

ARMSTRONG FLOORING, INC.

Repositioning for Growth

ANALYST AND INVESTOR CALL

November 15, 2018



SAFE HARBOR STATEMENT

Disclosures in this release, including without limitation those regarding our entry into a definitive agreement to sell the Wood Flooring segment to American Industrial Partners, the transactions contemplated thereby and any financial expectations related thereto, and in our other public documents and comments contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those statements provide our future expectations or forecasts and can be identified by our use of words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “outlook,” “target,” “predict,” “may,” “will,” “would,” “could,” “should,” “seek,” and other words or phrases of similar meaning in connection with any discussion of future operating or financial performance. Forward-looking statements, by their nature, address matters that are uncertain and involve risks because they relate to events and depend on circumstances that may or may not occur in the future. As a result, our actual results may differ materially from our expected results and from those expressed in our forward looking statements. A more detailed discussion of the risks and uncertainties that could cause our actual results to differ materially from those projected, anticipated or implied is included our reports filed with the U.S. Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update any forward-looking statements beyond what is required under applicable securities law. The information in this presentation is only effective as of the date given, November 15, 2018, and is subject to change. Any distribution of this presentation after November 15, 2018 is not intended and will not be construed as updating or confirming such information.

Armstrong Flooring, Inc. competes globally in many diverse markets. References to “*market*” or “*share*” data are simply estimations based on a combination of internal and external sources and assumptions. They are intended only to assist discussion of the relative performance of product segments and categories for marketing and related purposes. No conclusion has been reached or should be reached regarding a “*product market*,” a “*geographic market*” or “*market share*,” as such terms may be used or defined for any economic, legal or other purpose.

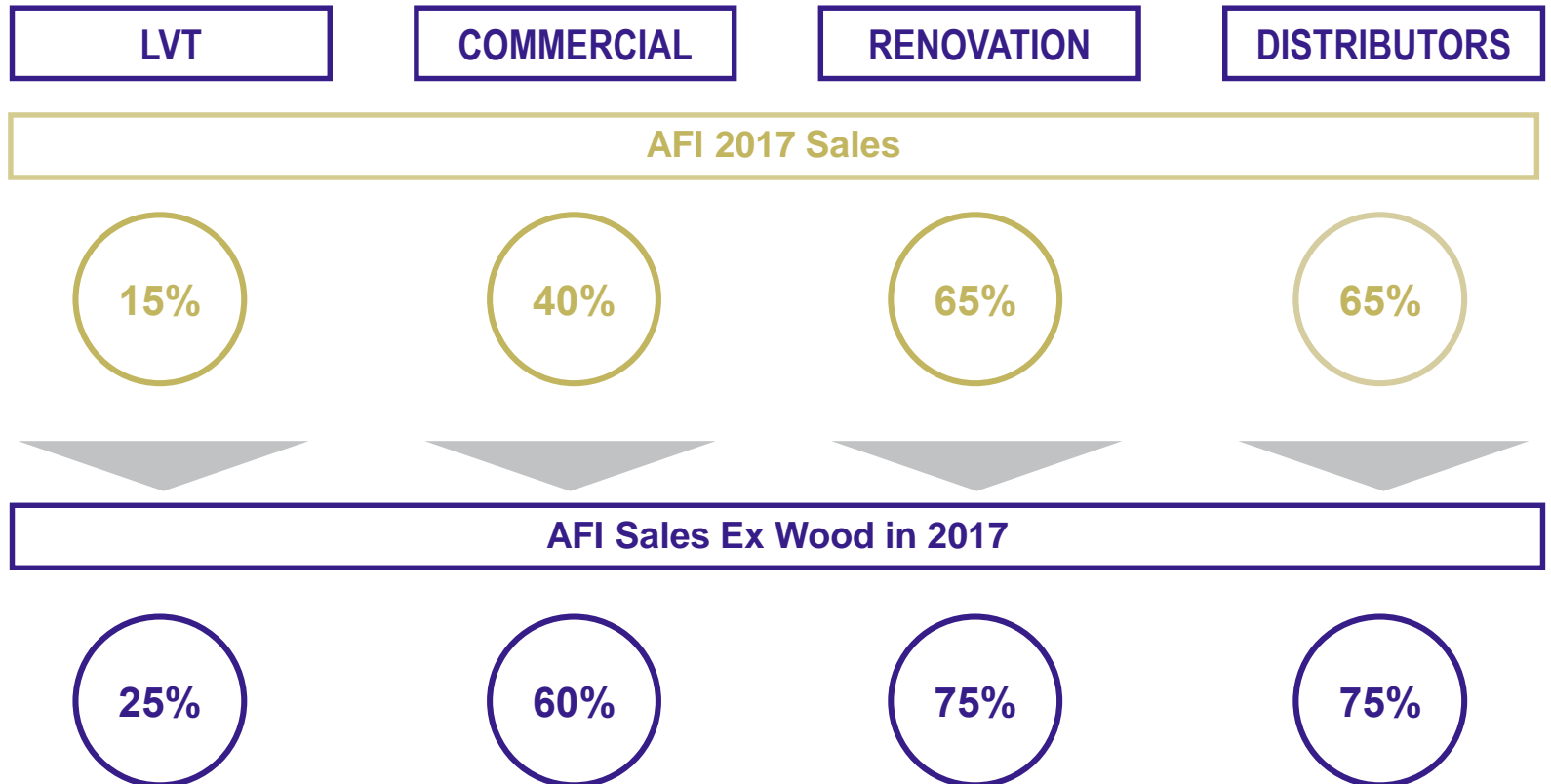
In addition, we will be referring to “non-GAAP financial measures” within the meaning of SEC Regulation G. Management uses non-GAAP measures, including Adjusted EBITDA and Free Cash Flow, in managing the business and believes the adjustments provide meaningful comparisons of operating performance between periods. We remove the impact of certain discrete expenses and income. The non-cash expense impact of the U.S. pension and depreciation and amortization is also excluded.

