

[www.steelcase.com](http://www.steelcase.com)  
NYSE: SCS



**steelcase** inc

September 20, 2012

# SECOND QUARTER FISCAL 2013 RESULTS

Quarter ended August 24, 2012

**WEBCAST**

Thursday, September 20, 2012

**steelcase** inc

## Forward-looking statements

From time to time, in written and oral statements, the company discusses its expectations regarding future events and its plans and objectives for future operations. These forward-looking statements generally are accompanied by words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "possible," "potential," "predict," "project," or other similar words, phrases or expressions. Forward-looking statements involve a number of risks and uncertainties that could cause actual results to vary from the company's expectations because of factors such as, but not limited to, competitive and general economic conditions domestically and internationally; acts of terrorism, war, governmental action, natural disasters and other Force Majeure events; changes in the legal and regulatory environment; restructuring activities; changes in raw materials and commodity costs; currency fluctuations; changes in customer demands; and the other risks and contingencies detailed in the company's most recent Annual Report on Form 10-K and its other filings with the Securities and Exchange Commission. Steelcase undertakes no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

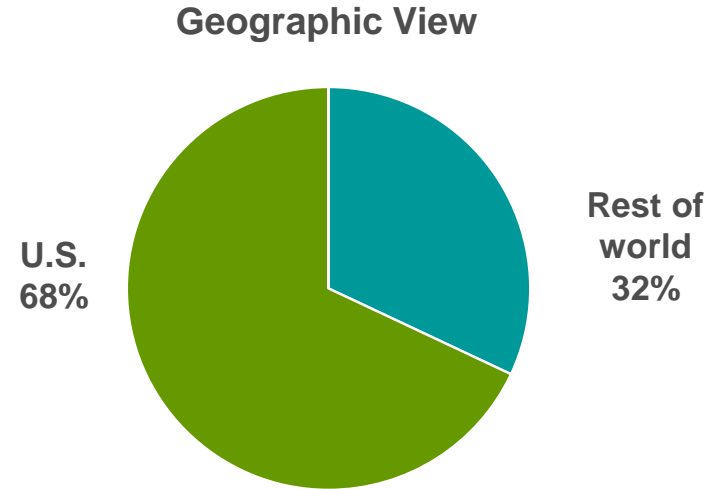
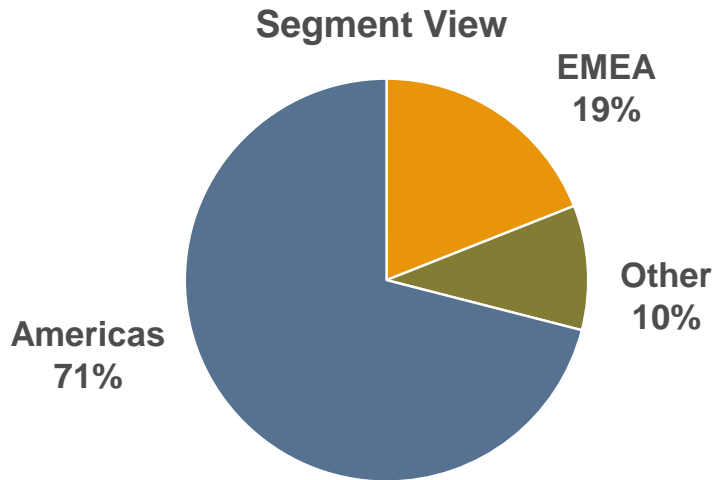
## Updating of information

This presentation is provided as a supplement to our earnings release conference call and webcast on the date stated on the cover and is intended to be read in connection with the information provided therein and the related earnings press release. The information contained in this presentation is provided as of the date stated on the cover and may be superseded by information disclosed in our subsequent Form 10-Q, Form 10-K or other filings with the Securities and Exchange Commission. We undertake no obligation to update, amend or clarify this presentation, or any forward-looking statements included herein, whether as a result of new information, future events or otherwise.

## Basis of presentation

Reference to a year relates to the fiscal year, ended in February of the year indicated, rather than the calendar year, unless indicated by a specific date. Additionally, Q1, Q2, Q3 and Q4 reference the first, second, third and fourth quarter, respectively, of the fiscal year indicated. All amounts are in millions, except share and per share data, data presented as a percentage or as otherwise indicated.

