

ARMSTRONG FLOORING, INC.

Second Quarter 2018 Results

EARNINGS CALL

August 7, 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, August 7, 2018, and is subject to change. Any distribution of this presentation after August 7, 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.

KEY HIGHLIGHTS

(\$ in Millions)	Q2 2018	Q2 2017	Y/Y	H1 2018	H1 2017	Y/Y
Net Sales	\$306	\$297	2.9%	\$564	\$563	0.2%
Adjusted EBITDA	\$30	\$26	16.0%	\$40	\$35	14.7%
% of Sales	9.7%	8.6%	110 bps	7.0%	6.2%	80 bps
Free Cash Flow	\$22	\$33	(\$11)	\$7	(\$13)	\$20

- Double-digit LVT sales growth continued
- Price, productivity and cost savings offset inflation
- Stronger EBITDA margin
- Addressing sustained challenges in other legacy categories
- Strong operating cash flow drives H1 free cash flow to \$7M, up \$20M year-over-year



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



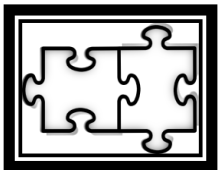
- Industry-leading designs
- Best-in-class durability
- Installation and maintenance
- Alternative Materials

5 REVITALIZE OUR LEGACY PORTFOLIO



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

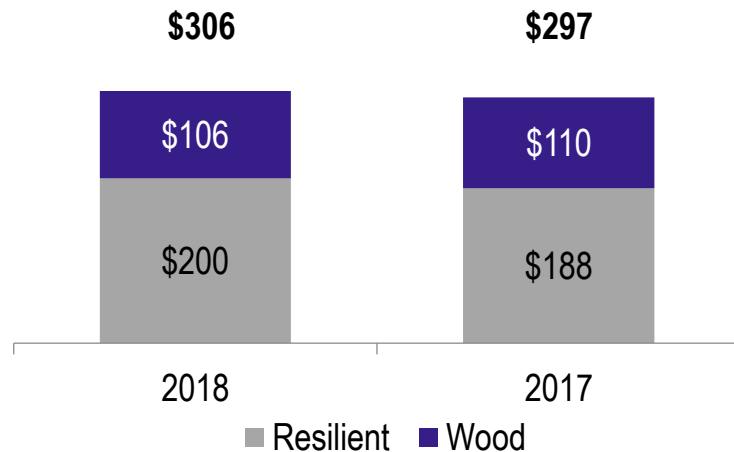
3 WIN WITH DISTRIBUTION



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

AFI Q2 YEAR 2018 RESULTS

Net Sales (\$M)



Key Highlights

- Resilient segment improved on LVT and price increases across segment in response to strong inflation
- Wood segment sales declined; Engineered category challenges continued, partly offset by stronger Wood segment price and mix

	<u>Resilient</u>	<u>Wood</u>	<u>Total</u>
2017 Adjusted EBITDA	\$24M	\$2M	\$26M
Volume	2	(3)	(1)
Price	1	2	3
Mix/Other	0	1	1
Mfg & Input Costs	(4)	6	2
SG&A	(1)	--	(1)
2018 Adjusted EBITDA	\$22M	\$8M	\$30M

- Favorable price and mix across both segments
- Strong manufacturing cost savings, including plant closures and productivity, offset inflation

FREE CASH FLOW AND LIQUIDITY



(Dollars in Millions)

	Q1 2018	Q2 2018	H1 2018	vs H1 2017
Operating Cash Flow	(\$4)	\$29	\$24	+\$15
Net Capex	(10)	(7)	(17)	+5
Free Cash Flow	(15)	22	7	+20

Free Cash Flow & Liquidity

- Improved operating cash flow
- Capital spending below run-rate depreciation
- Anticipate another year of positive free cash flow in 2018
- Strong liquidity and conservative balance sheet

2018 FULL YEAR OUTLOOK

2018

ADJUSTED EBITDA

\$70 to \$80 million

**GROSS CAPITAL
EXPENDITURES**

\$40 to \$45 million



Q2 2018 KEY TAKE-AWAYS

- ✓ Drove growth in topline and bottom line
- ✓ Effectively mitigated strong inflationary pressures
- ✓ Established licensing program on engineered wood
- ✓ Taking bold actions to accelerate sales growth
- ✓ Strong balance sheet and sustained positive LTM cash flow
- ✓ Reiterated outlook for growth and improvement in 2018
- ✓ Committed to medium-term adj. EBITDA margin target of 10%



APPENDIX

RECONCILIATIONS TO GAAP

\$ Million

Adj EBITDA

	<u>Three months ended June 30,</u>					
	<u>2018</u>			<u>2017</u>		
	Total	Resilient	Wood	Total	Resilient	Wood
Net (Loss) Income	\$10.5			\$5.4		
Interest expense	1.0			0.7		
Other (income) & expense	0.7			1.5		
Taxes	<u>1.8</u>			<u>3.6</u>		
Operating (loss) income	14.0	9.4	4.6	11.2	13.5	(2.3)
Depreciation and amortization	14.1	11.3	2.9	12.5	8.8	3.8
Expenses related to plant closures, multilayered wood flooring duties, acquisitions, and cost reduction initiatives	0.5	0.1	0.4	0.3	0.5	(0.2)
U.S. pension expense	<u>0.9</u>	<u>0.8</u>	<u>0.1</u>	<u>1.4</u>	<u>1.2</u>	<u>0.2</u>
Adjusted EBITDA	<u>\$29.6</u>	<u>\$21.5</u>	<u>\$8.1</u>	<u>\$25.5</u>	<u>\$24.0</u>	<u>\$1.5</u>

<u>Free Cash Flow</u>	<u>Three months ended 3/31/18</u>	<u>Three months ended 6/30/18</u>	<u>Six months ended 6/30/18</u>	<u>Six months ended 6/30/17</u>
Operating cash flow	(4.4)	29.0	24.6	9.8
Purchases of property, plant, and equipment	(10.2)	(7.2)	(17.4)	(22.8)
Sale of assets	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.2</u>
Free Cash Flow	(\$14.5)	21.8	7.3	(\$12.8)