

Earnings Call Presentation

3rd Quarter 2015
October 29, 2015



Safe Harbor Statement



Our disclosures in this presentation, including without limitation, those relating to future financial results guidance and the possible separation of our flooring business from our building products business, and in our other public documents and comments contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Those statements provide our future expectations or forecasts and can be identified by our use of words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "outlook," "target," "predict," "may," "will," "would," "could," "should," "seek," and other words or phrases of similar meaning in connection with any discussion of future operating or financial performance or the separation of our businesses. Forward-looking statements, by their nature, address matters that are uncertain and involve risks because they relate to events and depend on circumstances that may or may not occur in the future. As a result, our actual results may differ materially from our expected results and from those expressed in our forward-looking statements. A more detailed discussion of the risks and uncertainties that may affect our ability to achieve the projected performance is included in the "Risk Factors" and "Management's Discussion and Analysis" sections of our reports on Forms 10-K and 10-Q filed with the SEC. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update any forward-looking statements beyond what is required under applicable securities law.

In addition, we will be referring to non-GAAP financial measures within the meaning of SEC Regulation G. A reconciliation of the differences between these measures with the most directly comparable financial measures calculated in accordance with GAAP are included within this presentation and available on the Investor Relations page of our website at www.armstrong.com.

The guidance in this presentation is only effective as of the date given, October 29, 2015, and will not be updated or affirmed unless and until we publicly announce updated or affirmed guidance.

Basis of Presentation Explanation



- When reporting our financial results within this presentation, we make several adjustments. Management uses the non-GAAP measures below in managing the business and believes the adjustments provide meaningful comparisons of operating performance between periods. As reported results will be footnoted throughout the presentation.

- We report in comparable dollars to remove the effects of currency translation on the P&L. The budgeted exchange rate for 2015 is used for all currency translations in 2015 and prior years. Guidance is presented using the 2015 budgeted exchange rate for the year.
- We remove the impact of discrete expenses and income. Examples include plant closures, restructuring actions, separation costs and other large unusual items. We also remove the non-cash impact of our U.S. Pension Plan.
- Taxes for normalized Net Income and EPS are calculated using a constant 39% for 2015 guidance, and 2015 and 2014 results, which are based on the expected full year historical tax rate.

What Items Are Adjusted		
	Comparable Dollars	Other Adjustments
Net Sales	Yes	No
Gross Profit	Yes	Yes
SG&A Expense	Yes	Yes
Equity Earnings	Yes	Yes
Operating Income	Yes	Yes
Net Income	Yes	Yes
Cash Flow	No	No
Return on Capital	Yes	Yes
EBITDA	Yes	Yes

All figures throughout the presentation are in \$ millions unless otherwise noted. Figures may not add due to rounding.

Key Metrics – Third Quarter 2015



	2015	2014	Variance
Net Sales ⁽¹⁾	\$679	\$670	1.3%
Operating Income ⁽²⁾	98	93	5.3%
% of Sales	14.5%	13.9%	60 bps
EBITDA	128	122	5.2%
% of Sales	18.9%	18.2%	70 bps
Earnings Per Share ⁽³⁾	\$0.80	\$0.88	(8.8%)
Free Cash Flow	64	60	7.6%
Net Debt	764	902	(138)
ROIC ⁽⁴⁾	5.8%	8.4%	(260 bps)

