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NYSE: SCS



steelcase inc

June 20, 2013

FIRST QUARTER FISCAL 2014 RESULTS

Quarter ended May 24, 2013

WEBCAST

Thursday, June 20, 2013

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.

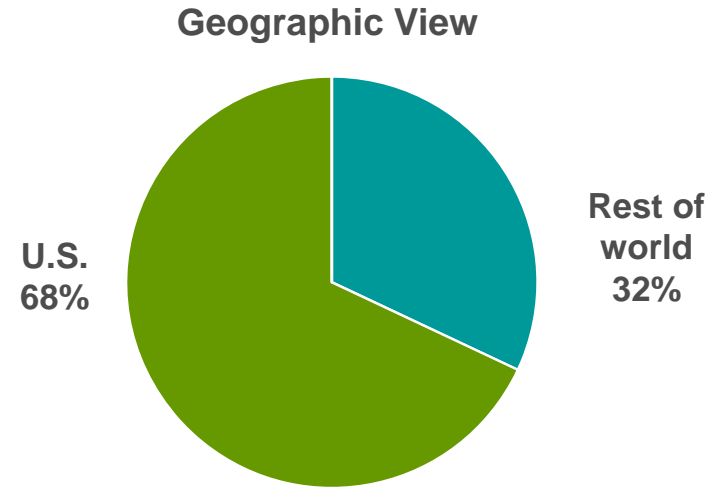
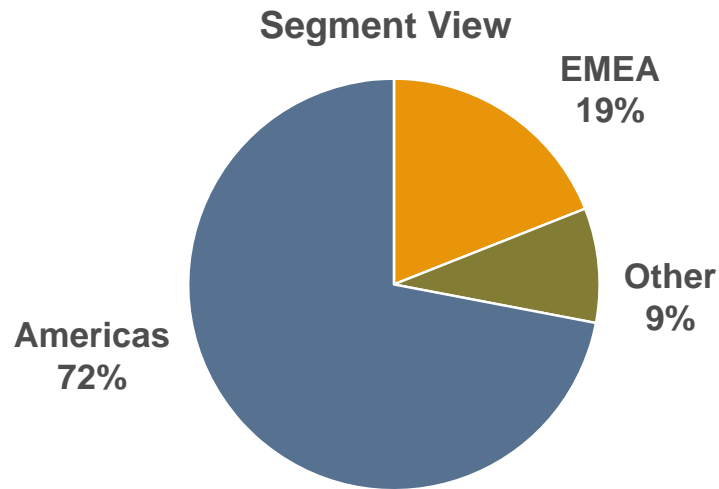
Updating of information

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 The information contained in this presentation is provided as of the date stated on the cover and may be superseded by information disclosed in our subsequent Form 10-Q, Form 10-K or other filings with the Securities and Exchange Commission.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.

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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, Nurture by Steelcase 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.

Steelcase Inc. highlights – Q1 2014

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	(Unaudited)				(Unaudited)	
	Three Months Ended				Three Months Ended	
	May 24, 2013		May 25, 2012		February 22, 2013	
Revenue	\$ 667.1	100.0%	\$ 675.2	100.0%	\$ 721.4	100.0%
Cost of sales	457.2	68.5	474.1	70.2	502.3	69.6
Restructuring costs	<u>0.2</u>	<u>-</u>	<u>5.1</u>	<u>0.8</u>	<u>3.1</u>	<u>0.5</u>
Gross profit	209.7	31.5	196.0	29.0	216.0	29.9
Operating expenses	185.1	27.8	176.7	26.2	184.5	25.6
Goodwill impairment charges	-	-	-	-	59.9	8.3
Restructuring costs	<u>4.2</u>	<u>0.6</u>	<u>-</u>	<u>-</u>	<u>16.8</u>	<u>2.3</u>
Operating income (loss)	20.4	3.1	19.3	2.8	(45.2)	(6.3)
Interest expense	(4.4)	(0.7)	(4.5)	(0.7)	(4.5)	(0.6)
Investment income	0.6	0.1	1.1	0.2	0.2	-
Other income, net	<u>1.2</u>	<u>0.2</u>	<u>3.8</u>	<u>0.6</u>	<u>2.4</u>	<u>0.4</u>
Income (loss) before income taxes	17.8	2.7	19.7	2.9	(47.1)	(6.5)
Income tax expense (benefit)	<u>4.6</u>	<u>0.7</u>	<u>6.5</u>	<u>0.9</u>	<u>(19.6)</u>	<u>(2.7)</u>
Net income (loss)	<u>\$ 13.2</u>	<u>2.0%</u>	<u>\$ 13.2</u>	<u>2.0%</u>	<u>\$ (27.5)</u>	<u>(3.8%)</u>
Basic earnings (loss) per share	\$ 0.10		\$ 0.10		\$ (0.22)	

