UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-37589

ARMSTRONG FLOORING, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**47-4303305**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer Identification number)
2500 Columbia Avenue, Lancaster, PA	**17603**
(Address of principal executive offices)	(Zipcode)

(717) 672-9611

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value	**AFI**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit such files.) Yes ☑ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☑
Non-accelerated filer	☐	Smaller reporting company	☑
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The Registrant had 21,594,124 shares of common stock, $0.0001 par value, outstanding at July 27, 2020.

Armstrong Flooring, Inc.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q ("Form 10-Q") and the documents incorporated by reference may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements are subject to various risks and uncertainties and include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, our expectations concerning our commercial and residential markets and their effect on our operating results, and our ability to increase revenues, income and earnings before interest, taxes, depreciation and amortization. Words such as “anticipate,” “expect,” “intend,” “plan,” “target,” “project,” “predict,” “believe,” “may,” “will,” “would,” “could,” “should,” “seek,” “estimate” and similar expressions are intended to identify such forward-looking statements. These statements are based on management’s current expectations and beliefs and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors that could have a material adverse effect on our financial condition, liquidity, results of operations or future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to:

- the impact of COVID-19 on the economy, demand for our products and our operations, including the measures taken by governmental authorities to address it, which may precipitate or exacerbate other risks and/or uncertainties;
- global economic conditions;
- competition;
- availability and costs of raw materials and energy;
- key customers;
- construction activity;
- execution of strategy;
- international operations;
- debt covenants;
- liquidity;
- debt;
- information systems and transition services;
- personnel;
- intellectual property rights;
- claims and litigation;
- labor;
- internal controls;
- environmental and regulatory matters;
- outsourcing; and
- other risks detailed from time to time in our filings with the Securities and Exchange Commission ("SEC"), press releases and other communications, including those set forth under “Risk Factors” included in our Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the three months ended March 31, 2020 and in the documents incorporated by reference.

Such forward-looking statements speak only as of the date they are made. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

Armstrong Flooring, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net sales	$ 145.6	$ 177.7	$ 284.3	$ 319.4
Cost of goods sold	120.9	141.5	236.3	261.1
Gross profit	24.7	36.2	48.0	58.3
Selling, general and administrative expenses	30.3	32.5	66.9	70.2
Operating (loss) income	(5.6)	3.7	(18.9)	(11.9)
Interest expense	1.2	0.9	1.8	1.9
Other (income) expense, net	(0.5)	0.2	(0.9)	0.5
(Loss) earnings from continuing operations before income taxes	(6.3)	2.6	(19.8)	(14.3)
Income tax (benefit)	—	(2.7)	(0.3)	(3.0)
Net (loss) income from continuing operations	$ (6.3)	$ 5.3	$ (19.5)	$ (11.3)
Gain on disposal of discontinued operations, net of tax	—	9.4	—	9.3
Net income from discontinued operations	—	9.4	—	9.3
Net (loss) income	$ (6.3)	$ 14.7	$ (19.5)	$ (2.0)
Basic (loss) earnings per share of common stock:				
Basic (loss) earnings per share of common stock from continuing operations	$ (0.29)	$ 0.20	$ (0.89)	$ (0.43)
Basic earnings per share of common stock from discontinued operations	—	0.36	—	0.35
Basic (loss) earnings per share of common stock	$ (0.29)	$ 0.56	$ (0.89)	$ (0.08)
Diluted (loss) earnings per share of common stock:				
Diluted (loss) earnings per share of common stock from continuing operations	$ (0.29)	$ 0.20	$ (0.89)	$ (0.43)
Diluted earnings per share of common stock from discontinued operations	—	0.36	—	0.35
Diluted (loss) earnings per share of common stock	$ (0.29)	$ 0.56	$ (0.89)	$ (0.08)

See accompanying notes to Condensed Consolidated Financial Statements.

Armstrong Flooring, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(Dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net (loss) income	$ (6.3)	$ 14.7	$ (19.5)	$ (2.0)
Changes in other comprehensive income, net of tax:				
Foreign currency translation adjustments	1.6	(2.8)	(0.9)	(0.6)
Derivative (loss) gain	(0.9)	(0.3)	0.4	(0.8)
Pension and postretirement adjustments	0.9	0.6	2.2	1.8
Total other comprehensive income (loss)	1.6	(2.5)	1.7	0.4
Total comprehensive (loss) income	$ (4.7)	$ 12.2	$ (17.8)	$ (1.6)

See accompanying notes to Condensed Consolidated Financial Statements.

Armstrong Flooring, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in millions, except par value)

	June 30, 2020 (Unaudited)		December 31, 2019	
Assets				
Current assets:				
Cash and cash equivalents	$	34.1	$	27.1
Accounts and notes receivable, net		45.0		36.1
Inventories, net		122.3		111.6
Income tax receivable		1.1		0.7
Prepaid expenses and other current assets		11.6		10.0
Total current assets		214.1		185.5
Property, plant, and equipment, less accumulated depreciation and amortization of $333.4and $318.4, respectively		266.6		277.2
Operating lease assets		5.7		6.0
Intangible assets, less accumulated amortization of $22.5 and $19.0, respectively		22.0		25.4
Deferred income taxes		5.1		5.3
Other noncurrent assets		2.2		2.8
Total assets	$	515.7	$	502.2
Liabilities and Stockholders' Equity				
Current liabilities:				
Short-term debt	$	4.2	$	—
Current installments of long-term debt		1.1		0.2
Accounts payable and accrued expenses		114.9		104.4
Total current liabilities		120.2		104.6
Long-term debt, net of unamortized debt issuance costs		62.7		42.5
Noncurrent operating lease liabilities		2.2		2.7
Postretirement benefit liabilities		57.5		59.7
Pension benefit liabilities		12.6		16.0
Other long-term liabilities		6.0		5.8
Noncurrent income taxes payable		0.2		0.2
Deferred income taxes		2.5		2.4
Total liabilities		263.9		233.9
Stockholders' equity:				
Common stock with par value $.0001 per share: 100,000,000 shares authorized; 28,376,662 issued and 21,593,522 outstanding shares as of June 30, 2020 and 28,357,658 issued and 21,519,761 outstanding shares as of December 31, 2019		—		—
Preferred stock with par value $.0001 per share: 15,000,000 shares authorized; none issued		—		—
Treasury stock, at cost, 6,783,140 shares as of June 30, 2020 and 6,837,897 shares as of December 31, 2019		(87.9)		(88.9)
Additional paid-in capital		677.0		676.7
Accumulated deficit		(264.3)		(244.8)
Accumulated other comprehensive (loss)		(73.0)		(74.7)
Total stockholders' equity		251.8		268.3
Total liabilities and stockholders' equity	$	515.7	$	502.2

See accompanying notes to Condensed Consolidated Financial Statements.