(1) As reported Net Sales: \$659 million in 2015 and \$679 million in 2014

(2) As reported Operating Income: \$80 million in 2015 and \$86 million in 2014

(3) As reported EPS: \$0.54 in 2015 and \$0.84 in 2014

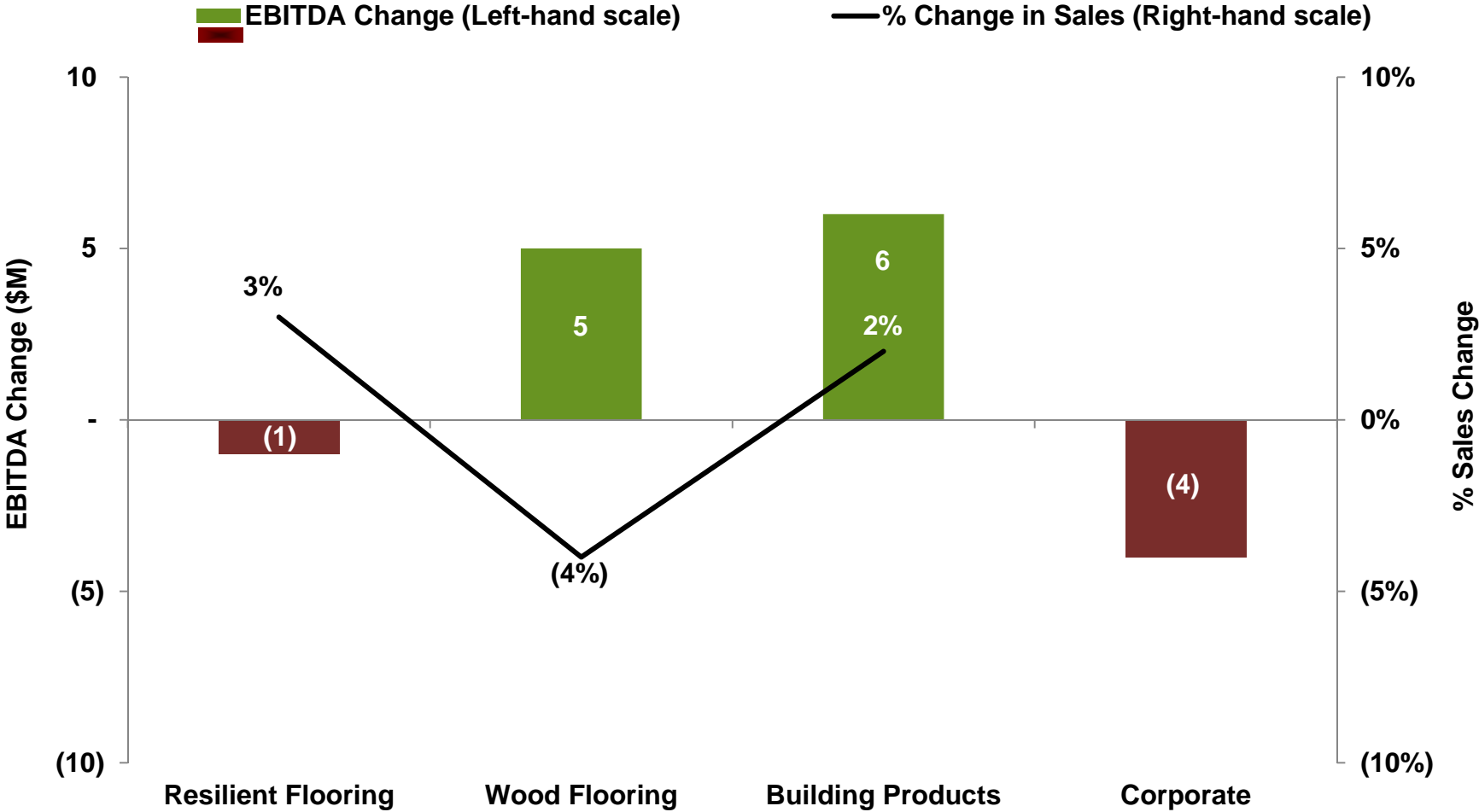
(4) Unadjusted

Third Quarter 2015 vs. PY– Adjusted EBITDA to Reported Net Income

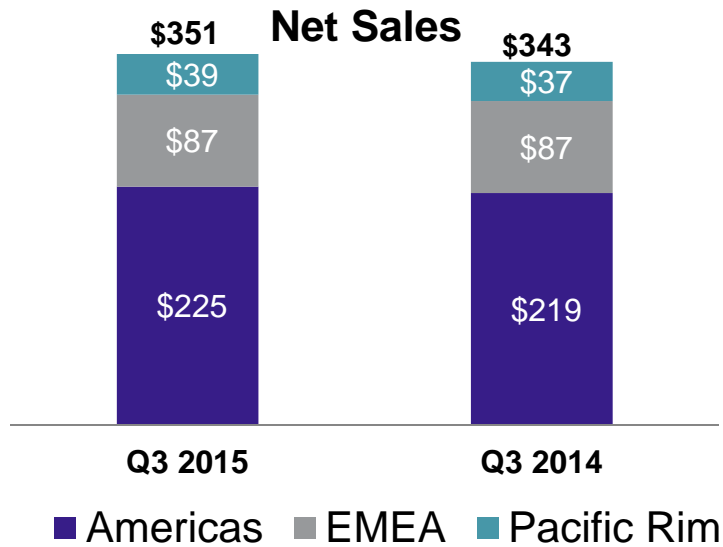


	2015	2014	V
EBITDA– Adjusted	\$128	\$122	\$6
Depreciation and Amortization	(30)	(29)	(1)
Operating Income – Adjusted	\$98	\$93	\$5
Non-cash Impact of U.S. Pension	6	-	6
Separation Expenses	7	-	7
Cost Reduction Initiatives	1	6	(5)
Foreign Exchange Movements	4	1	3
Operating Income – As Reported	\$80	\$86	(\$6)
Interest/Other (Expense)	(25)	(13)	(12)
EBT	\$55	\$73	(\$18)
Tax (Expense)	(25)	(26)	1
Net Income	\$30	\$47	(\$17)

Third Quarter Sales and EBITDA by Segment – 2015 vs. Prior Year



Building Products Third Quarter Results



Key Highlights

- On a comparable foreign exchange basis sales increased 2% as favorable price and mix performance offset volume declines primarily in emerging markets
- Continued sales growth momentum in Architectural Specialties

Q3 2014 Adjusted EBITDA \$ **103M**

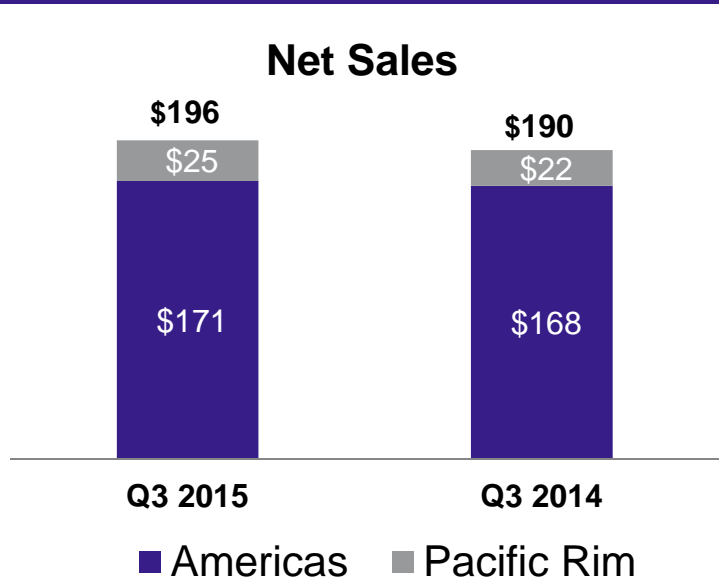
Price & Mix
Volume
Manufacturing & Input Costs
WAVE
D&A/Other

- 5 → Reflects impact of prior price increases
- (4) → Driven by lower volumes, predominantly in EMEA
- 3 → Reflects the benefit of lower freight and energy costs and productivity in the Americas
- 1 → Reflects higher earnings from our WAVE joint venture

Q3 2015 Adjusted EBITDA \$ **109M**

Favorable price and mix performance and lower manufacturing and input costs drive over 100 bps of margin improvement in the Americas despite lower volumes

Resilient Third Quarter Results



Key Highlights

- On a comparable foreign exchange basis sales increased 3% driven by volume growth in the Americas residential and commercial businesses as well as double digit improvement in the Pacific Rim; more than offsetting unfavorable price and mix.
- Volume growth in the Americas was partially aided by favorable market share shifts as a result of competitive product availability issues and our service proposition relative to competition.

