

ARMSTRONG FLOORING, INC.

Fourth Quarter and Full Year
2018 Results

EARNINGS CALL

March 5, 2019



SAFE HARBOR STATEMENT

Disclosures in this release 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, March 5, 2019, and is subject to change. Any distribution of this presentation after March 5, 2019, 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.

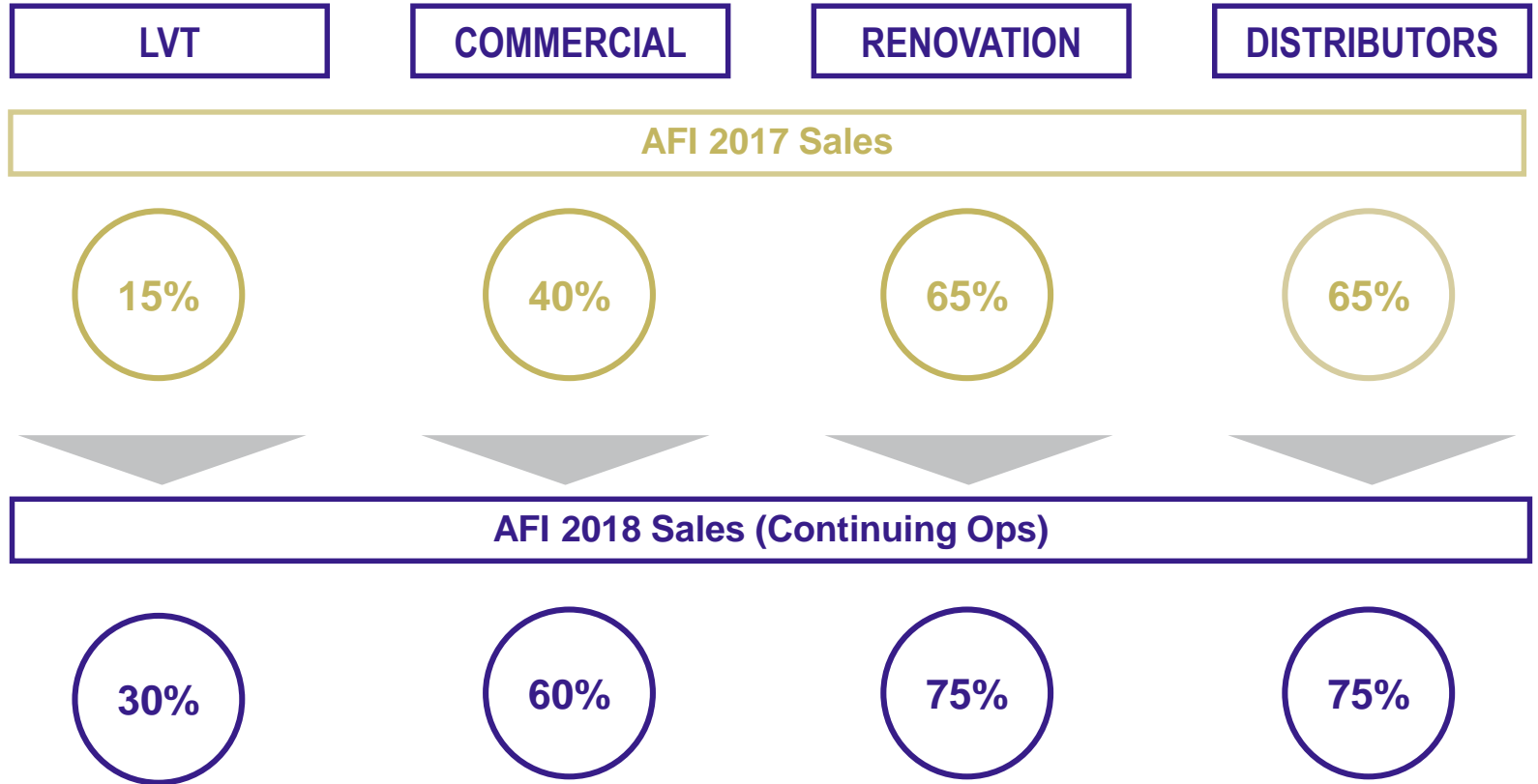
KEY HIGHLIGHTS – CONTINUING OPERATIONS

(\$ in Millions)	Q4 2018	Q4 2017	YY	FY 2018	FY 2017	YY
Net Sales	\$154	\$159	(3.5%)	\$728	\$704	3.4%
Adjusted EBITDA	\$2	\$5	(63.5%)	\$58	\$56	3.3%
% of Sales	1.2%	3.1%	(190 bps)	7.9%	7.9%	--
Free Cash Flow	\$34	\$5	\$28	\$27	\$18	\$9

- Double-digit LVT sales growth sustained
- Price, productivity and cost savings partially offset inflation
- Strengthened marketing focus on commercial
- Improved free cash flow
- Q4 2018 results impacted by softer market and customer prebuy ahead of Oct 1 tariff and inflation-related price increases
- Completed sale of wood flooring business for net proceeds of \$90M



RESILIENT BUSINESS HAS ATTRACTIVE PRODUCT AND END-MARKET MIX



Repositioned Portfolio for Growth and Value Creation

Note: All figures based on Management estimates.