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**BUSINESS SEGMENTS**

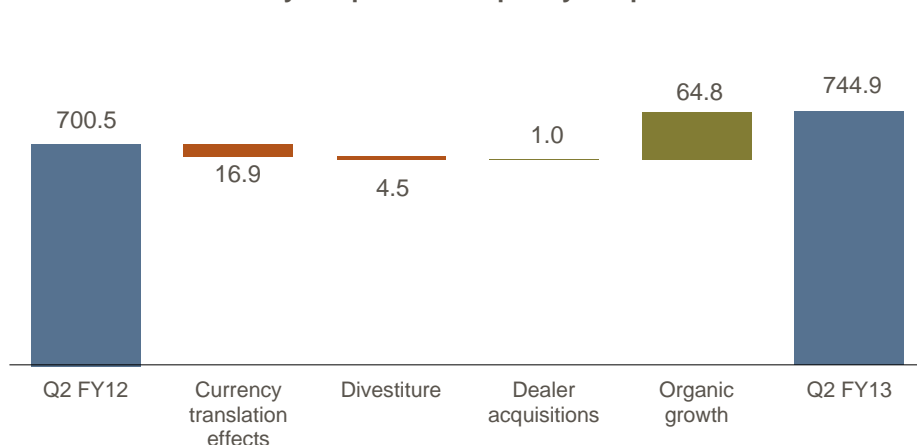
- The Americas segment serves customers in the U.S., Canada and Latin America with a portfolio of integrated architecture, furniture and technology products marketed to corporate, government, healthcare, education and retail customers through the Steelcase, Coalesse, Turnstone, Details and Nurture by Steelcase brands.
- The EMEA segment serves customers in Europe, the Middle East and Africa primarily under the Steelcase brand, with an emphasis on freestanding furniture systems, storage and seating solutions.
- The Other category includes Asia Pacific, PolyVision and Designtex.

	(Unaudited)				(Unaudited)	
	Three Months Ended				Three Months Ended	
	<u>August 24, 2012</u>		<u>August 26, 2011</u>		<u>May 25, 2012</u>	
Revenue	\$ 744.9	100.0%	\$ 700.5	100.0%	\$ 675.2	100.0%
Cost of sales	513.4	68.9	487.9	69.7	474.1	70.2
Restructuring costs	<u>3.4</u>	<u>0.5</u>	<u>11.4</u>	<u>1.6</u>	<u>5.1</u>	<u>0.8</u>
Gross profit	228.1	30.6	201.2	28.7	196.0	29.0
Operating expenses	181.0	24.3	174.9	25.0	176.7	26.2
Restructuring costs	<u>0.3</u>	<u>-</u>	<u>0.9</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
Operating income	46.8	6.3	25.4	3.6	19.3	2.8
Interest expense	(4.6)	(0.6)	(7.6)	(1.1)	(4.5)	(0.7)
Investment income (loss)	1.3	0.2	(2.6)	(0.3)	1.1	0.2
Other income, net	<u>1.7</u>	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>3.8</u>	<u>0.6</u>
Income before income taxes	45.2	6.1	15.2	2.2	19.7	2.9
Income tax expense	15.7	2.1	3.3	0.5	6.5	0.9
Net income	<u>\$ 29.5</u>	<u>4.0%</u>	<u>\$ 11.9</u>	<u>1.7%</u>	<u>\$ 13.2</u>	<u>2.0%</u>
Basic earnings per share	\$ 0.23		\$ 0.09		\$ 0.10	