Armstrong Flooring, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
(Dollars in millions)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss)	(Accumulated Deficit)	Total Equity
	Shares	Amount	Shares	Amount				
December 31, 2019	21,519,761	$ —	6,837,897	$ (88.9)	$ 676.7	$ (74.7)	$ (244.8)	$ 268.3
Net (loss)	—	—	—	—	—	—	(13.2)	(13.2)
Stock-based employee compensation, net	36,072	—	(36,072)	0.7	—	—	—	0.7
Other comprehensive income	—	—	—	—	—	0.1	—	0.1
March 31, 2020	21,555,833	$ —	6,801,825	$ (88.2)	$ 676.7	$ (74.6)	$ (258.0)	$ 255.9
Net (loss)	—	—	—	—	—	—	(6.3)	(6.3)
Stock-based employee compensation, net	37,689	—	(18,685)	0.3	0.3	—	—	0.6
Other comprehensive income	—	—	—	—	—	1.6	—	1.6
June 30, 2020	21,593,522	$ —	6,783,140	$ (87.9)	$ 677.0	$ (73.0)	$ (264.3)	$ 251.8

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss)	(Accumulated Deficit)	Total Equity
	Shares	Amount	Shares	Amount				
December 31, 2018	25,832,193	$ —	2,452,165	$ (39.7)	$ 678.6	$ (61.6)	$ (186.3)	$ 391.0
Net (loss)	—	—	—	—	—	—	(16.7)	(16.7)
Stock-based employee compensation, net	53,908	—	(50,251)	0.9	(0.5)	—	—	0.4
Other comprehensive income	—	—	—	—	—	2.9	—	2.9
March 31, 2019	25,886,101	$ —	2,401,914	$ (38.8)	$ 678.1	$ (58.7)	$ (203.0)	$ 377.6
Net income	—	—	—	—	—	—	14.7	14.7
Repurchase of common stock	(4,504,504)	—	4,504,504	(51.3)	—	—	—	(51.3)
Stock-based employee compensation, net	93,305	—	(49,130)	0.9	0.1	—	—	1.0
Other comprehensive (loss)	—	—	—	—	—	(2.5)	—	(2.5)
June 30, 2019	21,474,902	$ —	6,857,288	$ (89.2)	$ 678.2	$ (61.2)	$ (188.3)	$ 339.5

See accompanying notes to Condensed Consolidated Financial Statements.

Armstrong Flooring, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in millions)

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net (loss)	(19.5)	(2.0)
Adjustments to reconcile net (loss) to net cash (used for) operating activities:		
Depreciation and amortization	20.9	22.3
Deferred income taxes	(0.6)	(0.6)
Stock-based compensation	1.3	2.1
Gain from long-term disability plan change	(1.1)	—
U.S. pension expense	1.9	2.7
Other non-cash adjustments, net	0.5	(0.5)
Changes in operating assets and liabilities:		
Receivables	(9.2)	(26.8)
Inventories	(11.0)	3.4
Accounts payable and accrued expenses	15.4	(32.2)
Other assets and liabilities	(5.5)	(2.2)
Net cash (used for) operating activities	(6.9)	(33.8)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(10.9)	(15.5)
Net cash (used for) investing activities	(10.9)	(15.5)
Cash flows from financing activities:		
Proceeds from revolving credit facility	41.2	—
Payments on revolving credit facility	(79.2)	(25.0)
Issuance of long-term debt	70.0	—
Financing costs	(6.9)	(0.1)
Payments on long-term debt	(0.1)	(2.1)
Purchases of treasury stock	—	(51.3)
Proceeds from exercised stock options	—	0.1
Value of shares withheld related to employee tax withholding	—	(0.7)
Net cash provided by (used for) financing activities	25.0	(79.1)
Effect of exchange rate changes on cash and cash equivalents	(0.2)	0.1
Net increase (decrease) in cash and cash equivalents	7.0	(128.3)
Cash and cash equivalents at beginning of year	27.1	173.8
Cash and cash equivalents at end of period	$ 34.1	$ 45.5
Supplemental Cash Flow Disclosure:		
Amounts in accounts payable for capital expenditures	$ 2.0	$ 4.6
Interest paid	1.7	1.8
Income taxes paid (refunded), net	0.4	1.1

See accompanying notes to Condensed Consolidated Financial Statements.

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

NOTE 1. BUSINESS AND BASIS OF PRESENTATION

Background

Armstrong Flooring, Inc. ("AFI") is a leading global producer of resilient flooring products for use primarily in the construction and renovation of residential, commercial and institutional buildings. AFI designs, manufactures, sources and sells resilient flooring products in North America and the Pacific Rim. When we refer to "AFI," "the Company," "we," "our," and "us" in this report, we are referring to Armstrong Flooring, Inc., a Delaware corporation, and its consolidated subsidiaries.

Basis of Presentation

These Condensed Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The statements include management estimates and judgments, where appropriate. Management uses estimates to record many items including certain asset values, allowances for bad debts, inventory obsolescence, lower of cost or market or net realizable value charges, warranty reserves, workers compensation, general liability and environmental claims and income taxes. When preparing an estimate, management determines the amount based upon the consideration of relevant information. Management may confer with outside parties, including outside counsel. Actual results may differ from these estimates. In the opinion of management, all adjustments of a normal, recurring nature have been included to provide a fair statement of the results for the reporting periods presented. Operating results for the three and six months ended June 30, 2020 and 2019 included in this report are unaudited. Quarterly results are not necessarily indicative of annual income, primarily due to the different level of sales in each quarter of the year and the possibility of changes in economic conditions between periods.

The accounting policies used in preparing the Condensed Consolidated Financial Statements in this Form 10-Q are the same as those used in preparing the Consolidated Financial Statements for the year ended December 31, 2019, except as noted below. These statements should therefore be read in conjunction with the Consolidated Financial Statements and notes that are included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

All significant intercompany transactions within AFI have been eliminated from the Condensed Consolidated Financial Statements.

COVID-19

The COVID-19 pandemic has significantly impacted our operations and resulted in lower than expected revenue in 2020. In response, we have implemented several cost reduction initiatives, including reduced capital spending, implementing a furlough of certain salaried employees and reducing employee benefits. We are also pursuing a plan expected to monetize non-core assets. The impact of the pandemic on our future results is unknown. We have incurred net losses for the past several years, and negative cash flows from operations beginning in 2019. The pandemic's impacts, our recurring losses and our negative cash flows resulted in the identification of a triggering event requiring impairment testing of our North America long-lived assets in the first quarter of 2020. The results of this testing indicated that, as of March 31, 2020, our North America long-lived assets were not impaired. Our actual second quarter 2020 results exceeded the assumptions used in our first quarter 2020 impairment test. While no long-lived asset impairment, significant inventory write-down or significant incremental accounts receivable reserves were recorded in the first six months of 2020, such charges are possible in the future, which could have a material adverse effect on our future results.

Recently Adopted Accounting Standards

On January 1, 2020, we adopted ASU 2016-13, *"Measurement of Credit Losses on Financial Instruments."* The guidance and subsequent amendments issued, requires immediate recognition of estimated credit losses that are expected to occur over the remaining life of many financial assets. The most notable impact of this ASU related to our processes around

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

the assessment of the adequacy of our allowance for doubtful accounts on trade account receivables. We adopted using the modified retrospective transition method. The adoption of the standard did not have a material impact on our financial condition, results of operations or cash flows.

On January 1, 2020, we adopted ASU 2018-13, *"Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement."* The guidance eliminates, adds and modifies certain disclosure requirements. Adoption of the standard did not have an impact our financial condition, results of operations or cash flows.

On January 1, 2020, we adopted ASU 2018-14, *"Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans."* The guidance changes the disclosure requirements by eliminating certain disclosures that are no longer considered cost beneficial and added new ones that are considered pertinent. Adoption of the standard did not have an impact our financial condition, results of operations or cash flows.

On January 1, 2020, we adopted ASU 2018-15, *"Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract."* The guidance aligns the requirements for capitalizing implementation costs in a cloud computing arrangement service contract with the requirements for capitalizing implementation costs incurred for an internal use software license. Capitalized implementation costs should be amortized over the term of the service agreement on a straight line basis and should be assessed for impairment in a manner similar to long-lived assets. We adopted using the prospective transition method. This standard did not have a material impact on our financial condition, results of operations and cash flows.

Recently Issued Accounting Standards

In December 2019, the FASB issued ASU 2019-12, *"Income Taxes (Topic 740)."* The guidance simplifies accounting for income taxes by removing certain exceptions. This new guidance is effective for fiscal years beginning after December 15, 2020 for public companies. Early adoption is permitted. We are continuing to evaluate the impact the adoption of this standard will have on our financial condition, results of operations and cash flows.

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

NOTE 2. REVENUE

We disaggregate revenue based on customer geography as geography represents the most appropriate depiction of how the nature, timing and uncertainty of revenues and cash flows are impacted by economic factors.