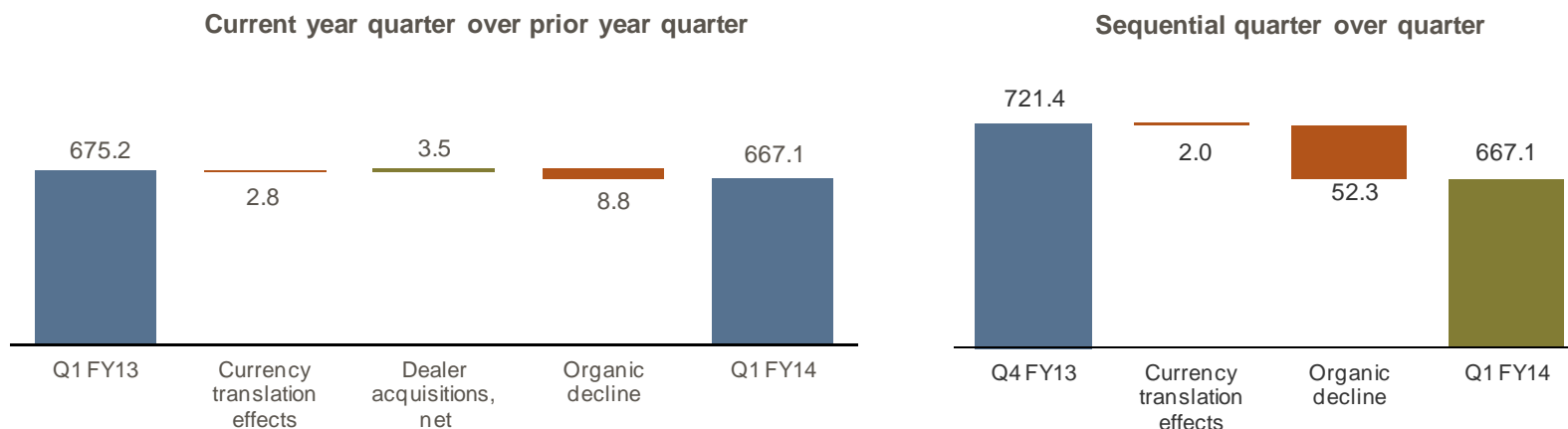
- **Net income** – We reported net income of \$13.2, or \$0.10 per share in Q1 2014, which included pre-tax restructuring costs of \$4.4 (including \$3.2 in EMEA). Excluding restructuring costs of approximately \$0.03 per share, adjusted earnings equaled \$0.13 per share.

- **Operating income** – Current quarter operating income of \$20.4 compares to prior year operating income of \$19.3. Current quarter results include \$4.4 of restructuring costs compared to \$5.1 of restructuring costs in the prior year. Excluding restructuring costs, adjusted operating income of \$24.8 increased \$0.4 compared to the prior year. Net benefits from pricing adjustments and recent restructuring actions in the Americas were largely offset by higher operating expenses, which included increased variable compensation expense and the impact of recent acquisitions.