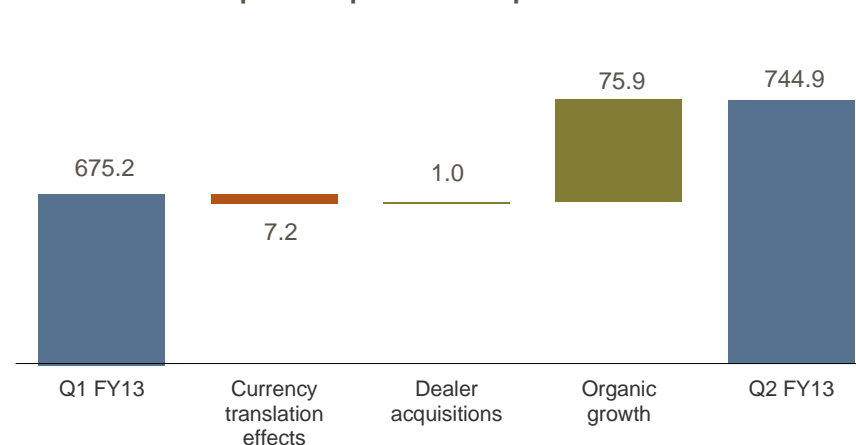
- **Net income** – We reported net income of \$29.5, or \$0.23 per share in Q2 2013, which included pre-tax restructuring costs of \$3.7 (\$3.5 of which was associated with the North America plant closures announced in Q4 2011). Excluding restructuring costs of \$0.02 per share, adjusted earnings equaled \$0.25 per share.
- **Operating income** – Current quarter operating income of \$46.8 compares to prior year operating income of \$25.4. Current quarter results include \$3.7 of restructuring costs compared to \$12.3 of restructuring costs in the prior year. Excluding restructuring costs, adjusted operating income of \$50.5 was \$12.8 million higher compared to the prior year. The improvement was driven largely by organic revenue growth in the Americas and EMEA but impacted by a higher mix of project business from some of the company's largest corporate customers.
  - Sequentially, reported operating income increased \$27.5 and adjusted operating income increased \$26.1. The sequential comparison was favorably impacted by operating leverage from organic revenue growth (including benefits of increased pricing), lower operating expenses (before higher variable compensation) and higher net savings (after related disruption costs) associated with our North America plant consolidations.
- **Interest expense, investment income (loss) and income tax expense** – Interest expense in the prior year included \$3.6 of interest associated with senior notes repaid during August 2011. Investment income increased due to higher gains in the cash surrender value of variable life company-owned life insurance policies. The effective income tax rate for the quarter approximated 35%.

Revenue

Current year quarter over prior year quarter

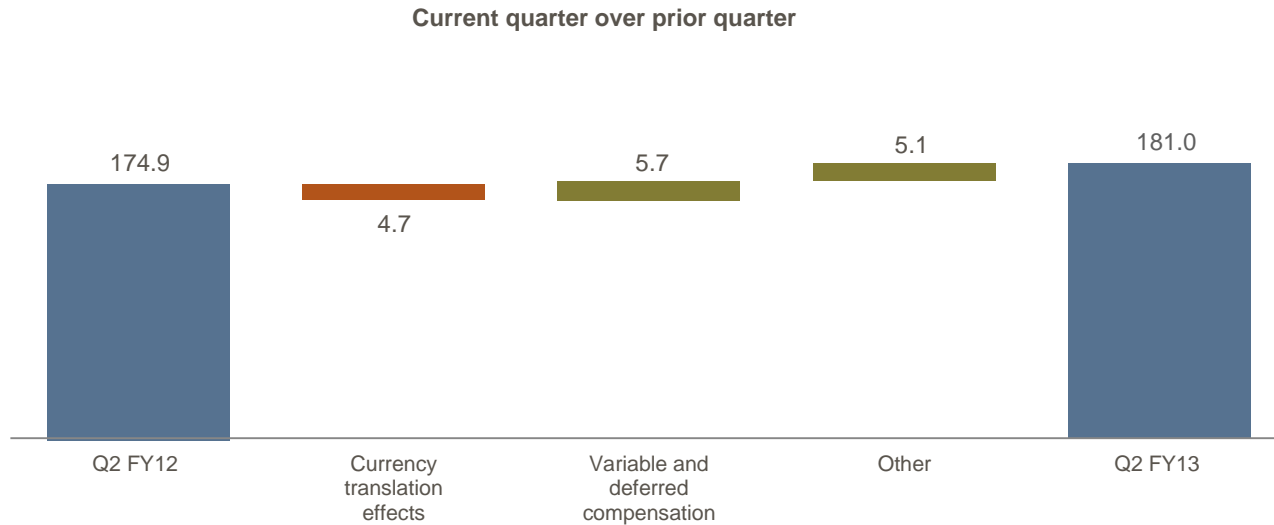


Sequential quarter over quarter



- Revenue** – Revenue increased \$44.4 or 6.3% in Q2 2013 compared to Q2 2012. The revenue comparison to the prior year was negatively impacted by \$16.9 of unfavorable currency translation effects and \$4.5 from a small division of PolyVision divested during Q2 2012, and positively impacted by \$1.0 from dealer acquisitions. After adjusting for these impacts, organic revenue growth was \$64.8 or 10%. We realized organic revenue growth of 10% in the Americas and 17% in EMEA while the Other category experienced a 3% organic decline.
- On a sequential quarter basis, Q2 2013 revenue increased \$69.7 or 10.3% compared to Q1 2013. After adjusting for unfavorable currency translation effects of \$7.2 and the \$1.0 positive impact related to dealer acquisitions, the organic revenue growth was \$75.9 or 11%, reflecting higher than normal seasonality.

