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 September 30, 2021

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)
1770 Hempstead Road	**17605**
Lancaster Pennsylvania	
(Address of principal executive offices)	(Zip Code)

(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 21,709,428 shares of common stock, $0.0001 par value, outstanding at October 15, 2021.

Armstrong Flooring, Inc.

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Glossary of Defined Terms

Unless the context requires otherwise, "AFI," the "Company," "we," "our," or "us" refers to Armstrong Flooring Inc., a Delaware corporation and its consolidated subsidiaries. The Company also uses several other terms in this Quarterly Report on Form 10-Q, which are further defined below:

Term	Description
Amended ABL Credit Facility	ABL credit facility, as amended through the fourth amendment thereto
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COVID-19	COVID-19 coronavirus
Form 10-Q	Quarterly Report on Form 10-Q
ROU	Right-of-use asset
SEC	Securities and Exchange Commission
South Gate Facility	Facility formerly owned by the Company, located in South Gate, California sold March 10, 2021.
Amended Term Loan Agreement	Pathlight Capital L.P. term loan agreement, as amended through the first amendment thereto
Term Loan Facility	Pathlight Capital L.P. term loan facility
U.S. GAAP	Generally accepted accounting principles in the United States of America

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on 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:

- execution of strategy;
- competition;
- availability and costs of raw materials and energy;
- key customers;
- construction activity;
- liquidity;
- debt covenants;
- debt;
- pandemics, epidemics or other public health emergencies such as the outbreak of COVID-19;
- global economic conditions;
- international operations;
- environmental and regulatory matters;
- information systems and transition services;
- personnel;
- intellectual property rights;
- claims and litigation;
- labor;
- outsourcing; and
- other risks detailed from time to time in our filings with the SEC, press releases and other communications, including those set forth under “Risk Factors” included in our Annual Report on Form 10-K 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 Balance Sheets (Unaudited)
(Dollars in millions)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	**$ 14.9**	$ 13.7
Accounts and notes receivable, net	**47.8**	43.0
Inventories, net	**128.6**	122.9
Prepaid expenses and other current assets	**20.1**	12.9
Assets held-for-sale	**—**	17.8
Total current assets	**211.4**	210.3
Property, plant, and equipment, net	**233.7**	246.9
Operating lease assets	**18.9**	8.5
Intangible assets, net	**14.0**	19.0
Deferred income tax assets	**4.4**	4.4
Other noncurrent assets	**11.5**	4.4
Total assets	**$ 493.9**	$ 493.5
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt	**$ 5.9**	$ 5.5
Current installments of long-term debt **(a)**	**67.3**	2.9
Trade accounts payable	**89.2**	78.5
Accrued payroll and employee costs	**18.3**	14.8
Current operating lease liabilities	**2.7**	2.7
Other accrued expenses	**21.1**	17.7
Total current liabilities	**204.5**	122.1
Long-term debt **(a)**	**0.9**	71.4
Noncurrent operating lease liabilities	**17.2**	5.8
Postretirement benefit liabilities	**54.2**	55.6
Pension benefit liabilities	**4.5**	4.6
Deferred income tax liabilities	**1.5**	2.4
Other long-term liabilities	**7.7**	9.0
Total liabilities	**290.5**	270.9
Commitments and contingencies		
Stockholders' equity:		
Common stock	**—**	—
Preferred stock	**—**	—
Treasury stock, at cost	**(85.8)**	(87.1)
Additional paid-in capital	**678.0**	677.4
Accumulated deficit	**(330.4)**	(308.4)
Accumulated other comprehensive income (loss)	**(58.4)**	(59.3)
Total stockholders' equity	**203.4**	222.6
Total liabilities and stockholders' equity	**$ 493.9**	$ 493.5

(a) Net of unamortized debt issuance costs. See Note 1 - Business and Basis of Presentation, for additional details..

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net sales	**$ 168.5**	$ 156.6	**$ 485.5**	$ 440.9
Cost of goods sold	**155.6**	129.0	**431.5**	365.3
Gross profit	**12.9**	27.6	**54.0**	75.6
Selling, general and administrative expenses	**41.7**	37.7	**119.3**	104.6
Gain on sale of property	—	—	**(46.0)**	—
Operating income (loss)	**(28.8)**	(10.1)	**(19.3)**	(29.0)
Interest expense	**2.6**	2.8	**8.9**	4.6
Other expense (income), net	**(2.3)**	(1.5)	**(6.7)**	(2.4)
Income (loss) before income taxes	**(29.1)**	(11.4)	**(21.5)**	(31.2)
Income tax expense (benefit)	**0.6**	0.3	**0.5**	—
Net income (loss)	**$ (29.7)**	$ (11.7)	**$ (22.0)**	$ (31.2)
Basic earnings (loss) per share of common stock:				
Basic earnings (loss) per share of common stock	**$ (1.34)**	$ (0.53)	**$ (1.00)**	$ (1.42)
Diluted earnings (loss) earnings per share of common stock:				
Diluted earnings (loss) per share of common stock	**$ (1.34)**	$ (0.53)	**$ (1.00)**	$ (1.42)

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income (loss)	**$ (29.7)**	$ (11.7)	**$ (22.0)**	$ (31.2)
Changes in other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	**(0.7)**	3.6	**(0.4)**	2.7
Derivative adjustments	**0.4**	(0.3)	**0.7**	0.1
Pension and postretirement adjustments	**0.2**	0.9	**0.6**	3.1
Total other comprehensive income (loss)	**(0.1)**	4.2	**0.9**	5.9
Total comprehensive income (loss)	**$ (29.8)**	$ (7.5)	**$ (21.1)**	$ (25.3)

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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

	Nine Months Ended September 30,	
	2021	**2020**
Cash flows from operating activities:		
Net income (loss)	**$ (22.0)**	$ (31.2)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	**33.3**	32.0
Inventory write down	**1.2**	—
Deferred income taxes	**(0.5)**	(0.9)
Stock-based compensation expense	**2.0**	2.0
Gain on sale of property	**(46.0)**	—
Gain from long-term disability plan change	**—**	(1.1)
U.S. pension expense (income)	**(5.3)**	2.8
Other non-cash adjustments, net	**0.8**	0.6
Changes in operating assets and liabilities:		
Receivables	**(10.3)**	(7.7)
Insurance receivable	**3.8**	—
Inventories	**(7.4)**	(18.0)
Accounts payable and accrued expenses	**24.4**	11.2
Insurance liability	**(3.8)**	—
Other assets and liabilities	**(10.8)**	(6.0)
Net cash provided by (used for) operating activities	**(40.6)**	(16.3)
Cash flows from investing activities:		
Purchases of property, plant and equipment	**(16.1)**	(15.2)
Proceeds from sale of assets	**65.4**	0.1
Net cash provided by (used for) investing activities	**49.3**	(15.1)
Cash flows from financing activities:		
Proceeds from revolving credit facility	**70.1**	43.1
Payments on revolving credit facility	**(55.4)**	(79.2)
Issuance of long-term debt	**0.2**	70.0
Financing costs	**—**	(7.4)
Payments on long-term debt	**(22.1)**	(0.2)
Value of shares withheld related to employee tax withholding	**(0.2)**	—
Net cash provided by (used for) financing activities	**(7.4)**	26.3
Effect of exchange rate changes on cash and cash equivalents	**(0.1)**	0.2
Net increase (decrease) in cash and cash equivalents	**1.2**	(4.9)
Cash and cash equivalents at beginning of year	**13.7**	27.1
Cash and cash equivalents at end of period	**$ 14.9**	$ 22.2
Supplemental Cash Flow Disclosure:		
Cash paid for:		
Interest paid	**$ 7.8**	$ 3.6
Income taxes paid, net	**0.5**	0.4
Non-cash transaction:		
Amounts in accounts payable for capital expenditures	**2.4**	2.9

