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MILLER HERMAN INC

Form 10-Q

January 09, 2019

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us-gaap:ImpairedLongLivedAssetsHeldAndUsedAssetNameDomain mlhr:ELAFurnitureSolutionsMember 2018-12-01 0000066382 us-gaap:ImpairedLongLivedAssetsHeldAndUsedAssetNameDomain mlhr:ELAFurnitureSolutionsMember 2018-06-03 2018-12-01 0000066382 us-gaap:EmployeeSeveranceMember mlhr:ELAFurnitureSolutionsMember 2018-06-02 0000066382 us-gaap:ImpairedLongLivedAssetsHeldAndUsedAssetNameDomain mlhr:ELAFurnitureSolutionsMember 2018-06-02 0000066382 us-gaap:FacilityClosingMember mlhr:ELAFurnitureSolutionsMember 2018-12-01 0000066382 us-gaap:FacilityClosingMember mlhr:ELAFurnitureSolutionsMember 2018-06-02 0000066382 us-gaap:EmployeeSeveranceMember mlhr:ELAFurnitureSolutionsMember 2018-12-01 xbrli:shares iso4217:USD xbrli:shares xbrli:pure iso4217:USD

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

For Quarter Ended December 1, 2018 Commission File No. 001-15141

HERMAN MILLER, INC.

A Michigan Corporation ID No. 38-0837640

855 East Main Avenue, Zeeland, MI 49464-0302 Phone (616) 654 3000

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, 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

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

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

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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 in Rule 12b-2 of the Exchange Act).

Yes No

Common Stock Outstanding at January 7, 2019 - 58,895,990 shares

Herman Miller, Inc. Form 10-Q
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Herman Miller, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Dollars in millions, except per share data)
(Unaudited)

	Three Months Ended December 2, 2018		Six Months Ended December 2, 2018	
	2018	2017	2018	2017
Net sales	\$652.6	\$ 604.6	\$1,277.3	\$ 1,184.8
Cost of sales	417.0	382.5	816.6	745.8
Gross margin	235.6	222.1	460.7	439.0
Operating expenses:				
Selling, general and administrative	163.2	153.2	322.7	300.7
Restructuring and impairment expenses	0.3	0.5	1.4	1.9
Design and research	19.0	18.0	37.5	36.5
Total operating expenses	182.5	171.7	361.6	339.1
Operating earnings	53.1	50.4	99.1	99.9
Other expenses:				
Interest expense	3.1	3.7	6.0	7.4
Other, net	0.7	(0.3)	(0.3)	(1.0)
Earnings before income taxes and equity income	49.3	47.0	93.4	93.5
Income tax expense	11.2	14.3	20.0	28.5
Equity income from nonconsolidated affiliates, net of tax	1.2	0.8	1.8	1.5
Net earnings	39.3	33.5	75.2	66.5
Net earnings attributable to noncontrolling interests	—	—	0.1	—
Net earnings attributable to Herman Miller, Inc.	\$39.3	\$ 33.5	\$75.1	\$ 66.5
Earnings per share — basic	\$0.66	\$ 0.56	\$1.27	\$ 1.11
Earnings per share — diluted	\$0.66	\$ 0.55	\$1.26	\$ 1.10
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	\$(4.5)	\$ 0.1	\$(12.4)	\$ 4.5
Pension and other post-retirement plans	0.4	0.8	1.1	1.6
Interest rate swaps	1.0	2.6	0.5	1.0
Unrealized holding loss	—	—	(0.1)	—
Other comprehensive (loss) income	(3.1)	3.5	(10.9)	7.1
Comprehensive income	36.2	37.0	64.3	73.6
Comprehensive income attributable to noncontrolling interests	—	—	0.1	—
Comprehensive income attributable to Herman Miller, Inc.	\$36.2	\$ 37.0	\$64.2	\$ 73.6

See accompanying notes to condensed consolidated financial statements.