The following table presents our revenues disaggregated by geographic area based upon the location of the customer.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net sales				
United States	$ 113.9	$ 136.6	$ 229.1	$ 245.9
China	17.4	19.1	24.0	30.5
Canada	6.2	10.6	13.5	20.6
Other	8.1	11.4	17.7	22.4
Total net sales	$ 145.6	$ 177.7	$ 284.3	$ 319.4

NOTE 3. SEVERANCE

In the second quarter of 2019, we recorded$2.9 million in selling, general and administrative ("SG&A") expenses for severance and related expenses to reflect the separation costs for our former President and Chief Executive Officer.

NOTE 4. INCOME TAXES

The following table presents details related to our income taxes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(Loss) income from continuing operations before income taxes	$ (6.3)	$ 2.6	$ (19.8)	$ (14.3)
Income tax (benefit)	—	(2.7)	(0.3)	(3.0)
Effective tax rate	—%	(103.8)%	1.5%	21.0%

Pursuant to ASC 740, we are required to consider all items (including items recorded in discontinued operations and other comprehensive income) in determining the amount of tax benefit that results from a loss from continuing operations.

For the six months ended June 30, 2020, we recognized an income tax benefit consisting of a U.S. income tax benefit and a foreign income tax expense from various jurisdictions. The U.S. income tax benefit relates to a reduction in the Company’s valuation allowance due to the tax impact of the gains in other comprehensive income.

For the three and six months ended June 30, 2019, we recognized an income tax benefit consisting of a U.S. income tax benefit and a foreign income tax expense from various jurisdictions. The U.S. income tax benefit relates to a reduction in our valuation allowance due to the tax impact of the gains from resolution of our antidumping case in discontinued operations and gains on other comprehensive income.

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

Upon audit, taxing authorities may challenge all or part of an uncertain income tax position. AFI regularly assesses the outcome of potential examinations in each of the taxing jurisdictions when determining the adequacy of the amount of unrecognized tax benefit recorded. We do not expect to record any material changes during 2020 to our unrecognized tax benefits as of December 31, 2019.

As of June 30, 2020, we consider foreign unremitted income to be permanently reinvested.

NOTE 5. DISCONTINUED OPERATIONS

In December 2018, we completed the sale of our wood business to Tarzan Holdco, Inc. ("TZI"), a Delaware corporation and an affiliate of American Industrial Partners. The proceeds from the sale were $90.2 million, net of closing costs, transaction fees and taxes. The transaction was subject to a customary post-closing working capital adjustment process which resulted in us making a $1.9 million payment to TZI in the third quarter of 2019.

The following is a summary of the results related to the net gain on disposal of the wood business, which is included in discontinued operations:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Gain on disposal of discontinued operations before income tax	$ 12.7	$ 12.6
Income tax expense	3.3	3.3
Net gain on disposal of discontinued operations	$ 9.4	$ 9.3

During the second quarter of 2019, we reached a resolution in our antidumping case regarding our previously operated plant in Kunshan, China that manufactured multilayered wood flooring. We resolved our potential liability outside of litigation pursuant to a settlement agreement with the petitioners. As a result, we reversed the previously recognized liability of $11.4 million, which was reflected in gain on disposal of discontinued operations.

NOTE 6. EARNINGS (LOSS) PER SHARE OF COMMON STOCK

Earnings per share components may not add due to rounding.

The table below shows a reconciliation of the numerator and denominator for basic and diluted earnings (loss) per share calculations for the periods indicated.

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Numerator				
Net (loss) income from continuing operations	$ (6.3)	$ 5.3	$ (19.5)	$ (11.3)
Net income from discontinued operations	—	9.4	—	9.3
Net (loss) income	$ (6.3)	$ 14.7	$ (19.5)	$ (2.0)
Denominator				
Weighted average number of common shares outstanding	21,574,595	25,602,519	21,551,024	25,726,288
Weighted average number of vested shares not yet issued	346,845	455,263	331,987	628,845
Weighted average number of common shares outstanding - Basic	21,921,440	26,057,782	21,883,011	26,355,133
Dilutive impact of stock-based compensation plans	—	81,701	—	—
Weighted average number of common shares outstanding - Diluted	21,921,440	26,139,483	21,883,011	26,355,133

For the three months and six months ended June 30, 2020 and the six months ended June 30, 2019 the diluted loss per share was calculated using basic common shares outstanding, as inclusion of potentially dilutive common shares would be anti-dilutive. For the three months ended June 30, 2019 the diluted earnings per share was calculated using net income available to common stockholders divided by the diluted weighted average number of common shares outstanding during the period, determined using the treasury stock method.

Performance-based employee compensation awards are considered potentially dilutive in the initial period in which the performance conditions are met.

The following awards were excluded from the computation of diluted earnings (loss) per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Potentially dilutive common shares excluded from diluted computation, as inclusion would be anti-dilutive	1,016,278	411,360	1,038,705	425,718
Performance awards excluded from diluted computation, as performance conditions not met	175,174	344,440	177,839	426,753

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

NOTE 7. ACCOUNTS AND NOTES RECEIVABLE

The following table presents accounts and note receivables, net of allowances:

	June 30, 2020	December 31, 2019
Customer receivables	$ 59.2	$ 47.1
Miscellaneous receivables	4.0	7.2
Less: allowance for product claims, discounts, returns and losses	(18.2)	(18.2)
Total	$ 45.0	$ 36.1

On January 1, 2020 we adopted ASU 2016-13, *"Measurement of Credit Losses on Financial Instruments."* The guidance requires immediate recognition of estimated credit losses that are expected to occur over the remaining life of many financial assets. Generally, we sell our products to select, pre-approved customers whose businesses are affected by changes in economic and market conditions. We consider these factors and the financial condition of each customer when establishing our allowance for losses from doubtful accounts. We adopted this ASU using the modified retrospective transition method. The adoption of the standard did not have a material impact on our results of operations or cash flows.

Allowance for product claims represents expected reimbursements for cost associated with warranty repairs and customer accommodation claims, the majority of which is provided to our independent distributors through a credit against accounts receivable from the distributor to AFI.

The following table summarizes the activity for the allowance for product claims:

	Six Months Ended June 30,	
	2020	2019
Balance as of January 1	$ (9.0)	$ (6.4)
Reductions for payments	3.3	3.5
Current year claim accruals	(3.8)	(5.0)
Balance as of June 30	$ (9.5)	$ (7.9)

NOTE 8. INVENTORIES

The following table presents details related to our inventories, net:

	June 30, 2020	December 31, 2019
Finished goods	$ 93.8	$ 87.1
Goods in process	5.6	4.5
Raw materials and supplies	22.9	20.0
Total	$ 122.3	$ 111.6

NOTE 9. LEASES

On June 26, 2020, we entered into new Headquarters (HQ) and Technical Center lease agreements with High Properties. The term of the HQ lease will be ten years and four months, with an anticipated commencement date of June 1, 2021.

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

The term of the Technical Center lease will be ten years and seven months, with an anticipated commencement date of March 1, 2021. Both leases will be recorded as operating leases.

In the second quarter of 2019, we recognized $0.9 million and $1.6 million of sublease income and income from non-lease components, respectively, in SG&A expenses related to termination fees received from TZI due to the cancellation of a sublease before the end of the lease term.

NOTE 10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table details amounts related to our accounts payable and accrued expenses:

	June 30, 2020	December 31, 2019
Payables, trade and other	$ 83.9	$ 70.5
Employment costs	13.9	13.8
Other accrued expenses	13.6	16.8
Current operating lease liabilities	3.5	3.3
Total	$ 114.9	$ 104.4

NOTE 11. DEBT

	June 30, 2020	December 31, 2019
Credit Lines	$ 4.2	$ —
ABL Facility	—	42.2
Current portion of Term Loan Facility	0.9	—
Current portion of finance lease	0.2	0.2
Noncurrent portion of Term Loan Facility	69.1	—
Noncurrent portion of finance leases	0.5	0.3
Total principal balance outstanding	74.9	42.7
Less: Deferred financing costs, net	(6.9)	—
Total	$ 68.0	$ 42.7

On June 23, 2020, we entered into a Third Amendment to the ABL Credit Facility (the "Amendment"), which reduces commitments from $100 million to $90 million, amends the interest rates applicable to the loans, modifies certain financial maintenance and other covenants, and permits indebtedness under the Term Loan Agreement defined below. The Amended ABL Credit Facility provides for a borrowing base that is derived from our accounts receivable and inventory, collectively, with the equity interests in the guarantors, (the "ABL Priority Collateral"), subject to certain reserves and other limitations. The Amended ABL Credit Facility matures in December 2023.