STRATEGIC PRIORITIES

Resilient-Focused Business Will Continue Building Value Through Unique Opportunities

1



GAIN LVT MARKET LEADERSHIP

- Significant growth opportunity
- #1 among retailers
- #1 specified brand
- In-demand portfolio of new products

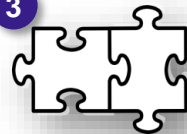
2



GROW THROUGH INNOVATION

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

3



WIN WITH DISTRIBUTION

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

4

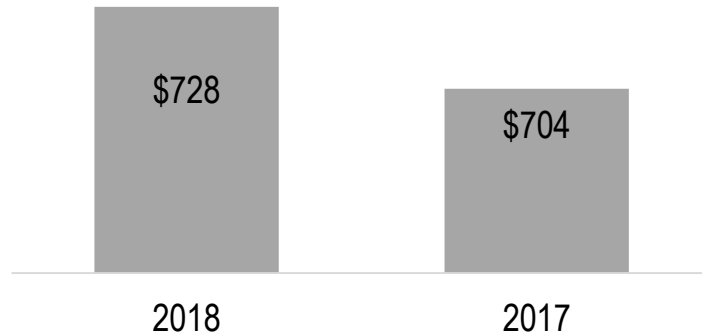


LEVERAGE COMMERCIAL CATEGORY STRENGTH

- Use platform innovation to drive differentiation and growth in LVT, VCT and Vinyl Sheet
- Leverage strongest brand in the industry
- Improve cost efficiency

AFI FY 2018 RESULTS – CONTINUING OPERATIONS

Net Sales (\$M)



2017 Adjusted EBITDA \$56M

Volume	(6)
Price / Mix	9
Input Costs	(18)
Mfg Costs	8
SG&A	9

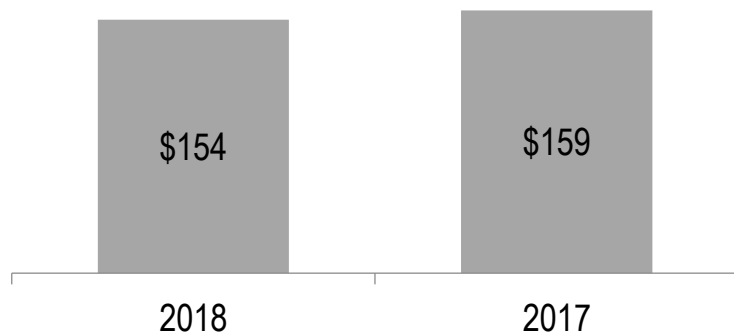
2018 Adjusted EBITDA \$58M

Key Highlights

- Strong LVT sales
- Favorable price and mix offset volume declines in traditional categories
- Growth in commercial sheet
- Favorable fall through to EBITDA from higher sales
- Significant raw material and freight inflation
- Strong manufacturing productivity gains
- Lower SG&A spend