Herman Miller, Inc.
Condensed Consolidated Balance Sheets
(Dollars in millions, except per share data)
(Unaudited)

	December 1, 2018	June 2, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 113.6	\$203.9
Short-term investments	8.2	8.6
Accounts and notes receivable, net	223.0	217.4
Unbilled accounts receivable	32.4	1.9
Inventories, net	178.5	162.4
Prepaid expenses and other	45.3	51.2
Total current assets	601.0	645.4
Property and equipment, at cost	1,047.3	1,020.8
Less — accumulated depreciation	(714.3	) (689.4)
Net property and equipment	333.0	331.4
Goodwill	303.9	304.1
Indefinite-lived intangibles	78.1	78.1
Other amortizable intangibles, net	43.9	41.3
Other noncurrent assets	149.8	79.2
Total Assets	\$ 1,509.7	\$ 1,479.5
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 184.6	\$171.4
Accrued compensation and benefits	82.0	86.3
Accrued warranty	52.4	51.5
Customer deposits	27.0	27.6
Other accrued liabilities	79.3	77.0
Total current liabilities	425.3	413.8
Long-term debt	281.9	275.0
Pension and post-retirement benefits	13.8	15.6
Other liabilities	82.5	79.8
Total Liabilities	803.5	784.2
Redeemable noncontrolling interests	20.7	30.5
Stockholders' Equity:		
Preferred stock, no par value (10,000,000 shares authorized, none issued)	—	—
Common stock, \$0.20 par value (240,000,000 shares authorized, 58,902,002 and 59,230,974 shares issued and outstanding in 2019 and 2018, respectively)	11.8	11.7
Additional paid-in capital	94.3	116.6
Retained earnings	650.6	598.3
Accumulated other comprehensive loss	(70.8	) (61.3)
Key executive deferred compensation plans	(0.7	) (0.7)
Herman Miller, Inc. Stockholders' Equity	685.2	664.6
Noncontrolling Interests	0.3	0.2
Total Stockholders' Equity	685.5	664.8

Total Liabilities, Redeemable Noncontrolling Interests, and Stockholders' Equity	\$ 1,509.7	\$1,479.5
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See accompanying notes to condensed consolidated financial statements.

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Herman Miller, Inc.
Condensed Consolidated Statements of Cash Flows
(Dollars in millions)
(Unaudited)

	Six Months Ended December 1, 2018	December 2, 2017
Cash Flows from Operating Activities:		
Net earnings	\$ 75.2	\$ 66.5
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	37.6	31.8
Stock-based compensation	5.0	3.0
Pension and post-retirement expenses	0.6	0.7
Pension contributions	—	(12.0)
Earnings from nonconsolidated affiliates net of dividends received	(0.7)	(0.3)
Deferred taxes	1.1	(1.0)
Gain on sales of property and dealers	—	(0.8)
Restructuring and impairment expenses	1.4	1.9
Increase in current assets	(44.2)	(15.7)
Increase in current liabilities	15.1	4.4
(Decrease) increase in non-current liabilities	(0.4)	3.0
Other, net	0.8	—
Net Cash Provided by Operating Activities	91.5	81.5
Cash Flows from Investing Activities:		
Proceeds from sale of property and dealers	—	2.0
Marketable securities purchases	(0.3)	(0.4)
Marketable securities sales	0.7	0.4
	(71.6)	—

Equity investment in non-controlled entities				
Capital expenditures	(41.1	)	(39.8)
Proceeds from life insurance policy	—		8.1	
Purchase of HAY licensing agreement	(4.8)	—	
Net advances on notes receivable	(0.1	)	(0.5)
Other, net	(1.5	)	(0.4)
Net Cash Used in Investing Activities	(118.7	)	(30.6)
Cash Flows from Financing Activities:				
Dividends paid	(22.4	)	(20.9)
Proceeds from issuance of long-term debt	—		115.4	
Payments of long-term debt	—		(115.4)
Common stock issued	10.4		5.9	
Common stock repurchased and retired	(37.4	)	(17.3)
Purchase of redeemable noncontrolling interests	(10.1	)	(1.0)
Net (payments) proceeds from supplier financing program	(0.4	)	0.4	
Payment of contingent consideration	(0.2	)	(0.1)
Other, net	0.3		(0.2)
Net Cash Used in by Financing Activities	(59.8	)	(33.2)