

ARMSTRONG FLOORING, INC.

Fourth Quarter and Full Year
2017 Results

EARNINGS CALL

March 6, 2018



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 6, 2018, and is subject to change. Any distribution of this presentation after March 6, 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. Results for periods prior to April 1, 2016 include costs allocated to AFI from its former parent, Armstrong World Industries. These results have been adjusted by adding the difference between these costs and the estimated stand-alone costs.

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

(\$ in Millions)	Q4 2017	Q4 2016	Y/Y	YTD 2017	YTD 2016	Y/Y
Net Sales	\$263	\$272	(3.3%)	\$1,134	\$1,193	(5.0%)
Adjusted EBITDA	\$6	\$6	+4.4%	\$65	\$83	(21.4%)
% of Sales	2.2%	2.0%	20 bps	5.8%	7.0%	-120 bps
Free Cash Flow	\$6	(\$10)	+\$16	\$19	\$17	+\$2

- Double-digit LVT sales growth continued
- Addressing sustained challenges in legacy categories
- Integration of Mannington's VCT assets on schedule
- Expanded LVT production to repurposed resilient sheet plant
- Expanded Diamond 10® Coating Technology onto wood
- Completed previously announced wood plant closures
- Deployed higher cash flow and additional borrowings to purchase \$40M of shares during 2017



STRATEGIC PRIORITIES

Building Value Through Unique Opportunity

1 GAIN LVT MARKET LEADERSHIP



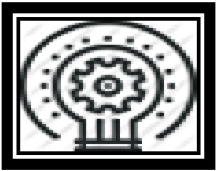
- Significant growth opportunity
- Attractive margin contribution
- In-demand portfolio of new products

4 ENHANCE WOOD PROFITABILITY



- #1 position in wood
- Improving product mix
- Driving productivity improvements

2 FOCUS ON INNOVATION



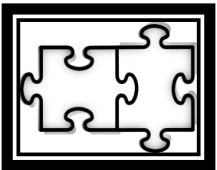
- Industry-leading designs
- Best-in-class durability
- Installation and maintenance
- Alternative Materials

5 REVITALIZE OUR LEGACY PORTFOLIO



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

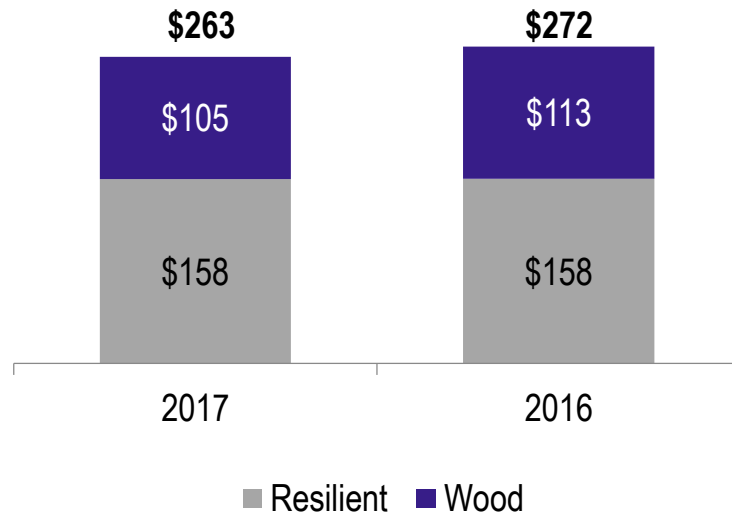
3 WIN WITH DISTRIBUTION



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

AFI Q4 2017 RESULTS

Net Sales (\$M)



Key Highlights

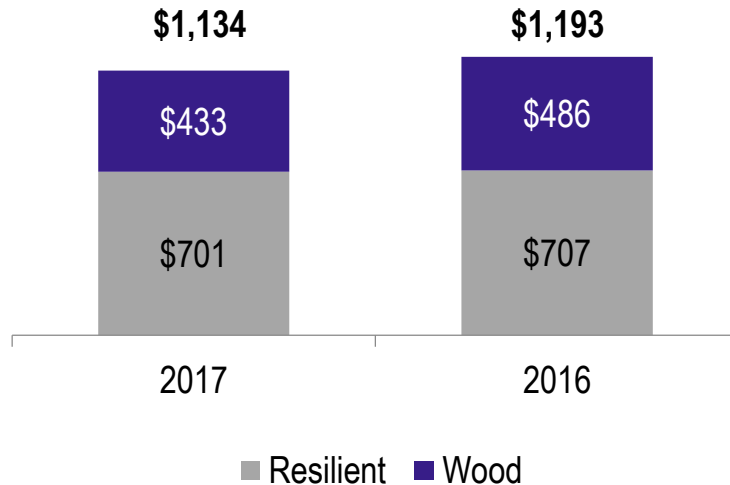
- Resilient segment sales flat
- Wood segment sales declined
 - Solid volumes impacted by strategic retail customer channel
 - Industry challenges in engineered category continue