AFI Q4 2018 RESULTS – CONTINUING OPERATIONS

Net Sales (\$M)



2017 Adjusted EBITDA \$5M

Volume	(5)
Price / Mix	--
Input Costs	(2)
Mfg Costs	3
SG&A	1

2018 Adjusted EBITDA \$2M

Key Highlights

- Sales lower due to softer markets and customer prebuy ahead of Oct 1 tariffs
- Strong LVT growth
- Price increases across portfolio in response to strong inflation
- Unfavorable fall through to EBITDA from lower sales
- Continued inflationary pressure
- Strong manufacturing productivity gains
- Lower SG&A spend

FREE CASH FLOW AND LIQUIDITY



(Dollars in Millions)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	YTD 2018	vs FY 2017
Operating Cash Flow	(\$4)	\$29	(\$7)	\$45	\$63	--
Net Capex	(10)	(7)	(7)	(11)	(35)	+9
Free Cash Flow	(15)	22	(14)	34	27	9

Free Cash Flow & Liquidity

- Capital spending below run-rate depreciation
- Proceeds from sale of wood flooring business of \$90M
- Strong liquidity and conservative balance sheet

2019 FULL YEAR OUTLOOK

2019

ADJUSTED EBITDA

\$58 to \$66 million

**GROSS CAPITAL
EXPENDITURES**

\$30 to \$35 million



2018 KEY TAKE-AWAYS

- ✓ Drove growth in sales and Adjusted EBITDA
- ✓ Effectively mitigated strong cost inflation pressures
- ✓ Sold Wood business, creating purely Resilient company
- ✓ Strengthened product, end-market and channel exposure
- ✓ Strong liquidity and conservative balance sheet
- ✓ Initiated outlook for Adjusted EBITDA growth in 2019
- ✓ Committed to Adjusted EBITDA margin target of 10% by 2020



APPENDIX

RECONCILIATIONS TO GAAP

\$ Million

Adj EBITDA

	Three months ended December 31,		Twelve months ended December 31,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net (Loss) Income	(\$171.0)	(\$20.7)	(\$163.0)	(\$41.8)
Net loss (income) disc ops	156.1	(1.9)	143.9	24.7
Interest expense	1.9	0.7	4.8	2.7
Other (income) & expense	0.7	0.8	2.9	3.7
Taxes	<u>(4.3)</u>	<u>8.9</u>	<u>(6.0)</u>	<u>(2.0)</u>
Operating (loss) income	(16.6)	(12.2)	(17.4)	(12.7)
Depreciation and amortization	11.2	11.1	44.7	38.7
Expenses related to strategic projects and cost reduction initiatives	1.5	--	7.5	5.2
U.S. pension expense	0.9	1.2	3.8	5.4
Corporate expense	<u>4.8</u>	<u>4.8</u>	<u>19.0</u>	<u>19.0</u>
Adjusted EBITDA	<u>\$1.8</u>	<u>4.9</u>	<u>\$57.5</u>	<u>\$55.7</u>

<u>Free Cash Flow</u>	Three months ended 3/31/18	Three months ended 6/30/18	Three months ended 9/30/18	Three months ended 12/31/18	Twelve months ended 12/31/18	Three months ended 12/31/2017	Twelve months ended 12/31/17
Operating cash flow	(4.4)	29.0	(6.8)	44.7	62.5	16.7	62.9
Purchases of property, plant, and equipment	<u>(10.2)</u>	<u>(7.2)</u>	<u>(6.9)</u>	<u>(11.0)</u>	<u>(35.3)</u>	<u>(11.3)</u>	<u>(44.8)</u>
Free Cash Flow	(\$14.6)	21.8	(13.7)	33.7	27.2	5.4	18.1