Sequentially, reported operating income increased by \$65.6 and adjusted operating income decreased by \$9.8. Q4 2013 reported operating income included \$59.9 of goodwill impairment charges and \$19.9 of restructuring costs compared to \$4.4 of restructuring costs in Q1 2014. The sequential decrease in adjusted operating income was largely driven by the seasonal organic revenue decline.

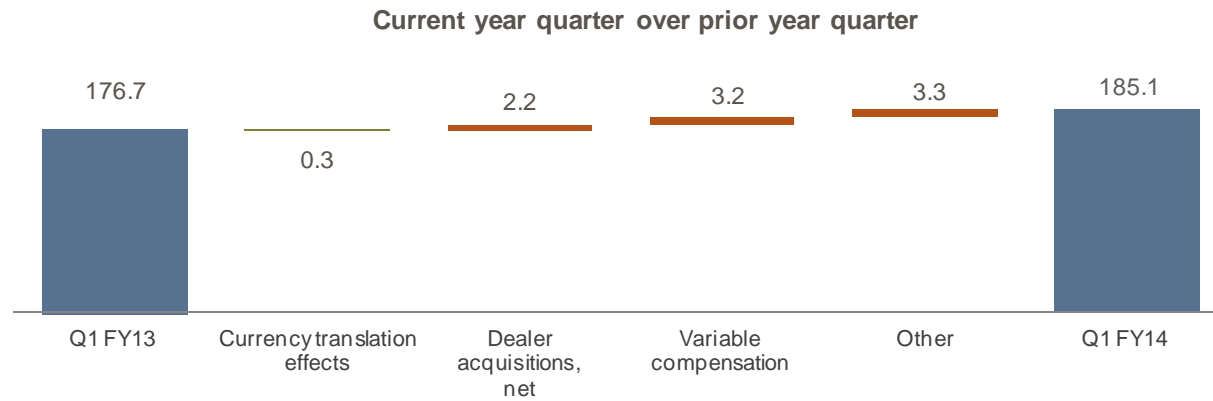
- **Investment income, other income, net and income tax expense** – Investment income decreased due to lower gains on the cash surrender value of variable life company-owned life insurance policies and lower interest income. Other income, net decreased primarily due to a \$2.1 gain recognized on the sale of a small equity investment recorded in the prior year. Income tax expense of \$4.6 in the current quarter included \$1.6 of favorable discrete tax items.

Revenue



- Revenue** – Revenue decreased \$8.1 in Q1 2014 compared to Q1 2013. The revenue comparison to the prior year was impacted by \$2.8 of unfavorable currency translation effects and \$3.5 from recent dealer acquisitions, net of a divestiture. After adjusting for these impacts, organic revenue decline was \$8.8 or 1%. We realized an organic revenue decline of 3% in EMEA and 8% in the Other category, while organic growth in the Americas was less than 1%.
- On a sequential quarter basis, Q1 2014 revenue decreased \$54.3 compared to Q4 2013. After adjusting for unfavorable currency translation effects of \$2.0, the organic revenue decline was \$52.3 or 7%, which was somewhat larger than normal seasonality due to requested shipment dates associated with first quarter orders in the Americas being more heavily weighted toward the second quarter.

Operating expenses



- Operating expenses** – Current quarter operating expenses of \$185.1 represent an increase of \$8.4 compared to the prior year operating expenses of \$176.7. The quarter over quarter comparison included favorable currency translation effects of \$0.3, additional operating expenses of \$2.2 related to recent dealer acquisitions, net of a divestiture, and \$3.2 of higher variable compensation. The remaining increase of \$3.3 over the prior year primarily related to earnings associated with deferred compensation and increased spending on sales, product development and other initiatives in Corporate and the Americas.