	Resilient	Wood	Total
2016 Adjusted EBITDA	\$5M	\$0M	\$6M
Volume	(1)	(4)	(5)
Price	(1)	--	(1)
Mix/Other	2	1	3
Mfg & Input Costs	(1)	--	(2)
SG&A	2	3	5
2017 Adjusted EBITDA	\$6M	\$0M	\$6M

- Unfavorable fall through to EBITDA from lower sales
- Higher inflation offset strong manufacturing productivity
- Lower SG&A spending

AFI FULL YEAR 2017 RESULTS

Net Sales (\$M)



Key Highlights

- Resilient segment sales lower from declines in legacy products partially offset by stronger LVT sales
- Wood segment sales declined
 - Solid volumes impacted by strategic retail customer channel
 - Industry challenges in engineered category continue

	Resilient	Wood	Total
2016 Adjusted EBITDA	\$56M	\$27M	\$83M
Volume	(3)	(18)	(21)
Price	(10)	(2)	(13)
Mix/Other	(4)	(9)	(12)
Mfg & Input Costs	15	3	18
SG&A	4	6	10
2017 Adjusted EBITDA	\$58M	\$7M	\$65M

- Unfavorable fall through to EBITDA from lower sales
- Strong manufacturing productivity offset inflation
- Lower SG&A spending

FREE CASH FLOW AND LIQUIDITY



(Dollars in Millions)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017
Operating Cash Flow	(\$33)	\$43	\$36	\$17	\$63
Net Capex	(13)	(10)	(11)	(11)	(45)
Free Cash Flow	(46)	33	26	6	19

Free Cash Flow & Liquidity

- Generated consecutive year of positive free cash flow
- Capital spending below run-rate depreciation
- \$40M of shares repurchased in 2017
- Strong liquidity and conservative balance sheet
- Anticipate another year of positive free cash flow in 2018 in line with recent years