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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

	Common Stock		Treasury Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
December 31, 2020	21,638,141	$ —	6,738,521	$ (87.1)	$ 677.4	$ (59.3)	$ (308.4)	$ 222.6
Net income (loss)	—	—	—	—	—	—	27.2	27.2
Stock-based employee compensation, net	47,721	—	(47,721)	0.9	(0.4)	—	—	0.5
Other comprehensive income (loss)	—	—	—	—	—	(0.6)	—	(0.6)
March 31, 2021	21,685,862	—	6,690,800	(86.2)	677.0	(59.9)	(281.2)	249.7
Net income (loss)	—	—	—	—	—	—	(19.5)	(19.5)
Stock-based employee compensation, net	—	—	—	—	0.8	—	—	0.8
Other comprehensive income (loss)	—	—	—	—	—	1.6	—	1.6
June 30, 2021	21,685,862	—	6,690,800	(86.2)	677.8	(58.3)	(300.7)	232.6
Net income (loss)	—	—	—	—	—	—	(29.7)	(29.7)
Stock-based employee compensation, net	23,566	—	(23,566)	0.4	0.2	—	—	0.6
Other comprehensive income (loss)	—	—	—	—	—	(0.1)	—	(0.1)
September 30, 2021	**21,709,428**	**$ —**	**6,667,234**	**$ (85.8)**	**$ 678.0**	**$ (58.4)**	**$ (330.4)**	**$ 203.4**

	Common Stock		Treasury Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
December 31, 2019	21,519,761	$ —	6,837,897	$ (88.9)	$ 676.7	$ (74.7)	$ (244.8)	$ 268.3
Net income (loss)	—	—	—	—	—	—	(13.2)	(13.2)
Stock-based employee compensation, net	36,072	—	(36,072)	0.7	—	—	—	0.7
Other comprehensive income (loss)	—	—	—	—	—	0.1	—	0.1
March 31, 2020	21,555,833	—	6,801,825	(88.2)	676.7	(74.6)	(258.0)	255.9
Net income (loss)	—	—	—	—	—	—	(6.3)	(6.3)
Stock-based employee compensation, net	37,689	—	(18,685)	0.3	0.3	—	—	0.6
Other comprehensive income (loss)	—	—	—	—	—	1.6	—	1.6
June 30, 2020	21,593,522	—	6,783,140	(87.9)	677.0	(73.0)	(264.3)	251.8
Net income (loss)	—	—	—	—	—	—	(11.7)	(11.7)
Stock-based employee compensation, net	32,700	—	(32,700)	0.6	—	—	—	0.6
Other comprehensive income (loss)	—	—	—	—	—	4.2	—	4.2
September 30, 2020	21,626,222	$ —	6,750,440	$ (87.3)	$ 677.0	$ (68.8)	$ (276.0)	$ 244.9

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

NOTE 1. BUSINESS AND BASIS OF PRESENTATION

Background

Armstrong Flooring, Inc. 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.

Basis of Presentation

These condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The condensed consolidated financial statements include management estimates and judgments, where appropriate. Management uses estimates to record many items including allowances for expected credit losses, inventory obsolescence, lower of cost or market or net realizable value charges, warranty reserves, sales-related accruals, pension and post-retirement liabilities, 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 nine months ended September 30, 2021 and 2020 included in this Quarterly Report on Form 10-Q are unaudited. Quarterly results are not necessarily indicative of annual results, primarily due to the seasonality of the business and the possibility of changes in economic conditions between periods.

The accounting policies used in preparing the condensed consolidated financial statements in this Quarterly Report on Form 10-Q are the same as those used in preparing the Consolidated Financial Statements for the year ended December 31, 2020. These statements should therefore be read in conjunction with the Consolidated Financial Statements and notes that are included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

All significant intercompany transactions within AFI have been eliminated from the consolidated financial statements.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform with current year classifications.

Recently Adopted and Recently Issued Accounting Standards

On January 1, 2021 we adopted ASU 2019-12, *"Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes."* This new standard eliminates certain exceptions in ASC 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, guidance on accounting for franchise taxes and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. The adoption of the standard did not have a material impact on our financial condition, results of operations or cash flows.

There are no additional accounting standards that have been issued and become effective for the Company at a future date which are expected to have a material impact on our financial condition, results of operations or cash flows.

(Dollars in millions, except per share data)

Going Concern

These financial statements have been prepared assuming that the Company will continue as a going concern. For the nine months ended September 30, 2021, the Company had a net loss of $22.0 million. As of September 30, 2021, the Company had an accumulated deficit of $330.4 million.

The ability of the Company to continue as a going concern is dependent on the Company maintaining adequate capital and liquidity to fund operating losses until it returns to profitability. On November 1, 2021, the Company entered into the Fourth Amendment to its Credit Agreement, which amended its existing asset-backed revolving credit facility and the First Amendment to its Term Loan Agreement, which amended its existing Term Loan Agreement, both of which modify financial covenant requirements for the period ending September 30, 2021. The Company was in compliance with these covenants at September 30, 2021.

Based on current projections, as a result of worsening supply chain disruptions during the third quarter of 2021 and continued inflationary pressures related to transportation, labor and raw materials, which are expected to continue through 2022, the Company does not currently expect to remain in compliance with certain financial covenants under the asset-backed revolving Credit Agreement or the Term Loan Agreement, each, as amended, for the entirety of the twelve-month period from filing of this Form 10-Q. While the Company has implemented substantial pricing actions, continues to work with its lenders to secure longer-term relief and evaluates other initiatives that could enhance its liquidity, there can be no assurances that these actions will be successful. These factors raise substantial doubt about the Company's ability to continue as a going concern. As a result, the Company has reclassified amounts outstanding under the Amended ABL Credit Facility and the Amended Term Loan Agreement from Long-term debt to Current installments of long-term debt at September 30, 2021 on the Condensed Consolidated Balance Sheets. See Note 7, Debt, for additional details.

Asset Impairment Review

The Company's business transformation has been delayed by supply chain disruptions and inflationary pressures related to transportation, labor and raw materials. As a result, the Company has experienced continued losses and negative cash flows, which were higher than anticipated. These events constitute a triggering event that required impairment testing of our North America asset group as of the last day of the third quarter of 2021. The results of this impairment testing indicated that, as of September 30, 2021, our North America asset group is not impaired. While no long-lived asset impairment existed as of September 30, 2021, such charges are possible in the future, which could have a material adverse effect on future results.

