

ARMSTRONG FLOORING, INC.

Second Quarter 2019 Results

EARNINGS CALL

August 6, 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, August 6, 2019, and is subject to change. Any distribution of this presentation after August 6, 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

(\$ in Millions)	Q2 2019	Q2 2018	Y/Y	H1 2019	H1 2018	Y/Y
Net Sales	\$178	\$201	(11.7%)	\$319	\$366	(12.6%)
Adjusted EBITDA	\$20	\$21	(3.4%)	\$20	\$31	(36.2%)
% of Sales	11.3%	10.3%	+100 bps	6.3%	8.6%	(230 bps)
Free Cash Flow	\$23	\$22	+\$1	(\$49)	\$7	(\$57)

- Results impacted by distributor inventory reductions and softer markets
- Achieving planned reductions in overhead
- Free cash driven by working capital reductions
- Executed \$50 million share repurchase in Q2



STRATEGIC PRIORITIES

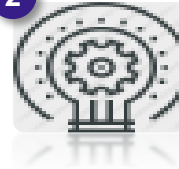
Resilient-Focused Business Will Continue Building Value Through Unique Opportunities

1



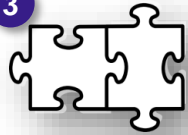
**GAIN LVT MARKET
LEADERSHIP**

2



**GROW THROUGH
INNOVATION**

3



**WIN WITH
DISTRIBUTION**

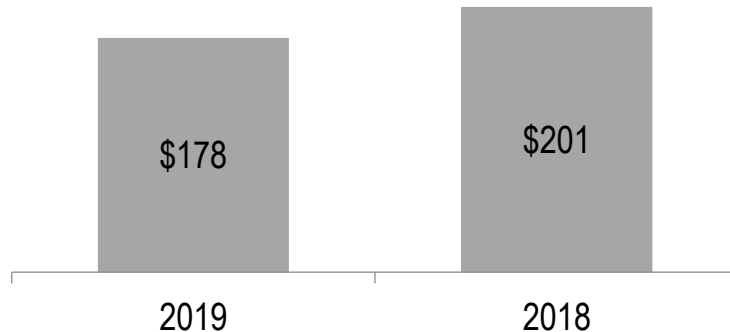
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**LEVERAGE
COMMERCIAL
CHANNEL STRENGTH**

AFI Q2 YEAR 2019 RESULTS

Net Sales (\$ in Millions)



2018 Adjusted EBITDA \$21M

Volume	(7)
Price / Mix	--
Input Costs	+1
Mfg Costs	(1)
SG&A	7

2019 Adjusted EBITDA \$20M

Key Highlights

- Lower volume due to relative changes in distributor inventory and softer markets
- Unfavorable dynamics more acute in residential
- Lower transportation costs offset higher duties on sourced product
- Lower fixed cost absorption in manufacturing plants
- SG&A improvement, including \$2.5 million early lease termination benefit

FREE CASH FLOW AND LIQUIDITY



(\$ in Millions)

	Q1 2019	Q2 2019	H1 2019	vs H1 2018
Operating Cash Flow	(\$63)	\$29	(\$34)	(\$58)
Net Capex	(9)	(7)	(16)	+2
Free Cash Flow	(72)	23	(49)	(57)

Free Cash Flow & Liquidity

- Q2 operating cash flow in line with prior year
- Capital spending below run-rate depreciation
- Executed \$50 million share repurchase in Q2
- Expect to build cash through year end
- Significant financial flexibility to execute objectives

2019 FULL YEAR OUTLOOK

2019

ADJUSTED EBITDA

\$46 to \$54 million

**GROSS CAPITAL
EXPENDITURES**

~\$30 million



APPENDIX

RECONCILIATIONS TO GAAP

<i>\$ Million</i>	<u>June 30, 2019</u>			
	<u>Three months</u>		<u>Six months</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	Total	Total	Total	Total
Adj EBITDA				
Net (Loss) Income	\$14.7	\$10.5	(\$2.0)	\$0.1
Net income disc ops	(9.4)	(7.6)	(9.3)	(7.6)
Interest expense	0.9	1.0	1.9	2.0
Other (income) & expense	0.2	0.7	0.5	1.3
Taxes	<u>(2.7)</u>	<u>(0.9)</u>	<u>(3.0)</u>	<u>(1.0)</u>
Operating (loss) income	3.7	3.7	(11.9)	(5.2)
Depreciation and amortization	11.0	11.3	22.3	22.1
Expenses related to plant closures, multilayered wood flooring duties, acquisitions, and cost reduction initiatives	4.7	0.1	8.4	3.1
U.S. pension expense	0.6	0.9	1.3	1.9
Corporate expense	=	<u>4.8</u>	=	<u>9.5</u>
Adjusted EBITDA	<u>20.0</u>	<u>20.7</u>	<u>20.0</u>	<u>31.4</u>

<u>Free Cash Flow</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>	Six months ended <u>06/30/19</u>	Six months ended <u>06/30/18</u>
Operating cash flow	(63.2)	(4.4)	29.4	29.0	(33.8)	24.6
Purchases of property, plant, and equipment	<u>(8.6)</u>	<u>(10.2)</u>	<u>(6.9)</u>	<u>(7.2)</u>	<u>(15.5)</u>	<u>(17.4)</u>
Free Cash Flow	(71.8)	(14.6)	22.5	21.8	(49.3)	7.2