

ARMSTRONG FLOORING, INC.

Third Quarter 2019 Results

EARNINGS CALL

November 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, November 5, 2019, and is subject to change. Any distribution of this presentation after November 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.

BUSINESS UPDATES

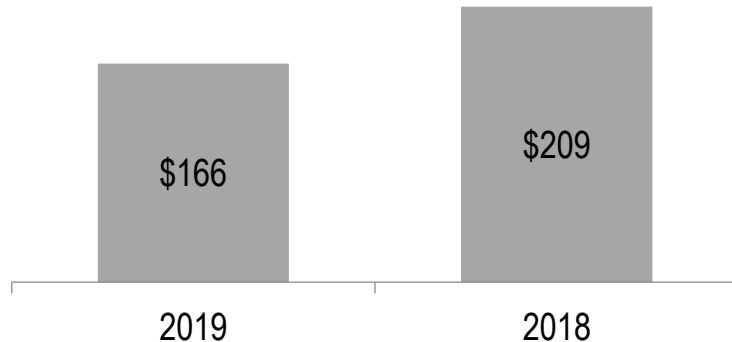
(\$ in Millions)	Q3 2019	Q3 2018	Y/Y	YTD 2019	YTD 2018	Y/Y
Net Sales	\$166	\$209	(20.7%)	\$485	\$574	(15.6%)
Adjusted EBITDA	\$9	\$24	(63.9%)	\$29	\$56	(48.3%)
% of Sales	5.3%	11.7%	(640 bps)	5.9%	9.7%	(380 bps)
Free Cash Flow	\$25	(\$14)	+\$39	(\$25)	(\$6)	(\$18)

- Results pressured by underperformance of several distributors, adjustments in distributor channel inventory, and difficult prior year comps
- Reviewing business and strategy to address operational challenges
- Initial steps taken to increase customer reach, optimize product portfolio/production and modernize operations



AFI Q3 YEAR 2019 RESULTS

Net Sales (\$M)



2018 Adjusted EBITDA **\$24M**

Volume	(10)
Price / Mix	(1)
Input Costs	(5)
Mfg Costs	--
SG&A	1

2019 Adjusted EBITDA **\$9M**

Key Highlights

- Challenging prior year comparison due to tariff-related pre-buy activity
- Pressure more pronounced in residential
- Several distributors underperforming market
- Unfavorable flow through from lower net sales
- Higher input costs primarily attributable to tariff costs
- Productivity gains and SG&A improvement

FREE CASH FLOW AND LIQUIDITY



(Dollars in Millions)	Q1 2019	Q2 2019	Q3 2019	YTD 2019	vs YTD 2018
Operating Cash Flow	(\$63)	\$29	\$32	(\$2)	(\$20)
Net Capex	<u>(9)</u>	<u>(7)</u>	<u>(7)</u>	<u>(23)</u>	<u>+1</u>
Free Cash Flow	(72)	23	25	(25)	(18)

Free Cash Flow & Liquidity

- Q3 working capital reduction generated cash
- Capital spending below run-rate depreciation
- Strong cash position and modest debt level
- In process of replacing credit facility by year end with terms more favorable to Armstrong Flooring

2019 FULL YEAR OUTLOOK

2019

ADJUSTED EBITDA

\$20 to \$25 million

**GROSS CAPITAL
EXPENDITURES**

~\$30 million



APPENDIX

RECONCILIATIONS TO GAAP

<i>\$ Million</i>	<u>September 30, 2019</u>			
	<u>Three months</u>		<u>Nine months</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	Total	Total	Total	Total
Adj EBITDA				
Net (Loss) Income	(\$31.4)	\$7.9	(\$33.4)	\$8.0
Net loss (income) disc ops	1.7	(4.6)	(7.6)	(12.2)
Interest expense	0.8	0.9	2.7	2.9
Other (income) & expense	0.7	0.9	1.2	2.2
Taxes	<u>--</u>	<u>(0.7)</u>	<u>(3.0)</u>	<u>(1.7)</u>
Operating (loss) income	(28.2)	4.4	(40.1)	(0.8)
Depreciation and amortization	12.9	11.4	35.2	33.5
Expenses related inventory write-downs, merchandizing write-offs, executive transition, cost reduction initiatives, plant closures, and special projects	23.3	2.9	31.7	6.0
U.S. pension expense	0.8	1.0	2.0	2.9
Corporate expense	<u>=</u>	<u>4.7</u>	<u>=</u>	<u>14.2</u>
Adjusted EBITDA	<u>8.8</u>	<u>24.4</u>	<u>28.8</u>	<u>55.7</u>

	Three months ended <u>3/31/19</u>	Three months ended <u>3/31/18</u>	Three months ended <u>6/30/19</u>	Three months ended <u>6/30/18</u>	Three months ended <u>9/30/2019</u>	Three months ended <u>9/30/18</u>	Nine months ended <u>9/30/19</u>	Nine months ended <u>9/30/18</u>
<u>Free Cash Flow</u>								
Operating cash flow	(63.2)	(4.4)	29.4	29.0	32.0	(6.8)	(1.8)	17.8
Purchases of property, plant, and equipment	<u>(8.6)</u>	<u>(10.2)</u>	<u>(6.9)</u>	<u>(7.2)</u>	<u>(7.4)</u>	<u>(6.9)</u>	<u>(22.9)</u>	<u>(24.2)</u>
Free Cash Flow	(71.8)	(14.6)	22.5	21.8	24.6	(13.7)	(24.7)	(6.4)