NOTE 2. ACCOUNTS AND NOTES RECEIVABLE

The following table presents accounts and note receivables, net:

	September 30, 2021	December 31, 2020
Customer trade accounts receivables	**$ 65.8**	$ 52.4
Miscellaneous receivables (a)	**4.4**	9.0
Less: allowance for product claims, discounts, returns and losses	**(22.4)**	(18.4)
Total accounts and notes receivable, net	**$ 47.8**	$ 43.0

(a) Miscellaneous receivables primarily relate to the current portion of a distributor note receivable, tax claim receivables and medical insurance rebate receivables not included in Customer trade account receivables. The decrease in Miscellaneous receivables is primarily due to receipt of an insurance receivable associated with a shareholder lawsuit that was included in the balance at December 31, 2020. See Note 10, Litigation and Related Matters, for additional details.

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

(Dollars in millions, except per share data)

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Balance as of January 1	**$ (10.3)**	$ (9.0)
Reductions for payments	**7.4**	4.9
Current year claim accruals	**(8.7)**	(5.9)
Balance as of September 30	**$ (11.6)**	$ (10.0)

NOTE 3. INVENTORIES

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

	September 30, 2021	December 31, 2020
Finished goods	**$ 88.0**	$ 94.0
Goods in process	**5.6**	5.7
Raw materials and supplies	**35.0**	23.2
Total inventories, net	**$ 128.6**	$ 122.9

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

The following table presents details related to our property, plant and equipment, net:

	September 30, 2021	December 31, 2020
Land	**$ 10.3**	$ 10.6
Buildings	**83.0**	81.8
Machinery and equipment	**445.5**	458.9
Computer software	**18.4**	15.9
Construction in progress	**10.7**	16.4
Less: accumulated depreciation and amortization	**(334.2)**	(336.7)
Total property, plant and equipment, net	**$ 233.7**	$ 246.9

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Depreciation expense	**$ 8.5**	$ 9.3	**$ 28.0**	$ 26.8

(Dollars in millions, except per share data)

On March 10, 2021 the Company sold its South Gate Facility, previously classified as assets held-for-sale, for a purchase price of $76.7 million. The Company received proceeds of $65.3 million, net of fees, expenses and certain amounts held in an environmental-related escrow account. The Company realized a gain of $46.0 million during the three months ended March 31, 2021 on the sale. At December 31, 2020, the Company had classified as Assets held-for-sale, $17.8 million of primarily land and buildings related to the South Gate Facility that met all related criteria under U.S. GAAP.

During the second quarter of 2021, the Company accelerated $3.3 million of depreciation expense for property, plant and equipment for which no future alternative use was identified as part of the Company's business transformation initiatives.

NOTE 5. LEASES

The Company's leases, excluding short-term leases, have remaining terms of less thanone year to ten years, some of which include options to extend for up toten years or more. The exercise of lease renewal options is at our sole discretion. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following table summarizes components of lease expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Finance lease cost	**$ 0.1**	$ 0.1	**$ 0.3**	$ 0.3
Operating lease cost	**1.5**	0.5	**3.7**	3.3
Short-term lease cost	**0.5**	—	**1.8**	0.7
Total lease cost	**$ 2.1**	$ 0.6	**$ 5.8**	$ 4.3

The following table summarizes supplemental balance sheet information related to leases:

Lease Category	**Balance Sheet Classification**	**September 30, 2021**	**December 31, 2020**
Assets			
Operating lease assets	Operating lease assets	**$ 18.9**	$ 8.5
Finance lease assets	Property, plant and equipment, net	**1.2**	1.0
Total lease assets		**$ 20.1**	$ 9.5
Liabilities			
Current			
Operating lease liabilities	Current operating lease liabilities	**$ 2.7**	$ 2.7
Finance lease liabilities	Current installments of long-term debt	**0.5**	0.3
Noncurrent			
Operating lease liabilities	Noncurrent operating lease liabilities	**17.2**	5.8
Finance lease liabilities	Long-term debt, net of unamortized debt issuance costs	**0.7**	0.7
Total lease liabilities		**$ 21.1**	$ 9.5

(Dollars in millions, except per share data)

The following table summarizes supplemental cash flow information related to leases:

	Nine Months Ended	
	September 30, 2021	**September 30, 2020**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 3.0**	$ 3.2
Financing cash flows from finance leases	**0.3**	0.2
ROU assets obtained in exchange for lease obligations:		
Operating leases	**12.4**	2.8
Finance leases	**0.4**	0.7

During the nine months ended September 30, 2021, the Company added $11.6 million of additional ROU assets related to the commencement of the Technical Center and Headquarters leases.

The following table summarizes weighted average remaining lease term and weighted average discount rate:

	September 30, 2021	**December 31, 2020**
Weighted average remaining lease term - Operating leases (in years)	**7.7**	4.1
Weighted average remaining lease term - Finance leases (in years)	**2.7**	3.0
Weighted average discount rate - Operating leases (%)	**11.5 %**	9.5 %
Weighted average discount rate - Finances leases (%)	**8.3 %**	7.1 %

Maturities of lease liabilities at September 30, 2021 were as follows:

	Operating Leases	**Finance Leases**
2021 (excluding the nine months ended September 30, 2021)	$ 1.2	$ 0.1
2022	4.5	0.5
2023	4.2	0.4
2024	3.9	0.2
2025	3.3	0.1
Thereafter	13.5	—
Total lease payments	30.6	1.3
Less: Unamortized interest	10.7	0.1
Total	$ 19.9	$ 1.2

(Dollars in millions, except per share data)

NOTE 6. INTANGIBLE ASSETS

Intangible assets, net consist of the following:

		September 30, 2021		December 31, 2020	
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets:					
Contractual arrangements	5 years	**$ 33.4**	**$ 28.4**	$ 33.4	$ 23.6
Land use rights	50 years	**3.2**	**0.6**	3.2	0.5
Intellectual property	2-15 years	**5.7**	**2.3**	5.6	2.0
Subtotal		**42.3**	**31.3**	42.2	26.1
Indefinite-lived intangible assets:					
Trademarks and brand names	Indefinite	**3.0**		2.9	
Total intangible assets, net		**$ 45.3**	**$ 31.3**	$ 45.1	26.1

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Amortization expense	**$ 1.8**	$ 1.7	**$ 5.3**	$ 5.2

	2021 (a)	2022	2023	2024	2025	Thereafter
Estimated amortization expense	$ 1.8	$ 3.7	$ 0.4	$ 0.4	$ 0.4	$ 2.0

(a) Amortization remaining in current year .

(Dollars in millions, except per share data)

NOTE 7. DEBT

	September 30, 2021	December 31, 2020
Credit lines (international)	**$ 4.5**	$ 4.5
Insurance premiums financing	**1.4**	1.0
Short-term debt	**5.9**	5.5
Current installment of Term Loan Facility	**48.3**	2.6
Amended ABL Credit Facility	**24.1**	—
Current installment of finance leases	**0.5**	0.3
Less: Deferred financing costs	**(5.6)**	—
Current installments of long-term debt	**67.3**	2.9
Noncurrent portion of Term Loan Facility	—	67.4
Amended ABL Credit Facility	—	10.0
Other financing payable (including finance leases)	**0.9**	0.7
Total principal balance outstanding, long-term debt	**0.9**	78.1
Less: Deferred financing costs	—	(6.7)
Long-term debt, net of unamortized debt issuance costs:	**0.9**	71.4
Total	**$ 74.1**	$ 79.8

Upon the sale of our South Gate Facility, we made a mandatory payment of $20.0 million to Pathlight Capital L.P. towards the principal balance on our Term Loan Facility as required by the Term Loan Agreement. As part of the mandatory payment, we paid an additional $0.4 million in prepayment premium fees. Additional proceeds from the South Gate Facility sale were applied to outstanding borrowings under our Amended ABL Credit Facility. Upon completion of the sale, the temporary $30.0 million restriction on available liquidity under the Amended ABL Credit Facility was removed.