Q3 2014 Adjusted EBITDA	\$ 25M
Price & Mix	(7)
Volume	7
Manufacturing & Input Costs	7
SG&A	(8)
Q3 2015 Adjusted EBITDA	\$ 24M

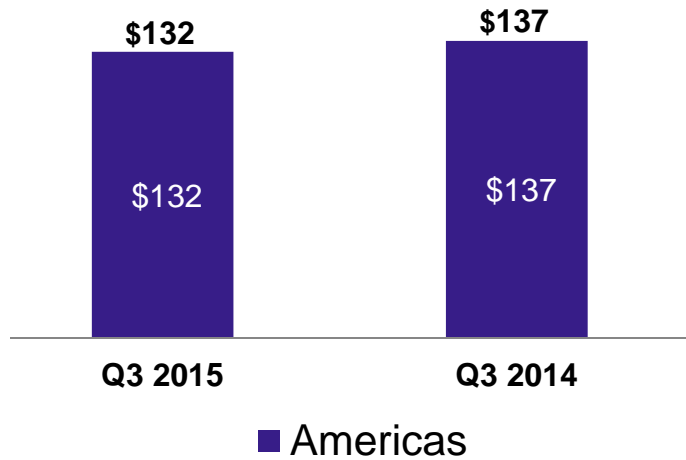
- Broad based volume growth in the Americas residential and commercial businesses as well the Pacific Rim
- Reflects the benefit of favorable input costs
- Higher SG&A expense to support go-to-market initiatives

Broad based volume growth and favorable input costs drive margin performance

Wood Third Quarter Results



Net Sales



Key Highlights

- Despite improvements in mix sales declined driven by unfavorable price performance and lower volumes
- Lower volumes were the result of engineered wood product availability challenges

Q3 2014 Adjusted EBITDA \$ **9M**

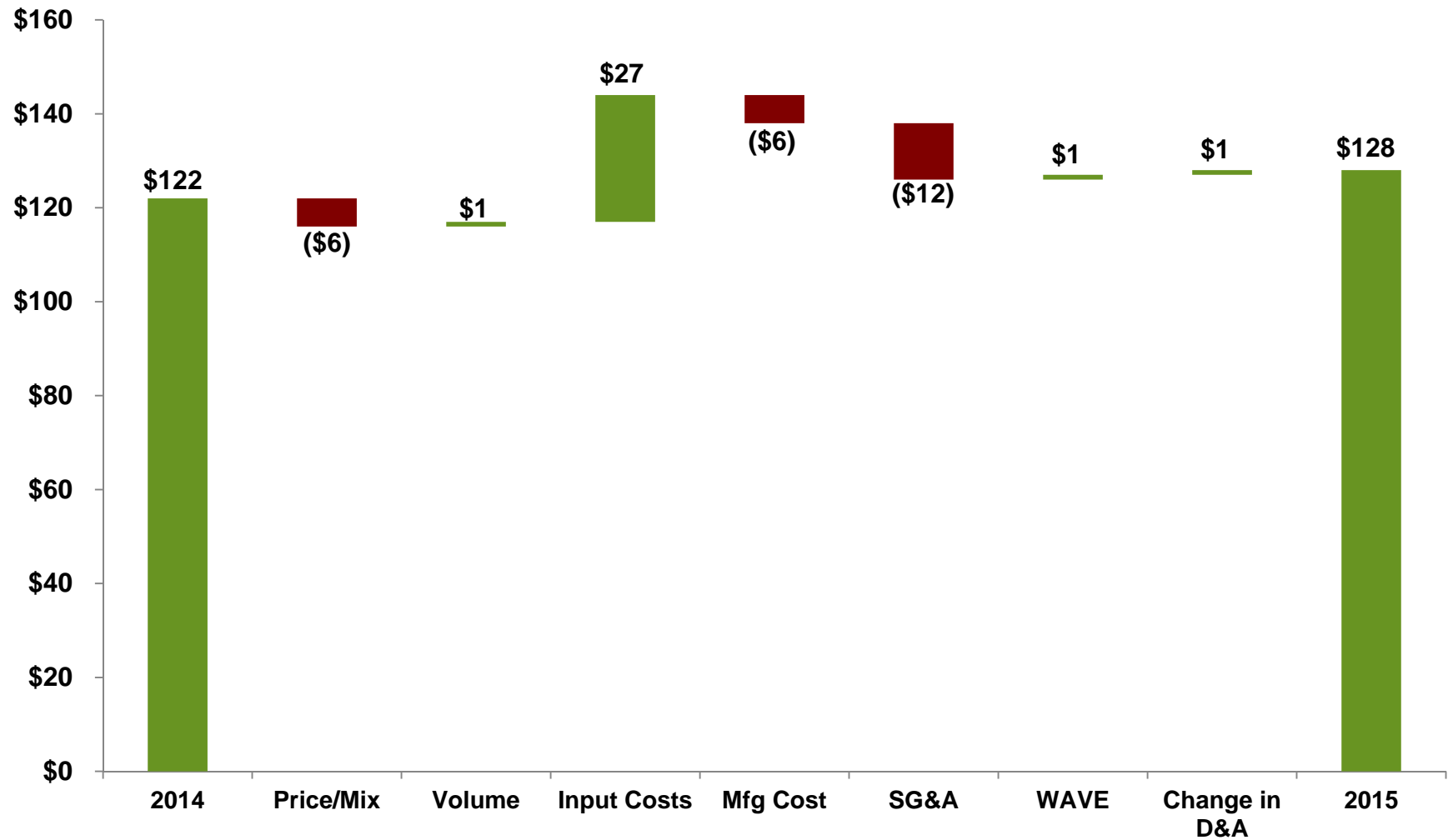
Price & Mix	(4)
Volume	(2)
Manufacturing & Input Costs	12
SG&A	(1)