2018 FULL YEAR OUTLOOK

2018

ADJ. EBITDA

\$70 to \$80 million

GROSS CAPITAL
EXPENDITURES

\$40 to \$45 million



MEDIUM-TERM FINANCIAL GOALS

**REVENUE FLOW
THROUGH**

20 - 30%
**Incr. EBITDA
Margins**

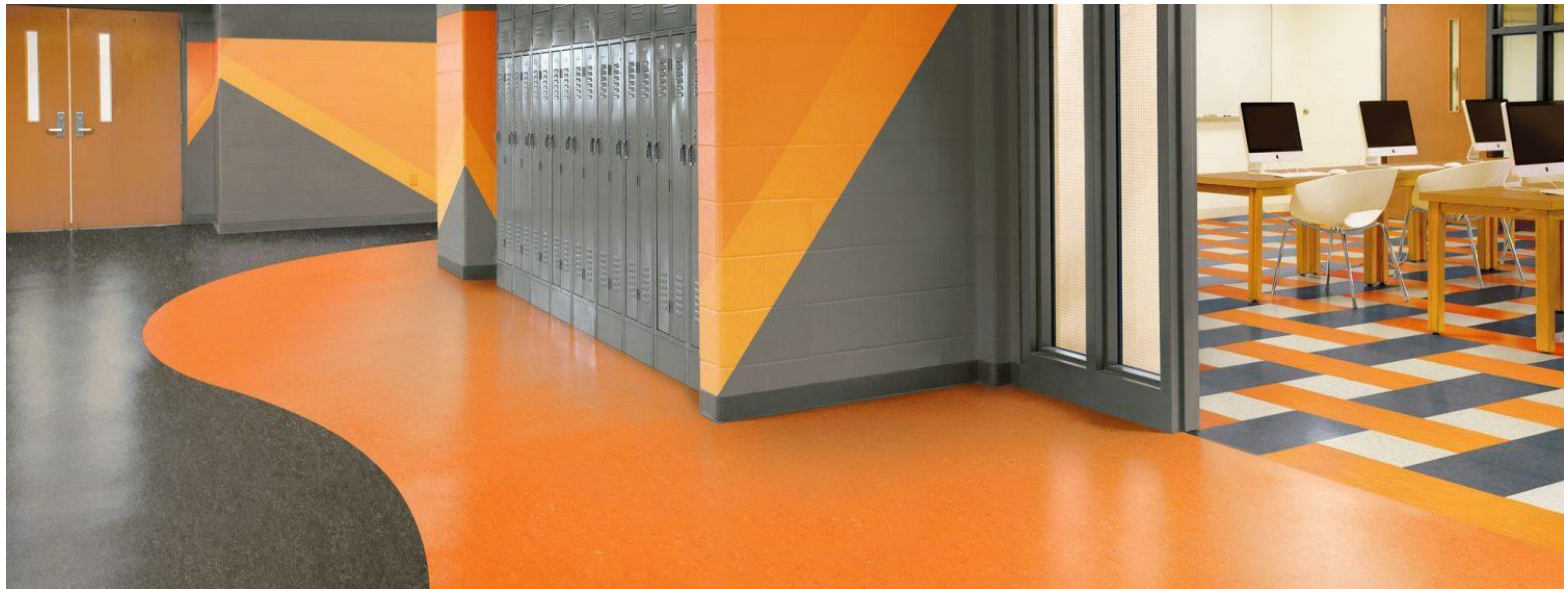
EBITDA MARGIN

10%



BUILDING VALUE THROUGH UNIQUE OPPORTUNITY

- ✓ Leading hard surfaces flooring company
- ✓ Most recognized brands
- ✓ Expansive product portfolio
- ✓ Renewed focus on innovation
- ✓ Differentiated go-to-market system
- ✓ Operational, financial and organizational transformation



APPENDIX

RECONCILIATIONS TO GAAP

\$ million	<u>Adj EBITDA</u>					
	<u>Three months ended December 31,</u>					
	<u>2017</u>			<u>2016</u>		
	Total	Resilient	Wood	Total	Resilient	Wood
Net (Loss) Income	(\$20.8)			(\$6.3)		
Net gain from discontinued operations	—			—		
Interest expense	0.8			0.2		
Other (income) & expense	0.1			3.7		
Taxes	<u>2.7</u>			<u>(6.8)</u>		
Operating (loss) income	(17.2)	(7.0)	(10.2)	(9.2)	(4.8)	(4.4)
Depreciation and amortization	18.8	11.1	7.7	12.4	8.2	4.2
Reorganization expense and multilayered wood flooring duties	2.0	--	2.0	0.1	--	0.1
U.S. pension expense	2.1	1.8	0.4	2.2	1.8	0.4
Adjustment for corporate expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Adjusted EBITDA	<u>\$5.7</u>	<u>\$5.8</u>	<u>\$(0.1)</u>	<u>\$5.5</u>	<u>\$5.3</u>	<u>\$0.2</u>
	<u>Twelve months ended December 31,</u>					
	<u>2017</u>			<u>2016</u>		
	Total	Resilient	Wood	Total	Resilient	Wood
Net (Loss) Income	(\$41.8)			\$9.2		
Net gain from discontinued operations	—			(1.7)		
Interest expense	2.8			1.5		
Other (income) & expense	0.2			5.8		
Taxes	<u>(8.2)</u>			<u>4.1</u>		
Operating (loss) income	(47.0)	9.0	(56.0)	18.9	15.1	3.8
Depreciation and amortization	78.7	38.7	40.0	46.6	32.5	14.1
Reorganization expense, multilayered wood flooring duties, & Bruce trademark impairment	24.6	3.3	21.3	8.4	0.8	7.5
U.S. pension expense	8.9	7.4	1.5	8.7	7.3	1.4
Adjustment for corporate expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>0.5</u>	<u>—</u>	<u>0.5</u>
Adjusted EBITDA	<u>\$65.2</u>	<u>\$58.4</u>	<u>\$6.8</u>	<u>\$83.1</u>	<u>\$55.8</u>	<u>\$27.3</u>

RECONCILIATIONS TO GAAP

\$ million

Free Cash Flow	Three months ended 3/31/17	Three months ended 6/30/17	Three months ended 9/30/17	Three months ended 12/31/17	Twelve months ended 12/31/17
Operating cash flow	(33.4)	43.2	36.4	16.7	62.9
Purchases of property, plant, and equipment	(12.7)	(10.1)	(10.7)	(11.3)	(44.8)
Sale of assets	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.4</u>
Free Cash Flow	<u>(\$46.0)</u>	<u>\$33.2</u>	<u>\$25.8</u>	<u>\$5.5</u>	<u>18.5</u>

Free Cash Flow	Three months ended 12/31/16	Twelve months ended 12/31/16
Operating cash flow	(1.2)	54.0
Purchases of property, plant, and equipment	(9.5)	(37.6)
Sale of assets	<u>0.4</u>	<u>0.5</u>
Free Cash Flow	<u>(10.3)</u>	<u>\$16.9</u>