During March 2021, we entered a new line of credit in China. The new credit limit is $9.3 million with a one-year maturity date and a variable interest rate of3.85% to 4.35%. The loan is secured by the land and building of our Chinese facility.

(Dollars in millions, except per share data)

NOTE 8. PENSION AND OTHER POSTRETIREMENT BENEFIT PROGRAMS

The following table summarizes our pension and postretirement expense (benefit):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Defined-benefit pension, U.S.				
Service cost	**$ 0.2**	$ 0.6	**$ 0.7**	$ 1.9
Interest cost	**2.6**	3.2	**7.7**	9.4
Expected return on plan assets	**(5.3)**	(5.3)	**(15.9)**	(16.0)
Amortization of net actuarial (gain) loss	**0.7**	2.5	**2.2**	7.6
Total, defined-benefit pension, U.S.	**$ (1.8)**	$ 1.0	**$ (5.3)**	$ 2.9
Defined-benefit pension, Canada				
Interest cost	**$ 0.1**	$ 0.1	**$ 0.3**	$ 0.3
Expected return on plan assets	**(0.1)**	(0.1)	**(0.4)**	(0.4)
Amortization of net actuarial (gain) loss	**0.1**	0.1	**0.2**	0.3
Settlement/curtailment losses	**—**	—	**0.2**	—
Total, defined-benefit pension, Canada	**$ 0.1**	$ 0.1	**$ 0.3**	$ 0.2
Defined-benefit postretirement, U.S.				
Interest cost	**$ 0.3**	$ 0.5	**$ 1.0**	$ 1.5
Amortization of prior service credits	**(0.3)**	—	**(0.8)**	(0.2)
Amortization of net actuarial (gain) loss	**(0.3)**	(1.2)	**(1.0)**	(3.6)
Total, defined-benefit postretirement, U.S.	**$ (0.3)**	$ (0.7)	**$ (0.8)**	$ (2.3)

The caption Other assets on the Company's Condensed Consolidated Balance Sheets include prepaid pension assets of $8.6 million and $1.1 million at September 30, 2021 and December 31, 2020, respectively.

We expect to contribute an additional $1.3 million to our U.S. postretirement benefit plans for the remainder of 2021.

NOTE 9. FINANCIAL INSTRUMENTS

The fair value of cash, accounts and notes receivable, trade accounts payable and accrued expenses approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

Fair value of all other financial instruments are as follows:

		Fair Value at September 30, 2021			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities					
Foreign exchange contracts	**$ 0.2**	**$ 0.2**	**$ —**	**$ —**	**$ 0.2**
Total Amended ABL Credit Facility	**24.1**	**—**	**24.1**	**—**	**24.1**
Total foreign credit facilities	**4.5**	**—**	**4.5**	**—**	**4.5**
Term Loan Facility	**48.3**	**—**	**48.5**	**—**	**48.5**
Total financial liabilities	**$ 77.1**	**$ 0.2**	**$ 77.1**	**$ —**	**$ 77.3**

(Dollars in millions, except per share data)

		Fair Value at December 31, 2020			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities					
Foreign exchange contracts	$ 1.1	$ 1.1	$ —	$ —	$ 1.1
Total Amended ABL Credit Facility	10.0	—	10.0	—	10.0
Total foreign credit facilities	4.5	—	4.5	—	4.5
Term Loan Facility	70.0	—	73.8	—	73.8
Total financial liabilities	$ 85.6	$ 1.1	$ 88.3	$ —	$ 89.4

The fair values of our net foreign currency contracts were estimated from market quotes, which are considered to be Level 1 inputs.

Borrowings under the Amended ABL Credit Facility, foreign line of credit and the Term Loan Facility are quoted in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the liability (Level 2 inputs).

We do not have any assets or liabilities that are valued using Level 3 unobservable inputs.

NOTE 10. 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.

Summary of Financial Position
There were no material liabilities recorded as of September 30, 2021 and December 31, 2020 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. On August 17, 2020, the Company moved to dismiss the amended complaint, and the lead plaintiff filed an opposition on October 1, 2020. On November 30, 2020, the Company reached a settlement in principle to fully resolve this matter. The settlement agreement, which is subject to final court approval, provides in part for a settlement payment of $3.75 million in exchange for the dismissal and a release of all claims against the defendants. Neither the Company nor any individual defendant admits any wrongdoing through the settlement agreement. On January 15, 2021, the lead plaintiff filed a motion for preliminary approval of the settlement. On February 23, 2021, the court granted preliminary approval of the settlement, preliminary certification of the settlement class and approval to provide notice to the class. The final settlement approval hearing was held July 19, 2021. In September 2021, the $3.75 million settlement payment was paid by our insurance provider under our relevant insurance policy and placed into escrow for distribution. The Company had previously recorded the settlement in the captions Accounts and notes receivable, net and Other accrued expenses in the Condensed Consolidated Balance Sheets.

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.

(Dollars in millions, except per share data)

NOTE 11. 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 September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net sales				
United States	**$ 121.9**	$ 116.3	**$ 359.1**	$ 345.4
China	**26.5**	22.3	**65.4**	46.3
Canada	**8.4**	7.8	**26.4**	21.3
Australia	**8.0**	6.9	**24.3**	19.4
Other	**3.7**	3.3	**10.3**	8.5
Total net sales	**$ 168.5**	$ 156.6	**$ 485.5**	$ 440.9

NOTE 12. INCOME TAXES

The following table presents details related to our income taxes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Income (loss) before income taxes	**$ (29.1)**	$ (11.4)	**$ (21.5)**	$ (31.2)
Income tax expense (benefit)	**0.6**	0.3	**0.5**	—
Effective tax rate	**(2.1)%**	(2.7)%	**(2.3)%**	— %

For the three months ended September 30, 2021 we recognized an income tax expense related to various foreign jurisdictions.

For the nine months ended September 30, 2021 we recognized income tax expense related to various foreign jurisdictions partially offset by a U.S. income tax benefit related to a reduction in the Company's deferred tax liabilities due to the sale of the South Gate Facility.

For the three months and nine months ended September 30, 2020 we recognized an income tax expense related to various foreign jurisdictions offset by a U.S. income tax benefit. 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.

As of September 30, 2021, we consider foreign unremitted income to be permanently reinvested.

(Dollars in millions, except per share data)

NOTE 13. RECONCILIATION OF BASIC AND DILUTED EARNINGS PER SHARE

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income (loss)	**$ (29.7)**	$ (11.7)	**$ (22.0)**	$ (31.2)
Weighted average shares outstanding:				
Weighted average common shares outstanding	**21,689,928**	21,600,477	**21,681,655**	21,567,629
Weighted average common shares, vested not yet issued	**412,519**	357,635	**255,697**	340,599
Weighted average common shares outstanding - Basic	**22,102,447**	21,958,112	**21,937,352**	21,908,228
Dilutive impact of stock-based compensation plans	**—**	—	**—**	—
Weighted average common shares outstanding - Diluted	**22,102,447**	21,958,112	**21,937,352**	21,908,228
Income (loss) per share of common stock:				
Basic income (loss) per share of common stock	**$ (1.34)**	$ (0.53)	**$ (1.00)**	$ (1.42)
Diluted income (loss) per share of common stock	**(1.34)**	(0.53)	**(1.00)**	(1.42)

In periods when there is a net loss, diluted loss per share is calculated using weighted average common shares outstanding, as inclusion of potentially dilutive common shares would be anti-dilutive.