- Driven by unfavorable price, despite mix improvement
- Due to engineered wood product availability challenges
- Reflects the benefit of favorable input costs

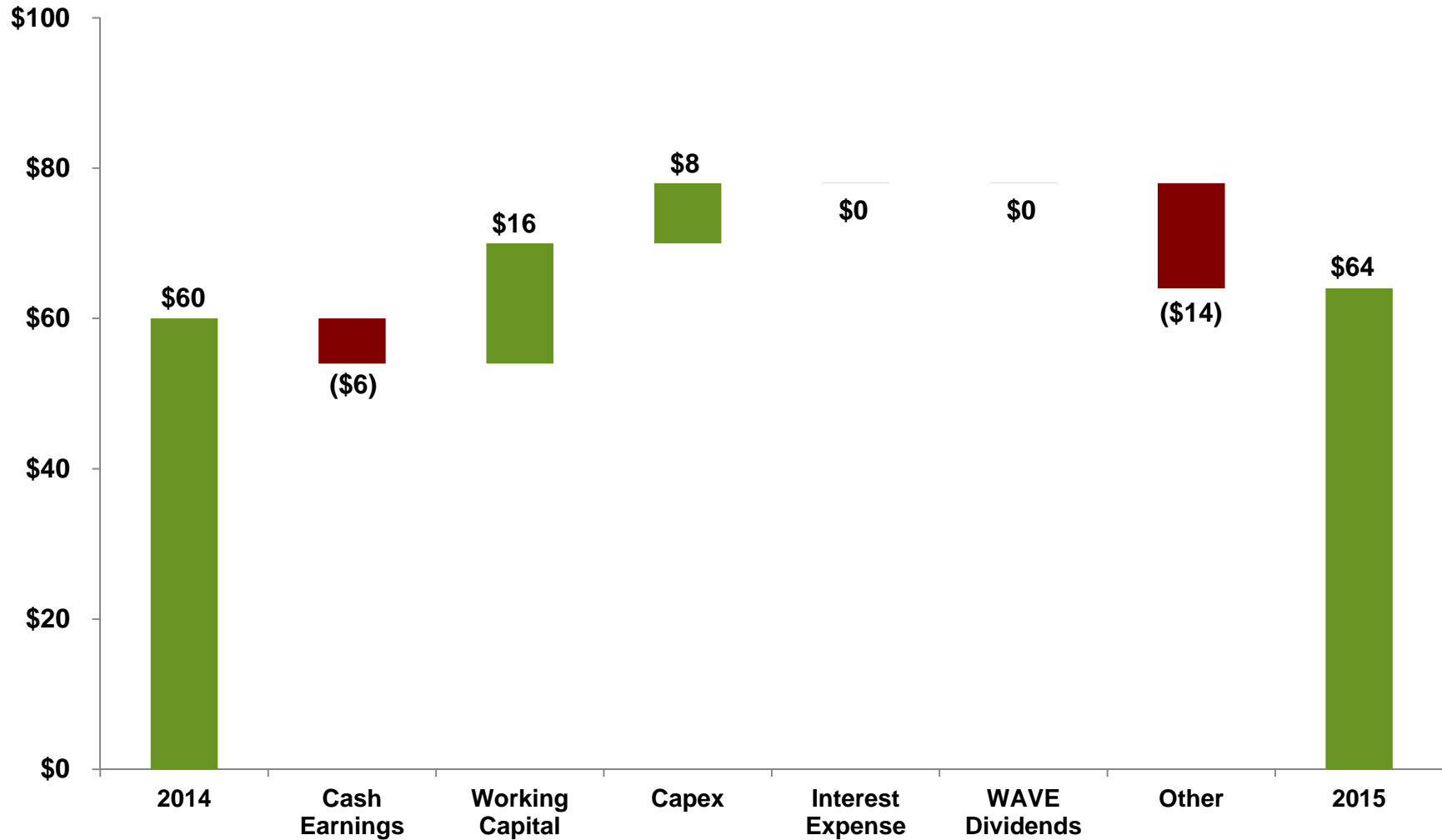
Q3 2015 Adjusted EBITDA \$ **14M**

Favorable input costs drive margin improvement

EBITDA Bridge – Third Quarter 2015 vs. Prior Year



Free Cash Flow – Third Quarter 2015 vs. Prior Year



Key Metrics – September YTD 2015



	2015	2014	Variance
Net Sales ⁽¹⁾	\$1,892	\$1,905	(0.7%)
Operating Income ⁽²⁾	226	221	2.1%
% of Sales	11.9%	11.6%	30 bps
EBITDA	315	309	1.9%
% of Sales	16.6%	16.2%	40 bps
Earnings Per Share ⁽³⁾	\$1.99	\$1.97	0.7%
Free Cash Flow	99	14	Favorable