The Amendment permits us to grant a first priority security interest in real estate, machinery and equipment and intellectual property collateral to Pathlight Capital LP (the "Term Loan Agent") (collectively, the “Term Loan Priority Collateral”). Bank of America, N.A., as administrative agent and collateral agent (in such capacities, the “ABL Agent”) will not have a security interest in the real property securing the Term Loan Agreement (as defined below) but will have a second priority security interest in machinery and equipment and intellectual property constituting Term Loan Priority Collateral.

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

Borrowings under the Amended ABL Credit Facility will bear interest at a rate per annum equal to, at our option, a base rate or a Eurodollar rate equal to the London interbank offered rate (“LIBOR”) for the relevant interest period, plus, in each case, an applicable margin determined in accordance with the provisions of the Amendment. The base rate will be the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate of Bank of America, N.A., and (c) LIBOR plus 1.00%. The applicable margin for borrowings under the Amended ABL Credit Facility will be determined based on the Company’s Consolidated Leverage Ratio (as defined in the Amendment) and will range from 1.75% to 3.00% with respect to base rate borrowings and 2.75% to 4.00% with respect to Eurodollar rate borrowings. In addition to paying interest on outstanding principal under the Amended ABL Credit Facility, we will pay a commitment fee to the lenders with respect to the unutilized revolving commitments thereunder at a rate ranging from 0.375% to 0.50% depending on the Company’s Consolidated Leverage Ratio.

In addition, the Amendment also amends certain financial covenants. The Amended ABL Credit Facility requires, among other things, that we maintain a minimum Consolidated Cash Flow (as defined in the Amendment) for the three-fiscal quarter period ending September 30, 2020 and for any four-fiscal quarter period ending thereafter, have minimum Availability (as defined in the Amended ABL Credit Facility) of $30 million and, during a Financial Covenant Trigger Period (as defined in the Amendment), maintain a minimum Consolidated Fixed Charge Coverage Ratio (as defined in the Amendment) of at least 1.00 to 1.00 (such covenants, the “Financial Covenants”).

On June 23, 2020 we also entered into a new term loan facility with Pathlight Capital LP as the administrative agent ("Term Loan Agreement"). The Term Loan Agreement provides us with a secured term loan credit facility of $70 million (the “Term Loan Facility”). The borrowing base is derived from the Company’s machinery and equipment, intellectual property and real property, subject to certain reserves and other limitations. The Term Loan Facility is scheduled to mature on June 23, 2025. The principal balance of the Term Loan Facility is payable in quarterly installments beginning in June 2021. We used the proceeds of the Term Loan Facility to pay down the Amended ABL Credit Facility.

Borrowings under the Term Loan Facility will bear interest at a rate per annum equal to LIBOR for a three-month interest period, plus an applicable margin of 2.00%.

We must use cash proceeds from certain dispositions, including sales of real estate, equity and debt issuances and extraordinary events to prepay outstanding loans under the Term Loan Facility, subject to specified exceptions, including the prepayment requirements with respect to the Amended ABL Credit Facility. Prepayments of loans under the Term Loan Facility prior to the third anniversary of the closing date are subject to certain premiums.

All obligations under the Term Loan Agreement are guaranteed by each of our wholly owned domestic subsidiaries that individually, or together with its subsidiaries, has assets of more than $1.0 million and are secured by a first priority lien on the Term Priority Collateral and a second priority lien on the ABL Priority Collateral.

The Term Loan Agreement contains a number of covenants that, among other things and subject to certain exceptions, restrict our ability to create liens, to undertake fundamental changes, to incur debt, to sell or dispose of assets, to make investments, to make restricted payments such as dividends, distributions or equity repurchases, to change the nature of our businesses, to enter into transactions with affiliates and to enter into certain burdensome agreements.

In addition, the Term Loan Agreement requires us to comply with the amended ABL Credit Facility Financial Covenants.

The Term Loan Agreement also contains customary affirmative covenants and events of default, including a cross-default provision in respect of certain material indebtedness and a change of control provision. If an event of default occurs, the lenders may choose to accelerate the maturity of the Term Loan Facility and require repayment of all obligations thereunder.

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

NOTE 12. PENSION AND OTHER POSTRETIREMENT BENEFIT PROGRAMS

The following table summarizes our pension and postretirement expense:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Defined-benefit pension, U.S.				
Service cost	$ 0.7	$ 0.7	$ 1.3	$ 1.3
Interest cost	3.1	3.7	6.2	7.5
Expected return on plan assets	(5.4)	(5.4)	(10.7)	(10.8)
Amortization of net actuarial loss	2.5	2.4	5.1	4.8
Total, defined-benefit pension, U.S.	$ 0.9	$ 1.4	$ 1.9	$ 2.8
Defined-benefit pension, Canada				
Interest cost	$ 0.1	$ 0.2	$ 0.2	$ 0.3
Expected return on plan assets	(0.2)	(0.2)	(0.3)	(0.3)
Amortization of net actuarial loss	0.1	—	0.2	0.1
Total, defined-benefit pension, Canada	$ —	$ —	$ 0.1	$ 0.1
Defined-benefit postretirement, U.S.				
Service cost	$ —	$ —	$ —	$ 0.1
Interest cost	0.5	0.7	1.0	1.3
Amortization of prior service credits	(0.1)	—	(0.2)	—
Amortization of net actuarial gains	(1.2)	(0.8)	(2.4)	(1.6)
Total, defined-benefit postretirement, U.S.	$ (0.8)	$ (0.1)	$ (1.6)	$ (0.2)

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

NOTE 13. COMMON STOCK REPURCHASE PLAN

On March 6, 2017, we announced that our board of directors had approved a share repurchase program pursuant to which we were authorized to repurchase up to $50.0 million of our outstanding shares of common stock. From inception of the share repurchase program through May 3, 2019, we repurchased approximately 2.5 million shares for a total cost of $41.0 million, with an average price of $16.23 per share. On May 3, 2019, we announced that our board of directors had authorized an increased share repurchase program for an additional $50.0 million beyond the $41.0 million already repurchased under the prior share repurchase program, effective immediately. Repurchases under the new program could be made through open market, block, and privately negotiated transactions, including Rule 10b5-1 plans, at times and in such amounts as management deemed appropriate, subject to market and business conditions, regulatory requirements and other factors.

On May 17, 2019, we announced the commencement of a modified "Dutch auction" self-tender offer to repurchase up to $50.0 million in cash of shares of our common stock. As a result of the auction, on June 21, 2019 we purchased 4,504,504 shares of common stock at a purchase price of $11.40 per share, for a total cost of $51.3 million, including fees and expenses. After the completion of the tender offer, we have no remaining authorization to purchase further shares.

NOTE 14. ACCUMULATED OTHER COMPREHENSIVE (LOSS)

The following table summarizes the activity, by component, related to the change in AOCI.