Operating expenses



- Operating expenses** – Current quarter operating expenses of \$181.0 represent an increase of \$6.1 compared to the prior year operating expenses of \$174.9. The quarter over quarter comparison included \$4.7 of favorable currency translation effects and \$5.7 increased earnings related to deferred compensation and higher variable compensation. The remaining increase of \$5.1 over the prior year primarily relates to increased spending on sales, product development and other initiatives in the Americas and Asia Pacific.



## Quarterly cash flow data (unaudited)

steelcase inc

	<u>August 26,</u> <u>2011</u>	<u>November 25,</u> <u>2011</u>	<u>February 24,</u> <u>2012</u>	<u>May 25,</u> <u>2012</u>	<u>August 24,</u> <u>2012</u>
<b>OPERATING ACTIVITIES</b>					
Net income	\$ 11.9	\$ 22.4	\$ 13.9 *	\$ 13.2	\$ 29.5
Depreciation and amortization	13.6	14.1	14.7	13.6	13.8
Changes in cash surrender value of company-owned life insurance	3.7	-	(5.4)	(1.7)	(2.8)
Changes in deferred income taxes	(8.3)	6.7	10.8 *	8.0	3.8
Changes in accounts receivable, net, inventories and accounts payable	(2.7)	(25.0)	36.3	(32.7)	(1.0)
Changes in employee compensation liabilities	(0.2)	14.1	(8.5)	(36.7)	10.4
Changes in other operating assets and liabilities	0.2	13.5	(15.8)	(9.2)	7.1
Other, net	17.4	5.2	7.8	8.6	5.3
Net cash provided by (used in) operating activities	<u>35.6</u>	<u>51.0</u>	<u>53.8</u>	<u>(36.9)</u>	<u>66.1</u>
<b>INVESTING ACTIVITIES</b>					
Capital expenditures	(10.9)	(20.0) **	(15.9)	(10.1)	(15.7)
Changes in investments, net	264.6	0.2	(28.1)	26.8	0.6
Proceeds from the disposal of fixed assets	0.4	7.7	3.6	14.1 ***	-
Acquisitions, net of divestiture	1.5	(1.8)	(0.4)	-	(4.9)
Other, net	1.9	2.0	(2.8)	0.1	(6.1)
Net cash provided by (used in) investing activities	<u>257.5</u>	<u>(11.9)</u>	<u>(43.6)</u>	<u>30.9</u>	<u>(26.1)</u>
<b>FINANCING ACTIVITIES</b>					
Repayments of long-term debt	(250.0) ****	(2.3)	-	(0.7)	(0.8)
Dividends paid	(8.0)	(7.9)	(7.8)	(11.6)	(11.4)
Common stock repurchases	(11.6)	(17.9)	(6.7)	(11.8)	(7.6)
Other, net	(0.5)	1.5	0.3	0.2	1.7
Net cash used in financing activities	<u>(270.1)</u>	<u>(26.6)</u>	<u>(14.2)</u>	<u>(23.9)</u>	<u>(18.1)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(0.8)</u>	<u>(2.0)</u>	<u>1.2</u>	<u>(1.7)</u>	<u>0.8</u>
Net increase (decrease) in cash and cash equivalents	22.2	10.5	(2.8)	(31.6)	22.7
Cash and cash equivalents, beginning of period	<u>82.2</u>	<u>104.4</u>	<u>114.9</u>	<u>112.1</u>	<u>80.5</u>
Cash and cash equivalents, end of period	<u>\$ 104.4</u>	<u>\$ 114.9</u>	<u>\$ 112.1</u>	<u>\$ 80.5</u>	<u>\$ 103.2</u>

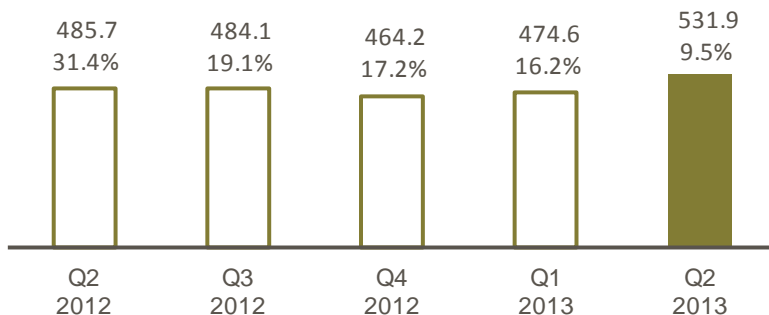
\* For the three months ended February 24, 2012, net income has been decreased, and the change in deferred income taxes has been increased by \$1.0 from the amounts previously reported to correct for the net effect of two immaterial errors.