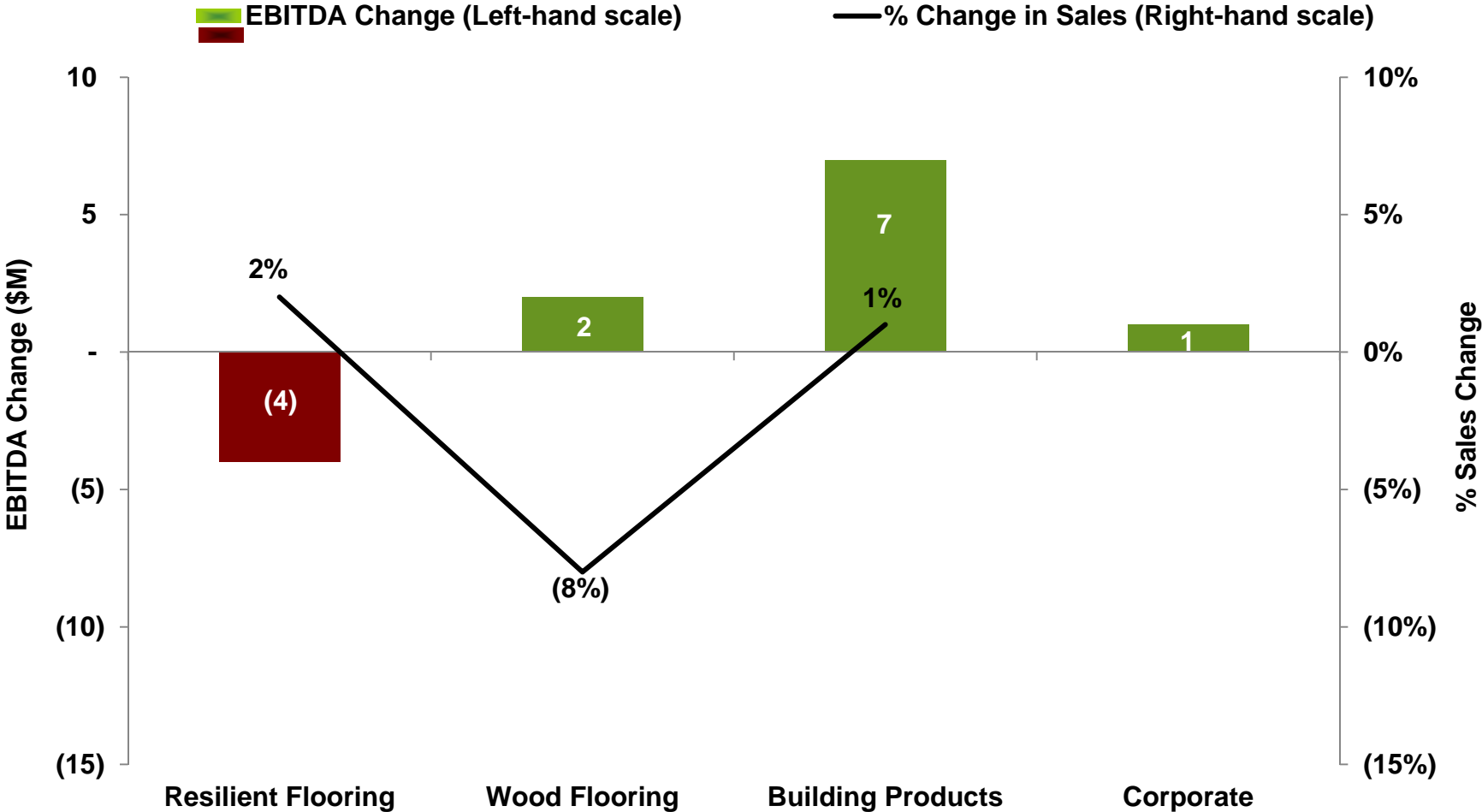
(1) As reported Net Sales: \$1,843 million in 2015 and \$1,928 million in 2014

(2) As reported Operating Income: \$179 million in 2015 and \$203 million in 2014