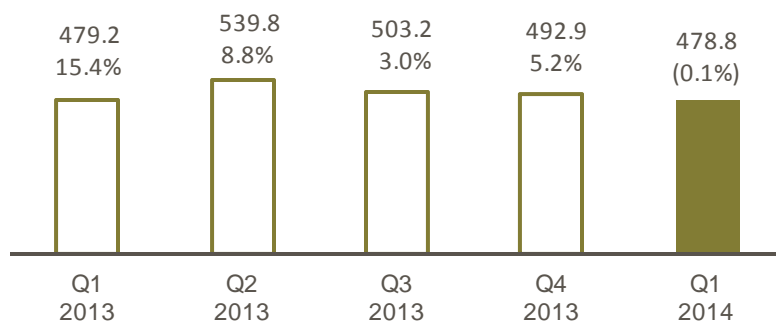
Quarterly cash flow data (unaudited)

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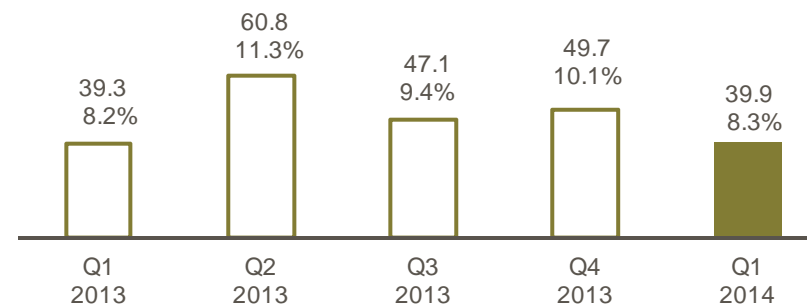
	<u>May 25,</u> <u>2012</u>	<u>August 24,</u> <u>2012</u>	<u>November 23,</u> <u>2012</u>	<u>February 22,</u> <u>2013</u>	<u>May 24,</u> <u>2013</u>
OPERATING ACTIVITIES					
Net income	\$ 13.2	\$ 29.5	\$ 23.6	\$ (27.5)	\$ 13.2
Depreciation and amortization	13.6	13.8	15.1	15.8	14.1
Changes in cash surrender value of company-owned life insurance	(1.7)	(2.8)	0.8	5.5	(1.2)
Goodwill impairment charges	-	-	-	59.9	-
Deferred income taxes	8.0	3.8	3.5	(23.4)	0.7
Non-cash stock compensation	5.0	1.4	1.4	1.8	10.8
Changes in accounts receivable, net, inventories and accounts payable	(32.7)	(1.0)	4.0	22.4	(12.9)
Changes in employee compensation liabilities	(36.7)	10.4	31.7	0.4	(48.0)
Changes in other operating assets and liabilities	(9.2)	7.1	13.6	(15.5)	(16.4)
Other, net	3.6	3.9	6.9	18.1	0.4
Net cash provided by (used in) operating activities	<u>(36.9)</u>	<u>66.1</u>	<u>100.6</u>	<u>57.5</u>	<u>(39.3)</u>
INVESTING ACTIVITIES					
Capital expenditures	(10.1)	(15.7)	(24.1)	(24.1)	(18.4)
Changes in investments, net	26.8	0.6	(25.2)	(18.2)	56.6
Proceeds from the disposal of fixed assets	14.1	-	-	1.4	0.9
Acquisitions, net of cash acquired	-	(4.9)	(1.2)	-	-
Other, net	0.1	(6.1)	(4.0)	5.1	(0.4)
Net cash provided by (used in) investing activities	<u>30.9</u>	<u>(26.1)</u>	<u>(54.5)</u>	<u>(35.8)</u>	<u>38.7</u>
FINANCING ACTIVITIES					
Dividends paid	(11.6)	(11.4)	(11.4)	(11.4)	(12.5)
Common stock repurchases	(11.8)	(7.6)	(0.5)	-	(31.7)
Other, net	(0.5)	0.9	(1.7)	2.8	(1.7)
Net cash used in financing activities	<u>(23.9)</u>	<u>(18.1)</u>	<u>(13.6)</u>	<u>(8.6)</u>	<u>(45.9)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1.7)</u>	<u>0.8</u>	<u>0.3</u>	<u>1.3</u>	<u>(0.8)</u>
Net increase (decrease) in cash and cash equivalents	(31.6)	22.7	32.8	14.4	(47.3)
Cash and cash equivalents, beginning of period	<u>112.1</u>	<u>80.5</u>	<u>103.2</u>	<u>136.0</u>	<u>150.4</u>
Cash and cash equivalents, end of period	<u>\$ 80.5</u>	<u>\$ 103.2</u>	<u>\$ 136.0</u>	<u>\$ 150.4</u>	<u>\$ 103.1</u>