A reconciliation of the differences between these measures with the most directly comparable financial measures calculated in accordance with GAAP can be found in the appendix section of this presentation.

STRATEGIC SALE OF WOOD SEGMENT CREATES FOCUSED RESILIENT-ONLY PLATFORM POSITIONED FOR GROWTH

- 1 Streamlined, pure-play resilient flooring company positioned to capitalize on attractive growth opportunities and optimize shareholder returns**
 - Sale price of \$100 million; estimated net proceeds of \$85 to \$90 million after taxes, fees and standard adjustments
 - Selling Wood Segment allows us to sharpen our focus on driving growth in LVT and other core, high-margin resilient categories
 - Wood sale is a result of a robust review conducted with the assistance of outside advisors
- 2 Armstrong Flooring is a leading US Resilient flooring manufacturer with a broad portfolio of commercial and residential products**
 - Pure-play resilient company will benefit from increased profitability, higher return on assets, superior free cash flow profile, and enhanced end-market exposure
- 3 Strengthens the balance sheet and enables the Company to optimize capital allocation**
 - Positions the Company to invest in its core business and pursue acquisitions that support our strategic priorities
 - Increases financial flexibility and potential for increased value creation through investments and/or return of capital to shareholders

CORE RESILIENT BUSINESS HAS ATTRACTIVE PRODUCT AND END-MARKET MIX

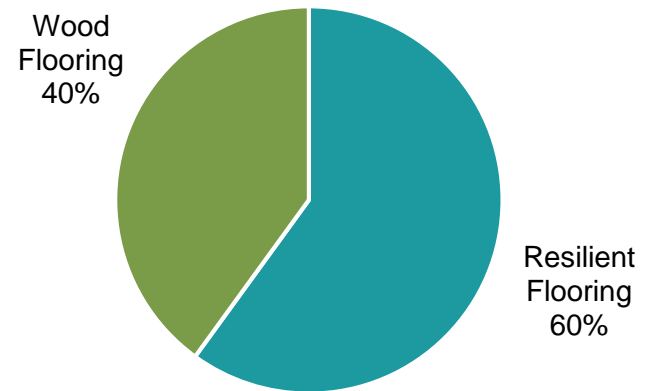


Repositioning Our Portfolio for Growth and Value Creation

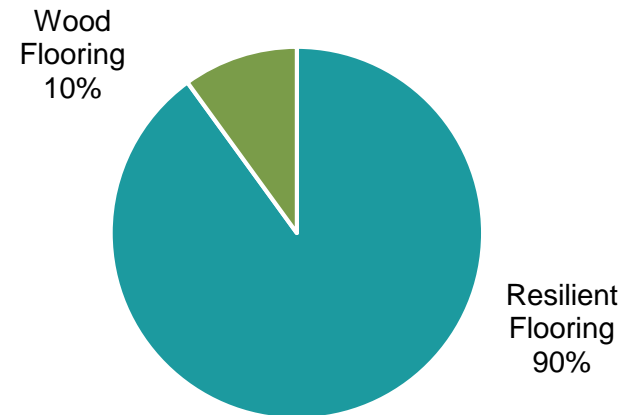
STRONG RESILIENT FUNDAMENTALS

- ✓ US resilient flooring industry fastest growing segment with LVT category growing at 27%(1)
- ✓ Resilient Flooring segment generated 90% of Adj. EBITDA on 60% of sales in 2017
- ✓ Resilient Flooring segment margin 680 bps higher than Wood Flooring segment in 2017
- ✓ Growth strategy delivering sales growth momentum
 - Q1 2018 – up 1.9%
 - Q2 2018 – up 6.4%
 - Q3 2018 – up 7.0%

2017A Sales



2017A Adjusted EBITDA



TRANSACTION SUMMARY

Transaction Overview

- 1 Armstrong Flooring has agreed to sell the Wood Flooring Segment to American Industrial Partners for \$100 million
 - Net proceeds of \$85 to \$90 million
 - Valuation of ~7.2 times trailing 12 month Adjusted EBITDA