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

The following stock-based compensation awards were excluded from the computation of diluted income (loss) per share of common stock:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Potentially dilutive common shares excluded from diluted computation, as inclusion would be anti-dilutive or because performance conditions were not met	**1,799,523**	1,136,418	**1,657,099**	1,189,835

(Dollars in millions, except per share data)

NOTE 14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the activity, by component, related to the change in accumulated other comprehensive income:

	Foreign Currency Translation Adjustments	Derivative Adjustments	Pension and Postretirement Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2020	$ 6.7	$ (1.0)	$ (65.0)	$ (59.3)
Other comprehensive income (loss) before reclassifications, net of tax impact of $—, $—, $— and $—, respectively	(0.4)	—	—	(0.4)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	—	0.6	0.7	1.3
Net current period other comprehensive income (loss)	(0.4)	0.6	0.7	0.9
Balance, September 30, 2021	**$ 6.3**	**$ (0.4)**	**$ (64.3)**	**$ (58.4)**
Balance, December 31, 2019	$ (0.5)	$ (0.6)	$ (73.6)	$ (74.7)
Other comprehensive income (loss) before reclassifications, net of tax impact of $— , $0.1, $— and $0.1, respectively	2.7	0.4	—	3.1
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	—	(0.3)	3.1	2.8
Net current period other comprehensive income (loss)	2.7	0.1	3.1	5.9
Balance, September 30, 2020	$ 2.2	$ (0.5)	$ (70.5)	$ (68.8)

(Dollars in millions, except per share data)

The amounts reclassified from Accumulated other comprehensive income (loss) and the affected line item of the Condensed Consolidated Statements of Operations are presented in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2021	**2020**	**2021**	**2020**	**Affected Line Item**
Derivative adjustments:					
Foreign exchange contracts - purchases	**$ —**	$ —	**$ 0.4**	$ (0.2)	Cost of goods sold
Foreign exchange contracts - sales	**0.1**	—	**0.3**	(0.1)	Net sales
Total before tax	**0.1**	—	**0.7**	(0.3)	
Tax impact	**—**	—	**(0.1)**	—	Income tax expense (benefit)
Total reclassifications of derivative adjustments, net of tax	**0.1**	—	**0.6**	(0.3)	
Pension and postretirement adjustments:					
Prior service cost (credit) amortization	**(0.3)**	—	**(0.8)**	(0.2)	Other expense (income), net
Amortization of net actuarial loss (gain)	**0.5**	1.4	**1.6**	4.3	Other expense (income), net
Total before tax	**0.2**	1.4	**0.8**	4.1	
Tax impact	**—**	(0.3)	**(0.1)**	(1.0)	Income tax expense (benefit)
Total reclassifications of pension and postretirement adjustments, net of tax	**0.2**	1.1	**0.7**	3.1	
Total reclassifications for the period, net of tax	**$ 0.3**	$ 1.1	**$ 1.3**	$ 2.8	

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

The following discussion supplements and should be read in conjunction with the accompanying unaudited condensed consolidated financial statements as well as the audited consolidated financial statements of the Company, including the notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which includes additional information about the Company's critical accounting policies, contractual obligations, and transactions that support the financial results and provides a more comprehensive summary of the Company's outlooks, trends and strategies for 2021 and beyond.

Executive Overview

We are a leading global producer of flooring products for use primarily in the construction and renovation of commercial, residential and institutional buildings. We design, manufacture, source and sell resilient flooring products primarily in North America and the Pacific Rim. As of September 30, 2021, we operated seven manufacturing plants in three countries, including five manufacturing plants located throughout the U.S. (Illinois, Mississippi, Oklahoma and two in Pennsylvania) and one plant each in China and Australia.

During early 2020, we established a multi-year strategic roadmap to transform and modernize our operations to become a leaner, faster-growing and more profitable business. The transformation encompasses three critical objectives: (i) expanding customer reach; (ii) simplifying product offerings and operations; and (iii) strengthening core capabilities. In addition, we have implemented a new operating model to more effectively accomplish these objectives by: (i) placing customers first by aligning services and products through a more seamless value chain; (ii) leading the industry in product innovation; (iii) simplifying processes and operating complexity to become more competitive and efficient; (iv) realigning the go-to-market model to reach all relevant channels and customers; (v) implementing system changes to improve operations, reduce costs and reignite organic growth; and (vi) investing thoughtfully with a return-focused mindset. The goal of this focused strategy is to transform and modernize AFI, resulting in a company that is more agile, faster-growing and more profitable.

Building on the positive momentum and achievements from the prior year, during 2021 we have (i) completed the phased relocation of our new corporate headquarters and Technical Center including a first-of-its-kind design center to showcase our full capabilities, with expected cost savings of approximately 60% when fully annualized; (ii) launched several new key products including additions to the American Charm collection and the introduction of NexPro™, Nexpro™ XMB, and Rest & Refuge™; (iii) commenced shipments from the Company's new fully operational west coast distribution center; (iv) continued to execute on our multichannel go-to-market strategy including expanded rebranding initiatives and the launch of the new distributor-driven Armstrong® Flooring Signature™ brand and the Armstrong® Flooring Pro™ brand that is focused on the builder and multi-family channels; (v) continued initiatives aimed at improving manufacturing efficiency and customer experiences; (vi) continued to make investments in both talent and process improvements; (vii) we made our initial sales to the hospitality channel; and (viii) received numerous product and project awards which recognize our commitment to quality and innovation.

Despite this positive momentum, the Company's transformation has been delayed and impacted by supply chain issues and inflationary pressures related to transportation, labor and raw materials. We have instituted multiple prices increases during 2021, the realization of which have lagged the increased input costs and have not been adequate to cover inflationary pressures. Accordingly, effective November 1, 2021, the Company instituted an additional price increase, resulting in a complete price re-positioning on installation materials, commercial tile and select residential sheet and commercial/residential manufactured and sourced products, representing some of the most comprehensive pricing actions that the Company has taken to date. In addition, the Company is implementing an ocean freight surcharge. The Company expects these and other actions to begin to mitigate the impact of the inflationary pressures that have impacted current year operating results and to generate more positive momentum in margins heading into 2022. The Company will continue to monitor the larger macro-economic environment and will further adjust its pricing strategy as necessary.

On March 10, 2021 we completed the sale of our South Gate Facility for a total purchase price of $76.7 million. The Company received proceeds of $65.3 million, net of fees, expenses and certain amounts held in an environmental-related escrow account. The Company recognized a gain of $46.0 million on the sale. Concurrent with the sale, the Company paid $20.4 million to Pathlight Capital L.P., including a $20.0 million mandatory repayment of our Term Loan Facility and $0.4 million of prepayment premium fees. Additionally, upon completion of the sale, the temporary $30.0 million restriction on available liquidity under the Amended ABL Credit Facility was removed.