Americas segment highlights – Q1 2014

Revenue
(% change versus prior year)



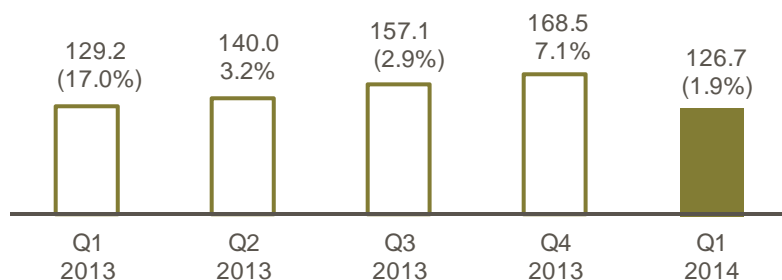
Adjusted operating income
(% of revenue)



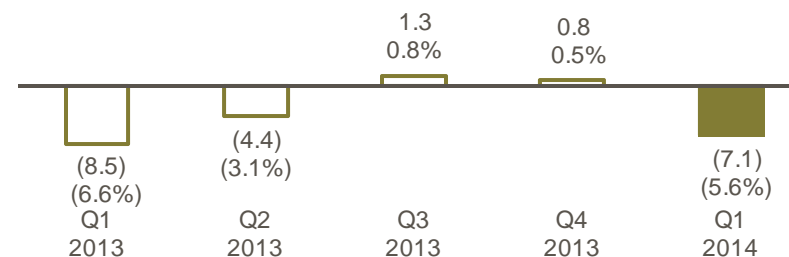
- **Operating income** – Current quarter operating income of \$38.7 represents an increase of \$4.2 compared to prior year operating income of \$34.5. Current quarter results included \$1.2 of restructuring costs compared to \$4.8 in the prior year. Excluding restructuring costs, adjusted operating income increased \$0.6 due primarily to net benefits from pricing adjustments and recent restructuring actions, offset in part by higher variable compensation and increased spending on sales, product development and other initiatives.
- **Revenue** – Americas revenue was relatively flat in Q1 2014 compared to Q1 2013. After adjusting for \$1.1 of unfavorable currency translation effects, organic revenue growth was \$0.7.
 - **Product categories** – Six of nine categories experienced growth in Q1, led by Technology, Turnstone and Architectural Solutions. The Wood category declined due to large projects in the prior year.
 - **Vertical markets** – Information Technology, Technical/Professional and Manufacturing experienced strong growth while Energy declined significantly, due to large projects in the prior year.
 - **Geographic regions** – Strength in the East Business Group was offset by a decline in the South Business Group.
 - **Contract type** – Marketing business grew modestly but was offset by declines in project business, which included two large projects in the prior year, and continuing business.

