

Herman Miller Reports First Quarter Fiscal 2018 Results

Highlights

- Orders and backlog up 8% organically compared to prior year
- Reported EPS of \$0.55 per share; adjusted EPS of \$0.57 per share in-line with guidance
- Continued progress on cost savings initiative

[Webcast](#) to be held Thursday, September 21, 2017, at 9:30 AM EDT

NOTE: A data supplement with additional financial information relating to the periods covered by this press release is available for download from the company's website at hermanmiller.com/investors.

Herman Miller, Inc. (NASDAQ: MLHR) today announced results for its first quarter ended September 2, 2017. The quarter included a standard thirteen weeks of operations as compared to fourteen weeks in the prior fiscal year's first quarter. The additional week in last year's first quarter was required to more closely align Herman Miller's fiscal year with the calendar months.

On an organic basis, net sales and orders in the first quarter increased by 3.9% and 7.8%, respectively, from the same quarter last fiscal year. Organic net sales and orders exclude the impact of the extra week in last fiscal year's first quarter, foreign currency translation and dealer divestitures, as well as the impact of a change in shipping terms for Design Within Reach sales during the quarter. Reported net sales in the quarter totaled \$580.3 million, a decrease of 3.1% from the same quarter last fiscal year. Reported new orders in the first quarter of \$594.8 million were consistent with the prior year level.

Herman Miller reported net earnings of \$0.55 per share on a diluted basis in the first quarter. Excluding the impact of restructuring and other charges recognized in the period associated with the company's previously announced profitability improvement initiatives, adjusted earnings per share in the first quarter totaled \$0.57, compared to earnings per share of \$0.60 in the first quarter of last fiscal year. The company estimates the extra week of operations in the prior year first quarter increased earnings per share by approximately \$0.05 in that period.

Brian Walker, Chief Executive Officer, stated "We are encouraged by the strong level of demand across much of the business. This was particularly notable within our North America and ELA segments, both of which delivered solid year-over-year organic order growth in the quarter that was better than we experienced last fiscal year. These improvements were complemented by continued traction in our Consumer business, which posted double-digit organic sales and order growth this quarter. Despite some operating challenges with product mix shifts and heightened warranty accruals, we were able to deliver net sales and earnings in-line with the expectations we set at the beginning of the quarter. Our employee-owners did a great job of managing cost and implementing the cost initiatives we announced last year. Looking forward, while we think the overall global economic picture remains positive, there will be some challenges resulting from the recent storms in Texas and the South East. We are thankful that our people and the employees of our dealer partners are safe, but we know that many of them and our customers are understandably spending a good deal of time recovering and helping others less fortunate."

First Quarter Fiscal 2018 Financial Results

Consolidated gross margin in the first quarter of fiscal 2018 totaled 37.4%, representing a 100 basis point decrease from the level reported in the same quarter of last fiscal year.

Operating expenses in the first quarter were \$165.7 million compared to \$173.6 million in the same quarter a year ago. This represented a year-over-year decrease of \$7.9 million, the majority of which related to the impact of an extra week of operations in the first quarter of fiscal 2017.

The Company recognized pre-tax restructuring expenses and other charges totaling \$2.1 million in the first quarter, all of which relate directly to initiatives aimed at achieving its previously outlined cost reduction goals. Restructuring expenses related to severance and outplacement benefits associated with targeted workforce reductions implemented during the period. Other charges related to external consulting fees associated with the company's profitability improvement initiatives within the Consumer business segment.

Herman Miller's effective income tax rate in the first quarter was 30.5%, compared to 32.0% in the same quarter last fiscal year.

Jeff Stutz, Chief Financial Officer, noted, "Our results this quarter reflect a combination of offsetting positive and negative factors. Gross margin came in near the low end of our expectations for the quarter. This was due in part to a product mix shift that caused capacity imbalances that resulted in additional cost to serve customers, as well as lower production leverage in some operations. Despite these pressures on gross margin, the organization continued its collective focus on cost management, enabling us to deliver earnings in-line with the expectations we set at the start of the quarter. This focus on cost savings also helped offset higher than normal warranty expenses this quarter. While we have more work in front of us, we are encouraged by the progress we've made toward our long-term goal of achieving gross annualized cost savings of \$25 million to \$35 million. Achieving this target is important to our strategy as it will help fund growth investments and help us drive operating margins above 10% by the end of fiscal 2020."

The Company ended the first quarter with total cash and cash equivalents of \$80.0 million, a decrease of \$16.2 million from the balance at the end of the fiscal 2017. Cash flow generated from operations in the first quarter was \$18.9 million. This compared to \$30.2 million in the respective period last fiscal year.

Second Quarter Fiscal 2018 Guidance

Looking forward, Herman Miller expects net sales in the second quarter of fiscal 2018 to be in the range of \$590 million to \$620 million. On an organic basis, adjusted for the impact of a dealer divestiture and foreign currency translation, this forecast implies organic sales growth of 6% compared to the second quarter of the prior year at the mid-point of the range. Diluted earnings per share in the quarter are expected to range from \$0.55 to \$0.61 per share.

Supplemental Information and Webcast

The company has created a supplemental data report which provides additional information relevant to its quarterly results. This document can be accessed via a link on the Investors section of the company's website at hermanmiller.com/investors.

The company will host a live webcast to discuss the results of the first quarter of fiscal 2018 on Thursday, September 21, 2017, at 9:30 a.m. ET. To ensure your access to the webcast, you should allow extra time to visit the company's website at www.hermanmiller.com to download the streaming software necessary to participate. An online archive of the presentation will be available on the website later that day.

Related Links

[Read the full report](#)

 [Read the full report](#)

(659 KB)

<https://news.millerknoll.com/2017-09-20-Herman-Miller-Reports-First-Quarter-Fiscal-2018-Results>