	Foreign Currency Translation Adjustments	Derivative Adjustments	Pension and Postretirement Adjustments	Total Accumulated Other Comprehensive (Loss) Income
Balance, December 31, 2019	$ (0.5)	$ (0.6)	$ (73.6)	$ (74.7)
Other comprehensive (loss) income before reclassifications, net of tax impact of $ − in all periods	(0.9)	0.7	0.2	—
Amounts reclassified from accumulated other comprehensive income	—	(0.3)	2.0	1.7
Net current period other comprehensive (loss) income	(0.9)	0.4	2.2	1.7
Balance, June 30, 2020	$ (1.4)	$ (0.2)	$ (71.4)	$ (73.0)
Balance, December 31, 2018	$ 1.7	$ 0.8	$ (64.1)	$ (61.6)
Other comprehensive (loss) before reclassifications, net of tax impact of $- , $0.3, ($0.8), and ($0.5)	(0.6)	(0.4)	(0.8)	(1.8)
Amounts reclassified from accumulated other comprehensive income	—	(0.4)	2.6	2.2
Net current period other comprehensive (loss) income	(0.6)	(0.8)	1.8	0.4
Balance, June 30, 2019	$ 1.1	$ —	$ (62.3)	$ (61.2)

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

The amounts reclassified from AOCI and the affected line item of the Condensed Consolidated Statements of Operations are presented in the table below.

	Three Months Ended June 30,		Six Months Ended June 30,		
	2020	2019	2020	2019	Affected Line Item
Derivative adjustments					
Foreign exchange contracts - purchases	$ (0.1)	$ (0.1)	$ (0.2)	$ (0.2)	Cost of goods sold
Foreign exchange contracts - sales	(0.1)	(0.1)	(0.1)	(0.2)	Net sales
Total (income) before tax	(0.2)	(0.2)	(0.3)	(0.4)	
Tax impact	—	—	—	—	Income tax (benefit)
Total (income), net of tax	(0.2)	(0.2)	(0.3)	(0.4)	
Pension and postretirement adjustments					
Prior service cost amortization	(0.2)	—	(0.2)	—	Other expense, net
Amortization of net actuarial loss	1.5	1.6	2.9	3.3	Other expense, net
Tax impact	(0.4)	(0.3)	(0.7)	(0.7)	Income tax (benefit)
Total expense, net of tax	0.9	1.3	2.0	2.6	
Total reclassifications for the period	$ 0.7	$ 1.1	$ 1.7	$ 2.2	

NOTE 15. LITIGATION AND RELATED MATTERS

Environmental Matters

Environmental Compliance

Our manufacturing and research facilities are affected by various federal, state and local requirements relating to the discharge of materials and the protection of the environment. We make expenditures necessary for compliance with applicable environmental requirements at each of our operating facilities. These regulatory requirements continually change, therefore we cannot predict with certainty future expenditures associated with compliance with environmental requirements.

Environmental Sites

In connection with our current or legacy manufacturing operations, or those of former owners, we may from time to time become involved in the investigation, closure and/or remediation of existing or potential environmental contamination under the Comprehensive Environmental Response, Compensation and Liability Act, and state or international Superfund and similar type environmental laws. For those matters, we may have rights of contribution or reimbursement from other parties or coverage under applicable insurance policies; however, we cannot predict with certainty the future identification of or expenditure for any investigation, closure or remediation of any environmental site.

Armstrong Flooring, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)

Summary of Financial Position

There were no material liabilities recorded as of June 30, 2020 and December 31, 2019 for potential environmental liabilities that we consider probable and for which a reasonable estimate of the probable liability could be made.

Other Claims

We are involved in various lawsuits, claims, investigations and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving our products, intellectual property, relationships with suppliers, relationships with distributors, relationships with competitors, employees and other matters. For example, we are currently a party to various litigation matters that involve product liability, tort liability and other claims under a wide range of allegations, including illness due to exposure to certain chemicals used in the workplace, or medical conditions arising from exposure to product ingredients or the presence of trace contaminants. In some cases, these allegations involve multiple defendants and relate to legacy products that we and other defendants purportedly manufactured or sold. We believe these claims and allegations to be without merit and intend to defend them vigorously. For these matters, we also may have rights of contribution or reimbursement from other parties or coverage under applicable insurance policies.

On November 15, 2019, a shareholder filed a putative class action complaint in the United States District Court for the Central District of California alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5, promulgated thereunder, based on alleged false and/or misleading statements or omissions made between March 6, 2018 and November 4, 2019. On March 2, 2020, the court issued an order appointing a lead plaintiff and lead counsel. On July 2, 2020, the lead plaintiff filed an amended complaint asserting similar violations and expanding the alleged class period to cover alleged false and/or misleading statements or omissions made between March 6, 2018 and March 3, 2020. We cannot predict the duration or outcome of this suit at this time. As a result, we are unable to estimate the reasonably possible loss arising from this lawsuit. The Company intends to vigorously defend itself in this matter.

While complete assurance cannot be given to the outcome of these proceedings, we do not believe that any of these matters, individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations, or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided in addition to the accompanying Condensed Consolidated Financial Statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. This interim MD&A should be read in conjunction with the MD&A in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Overview

Armstrong Flooring, Inc. ("AFI" or the "Company") is a leading global producer of resilient flooring products for use primarily in the construction and renovation of commercial, residential and institutional buildings. We design, manufacture, source and sell flooring products primarily in North America and the Pacific Rim. As of June 30, 2020, we operated eight manufacturing plants in three countries. We operate six manufacturing plants located throughout the United States (California, Illinois, Mississippi, Oklahoma, and Pennsylvania) and one plant each in China and Australia.

COVID-19

The COVID-19 pandemic is significantly impacting our operations. We are committed to safeguarding our employees and the communities in which we operate, while continuing to deliver our products to customers. We are following guidelines and directives from governmental authorities and local health authorities across our facilities to continue to operate safely and responsibly. This includes working remotely, providing personal protective equipment, limiting group meetings, restricting air travel, enhancing cleaning and sanitizing procedures, and practicing social distancing, among other risk mitigation measures.

Our China plant was closed most of the month of February 2020. On April 1, 2020, we announced a proactive two-week production suspension in our North America plants beginning April 5, 2020 in response to the increasing social and economic impact of COVID-19. We continued to operate our warehouses. We reopened our North America plants as planned following the two-week shut-down. Our plants in China and Australia continued their operations during the second quarter. We have not experienced, and do not anticipate, material availability issues related to our raw materials or finished goods.

To help mitigate the potential spread of the virus, our North America sales team and corporate staff are working remotely and will continue to do so. In the second quarter we furloughed approximately 100 employees, primarily administrative employees from our corporate headquarters. Most of the furloughed employees returned in July 2020. In addition, the employer match for certain benefit plans was suspended through the end of the third quarter of 2020 for salaried non-production employees.

Inconsistent state and local government orders have resulted in and will continue to have varying impacts to our results across geographies and for some of our customers. In some cases independent customer retail locations are closed. Generally, home centers have continued to operate. Construction is considered an essential business in most of North America. However, some of our customers' commercial projects in the retail sector have been postponed. These factors have led to a softer demand environment in certain states and channels.

The impact of the pandemic on our future results is unknown.

Employees

As of June 30, 2020 and December 31, 2019, we had approximately 1,500 and 1,600 full-time and part-time employees worldwide, respectively.

Factors Affecting Our Business

Net Sales

Overview

Demand for our products is influenced by economic conditions. We closely monitor publicly available macroeconomic trend data that provide insight to commercial and residential market activity; this includes Gross Domestic Product growth indices, the Architecture Billings Index and the Consumer Confidence Index, as well as housing starts and existing home sales.

Demand for our products is also influenced by consumer preferences. In addition, our channel partners raise or lower their inventory levels according to their expectations of market demand and consumer preferences, which directly affects our sales.

Markets

We compete in both the commercial and residential markets in North America and primarily the commercial market in the Pacific Rim. Our business operates in a competitive environment across all our product categories, and excess capacity exists in much of the industry. We continue to see efforts by various competitors to price aggressively as a means to gain market share.

We continue to see a decline in demand for our traditional resilient products, including VCT and particularly vinyl sheet products used in residential applications. The decline in vinyl sheet is driven by consumer trends, which have continued to favor alternate products, including luxury vinyl tile ("LVT") products.