EMEA segment highlights – Q1 2014

Revenue (% change versus prior year)



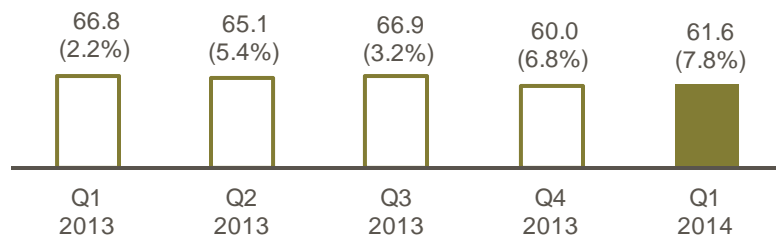
Adjusted operating income (loss) (% of revenue)



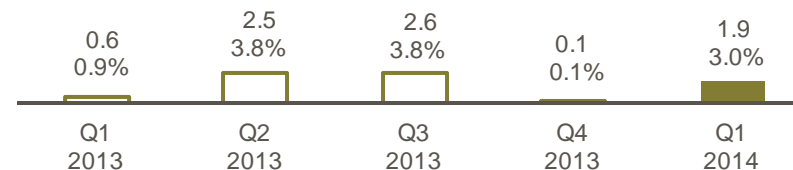
- Operating income (loss)** – Current quarter operating loss of \$10.3 represents a decrease of \$1.5 compared to the prior year operating loss of \$8.8. Current year results include \$3.2 of restructuring costs compared to \$0.3 of restructuring costs in the prior year. Excluding restructuring costs, adjusted operating loss of \$7.1 improved by \$1.4. The improvement was driven by lower operating expenses, offset in part by the organic revenue decline.
- Revenue** – EMEA revenue decreased \$2.5 in Q1 2014 compared to Q1 2013. After adjusting for \$1.7 of favorable currency translation effects and \$3.5 related to recent dealer acquisitions, net of a divestiture, organic revenue decline was \$4.3 or 3.4%. Growth in the Middle East and Africa (as a group), the export markets of the central, eastern and southern parts of Europe (as a group) and Germany was more than offset by declines in France, Northern Europe and Iberia.

Other category highlights – Q1 2014

Revenue (% change versus prior year)



Adjusted operating income (% of revenue)



Other

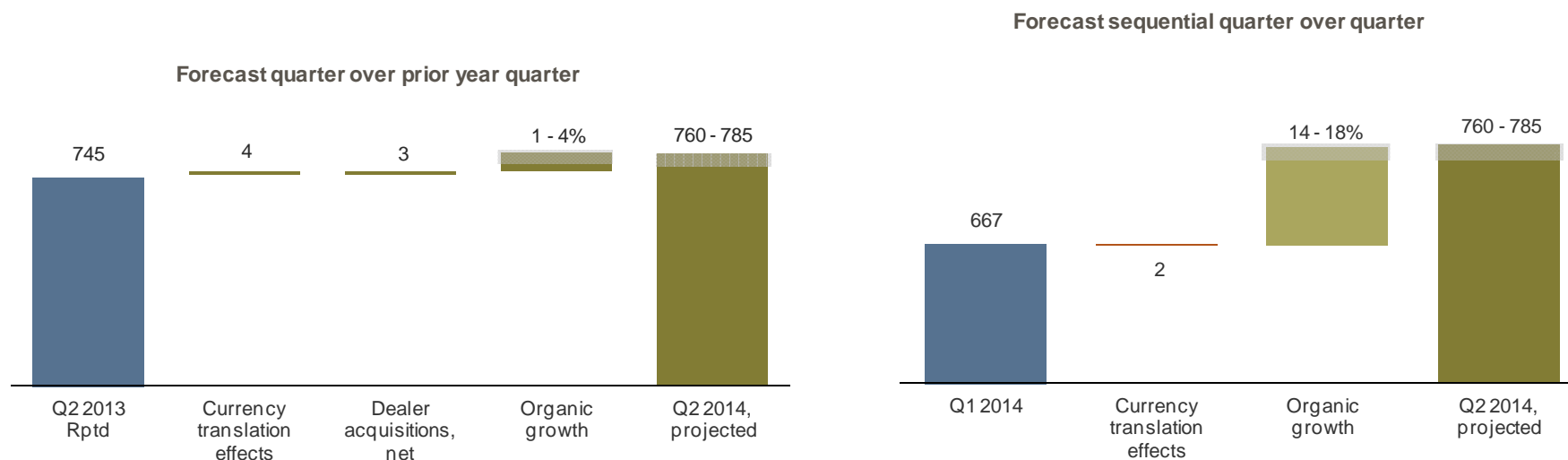
The Other category includes Asia Pacific, PolyVision and Designtex.

