \$720. Adjusted for the items below, we project organic revenue growth in the range of 0% to 4% compared to the prior year.

- This revenue estimate is based on a euro to U.S. dollar exchange rate assumption of 1.29 as of the end of Q3 2013, which compares to an average exchange rate of 1.31 for Q4 2012 and 1.29 for Q3 2013. This and other currency assumptions included in our fourth quarter revenue estimate are expected to have negative effects on the year-over-year comparison of approximately \$2 and on the sequential comparison of approximately \$1.
- Q4 2013 is projected to have incremental year-over-year revenue related to recent dealer acquisitions in France.

# 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 and the impacts of acquisitions and divestitures; (2) adjusted operating income (loss), which represents operating income (loss), excluding restructuring costs; and (3) adjusted earnings per share, which represents earnings per share, excluding restructuring costs, 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

### Year over year organic revenue growth (decline) by segment

#### Q3 2013 vs. Q3 2012

	Steelcase Inc.	Americas	EMEA	Other category
Q3 2012 revenue, reported	\$ 719.4	\$ 488.5	\$ 161.8	\$ 69.1
Currency translation effects*	(8.2)	0.7	(9.1)	0.2
Adjusted Q3 2012 revenue	711.2	489.2	152.7	69.3
Q3 2013 revenue, reported	727.2	503.2	157.1	66.9
Dealer acquisitions	(6.0)	-	(6.0)	-
Adjusted Q3 2013 revenue	721.2	503.2	151.1	66.9
Organic growth (decline) \$	\$ 10.0	\$ 14.0	\$ (1.6)	\$ (2.4)
Organic growth (decline) %	1%	3%	(1%)	(3%)

### Sequential organic revenue growth

#### Q3 2013 vs. Q2 2013

	Steelcase Inc.	Americas	EMEA	Other category
Q2 2013 revenue, reported	\$ 744.9	\$ 539.8	\$ 140.0	\$ 65.1
Currency translation effects*	3.6	(0.7)	4.5	(0.2)
Adjusted Q2 2013 revenue	748.5	539.1	144.5	64.9
Q3 2013 revenue, reported	727.2	503.2	157.1	66.9
Dealer acquisitions	(5.3)	-	(5.3)	-
Adjusted Q3 2013 revenue	721.9	503.2	151.8	66.9
Organic growth (decline) \$	\$ (26.6)	\$ (35.9)	\$ 7.3	\$ 2.0
Organic growth (decline) %	(4%)	(7%)	5%	3%

### Projected organic revenue growth (decline)

	Year over year		Sequential	
	Q4 2013 vs. Q4 2012		Q4 2013 vs. Q3 2013	
Prior quarter revenue, reported	\$ 690	\$	727	
Currency translation effects**	(2)		(1)	
Adjusted prior quarter revenue	688		726	
Q4 2013 revenue, projected	695 - 720		695 - 720	
Dealer acquisitions	\$ (4)	\$	-	
Adjusted Q4 2013 revenue	691 - 716		695 - 720	
Organic growth (decline) \$	\$ 3 - 28	\$	(31) - (6)	
Organic growth (decline) %	0% - 4%		(4%) - (1%)	

### Year over year organic revenue growth

#### YTD Q3 2013 vs. YTD Q3 2012

	Steelcase Inc.
YTD 2012 revenue, reported	\$ 2,059
Divestiture	\$ (9)
Currency translation effects*	\$ (36)
Adjusted YTD 2012 revenue	\$ 2,015
YTD 2013 revenue, reported	\$ 2,147
Dealer acquisitions	\$ (17)
Adjusted YTD 2013 revenue	\$ 2,130
Organic growth \$	\$ 115
Organic growth %	6%

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

\*\* 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.

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

Steelcase Inc.	Q3 2012		Q4 2012		Q1 2013		Q2 2013		Q3 2013	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income	\$ 38.2	5.3%	\$ 18.5	2.7%	\$ 19.3	2.8%	\$ 46.8	6.3%	\$ 38.4	5.3%
Add: restructuring costs	3.8	0.5%	4.5	0.6%	5.1	0.8%	3.7	0.5%	6.0	0.8%
Adjusted operating income	\$ 42.0	5.8%	\$ 23.0	3.3%	\$ 24.4	3.6%	\$ 50.5	6.8%	\$ 44.4	6.1%

Americas segment	Q3 2012		Q4 2012		Q1 2013		Q2 2013		Q3 2013	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income	\$ 37.1	7.6%	\$ 24.5	5.2%	\$ 34.5	7.2%	\$ 57.4	10.6%	\$ 42.1	8.4%
Add: restructuring costs	3.4	0.7%	5.6	1.2%	4.8	1.0%	3.4	0.7%	5.0	1.0%
Adjusted operating income	\$ 40.5	8.3%	\$ 30.1	6.4%	\$ 39.3	8.2%	\$ 60.8	11.3%	\$ 47.1	9.4%

EMEA segment	Q3 2012		Q4 2012		Q1 2013		Q2 2013		Q3 2013	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income (loss)	\$ 4.0	2.5%	\$ 0.7	0.4%	\$ (8.9)	(6.9%)	\$ (4.4)	(3.1%)	\$ 0.8	0.5%
Add: restructuring costs	0.6	0.3%	(1.2)	(0.7%)	0.4	0.3%	-	0.0%	0.5	0.3%
Adjusted operating income (loss)	\$ 4.6	2.8%	\$ (0.5)	(0.3%)	\$ (8.5)	(6.6%)	\$ (4.4)	(3.1%)	\$ 1.3	0.8%

Other category	Q3 2012		Q4 2012		Q1 2013		Q2 2013		Q3 2013	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income	\$ 6.1	8.8%	\$ 1.6	2.5%	\$ 0.6	0.9%	\$ 2.2	3.4%	\$ 2.1	3.1%
Add: restructuring costs	(0.2)	(0.3%)	0.1	0.2%	-	0.0%	0.3	0.4%	0.5	0.7%
Adjusted operating income	\$ 5.9	8.5%	\$ 1.7	2.7%	\$ 0.6	0.9%	\$ 2.5	3.8%	\$ 2.6	3.8%

## Steelcase Inc.

### Adjusted earnings per share

	Q3 2013
Earnings per share, reported	\$ 0.19
Restructuring costs, net of tax, per share	0.03
Adjusted earnings per share	<u>\$ 0.22</u>