\*\* Q3 2012 capital expenditures include \$11 of progress payments on a replacement corporate aircraft of which we took delivery in November 2011.

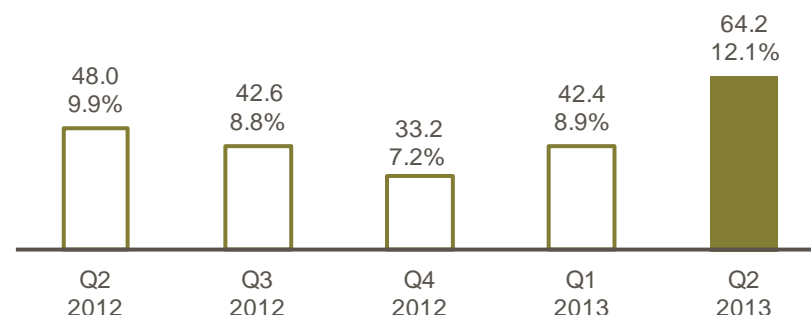
\*\*\* Q1 2013 proceeds from the disposal of fixed assets included \$13.7 related to the sale of a corporate aircraft.

\*\*\*\* During Q4 2011, we issued \$250 of 6.375% unsecured unsubordinated senior notes, due in February 2021 ("2021 Notes"). The net proceeds from the 2021 Notes, together with available cash on hand, were used to repay the outstanding \$250 aggregate principal amount of our 6.5% senior notes due August 15, 2011.

## Revenue (% change versus prior year)

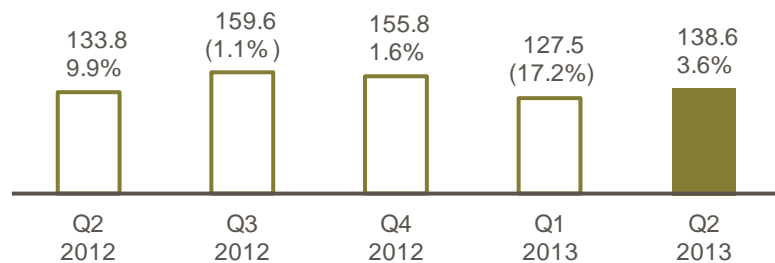


## Adjusted operating income (% of revenue)

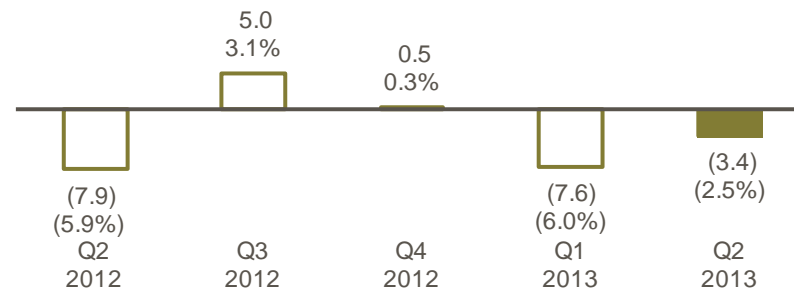


- Operating income** – Current quarter operating income of \$60.7 represents an increase of \$17.9 compared to prior year operating income of \$42.8. Current quarter results included \$3.5 of restructuring costs compared to \$5.2 in the prior year. Excluding restructuring costs, adjusted operating income increased \$16.2. The improvement was driven largely by organic revenue growth, as well as year-over-year benefits from improved pricing (net of commodity cost changes) and restructuring actions (net of related disruption costs), offset in part by a shift in business mix and increased spending on sales, product development and other initiatives.
- Revenue** – Americas revenue increased \$46.2 or 9.5% in Q2 2013 compared to Q2 2012. After adjusting for \$1.2 of unfavorable currency translation effects, organic revenue growth was \$47.4 or 10%.
  - Product categories** – All product categories experienced growth in Q2, with notable strength in Furniture, Coalesse, Details, Architectural Solutions and Technology.
  - Vertical markets** – Notable strength in vertical markets was experienced in the Energy, State and Local Government, Information Technology and Manufacturing sectors, while notable weakness continued in the Financial Services and Federal Government sectors.
  - Geographic regions** – Growth rates were the strongest in the Western Region of North America and across Latin America.
  - Contract type** – All quote types reported revenue growth, but project business was the strongest.