- **Operating income** – Current quarter operating income of \$1.9 represents an increase of \$1.3 compared to prior year operating income of \$0.6. There were no restructuring charges recorded in the current year or the prior year. The increase in operating income was accomplished despite a decline in revenue.
- **Revenue** – Q1 2014 revenue decreased \$5.2 or 7.8% compared to the prior year. Growth at Designtex was offset by declines in Asia Pacific and at PolyVision.

Corporate

- **Operating income (loss)** – Corporate costs increased by \$2.9 to \$9.9 in the current quarter compared to the prior year primarily due to earnings associated with deferred compensation and higher variable compensation expense.

Revenue



Net income

Expect Q2 2014 net income in the range of \$0.22 - \$0.26 per share, including restructuring costs of approximately \$0.01 per share. In addition, the estimates include unfavorable discrete tax adjustments of approximately \$2, or \$0.02 per share primarily related to expected changes in the statutory tax rate in the U.K.

- Reported net income in the prior year was \$0.23 per share including restructuring costs of approximately \$0.02 per share.

Revenue

Expect Q2 2014 revenue in the range of \$760 - \$785. Adjusted for the items below, we project organic revenue growth in the range of 1% 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 Q1 2014, which compares to an average exchange rate of 1.24 for Q2 2013 and 1.30 for Q1 2014. This and other currency assumptions included in our second quarter revenue estimate are expected to have positive effects on the year-over-year comparison of approximately \$4 and negative effects on the sequential comparison of approximately \$2.
- Q2 2014 is projected to have incremental year-over-year revenue of \$3 related to recent dealer acquisitions in France, net of a divestiture.
- On a sequential basis, organic growth is projected to be 14-18%, which is higher than normal seasonality due to requested shipment dates associated with first quarter orders in the Americas being more heavily weighted toward the second quarter.

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 goodwill impairment charges; 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 Q1 2014 vs. Q1 2013

	Steelcase Inc.	Americas	EMEA	Other category
Q1 2013 revenue, reported	\$ 675.2	\$ 479.2	\$ 129.2	\$ 66.8
Divestiture	(1.3)	-	(1.3)	-
Currency translation effects*	(2.8)	(1.1)	(1.7)	-
Adjusted Q1 2013 revenue	671.1	478.1	126.2	66.8
Q1 2014 revenue, reported	\$ 667.1	\$ 478.8	\$ 126.7	\$ 61.6
Dealer acquisitions	(4.8)	-	(4.8)	-
Adjusted Q1 2014 revenue	662.3	478.8	121.9	61.6
Organic growth (decline) \$	\$ (8.8)	\$ 0.7	\$ (4.3)	\$ (5.2)
Organic growth (decline) %	(1%)	0%	(3%)	(8%)

Sequential organic revenue growth (decline) by segment Q1 2014 vs. Q4 2013

	Steelcase Inc.	Americas	EMEA	Other category
Q4 2013 revenue, reported	\$ 721.4	\$ 492.9	\$ 168.5	\$ 60.0
Currency translation effects*	(2.0)	0.7	(2.7)	-
Adjusted Q4 2013 revenue	719.4	493.6	165.8	60.0
Q1 2014 revenue, reported	667.1	478.8	126.7	61.6
Organic growth (decline) \$	\$ (52.3)	\$ (14.8)	\$ (39.1)	\$ 1.6
Organic growth (decline) %	(7%)	(3%)	(24%)	3%