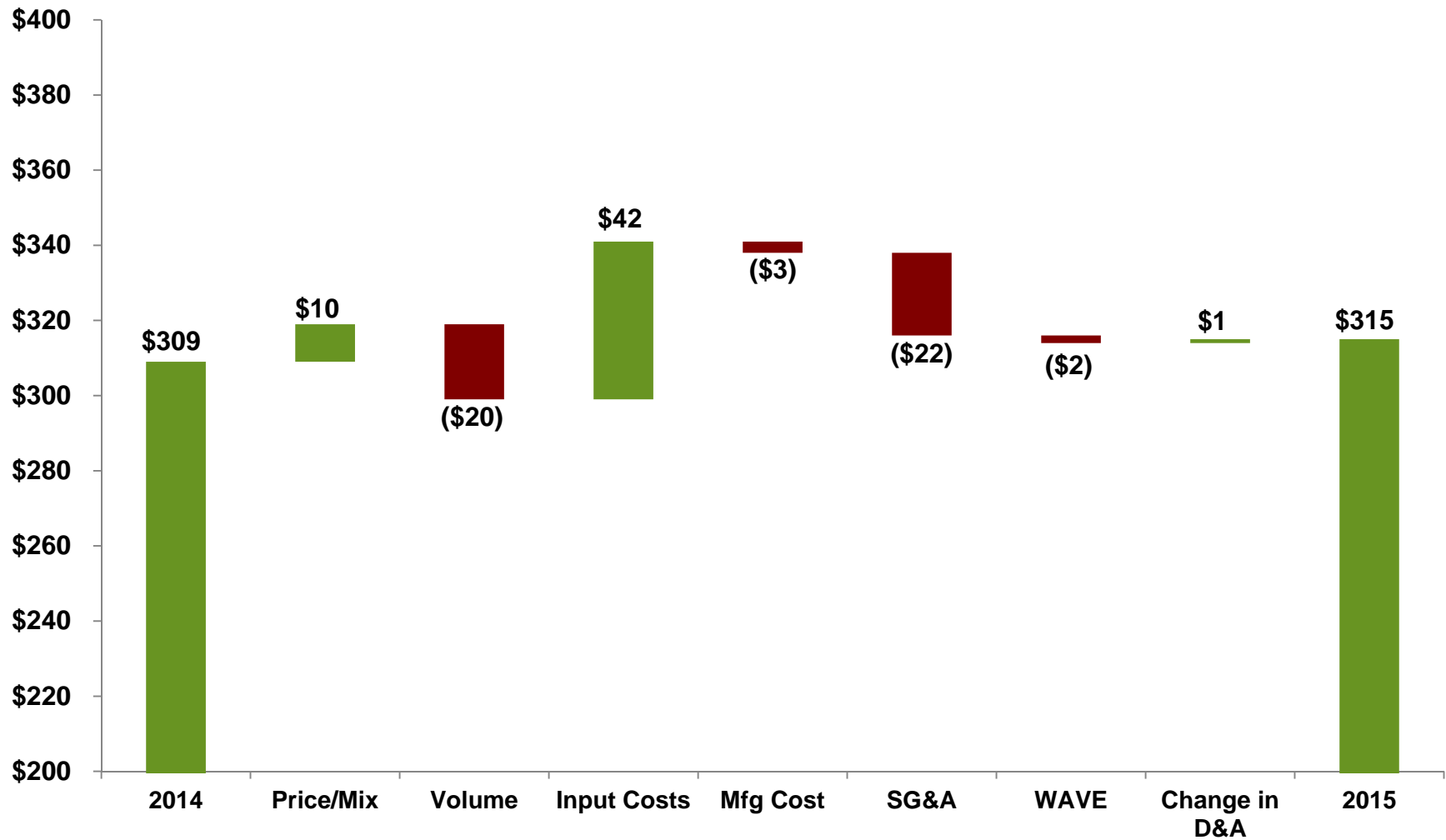
(3) As reported EPS: \$1.14 in 2015 and \$1.64 in 2014

(4) Unadjusted

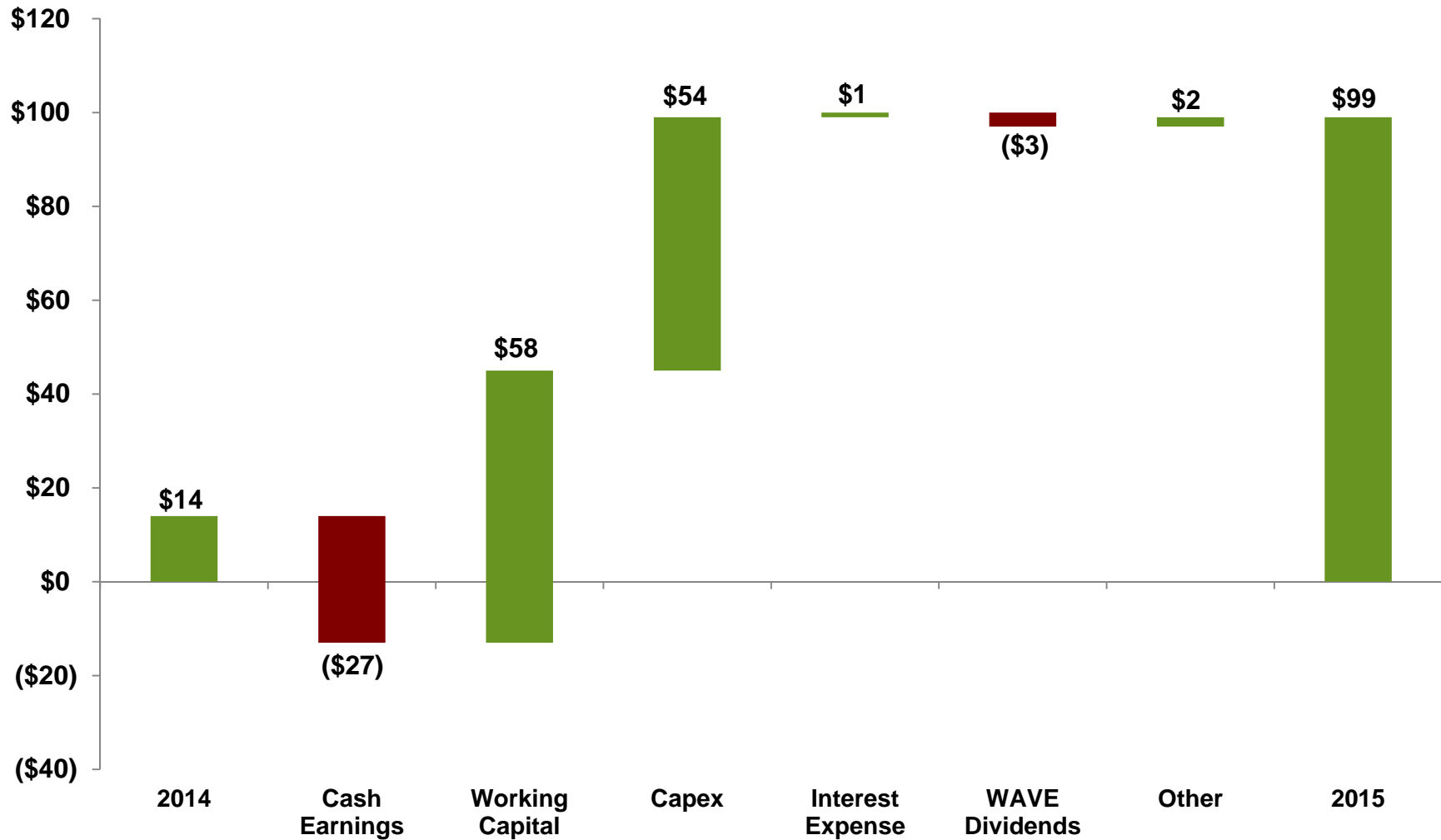
September YTD Sales and EBITDA by Segment – 2015 vs. Prior Year