The flooring market continues to experience LVT growth. Given its attractive visuals and performance characteristics, LVT growth has exceeded that of the overall flooring market. We believe LVT growth has and will continue to come partially at the expense of other product categories in both the soft and hard surface flooring markets.

We are the largest producer of VCT which is primarily used in commercial environments.

Tariffs

Tariffs impact the cost of products we import from China. The U.S. government announced a tariff of 10% on certain flooring products imported to the U.S. from China, effective on September 24, 2018 with an additional 15% effective on May 10, 2019. In order to partially offset the impact, we implemented price increases that went into effect in the fourth quarter of 2018, and additional price increases that went into effect in the second quarter of 2019 on select impacted products. On November 8, 2019, an exclusion on tariffs of certain flooring products was announced. The exclusion applies retroactively to September 24, 2018. We filed for tariff refunds on these products in 2020. Additional products were added to the exclusion in the second quarter of 2020, also retroactive to September 24, 2018. The exclusions are scheduled to expire in August 2020. In addition, we reduced prices on select impacted products in the fourth quarter of 2019.

Results of Operations

Condensed Consolidated Results from Continuing Operations

Below is a summary of comparative results of operations for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,				Six Months Ended June 30,			
			Change				Change	
(Dollars in millions)	2020	2019	$	%	2020	2019	$	%
Net sales	$ 145.6	$ 177.7	$ (32.1)	(18.1)%	$ 284.3	$ 319.4	$ (35.1)	(11.0)%
Cost of goods sold	120.9	141.5	(20.6)	(14.6)%	236.3	261.1	(24.8)	(9.5)%
Gross profit	**24.7**	**36.2**	**(11.5)**	(31.8)%	**48.0**	**58.3**	**(10.3)**	(17.7)%
Selling, general and administrative expenses	30.3	32.5	(2.2)	(6.8)%	66.9	70.2	(3.3)	(4.7)%
Operating (loss) income	**(5.6)**	**3.7**	**(9.3)**	NM*	**(18.9)**	**(11.9)**	**(7.0)**	NM*
Interest expense	1.2	0.9	0.3		1.8	1.9	(0.1)	
Other (income) expense, net	(0.5)	0.2	(0.7)		(0.9)	0.5	(1.4)	
(Loss) income from continuing operations before income taxes	**(6.3)**	**2.6**	**(8.9)**		**(19.8)**	**(14.3)**	**(5.5)**	
Income tax (benefit)	—	(2.7)	2.7		(0.3)	(3.0)	2.7	
Net (loss) income from continuing operations	**(6.3)**	**5.3**	**(11.6)**		**(19.5)**	**(11.3)**	**(8.2)**	
Gain on disposal of discontinued operations, net of tax	—	9.4	(9.4)		—	9.3	(9.3)	
Net income from discontinued operations	**—**	**9.4**	**(9.4)**		**—**	**9.3**	**(9.3)**	
Net (loss) income	**$ (6.3)**	**$ 14.7**	**$ (21.0)**		**$ (19.5)**	**$ (2.0)**	**$ (17.5)**	

NM*: not meaningful

<u>Three months ended June 30, 2020 compared to June 30, 2019</u>

Net sales

Net sales by percentage point change are shown in the table below:

	Three Months Ended June 30,		Change		Percentage Point Change Due to			
(Dollars in millions)	2020	2019	$	%	Price	Volume	Mix	Currency
	$ 145.6	$ 177.7	$ (32.1)	(18.1)%	(2.4)	(15.3)	0.4	(0.8)

Net sales for the three months ended June 30, 2020 decreased compared to the three months ended June 30, 2019 primarily attributable to lower volumes due to the COVID-19 pandemic and shelter-in-place related business disruptions, including the temporary closing of many independent customer retail locations and the postponement of certain commercial projects, partially offset by increased activity with home centers.

Cost of goods sold

Cost of goods sold for the three months ended June 30, 2020 was 83.0% of net sales compared to 79.6% of net sales in thethree months ended June 30, 2019. The change was primarily due to lower sales volume and related reduction in production capacity, which led to accelerated recognition of period expenses in cost of sales.
.

Selling, general & administrative expenses

Selling, general and administrative expenses for thethree months ended June 30, 2020 decreased compared to thethree months ended June 30, 2019 due to cost reduction measures implemented in response to the impact of COVID-19 and lower executive transition costs, partially offset by $4.7 million of income from a transition service agreement and a $2.5 million benefit from an early lease termination fee in 2019.

Income tax benefit

There was no income tax benefit for the three months ended June 30, 2020 compared to income tax benefit of $2.7 million for the three months ended June 30, 2019. The prior year tax benefit was due to a reduction in our U.S. valuation allowance due to the tax impact of the gain on disposal of discontinued operations resulting from a resolution of our antidumping case.

Discontinued operations

For the three months ended June 30, 2019, a$9.4 million gain on disposal of discontinued operations was realized primarily due to the resolution of an antidumping case.

Six months ended June 30, 2020 compared to June 30, 2019

Net sales

Net sales by percentage point change are shown in the table below:

	Six Months Ended June 30,		Change		Percentage Point Change Due to			
(Dollars in millions)	2020	2019	$	%	Price	Volume	Mix	Currency
	$ 284.3	$ 319.4	$ (35.1)	(11.0)%	(2.2)	(9.3)	1.1	(0.6)

Net sales for the six months ended June 30, 2020 decreased compared to the six months ended June 30, 2019 primarily attributable to lower volumes due to the COVID-19 pandemic and shelter-in-place related business disruptions, including the temporary closing of many independent customer retail locations and the postponement of certain commercial projects, partially offset by increased activity with home centers.

Cost of goods sold

Cost of goods sold for the six months ended June 30, 2020 was 83.1% of net sales compared to 81.7% of net sales in thesix months ended June 30, 2019. The change was primarily due to lower sales volume and related reduction in production capacity, which led to accelerated recognition of period expenses in cost of sales.

Selling, general & administrative expenses

Selling, general and administrative expenses for thesix months ended June 30, 2020 decreased compared to the six months ended June 30, 2019 due to cost reduction measures implemented in response to the impact of COVID-19 and lower executive transition costs, partially offset by $9.3 million of income from a transition service agreement and a $2.5 million benefit from an early lease termination fee in 2019.

Income tax benefit

Income tax benefit was $0.3 million for the six months ended June 30, 2020 compared to income tax benefit of $3.0 million for thesix months ended June 30, 2019. The effective tax rate for the six months ended June 30, 2020 of 1.5%

compared to the rate of 21.0% for the same period of2019. The change in effective rates is primarily driven by the mix of income among tax jurisdictions and the effects of unbenefitted losses.

Discontinued operations

For the six months ended June 30, 2019, a $9.3 million gain on disposal of discontinued operations was realized, primarily due to the resolution of an antidumping case.

Liquidity and Capital Resources

Our primary sources of liquidity are, and we anticipate that they will continue to be, proceeds from asset sales and borrowings under our credit facilities. We believe these sources are sufficient to fund our capital needs and planned capital expenditures, and to meet our interest and other contractual obligations in the near term. Our liquidity needs for operations vary throughout the year with the majority of our cash flows typically generated in the second and third quarters.

Cash and cash equivalents totaled $34.1 million as of June 30, 2020, of which $17.2 million was held in the U.S.

Cash Flows

The table below shows our cash (used for) provided by operating, investing and financing activities:

	Six Months Ended June 30,	
(Dollars in millions)	**2020**	**2019**
Cash (used for) operating activities	$ (6.9)	$ (33.8)
Cash (used for) investing activities	(10.9)	(15.5)
Cash provided by (used for) financing activities	25.0	(79.1)

Operating activities

Operating activities for the six months ended June 30, 2020 used $6.9 million. Cash was used primarily by net changes in working capital, primarily inventories and receivables, partially offset by accounts payable and accrued expenses and net non-cash expenses, primarily depreciation and amortization. Operating activities for the six months ended June 30, 2019 used $33.8 million of cash, primarily due to a reduction in accounts payable and accrued expenses and an increase in receivables, partially offset by net non-cash expenses, primarily depreciation and amortization.