COVID-19
As the COVID-19 pandemic continues, we have seen the overall impact on our business decline. However, we remain committed to safeguarding our employees and the communities in which we operate, while continuing to deliver our products to customers. We have experienced the impact of the imbalance of global shipping capacity and demand which has led to delays in the receipt of goods from China and Vietnam at U.S. ports. Additionally, while overall economic activity has improved, some of our customers' commercial projects in the retail, office, medical and educational sectors continue to be postponed. These factors have led to a softer demand environment in certain states and channels. The ultimate duration and impact of the pandemic on our future results is unknown.

Outlook
Looking forward, we remain committed to profitable growth over the medium and long-term; however, results will continue to be negatively impacted by inflation, supply chain disruptions and the timing of pricing increases as well as COVID-19 in 2021, primarily in the commercial markets served by the Company as well as costs associated with Company's on-going business transformation initiatives. The Company's view for the remainder of 2021 is supported by the below factors, which should be considered in the context of other risks, trends and strategies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2020:

- The Company expects sales to improve during the full year 2021 compared to 2020 as a result of decreased COVID-19 pressures, the impact of recently announced price increases, continued expansion into additional market segments, and positive trends in residential end markets and new product introductions.
- Operating results in the short-term continue to be negatively impacted by incremental expenses necessary to execute the Company's business transformation initiatives. This includes anticipated higher Selling, general and administrative expenses, primarily during the remainder of 2021, to support the Company's go-to-market changes. Funding for these initiatives will be aided by the deployment of capital associated with the sale of the Company's South Gate Facility.
- As the Company navigates 2021, it is focused on several uncertainties, which may impact operating results, including navigating the continued impact of COVID-19, inflationary and labor pressures continued global logistics and shipping challenges as well as recently announced energy policy restrictions in China. The global logistics and shipping challenges delayed a substantial number of anticipated order deliveries from the second and third quarter of 2021 until the fourth quarter of 2021 and the first quarter of 2022 and the Company continues to maintain a strong backlog.
- During the third quarter of 2021, the Company continued to experience higher product and transportation costs, which offset a favorable product mix for the quarter. The higher product and transportation costs were driven by the unusual inflationary impacts of the transitory macro-economic recovery which have been higher than historic norms. As a result, the Company currently estimates that total product and transportation costs for the full-year 2021 will be approximately $85 million to $90 million higher than prior year on a comparable basis. The Company is committed to cost containment efforts to offset the impact of inflation (including price increases) and the Company's ability to manage these costs will continue to impact the Company's gross margins, results of operations and cash flows for the remainder of 2021.
- The Company has instituted multiple price increases during the nine months ended September 30, 2021 with additional pricing actions to take affect later this year. The Company expects these increases and actions to begin to mitigate the impact of the recent inflationary pressures that have impacted current year operating results and to generate more positive momentum in margins heading into 2022 and beyond. It is possible that increased selling prices could result in decreased demand for certain product or channels.
- As the Company continues to execute against its multi-year strategic roadmap, the primary areas of focus for the remainder of 2021 continue to include: (i) continued focus on improving the customer experience while also improving overall profitability; (ii) continued introduction of compelling products into the markets the Company serves; and (iii) expansion of existing and entry into new market segments.
- Based on current projections, as a result of worsening supply chain disruptions during the third quarter of 2021 and continued inflationary pressures related to transportation, labor and raw materials, which are expected to continue through 2022, the Company does not currently expect to remain in compliance with certain financial covenants under the asset-backed revolving Credit Agreement or the Term Loan Agreement, each, as amended, for the entirety of the twelve-month period from filing of this Form 10-Q. While the Company has implemented substantial pricing actions, continues to work with its lenders to secure longer-term relief and evaluates other initiatives that could enhance its liquidity, there can be no assurances that these actions will be successful.

Geographic Areas

See Note 11, Revenue, in Part I "Financial Statements" to the condensed consolidated financial statements for additional financial information by geographic areas.

Results of Operations

Condensed Consolidated Results from Continuing Operations

Below is a summary of comparative results of operations for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	**2021**	**2020**	**2021**	**2020**
Net sales	**$ 168.5**	$ 156.6	**$ 485.5**	$ 440.9
Cost of goods sold	**155.6**	129.0	**431.5**	365.3
Gross profit	**12.9**	27.6	**54.0**	75.6
Selling, general and administrative expenses	**41.7**	37.7	**119.3**	104.6
Gain on sale of property	**—**	—	**(46.0)**	—
Operating income (loss)	**(28.8)**	(10.1)	**(19.3)**	(29.0)
Interest expense	**2.6**	2.8	**8.9**	4.6
Other expense (income), net	**(2.3)**	(1.5)	**(6.7)**	(2.4)
Income (loss) before income taxes	**(29.1)**	(11.4)	**(21.5)**	(31.2)
Income tax expense (benefit)	**0.6**	0.3	**0.5**	—
Net income (loss)	**$ (29.7)**	$ (11.7)	**$ (22.0)**	$ (31.2)

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

	Three Months Ended September 30,		Change		Percentage Point Change Due to		
(Dollars in millions)	**2021**	**2020**	**$**	**%**	**Price**	**Volume / Mix**	**Currency**
	$ 168.5	$ 156.6	$ 11.9	7.6 %	5.6 %	0.3 %	1.7 %

	Nine Months Ended September 30,		Change		Percentage Point Change Due to		
(Dollars in millions)	**2021**	**2020**	**$**	**%**	**Price**	**Volume / Mix**	**Currency**
	$ 485.5	$ 440.9	$ 44.6	10.1 %	4.5 %	3.6 %	2.0 %

Net sales for the three months ended September 30, 2021 increased $11.9 million and 7.6% compared to the three months ended September 30, 2020. For the nine months ended September 30, 2021, Net sales increased $44.6 million and 10.1% compared to the nine months ended September 30, 2020.

These increases reflect growth in each region in which the Company operates. Demand improvements, favorable product mix and impacts from previously announced pricing initiatives drove sales increases in both Commercial and Residential channels, offset by supply chain disruptions, including the impact of winter storms during the first quarter of 2021 and ocean shipping delays related to sourced products which have delayed receipt of certain products from the second and third quarter of 2021 until the fourth quarter of 2021 and first quarter of 2022, despite strong demand.

Cost of goods sold

Cost of goods sold for the three months ended September 30, 2021 was 92.3% of net sales compared to 82.4% of net sales in the three months ended September 30, 2020. For the three months ended September 30, 2021, costs of goods sold increased $26.6 million and 20.6% compared to the three months ended September 30, 2020.

For the nine months ended September 30, 2021, cost of goods sold was 88.9% of net sales compared to 82.9% of net sales in the nine months ended September 30, 2020. For the nine months ended September 30, 2021, costs of goods sold increased $66.2 million and 18.1% compared to the nine months ended September 30, 2020.

These increases were primarily attributable to increased volume, inflation related to the critical input costs and supply interruptions which have caused manufacturing inefficiencies. In addition, the first quarter of 2021 was impacted by manufacturing inefficiencies caused by winter storms which affected multiple manufacturing plants and the second quarter of 2021 was impacted by a $4.5 million charge, which included $3.3 million of accelerated depreciation expense for property, plant and equipment for which no alternative use was identified and a $1.2 million inventory rationalization charge related to the Company's business transformation initiatives.