EBITDA Bridge – September YTD 2015 vs. Prior Year



Free Cash Flow – September YTD 2015 vs. Prior Year



Key Metrics – Guidance 2015



	2015 Estimate Range ⁽¹⁾		2014 ⁽²⁾	Variance	
Net Sales⁽³⁾	2,400	to 2,450	2,515	(5%)	to (3%)
Operating Income⁽⁴⁾	250	to 270	271	(8%)	to 0%
EBITDA	370	to 390	389	(5%)	to 0%
Earnings Per Share⁽⁵⁾	\$2.15	to \$2.35	\$2.38	(10%)	to (1%)

(1) Guidance is presented using 2015 budgeted foreign exchange rates

(2) 2014 results are presented using 2015 budgeted foreign exchange rates

(3) 2015 and 2014 net sales include the impact of foreign exchange

(4) As reported Operating Income: \$180 - \$200 million in 2015 and \$239 million 2014

(5) As reported earnings per share: \$0.85 - \$1.00 in 2015 and \$1.83 in 2014

2015 Financial Outlook



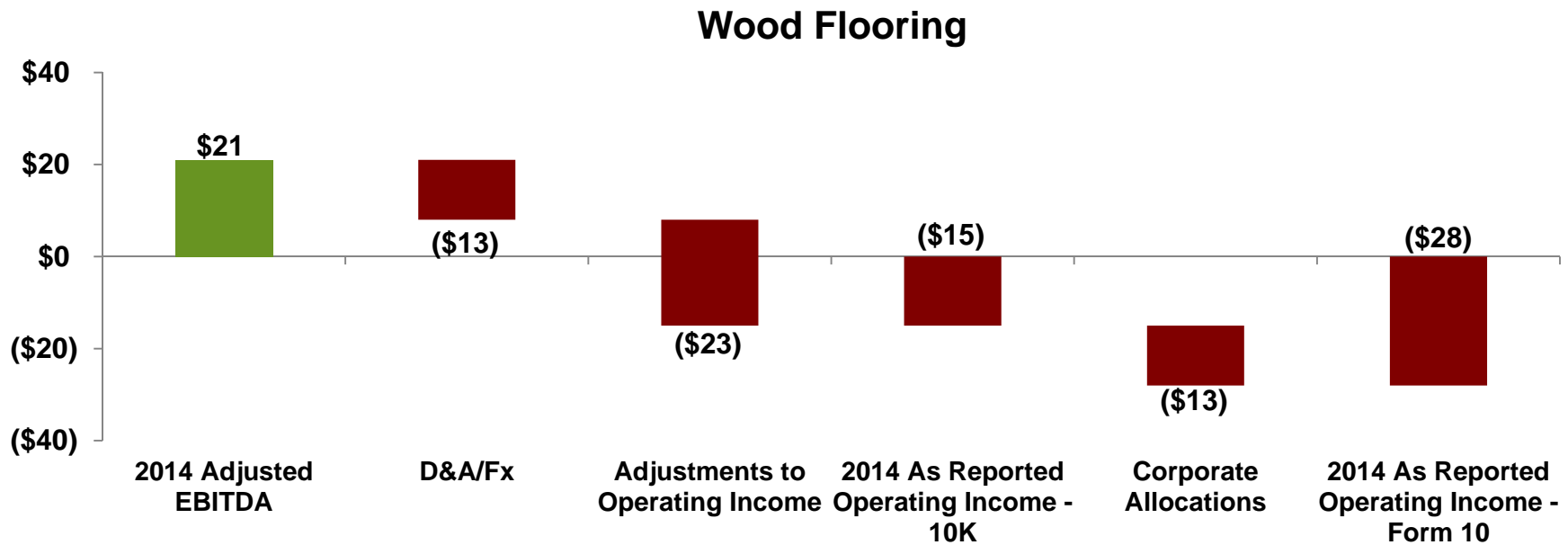
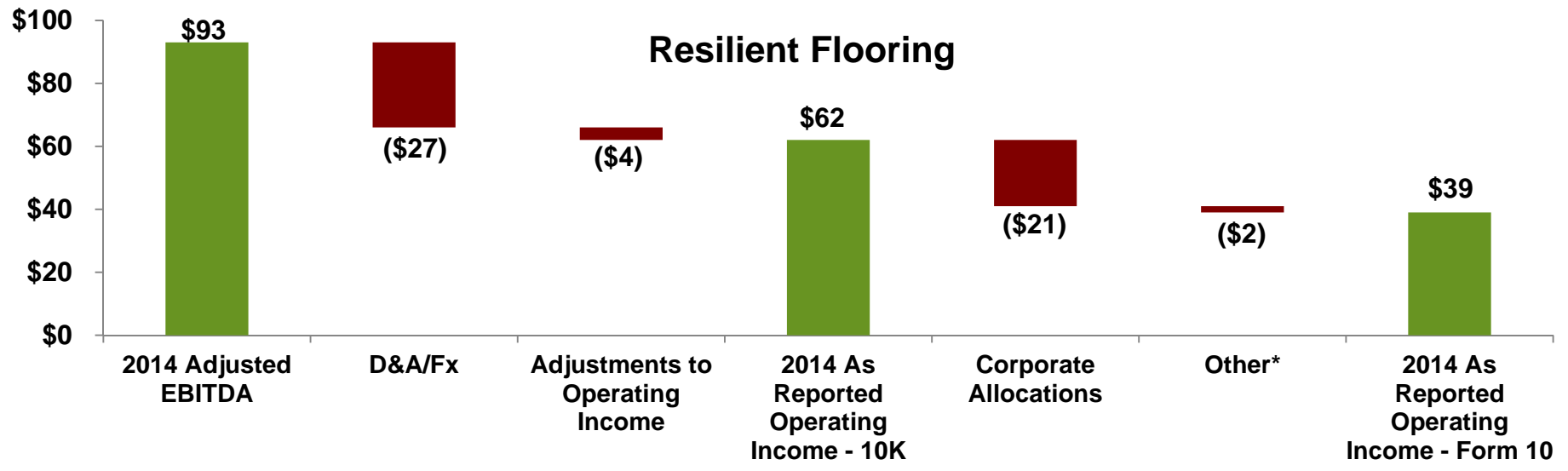
ABP Segment*	▶ Sales ⁽¹⁾ \$1,220-\$1,250 million; EBITDA \$335-\$350 million
AFP Segment*	▶ Sales ⁽¹⁾ \$1,180-\$1,200 million; EBITDA \$100-\$110 million
Corporate Segment	▶ EBITDA (\$65) – (\$70)
Cash Taxes/ETR	▶ \$35 - \$45 million; Adjusted long-term ETR of ~39% ⁽²⁾
Capital Spending*	▶ \$155 - \$165 million
Exclusions from EBITDA	▶ \$25 million, US pension expense, non-cash \$20 - \$35 million, transaction costs