Investing activities

Net cash used for investing activities of $10.9 million and $15.5 million for the six months ended June 30, 2020 and 2019, respectively, reflected purchases of property, plant and equipment.

Financing activities

Net cash provided by financing activities for the six months ended June 30, 2020 was $25.0 million. Cash provided primarily reflected the borrowings under our Term Loan Agreement and ABL Credit Facility, partially offset by payments to our ABL Credit Facility. Net cash used in the six months ended June 30, 2019 was $79.1 million, and primarily reflected purchases of treasury stock and repayments of our revolving credit facility.

Debt

On June 23, 2020 we entered into a Third Amendment to the ABL Credit Facility (the "Amendment"), which reduces commitments from $100 million to $90 million, amends the interest rates applicable to the loans, modifies certain financial maintenance and other covenants, and permits indebtedness under the Term Loan Agreement defined below. The Amended ABL Credit Facility provides for a borrowing base that is derived from our accounts receivable and inventory, collectively, with the equity interests in the guarantors, the Amended ABL Priority Collateral, subject to certain reserves and other limitations. The Amended ABL Credit Facility matures in December 2023.

The Amendment permits us to grant a first priority security interest in real estate, machinery and equipment and intellectual property collateral to the Term Loan Agent (collectively, the “Term Loan Priority Collateral”). Bank of America, N.A., as administrative agent and collateral agent (in such capacities, the “ABL Agent”) will not have a security interest in the real property securing the Term Loan Agreement (as defined below) but will have a second priority security interest in machinery and equipment and intellectual property constituting Term Loan Priority Collateral.

Borrowings under the Amended ABL Credit Facility will bear interest at a rate per annum equal to, at our option, a base rate or a Eurodollar rate equal to the London interbank offered rate (“LIBOR”) for the relevant interest period, plus, in each case, an applicable margin determined in accordance with the provisions of the Amendment. The base rate will be the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate of Bank of America, N.A., and (c) LIBOR plus 1.00%. The applicable margin for borrowings under the Amended ABL Credit Facility will be determined based on the Company’s Consolidated Leverage Ratio (as defined in the Amendment) and will range from 1.75% to 3.00% with respect to base rate borrowings and 2.75% to 4.00% with respect to Eurodollar rate borrowings. In addition to paying interest on outstanding principal under the Amended ABL Credit Facility, we will pay a commitment fee to the lenders with respect to the unutilized revolving commitments thereunder at a rate ranging from 0.375% to 0.50% depending on the Company’s Consolidated Leverage Ratio.

In addition, the Amendment also amends certain financial covenants. The Amended ABL Credit Facility requires, among other things, that we maintain a minimum Consolidated Cash Flow (as defined in the Amendment) for the three-fiscal quarter period ending September 30, 2020 and for any four-fiscal quarter period ending thereafter, have minimum Availability (as defined in the Amended ABL Credit Facility) of $30 million and, during a Financial Covenant Trigger Period (as defined in the Amendment), maintain a minimum Consolidated Fixed Charge Coverage Ratio (as defined in the Amendment) of at least 1.00 to 1.00 (such covenants, the “Financial Covenants”).

On June 23, 2020 we also entered into a new term loan facility with Pathlight Capital LP as the administrative agent ("Term Loan Agreement"). The Term Loan Agreement provides us with a secured term loan credit facility of $70 million (the “Term Loan Facility”). The borrowing base is derived from the Company’s machinery and equipment, intellectual property and real property, subject to certain reserves and other limitations. The Term Loan Facility is scheduled to mature on June 23, 2025. The principal balance of the Term Loan Facility is payable in quarterly installments beginning in June 2021. We used the proceeds of the Term Loan Facility to pay down the Amended ABL Credit Facility.

Borrowings under the Term Loan Facility will bear interest at a rate per annum equal to LIBOR for a three-month interest period, plus an applicable margin of 2.00%.

We must use cash proceeds from certain dispositions, including sales of real estate, equity and debt issuances and extraordinary events to prepay outstanding loans under the Term Loan Facility, subject to specified exceptions, including the prepayment requirements with respect to the Amended ABL Credit Facility. Prepayments of loans under the Term Loan Facility prior to the third anniversary of the closing date are subject to certain premiums.

All obligations under the Term Loan Agreement are guaranteed by each of our wholly owned domestic subsidiaries that individually, or together with its subsidiaries, has assets of more than $1.0 million and are secured by a first priority lien on the Term Priority Collateral and a second priority lien on the ABL Priority Collateral.

The Term Loan Agreement contains a number of covenants that, among other things and subject to certain exceptions, restrict our ability to create liens, to undertake fundamental changes, to incur debt, to sell or dispose of assets, to make investments, to make restricted payments such as dividends, distributions or equity repurchases, to change the nature of our businesses, to enter into transactions with affiliates and to enter into certain burdensome agreements.

In addition, the Term Loan Agreement requires us to comply with the Amended ABL Credit Facility Financial Covenants.

The Term Loan Agreement also contains customary affirmative covenants and events of default, including a cross-default provision in respect of certain material indebtedness and a change of control provision. If an event of default occurs, the lenders may choose to accelerate the maturity of the Term Loan Facility and require repayment of all obligations thereunder.

As of June 30, 2020, there were no borrowings outstanding under our Amended ABL Credit Facility, while outstanding letters of credit were $3.9 million. Total net availability under the Amended ABL Credit Facility and Term Loan Facility as of June 30, 2020 was $82.3 million.

We are required to pay a commitment fee, payable quarterly in arrears, on the average daily unused amount of the revolving Amended ABL Credit Facility, which varies according to the net leverage ratio and was 0.20% as of June 30, 2020. Outstanding letters of credit issued under the Amended ABL Credit Facility are subject to fees which will be due quarterly in arrears based on the applicable margin described above plus a fronting fee. The total rate for letters of credit was 2.375% as of June 30, 2020.

All obligations under the Amended ABL Credit Facility and Term Loan Facility are guaranteed by each of our wholly owned domestic subsidiaries that individually, or together with its subsidiaries, has assets of more than $1.0 million. All obligations under the Amended ABL Credit Facility and Term Loan Facility, and guarantees of those obligations, are secured by all of the present and future assets of the Company and the guarantors, subject to certain exceptions and exclusions as set forth in the Amended ABL Credit Facility, Term Loan Facility and other security and collateral documents.

Due to its stated five-year maturity, this obligation is presented as a long-term obligation in our Condensed Consolidated Balance Sheet. However, we may repay this obligation at any time, without penalty.

Our foreign subsidiaries had available lines of credit totaling $8.5 million; there were $4.2 million borrowings under these lines of credit as of June 30, 2020.

Debt Covenants

The Amendment also amends certain financial covenants. The Amended ABL Credit Facility and the Term Loan Facility require, among other things, that we maintain a minimum Consolidated Cash Flow (as defined in the Amendment) for the three-fiscal quarter period ending September 30, 2020 and for any four-fiscal quarter period ending thereafter, have minimum Availability (as defined in the Amended ABL Credit Facility) of $30 million and, during a Financial Covenant Trigger Period (as defined in the Amendment), maintain a minimum Consolidated Fixed Charge Coverage Ratio (as defined in the Amendment) of at least 1.00 to 1.00 (such covenants, the "Financial Covenants").

As of June 30, 2020, the minimum Consolidated Cash Flow and the Fixed Charge Coverage Ratio covenants were not applicable. As of June 30, 2020, we were in compliance with the minimum availability requirement of $30 million.