Selling, general & administrative expenses

Selling, general and administrative expenses for the three months ended September 30, 2021 increased $4.0 million and 10.6% compared to the three months ended September 30, 2020 and increased $14.7 million and 14.1% for the nine months ended September 30, 2021.

The increases in both periods were due primarily to increased headcount in our sales organization to support changes in our go-to-market strategy, higher incentive compensation accruals compared to the same periods in prior year, increased advertising and promotion costs compared to the same periods in prior year and cost reduction measures implemented during 2020, in response to the impact of COVID-19, which did not repeat during the current year. In addition, there were incremental expenses of $0.2 million and $1.0 million related to the relocation of the Company's headquarters during the three months and nine months ended September 30, 2021, respectively. We expect current year costs to be more indicative of our future cost structure.

Business transformation costs

Beginning in 2018, the Company commenced a multi-year business transformation which resulted in a strategic roadmap formally announced during 2020. The multi-year roadmap encompasses three critical objectives: (i) expanding customer reach; (ii) simplifying product offerings and operations; and (iii) strengthening core capabilities. Such costs (or gains) are included in the captions Costs of goods sold; Selling, general and administrative expenses; or Gain (loss) on sale of property on the Company's Consolidated Statements of Operations as required by U.S. GAAP. A summary of business transformation costs (or gains) included in these captions for the periods presented include:

	For the Three Months Ended September 30,			
	2021			**2020**
(Dollars in millions)	**Cost of Goods Sold**	**Selling, General & Administrative Expenses**	**(Gain) Loss on Sale of Property**	**Selling, General & Administrative Expenses**
Site exit and relocation costs	**$ —**	**$ 0.2**	**$ —**	$ 0.3
Strategic initiative costs	**—**	**—**	**—**	0.7
Employee termination costs	**—**	**—**	**—**	—
Product and asset rationalization	**—**	**—**	**—**	—
Net gains	**—**	**—**	**—**	—
Total	**$ —**	**$ 0.2**	**$ —**	$ 1.0

(Dollars in millions)	For the Nine Months Ended September 30, 2021 Cost of Goods Sold	2021 Selling, General & Administrative Expenses	2021 (Gain) Loss on Sale of Property	2020 Selling, General & Administrative Expenses
Site exit and relocation costs	$ —	$ 1.0	$ —	$ 0.3
Strategic initiative costs	—	—	—	0.7
Employee termination costs	—	—	—	0.7
Product and asset rationalization	4.5	—	—	—
Net gains	—	—	(46.0)	—
Total	$ 4.5	$ 1.0	$ (46.0)	$ 1.7

Site exit and relocation costs - Site exit and relocation costs include costs associated with exit or disposal activities, including asset write-downs, and non-recurring costs associated with relocation of Company operations. Costs incurred during the both the three and nine months ended September 30, 2021 and 2020 related to the Company's corporate headquarters relocation.

Strategic initiative costs - Costs of non-recurring strategic projects, including executive leadership transitions, that are not considered part of normal operations. Costs incurred during the three and nine months ended September 30, 2020 related to non-severance costs related to the Company's CFO transition.

Employee termination costs - Costs of involuntary termination benefits associated with one-time benefit arrangements provided as part of an exit or disposal activity are recognized by the Company when a formal plan for reorganization is approved at the appropriate level of management and communicated to the affected employees. The employee termination benefit costs during the nine months ended September 30, 2020 relate to our former CFO.

Product and asset rationalization - As part the Company's on-going business transformation efforts, it may from time-to-time determine to stop producing certain products. As a result, the Company may incur accelerated depreciation charges for certain assets and inventory reserve charges to reflect inventory at estimated market value. Costs incurred during the nine months ended September 30, 2021 related to such determinations included accelerated depreciation expense for idled assets with no future alternative use and certain inventory related charges related to product rationalization decisions.

Net gains - Net gains result from the sale of redundant properties (primarily land and buildings) and non-core assets. During the nine months ended September 30, 2021 net gains related to the sale of our South Gate Facility which was classified as Assets held-for-sale during 2020. See Note 4, Property, Plant and Equipment, in Part I “Financial Statements” for additional discussion related to this transaction.

Interest expense
Interest expense decreased $0.2 million for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, primarily due to a first quarter 2021 $20 million repayment on our Term Loan Facility.

Interest increased $4.3 million for the nine months ended September 30, 2021 compared to the and nine months ended September 30, 2020 due to higher interest rates on debt outstanding resulting from our June 2020 refinancing.

Other (income) expense, net
Other income increased $0.8 million and $4.3 million, respectively, for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020 primarily reflecting the positive impact from changes in actuarial assumptions related to defined-benefit pension and postretirement plans.

Income tax expense (benefit)
We recorded income tax expense of $0.6 million for the three months ended September 30, 2021 compared to $0.3 income tax expense for the three months ended September 30, 2020. The 2021 expense relates to foreign income tax expense from various jurisdictions.

We recorded an income tax expense of $0.5 million for the nine months ended September 30, 2021 compared to no income tax expense for the nine months ended September 30, 2020 related to various foreign jurisdictions partially offset by a U.S. income tax benefit related to a reduction in the Company's deferred tax liabilities due to the sale of the South Gate Facility.

Liquidity and Capital Resources

In November 2021, the Company entered into the Fourth Amendment to its Amended ABL Credit Facility and the First Amendment to its Term Loan Agreement, both of which modify covenant requirements as of September 30, 2021. The Fourth Amendment to the Amended ABL Credit Facility includes a new financial covenant which requires minimum availability of $32.5 million through November 30, 2021; and $25.0 million thereafter.

The March 2021 sale of our South Gate Facility had a significant positive effect on the Company's overall liquidity and capital resources.

Upon the sale of our South Gate Facility we made a mandatory payment of $20.0 million to Pathlight Capital L.P. towards the principal balance on our Term Loan Facility as required by the Term Loan Agreement. As part of this mandatory payment, we paid an additional $0.4 million in prepayment premium fees.

Additional proceeds from the South Gate Facility sale were applied to outstanding borrowings under our Amended ABL Credit Facility. Additionally, upon completion of the sale, the temporary $30.0 million restriction on available liquidity under the Amended ABL Credit Facility was removed.

During March 2021, we entered into a new line of credit in China. The new credit limit is $9.3 million with a one-year maturity date and a variable interest rate of 3.85% to 4.35%. The loan is secured by the land and building of our Chinese facility. There was $4.5 million outstanding under the new line of credit at September 30, 2021. Subsequent to entering into the new line of credit in China, in April 2021, we repaid $3.5 million of borrowings outstanding under an existing local borrowing arrangement in China which matured in February 2021.

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

	Nine Months Ended September 30,	
(Dollars in millions)	**2021**	**2020**
Net cash provided by (used for) operating activities	**$ (40.6)**	$ (16.3)
Net cash provided by (used for) investing activities	**49.3**	(15.1)
Net cash provided by (used for) financing activities	**(7.4)**	26.3

Operating Activities - Net cash used for operating activities for the nine months ended September 30, 2021 was $40.6 million, an increase in use of $24.3 million from the nine months ended September 30, 2020. The increase was due to lower net cash income partially offset by working capital improvements driven by imporved accounts payable and accrued expense management.