- 2 Expected to close in Q4 2018 after customary regulatory approvals
- 3 In connection with the divestiture, the Company announced a cost optimization plan, which is expected to be substantially complete by end of Q4
- 4 Use of proceeds to invest in value enhancing opportunities
- 5 Armstrong Flooring's Wood Segment is a leading manufacturer of solid and engineered hardwood floors

Strategic Rationale

- ✓ Simplifies business mix and focuses execution on the core resilient business
- ✓ Improves financial profile; divestiture is accretive to Adjusted EBITDA margin, FCF profile, and return on assets
- ✓ Increases financial flexibility and capital allocation opportunities
 - ✓ Investments in core business lines, innovation, and next-generation growth opportunities
 - ✓ Strategic M&A
 - ✓ Return of capital to shareholders
- ✓ Reduces cyclicalities and improves product and end market mix

STRATEGIC PRIORITIES

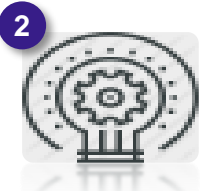
Re-Focused Business Will Continue Building Value Through Unique Opportunities



1

GAIN LVT MARKET LEADERSHIP

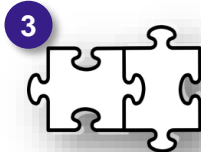
- Significant growth opportunity
- Attractive margin contribution
- In-demand portfolio of new products



2

FOCUS ON INNOVATION

- Industry-leading designs
- Best-in-class durability
- Installation and maintenance
- Alternative Materials



3

WIN WITH DISTRIBUTION

- Unique go-to-market system
- Clear opportunity to gain share
- Accelerate growth with independent retailers to improve mix



4

REVITALIZE OUR LEGACY PORTFOLIO

- Use platform innovation to drive differentiation and growth
- Leverage strongest brand in the industry
- Improve cost efficiency

2018 OUTLOOK REITERATED^(1,2)

(US\$ in millions)

1 **Adjusted EBITDA Outlook^{1,2}** **\$ 72 - \$ 78**

Resilient Flooring² \$ 59 - \$ 63

Wood Flooring^{1,2} \$ 13 - \$ 15

2 **Gross Capital Expenditure** **~ \$ 40**

Resilient Flooring ~ \$ 30

Wood Flooring ~ \$ 10

(1) Wood Flooring expected to be retroactively moved to discontinued operations beginning in Q4 2018

(2) Some costs currently allocated to Wood Flooring are expected to be assigned to Resilient Flooring; however, these costs are expected to be offset through transition service agreements and cost reductions

APPENDIX

RECONCILIATIONS TO GAAP

(US\$ in millions)