See Note 11 to the Condensed Consolidated Financial Statements for additional information related to the ABL Amendment and Term Loan Facility.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

On June 26, 2020, we entered into new Headquarters (HQ) and Technical Center lease agreements with High Properties. The term of the HQ lease will be ten years and four months, with an anticipated commencement date of June 1, 2021. Under the terms of the HQ lease, we will lease an aggregate of 58,500 square feet in two existing adjacent buildings located in Lancaster, Pennsylvania. During the first sixteen months of the HQ lease term, we will pay an initial monthly rental rate of $26.75 per square foot, plus operating expenses and real estate taxes, subject to a rent abatement period, with a gradual rate increase for each twelve month period thereafter, culminating with a monthly rental rate of $31.97 per square foot, plus operating expenses and real estate taxes, during the final twelve months of the HQ lease term. The term of the Technical Center lease will be ten years and seven months, with an anticipated commencement date of March 1, 2021. Under the terms of the Technical Center lease, we will lease 32,143 square feet of an existing building also in Lancaster, Pennsylvania. During the first sixteen months of the Technical Center lease, we will pay an initial monthly rental rate of $11.71 per square foot, plus operating expenses and real estate taxes, subject to a rent abatement period, with a gradual rate increase for each twelve month period thereafter, culminating with a monthly rental rate of $13.30 per square foot, plus operating expenses and real estate taxes, during the final twelve months of the Technical Center lease. Both leases will be recorded as operating leases.

Recent Accounting Pronouncements

See Note 1 to the Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements, including accounting pronouncements that are effective in future periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For information regarding our exposure to certain market risks, see "Quantitative and Qualitative Disclosures About Market Risk" in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2019 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures to give reasonable assurance that information required to be disclosed in the Company's reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. These controls and procedures also give reasonable assurance that information required to be disclosed in such reports is accumulated and communicated to management to allow timely decisions regarding required disclosures.

During the evaluation of disclosure controls and procedures and our internal control over financial reporting as of December 31, 2019 conducted during the preparation of our financial statements, which were included in our Annual Report on Form 10-K for the year ended December 31, 2019, our management identified a material weakness in internal control over financial reporting relating to the design and implementation of information technology general controls (ITGCs) over two information technology (IT) systems that support our processing of certain sales incentives, which are recorded as a reduction of net sales and accounts receivable. As a result, business process automated and manual controls that are dependent on the affected ITGCs were ineffective because they could have been adversely impacted. These control deficiencies were a result of: risk-assessment processes inadequate to identify and evaluate responses to risks in the financial reporting process; and failure to implement monitoring control activities when involving a third party service provider. This control deficiency did not result in any identified misstatements to the consolidated financial statements as of and for the year ended December 31, 2019 and there were no changes to previously released financial results. However, the control deficiency create a reasonable possibility that a material misstatement to our consolidated financial statements will not be prevented or detected on a timely basis and, therefore, we concluded that as of December 31, 2019, our internal control over financial reporting was not effective.

As of June 30, 2020, the material weakness was not yet remediated. As a result, our Chief Executive Officer and Interim Chief Financial Officer, together with management, concluded that, as of June 30, 2020, our disclosure controls and procedures were not effective. We have implemented and continue to implement measures designed to ensure that the deficient ITGCs for the two IT systems that support our processing of certain sales incentives are remediated. We have also updated our risk-assessment process to better identify risks in the financial reporting process and have implemented monitoring control activities when using a third party service provider. As we continue to implement these measures, we may determine that additional steps may be necessary to remediate the material weakness. The material weakness will not be considered remediated, however, until the controls are designed, implemented and operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed prior to the end of 2020.

Change in Internal Controls over Financial Reporting

On June 26, 2020, our Board of Directors and Douglas B. Bingham mutually agreed that Mr. Bingham would step down from his position as Senior Vice President, CFO and Treasurer and principal financial officer. The role and responsibilities of principal financial officer of the Company previously held by Mr. Bingham were assumed by Gregory D. Waina, as Interim Chief Financial Officer.

Except for the material weakness described above, no changes in our internal control over financial reporting occurred during the fiscal quarter ended June 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

See Note 15 to the Condensed Consolidated Financial Statements included elsewhere in this report, which is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes in the Company's risk factors discussed in Part I, Item 1A, Risk Factors during the current quarter.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Purchases of Equity Securities

The following table includes information about our stock repurchases from April 1, 2020 to June 30, 2020:

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may yet be Purchased under the Plans or Programs
April 1 - 30, 2020	2,495	$ 1.57	—	—
May 1 - 31, 2020	—	$ —	—	—
June 1 - 30, 2020	—	$ —	—	—
Total	2,495		—	—

[1] Shares reacquired through the withholding of shares to pay employee tax obligations upon the exercise of options or vesting of restricted units granted under our long-term incentive plans and those previously granted under Armstrong World Industries' long-term incentive plans, which were converted to AFI units on April 1, 2016.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Armstrong Flooring, Inc. dated March 30, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).
3.2	Amended and Restated Bylaws of Armstrong Flooring, Inc. dated March 30, 2016 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, as filed with the U.S. Securities and Exchange Commission on April 4, 2016).
10.1	Third Amendment to Credit Agreement, dated as of June 23, 2020, by and among Armstrong Flooring, Inc., as borrower, the guarantors named therein, the lender parties thereto and Bank of America, N.A., as administrative agent for the lenders thereunder (incorporated by reference to Exhibit 10.1 to the Company's Current Report of Form 8-K, as filed with the U.S. Securities and Exchange Commission on June 24, 2020).
10.2	Term Loan Agreement, dated as of June 23, 2020, by and among Armstrong Flooring, Inc., as borrower, the guarantors named therein, the lender parties thereto and Pathlight Capital LP, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report of Form 8-K, as filed with the U.S. Securities and Exchange Commission on June 24, 2020).
10.3	Lease Agreement - Part I, dated June 26, 2020, by and between the Company and HIGH PROPERTIES, a Pennsylvania limited partnership, as successor to HIGH PROPERTIES, a Pennsylvania general partnership (incorporated by reference to Exhibit 10.1 to the Company's Current Report of Form 8-K, as filed with the U.S. Securities and Exchange Commission on June 29, 2020).
10.4	Lease Agreement - Part I, dated June 26, 2020, by and between the Company and HIGH PROPERTIES, a Pennsylvania limited partnership, as successor to HIGH PROPERTIES, a Pennsylvania general partnership (incorporated by reference to Exhibit 10.2 to the Company's Current Report of Form 8-K, as filed with the U.S. Securities and Exchange Commission on June 29, 2020).
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.†
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.†
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.†
101.SCH	XBRL Taxonomy Extension Schema Document†
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document†
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document†
101.LAB	XBRL Taxonomy Extension Label Linkbase Document†
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document†

† Filed herewith.

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Armstrong Flooring, Inc.
(Registrant)

Date: July 31, 2020

By: /s/ Gregory D. Waina

Gregory D. Waina
Interim Chief Financial Officer
(As Duly Authorized Officer and Principal Financial Officer)

Date: July 31, 2020

By: /s/ Tracy L. Marines

Tracy L. Marines
Vice President and Controller
(As Duly Authorized Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS
Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934, As Amended

I, Michel S. Vermette, certify that:

1. I have reviewed this report on Form 10-Q of Armstrong Flooring, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2020

By: /s/ Michel S. Vermette

Michel S. Vermette
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS
Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934, As Amended

I, Gregory D. Waina, certify that:

1. I have reviewed this report on Form 10-Q of Armstrong Flooring, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2020

By: /s/ Gregory D. Waina

Gregory D. Waina
Interim Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**Certification of CEO Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2020 of Armstrong Flooring, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michel S.Vermette, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michel S.Vermette

Michel S. Vermette
President and Chief Executive Officer
(Principal Executive Officer)
July 31, 2020

Exhibit 32.2

Certification of CFO Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2020 of Armstrong Flooring, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Gregory D. Waina, as Interim Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gregory D. Waina

Gregory D. Waina
Interim Chief Financial Officer
(Principal Financial Officer)
July 31, 2020