## Revenue (% change versus prior year)



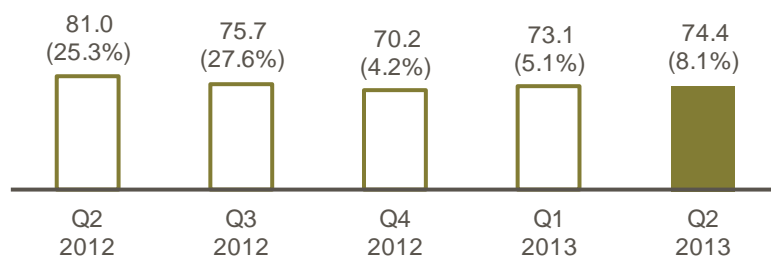
## Adjusted operating income (loss) (% of revenue)



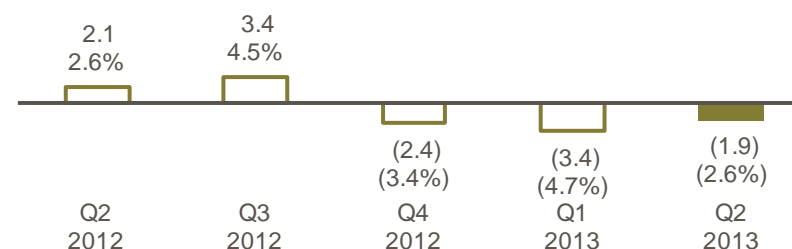
- Operating income (loss)** – Current quarter operating loss of \$3.4 represents an improvement of \$10.4 compared to the prior year operating loss of \$13.8. Current year results include no restructuring costs compared to \$5.9 of restructuring costs in the prior year. Excluding restructuring costs, adjusted operating income improved by \$4.5. The improvement was driven largely by organic revenue growth, but gross margins were negatively impacted by a higher mix of project business.
- Revenue** – EMEA revenue increased \$4.8 or 3.6% in Q2 2013 compared to Q2 2012. After adjusting for unfavorable currency translation effects of \$15.8 and the impact of dealer acquisitions, organic revenue growth was \$19.6 or 17%. All regions experienced organic revenue growth, the most significant being in France and Northern Europe, both of which were driven by project business.

## Other category highlights – Q2 2013

### Revenue (% change versus prior year)



### Adjusted operating income (% of revenue)



### Other

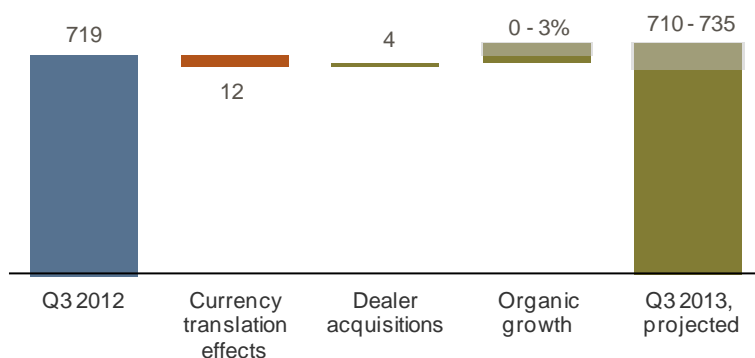
- **Operating income (loss)** – Current quarter operating loss of \$2.1 represents a decrease of \$3.0 compared to prior year operating income of \$0.9. Current year results include \$0.2 of restructuring compared to \$1.2 of restructuring costs in the prior year. Excluding restructuring, adjusted operating results declined primarily due to operating losses from PolyVision and Asia Pacific.
- **Revenue** – Q2 2013 revenue decreased \$6.6 or 8.1% compared to the prior year, largely due to a small divestiture at PolyVision. Organic revenue declines in Asia Pacific and at PolyVision were offset in part by growth at Designtex.