Investing Activities - Net cash provided by investing activities for the nine months ended September 30, 2021 was $49.3 million, an increase of $64.4 million from the cash used for investing activities during the nine months ended September 30, 2020. The increase is due to proceeds from the sale of our South Gate Facility, partially offset by slightly higher capital spending.

Financing Activities - Net cash used for financing activities for the nine months ended September 30, 2021 was $7.4 million, a decrease of $33.7 million from net cash provided by financing activities for the nine months ended September 30, 2020. The decrease was due to new Term Loan Facility of $70.0 million in prior year which did not repeat and mandatory prepayments on the Term Loan Facility during 2021 after the sale of our South Gate Facility, partially offset by higher net borrowings on Amended ABL Credit Facility in the current year and payment of deferred financing costs in prior year which did not repeat during the current year.

Sources and Uses of Cash
As discussed in Note 1, Basis of Presentation, in Part 1, Item 1, “Financial Statements,” in November 2021, the Company entered into the Fourth Amendment to its Amended ABL Credit Facility and the First Amendment to its Term Loan Agreement, both of which modify covenant requirements as of September 30, 2021. The Company was in compliance with these covenants at September 30, 2021.

Based on current projections, as a result of worsening supply chain disruptions during the third quarter of 2021 and continued inflationary pressures related to transportation, labor and raw materials, which are expected to continue through 2022, the Company does not currently expect to remain in compliance with certain financial covenants under the asset-backed revolving Credit Agreement or the Term Loan Agreement, each, as amended, for the entirety of the twelve-month period from filing of this Form 10-Q. While the Company has implemented substantial pricing actions, continues to work with its lenders to secure longer-term relief and evaluates other initiatives that could enhance its liquidity, there can be no assurances that these actions will be successful. These factors raise substantial doubt about the Company's ability to continue as a going concern.

As of September 30, 2021 there were borrowings of $24.1 million outstanding under our Amended ABL Credit Facility, while outstanding letters of credit were $6.6 million. Total net availability under the Amended ABL Credit Facility and Term Loan Facility as of September 30, 2021 was $57.2 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 0.50% as of September 30, 2021. 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 4.125% as of September 30, 2021.

Our foreign subsidiaries had available lines of credit totaling $9.3 million and there were $4.6 million borrowings under these lines of credit as of September 30, 2021. Total availability under these foreign lines of credit as of September 30, 2021 was $4.7 million.

In addition, the Company had $14.9 million of Cash and cash equivalents at September 30, 2021.

Based on the foregoing, the Company had total liquidity (including Cash and cash equivalents) of $76.8 million at September 30, 2021.

Debt 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 and during a Financial Covenant Trigger Period (as defined in the Amendment) and maintain a minimum Consolidated Fixed Charge Coverage Ratio (as defined in the Amendment) of at least 1.00 to 1.00.

The Amended 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.

The Company was in compliance with these covenants at September 30, 2021. However, based on current projections, as a result of worsening supply chain disruptions during the third quarter of 2021 and continued inflationary pressures related to transportation, labor and raw materials, which are expected to continue through 2022, the Company does not currently expect to remain in compliance with certain financial covenants under the asset-backed revolving Credit Agreement or the Term Loan Agreement, each, as amended, for the entirety of the twelve-month period from filing of this Form 10-Q. While the Company has implemented substantial pricing actions, continues to work with its lenders to secure longer-term relief and evaluates other initiatives that could enhance its liquidity, there can be no assurances that these actions will be successful. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Cash Management

The Company has various cash management systems throughout the world that centralize cash in various bank accounts where it is economically justifiable and legally permissible to do so. These centralized cash balances are then redeployed to other operations to reduce short-term borrowings and to finance working capital needs or capital expenditures. Due to the transitory nature of cash balances, they are normally invested in bank deposits that can be withdrawn at will or in very liquid short-term bank time deposits. The Company's policy is to primarily use the banks that participate in our Amended ABL credit facility located in the various countries in which the Company operates. The Company monitors the creditworthiness of banks and when appropriate will adjust banking operations to reduce or eliminate exposure to less creditworthy banks.

At September 30, 2021, our Cash and cash equivalents totaled $14.9 million, of which $3.8 million was held in the U.S. and $11.1 million held by non-U.S. subsidiaries. At September 30, 2021 none of our consolidated cash and cash equivalents had regulatory restrictions that would preclude the transfer of funds with and among subsidiaries. While our remaining non-U.S. cash and cash equivalents can be transferred with and among subsidiaries, the majority of these non-U.S. cash balances will be used to support the ongoing working capital needs and continued growth of our non-U.S. operations.

Recent Accounting Pronouncements

See Note 1, Business and Basis of Presentation, in Part I "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

Market risks have not changed significantly from those disclosed in "Quantitative and Qualitative Disclosures About Market Risk" and included in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

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, 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.

As of September 30, 2021, the Company's CEO and CFO, together with management, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures are effective at the reasonable assurance level described above.

Change in Internal Controls over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

See Note 10, Litigation and Related Matters, in Part I, Item 1, "Financial Statements."

Item 1A. Risk Factors

There have been no material changes in the Company's risk factors discussed in Part I, Item 1A, Risk Factors in our 2020 Annual Report on Form 10-K.

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

(c) Issuer Purchases of Equity Securities

The following table includes information about the Company's stock repurchases from July 1, 2021 to September 30, 2021:

Period	Total Number of Shares Purchased (a)	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
July 1-31, 2021	—	$ —	—	—
August 1-31, 2021	—	$ —	—	—
September 1-30, 2021	9,474	$ 3.14	—	—
Total	9,474		—	—

(a) Shares reacquired through the withholding of shares to pay employee tax obligations upon the exercise of options or vesting of restricted units granted under the Company's long-term incentive plans and those previously granted under Armstrong World Industries' long-term incentive plans, which were converted to Armstrong Flooring, Inc. 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	Amendment to Amended and Restated Certification of Incorporation of Armstrong Flooring Inc., dated June 4, 2021 (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 June 4, 2021.)
3.3	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	Fourth Amendment to Credit Agreement, dated as of November 1, 2021, 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, collateral agent, swingline lender and letter of credit issuer (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, as filed with U.S. Securities and Exchange Commission on November 4, 2021).
10.2	First Amendment to Term Loan Agreement, dated as of November 1, 2021, 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 of the Company's Current Report on Form 8-K, as filed with U.S. Securities and Exchange Commission on November 4, 2021).
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:	November 5, 2021
By:	/s/ Amy P. Trojanowski
	Amy P. Trojanowski Senior Vice President and Chief Financial Officer (As Duly Authorized Officer and Principal Financial Officer)
Date:	November 5, 2021
By:	/s/ Phillip J. Gaudreau
	Phillip J. Gaudreau 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: November 5, 2021

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, Amy P. Trojanowski, 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: November 5, 2021

By: /s/ Amy P. Trojanowski

Amy P. Trojanowski
Senior Vice President and 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 September 30, 2021 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)
November 5, 2021

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 September 30, 2021 of Armstrong Flooring, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Amy P. Trojanowski, as Senior Vice President and 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 her 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/ Amy P. Trojanowski

Amy P. Trojanowski
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
November 5, 2021