Projected organic revenue growth

	Year over year		Sequential	
	Q2 2014 vs. Q2 2013		Q2 2014 vs. Q1 2014	
Prior quarter revenue, reported	\$ 745	\$	667	
Divestiture	(2)		-	
Currency translation effects**	4		(2)	
Adjusted prior quarter revenue	747		665	
Q2 2014 revenue, projected	760 - 785		760 - 785	
Dealer acquisitions	\$ (5)	\$	-	
Adjusted Q2 2014 revenue	755 - 780		760 - 785	
Organic growth \$	\$ 8 - 33	\$	95 - 120	
Organic growth %	1% - 4%		14% - 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.

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

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Steelcase Inc.	Q1 2013		Q2 2013		Q3 2013		Q4 2013		Q1 2014	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income (loss)	\$ 19.3	2.8%	\$ 46.8	6.3%	\$ 38.4	5.3%	\$ (45.2)	(6.3%)	\$ 20.4	3.1%
Add: restructuring costs	5.1	0.8%	3.7	0.5%	6.0	0.8%	19.9	2.8%	4.4	0.6%
Add: goodwill impairment charges	-	-	-	-	-	-	59.9	8.3%	-	-
Adjusted operating income	\$ 24.4	3.6%	\$ 50.5	6.8%	\$ 44.4	6.1%	\$ 34.6	4.8%	\$ 24.8	3.7%

Americas segment	Q1 2013		Q2 2013		Q3 2013		Q4 2013		Q1 2014	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income	\$ 34.5	7.2%	\$ 57.4	10.6%	\$ 42.1	8.4%	\$ 34.3	7.0%	\$ 38.7	8.1%
Add: restructuring costs	4.8	1.0%	3.4	0.7%	5.0	1.0%	15.4	3.1%	1.2	0.2%
Add: goodwill impairment charges	-	-	-	-	-	-	-	-	-	-
Adjusted operating income	\$ 39.3	8.2%	\$ 60.8	11.3%	\$ 47.1	9.4%	\$ 49.7	10.1%	\$ 39.9	8.3%

EMEA segment	Q1 2013		Q2 2013		Q3 2013		Q4 2013		Q1 2014	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income (loss)	\$ (8.8)	(6.9%)	\$ (4.4)	(3.1%)	\$ 0.8	0.5%	\$ (38.5)	(22.8%)	\$ (10.3)	(8.1%)
Add: restructuring costs (benefits)	0.3	0.3%	-	-	0.5	0.3%	4.2	2.5%	3.2	2.5%
Add: goodwill impairment charges	-	-	-	-	-	-	35.1	20.8%	-	-
Adjusted operating income (loss)	\$ (8.5)	(6.6%)	\$ (4.4)	(3.1%)	\$ 1.3	0.8%	\$ 0.8	0.5%	\$ (7.1)	(5.6%)

Other category	Q1 2013		Q2 2013		Q3 2013		Q4 2013		Q1 2014	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income (loss)	\$ 0.6	0.9%	\$ 2.2	3.4%	\$ 2.1	3.1%	\$ (25.0)	(41.7%)	\$ 1.9	3.0%
Add: restructuring costs	-	-	0.3	0.4%	0.5	0.7%	0.3	0.5%	-	-
Add: goodwill impairment charges	-	-	-	-	-	-	24.8	41.3%	-	-
Adjusted operating income	\$ 0.6	0.9%	\$ 2.5	3.8%	\$ 2.6	3.8%	\$ 0.1	0.1%	\$ 1.9	3.0%

Steelcase Inc.

Adjusted earnings per share

Earnings per share, reported	\$ 0.10
Restructuring costs, net of tax, per share	0.03
Adjusted earnings per share	<u>\$ 0.13</u>

Q1 2014	
\$	0.10
	0.03
<u>\$</u>	<u>0.13</u>