### Corporate

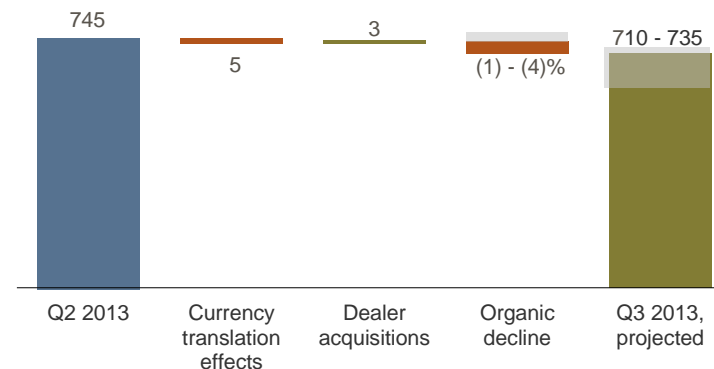
- **Operating income (loss)** – Corporate costs increased by \$3.9 to \$8.4 in the current quarter compared to the prior year primarily due to increased earnings related to deferred compensation and higher variable compensation.

## Revenue

Forecast quarter over prior year quarter



Forecast sequential quarter over quarter



## Net income

Expect Q3 2013 net income in the range of \$0.16 - \$0.20 per share including restructuring costs of approximately \$0.03 per share after-tax.

- Reported net income in the prior year was \$0.17 per share including restructuring costs of approximately \$0.02 per share.

## Revenue

Expect Q3 2013 revenue in the range of \$710 - \$735. Adjusted for the items below, we project organic revenue growth in the range of 0% to 3% compared to the prior year.

- This revenue estimate is based on a euro to U.S. dollar exchange rate assumption of 1.26 as of the end of Q2 2013, which compares to an average exchange rate of 1.38 for Q3 2012 and 1.24 for Q2 2013. This and other currency assumptions included in our third quarter revenue estimate are expected to have negative effects on the year-over-year comparison of approximately \$12 and on the sequential comparison of approximately \$5.
- Q3 2013 is projected to have incremental revenue related to recent dealer acquisitions in France.

# Supplemental Slides

## Non-GAAP financial measures

These webcast slides contain certain non-GAAP financial measures. A “non-GAAP financial measure” is defined as a numerical measure of a company’s financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with GAAP in the statements of income, balance sheets or statements of cash flow of the company. Pursuant to the requirements of Regulation G, the company has provided a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measure.

The non-GAAP financial measures used within these webcast slides are: (1) organic revenue growth (decline), which represents the change in revenue excluding currency translation effects and the impacts of acquisitions and divestitures; (2) adjusted operating income (loss), which represents operating income (loss), excluding restructuring costs; and (3) adjusted earnings per share, which represents earnings per share, excluding restructuring costs, net of tax. These measures are presented because management uses this information to monitor and evaluate financial results and trends. Therefore, management believes this information is also useful for investors.

## Reconciliation of non - GAAP measures – organic growth

### Year over year organic revenue growth (decline) by segment

#### Q2 2013 vs. Q2 2012

	Steelcase Inc.	Americas	EMEA	Other category
Q2 2012 revenue, reported	\$ 700.5	\$ 485.7	\$ 133.8	\$ 81.0
Divestiture	(4.5)	-	-	(4.5)
Currency translation effects*	(16.9)	(1.2)	(15.8)	0.1
Adjusted Q2 2012 revenue	679.1	484.5	118.0	76.6
Q2 2013 revenue, reported	744.9	531.9	138.6	74.4
Dealer acquisitions	(1.0)	-	(1.0)	-
Adjusted Q2 2013 revenue	743.9	531.9	137.6	74.4
Organic growth (decline) \$	\$ 64.8	\$ 47.4	\$ 19.6	\$ (2.2)
Organic growth (decline) %	10%	10%	17%	(3%)

### Sequential organic revenue growth

#### Q2 2013 vs. Q1 2013

	Steelcase Inc.	Americas	EMEA	Other category
Q1 2013 revenue, reported	\$ 675.2	\$ 474.6	\$ 127.5	\$ 73.1
Currency translation effects*	(7.2)	(0.8)	(6.3)	(0.1)
Adjusted Q1 2013 revenue	668.0	473.8	121.2	73.0
Q2 2013 revenue, reported	744.9	531.9	138.6	74.4
Dealer acquisitions	(1.0)	-	(1.0)	-
Adjusted Q2 2013 revenue	743.9	531.9	137.6	74.4
Organic growth \$	\$ 75.9	\$ 58.1	\$ 16.4	\$ 1.4
Organic growth %	11%	12%	14%	2%