Adjusted EBITDA Reconciliations

	AFI	2017	Q3 2018 LTM	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Net Income (loss)		(41.8)	(12.7)	(7.8)	5.4	(18.7)	(20.7)	(10.4)	10.5	7.9
Net (income) loss from discontinued operations		-	-	-	-	-	-	-	-	-
Interest Expense		2.8	3.6	0.5	0.7	0.8	0.8	0.9	1.0	0.9
Other expense, net		4.7	3.5	0.9	1.5	1.0	1.3	0.6	0.7	0.9
Income tax expense (benefit)		(8.2)	5.8	(2.1)	3.6	(12.3)	2.6	-	1.8	1.4
Operating Income (loss)		(42.5)	0.2	(8.5)	11.2	(29.2)	(16.0)	(8.9)	14.0	11.1
Depreciation and amortization		78.7	61.0	11.6	12.5	35.8	18.8	13.8	14.1	14.3
Intangible asset impairment		12.5	-	-	-	12.5	-	-	-	-
Plant closures costs, multilayered wood flooring duties, strategic projects, and cost reduction expense		12.1	10.3	4.7	0.3	5.1	2.0	4.2	0.5	3.6
U.S. pension expense		5.4	3.9	1.4	1.4	1.4	1.2	0.9	0.9	0.9
Adjustment for Corporate expense		-	-	-	-	-	-	-	-	-
Adjusted EBITDA		66.2	75.6	9.1	25.5	25.6	6.0	10.1	29.6	29.9
	Resilient	2017	Q3 2018 LTM	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Operating Income (loss)		12.7	10.2	(4.0)	13.5	9.3	(6.1)	(3.8)	9.4	10.7
Depreciation and amortization		38.7	44.6	8.2	8.8	10.7	11.1	10.8	11.3	11.4
Plant closures costs, multilayered wood flooring duties, strategic projects, and cost reduction expense		3.3	3.8	2.7	0.5	0.1	-	1.9	0.1	1.8
U.S. pension expense		4.5	3.5	1.1	1.2	1.1	1.1	0.8	0.8	0.8
Adjustment for Corporate expense		-	-	-	-	-	-	-	-	-
Adjusted EBITDA		59.2	61.8	7.9	24.0	21.3	6.0	9.7	21.5	24.6
	Wood	2017	Q3 2018 LTM	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Operating Income (loss)		(55.2)	(10.0)	(4.5)	(2.3)	(38.5)	(9.9)	(5.1)	4.6	0.4
Depreciation and amortization		40.0	16.5	3.4	3.8	25.1	7.7	3.0	2.9	2.9
Intangible asset impairment		12.5	-	-	-	12.5	-	-	-	-
Plant closures costs, multilayered wood flooring duties, strategic projects, and cost reduction expense		8.8	6.7	2.0	(0.2)	5.0	2.0	2.4	0.4	1.9
U.S. pension expense		0.9	0.5	0.3	0.2	0.2	0.2	0.1	0.1	0.1
Adjustment for Corporate expense		-	-	-	-	-	-	-	-	-
Adjusted EBITDA		7.0	13.8	1.2	1.5	4.2	-	0.4	8.1	5.3

RECONCILIATIONS TO GAAP (cont'd)

(US\$ in millions)

EBTIDA margin history

AFI	2017	Q3 2018 LTM	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Net Sales	1,133.7	1,136.3	265.2	297.3	308.5	262.7	257.9	306.0	309.7
Adjusted EBITDA	66.2	75.6	9.1	25.5	25.6	6.0	10.1	29.6	29.9
EBITDA margin	5.8%	6.7%	3.4%	8.6%	8.3%	2.3%	3.9%	9.7%	9.7%

Resilient	2017	Q3 2018 LTM	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Net Sales	700.9	729.7	160.5	187.8	194.4	158.2	163.5	199.9	208.1
Adjusted EBITDA	59.2	61.8	7.9	24.0	21.3	6.0	9.7	21.5	24.6
EBITDA margin	8.4%	8.5%	4.9%	12.8%	11.0%	3.8%	5.9%	10.8%	11.8%

Wood	2017	Q3 2018 LTM	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Net Sales	432.8	406.6	104.7	109.5	114.1	104.5	94.4	106.1	101.6
Adjusted EBITDA	7.0	13.8	1.2	1.5	4.2	-	0.4	8.1	5.3
EBITDA margin	1.6%	3.4%	1.2%	1.4%	3.7%	0.0%	0.5%	7.6%	5.2%

Valuation Multiples

Purchase Price	100
2017 EBITDA	7.0
Multiple	14.3

Purchase Price	100
Q3 2018 LTM	13.8
Multiple	7.2