### Projected organic revenue growth

	Year over year		Sequential	
	Q3 2013 vs. Q3 2012		Q3 2013 vs. Q2 2013	
Prior quarter revenue, reported	\$ 719	\$	745	
Currency translation effects**	(12)		(5)	
Adjusted prior quarter revenue	707		740	
Q3 2013 revenue, projected	710 - 735		710 - 735	
Dealer acquisitions	(4)	\$	(3)	
Adjusted Q3 2013 revenue	706 - 731		707 - 732	
Organic growth (decline) \$	(1) - 24	\$	(33) - (8)	
Organic growth (decline) %	0% - 3%		(4%) - (1%)	

### YTD year over year organic revenue growth 2013 vs. 2012

	Steelcase Inc.
2012 revenue, reported	\$ 1,339.9
Divestiture	\$ (8.6)
Currency translation effects*	\$ (27.8)
Adjusted 2012 revenue	\$ 1,303.5
2013 revenue, reported	\$ 1,420.1
Dealer acquisitions	\$ (11.5)
Adjusted 2013 revenue	\$ 1,408.6
Organic growth \$	\$ 105.1
Organic growth %	8%

\* Currency translation effects represent the estimated net effect of translating prior quarter or year-to-date foreign currency revenues using the average exchange rate during the current quarter or year-to-date.

\*\* Currency translation effects represent the estimated net effect of translating prior quarter foreign currency revenues using the exchange rate at the end of the most recent quarter.

# Reconciliation of non - GAAP measures – adjusted operating income (loss) (\$ and % of revenue) and adjusted earnings per share

Steelcase Inc.	Q2 2012		Q3 2012		Q4 2012		Q1 2013		Q2 2013	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income (loss)	\$ 25.4	3.6%	\$ 38.2	5.3%	\$ 18.5	2.7%	\$ 19.3	2.8%	\$ 46.8	6.3%
Add: restructuring costs	12.3	1.8%	3.8	0.5%	4.5	0.6%	5.1	0.8%	3.7	0.5%
Adjusted operating income	\$ 37.7	5.4%	\$ 42.0	5.8%	\$ 23.0	3.3%	\$ 24.4	3.6%	\$ 50.5	6.8%

Americas segment	Q2 2012		Q3 2012		Q4 2012		Q1 2013		Q2 2013	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income	\$ 42.8	8.8%	\$ 39.2	8.1%	\$ 27.4	5.9%	\$ 37.7	7.9%	\$ 60.7	11.4%
Add: restructuring costs	5.2	1.1%	3.4	0.7%	5.8	1.3%	4.7	1.0%	3.5	0.7%
Adjusted operating income	\$ 48.0	9.9%	\$ 42.6	8.8%	\$ 33.2	7.2%	\$ 42.4	8.9%	\$ 64.2	12.1%

EMEA segment	Q2 2012		Q3 2012		Q4 2012		Q1 2013		Q2 2013	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income (loss)	\$ (13.8)	(10.3%)	\$ 4.4	2.8%	\$ 1.7	1.1%	\$ (8.0)	(6.3%)	\$ (3.4)	(2.5%)
Add: restructuring costs	5.9	4.4%	0.6	0.3%	(1.2)	(0.8%)	0.4	0.3%	-	0.0%
Adjusted operating income (loss)	\$ (7.9)	(5.9%)	\$ 5.0	3.1%	\$ 0.5	0.3%	\$ (7.6)	(6.0%)	\$ (3.4)	(2.5%)

Other category	Q2 2012		Q3 2012		Q4 2012		Q1 2013		Q2 2013	
	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income (loss)	\$ 0.9	1.1%	\$ 3.6	4.8%	\$ (2.3)	(3.3%)	\$ (3.4)	(4.7%)	\$ (2.1)	(2.8%)
Add: restructuring costs	1.2	1.5%	(0.2)	(0.3%)	(0.1)	(0.1%)	-	0.0%	0.2	0.2%
Adjusted operating income (loss)	\$ 2.1	2.6%	\$ 3.4	4.5%	\$ (2.4)	(3.4%)	\$ (3.4)	(4.7%)	\$ (1.9)	(2.6%)

## Steelcase Inc.

### Adjusted earnings per share

	Q2 2013
Earnings per share, reported	\$ 0.23
Restructuring costs, net of tax, per share	0.02
Adjusted earnings per share	<u>\$ 0.25</u>