(1) Net sales include foreign exchange impact

(2) As reported ETR of 62% for 2015

* Changed from July Outlook

Form 10 Historical Earnings Bridge – Full Year 2014



* Other consists of charges related to AFI not previously recorded at a consolidated level as they did not meet the prior materiality threshold

Appendix



September YTD 2015 vs. PY– Adjusted EBITDA to Reported Net Income



	2015	2014	V
EBITDA– Adjusted	\$315	\$309	\$6
Depreciation and Amortization	(89)	(88)	(1)
Operating Income – Adjusted	\$226	\$221	\$5
Non-cash Impact of U.S. Pension	19	1	18
Separation Expenses	17	-	17
Multilayered Wood Flooring Duty	4	-	4
Cost Reduction Initiatives	(1)	10	(11)
Impairment	-	4	(4)
Foreign Exchange Movements	8	3	5
Operating Income – As Reported	\$179	\$203	(\$24)
Interest/Other (Expense)	(45)	(41)	(4)
EBT	\$134	\$162	(\$28)
Tax (Expense)	(70)	(71)	1
Net Income	\$64	\$91	(\$27)

Consolidated Results



Third Quarter

	2015 Reported	Comparability ⁽¹⁾ Adjustments	Fx ⁽²⁾ Adj	2015 Adjusted	2014 Reported	Comparability ⁽¹⁾ Adjustments	Fx ⁽²⁾ Adj	2014 Adjusted
Net Sales	659	-	20	679	679	-	(9)	670
Operating Income	80	14	4	98	86	6	1	93
EPS	\$0.54	\$0.21	\$0.05	\$0.80	\$0.84	\$0.02	\$0.02	\$0.88

September YTD

	2015 Reported	Comparability ⁽¹⁾ Adjustments	Fx ⁽²⁾ Adj	2015 Adjusted	2014 Reported	Comparability ⁽¹⁾ Adjustments	Fx ⁽²⁾ Adj	2014 Adjusted
Net Sales	1,843	-	49	1,892	1,928	-	(23)	1,905
Operating Income	179	39	8	226	203	15	3	221
EPS	\$1.14	\$0.76	\$0.09	\$1.99	\$1.64	\$0.30	\$0.03	\$1.97

(1) See earnings press release and 10-Q for additional detail on comparability adjustments

(2) Eliminates impact of foreign exchange movements

Segment Operating Income (Loss)



Third Quarter						
	2015 Reported	Comparability ⁽¹⁾ Adjustments	2015 Adjusted	2014 Reported	Comparability ⁽¹⁾ Adjustments	2014 Adjusted
Building Products	90	1	91	87	-	87
Resilient Flooring	14	3	17	15	2	17
Wood Flooring	10	1	11	2	4	6
Unallocated Corporate (Expense) Income	(35)	14	(21)	(18)	1	(17)

September YTD						
	2015 Reported	Comparability ⁽¹⁾ Adjustments	2015 Adjusted	2014 Reported	Comparability ⁽¹⁾ Adjustments	2014 Adjusted
Building Products	214	1	215	209	3	212
Resilient Flooring	43	4	47	46	5	51
Wood Flooring ⁽²⁾	12	6	18	5	9	14
Unallocated Corporate (Expense) Income	(90)	36	(54)	(57)	1	(56)

(1) Eliminates impact of foreign exchange movements and other discrete items; see earnings press release and 10-Q for additional detail.

(2) Includes a \$4 million charge recorded in the second quarter of 2015 resulting from new duty rates assigned by the U.S. Department of Commerce on multilayered wood importers and a \$1 million gain recorded in the second quarter of 2014 related to a refund of previously paid duties on imports of engineered wood flooring.

Cash Flow



	Third Quarter		September YTD	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
(\$ millions)				
Net cash from operations	\$85	\$89	\$144	\$111
Net cash (used for) investing	(21)	(29)	(45)	(97)
Free Cash Flow	\$64	\$60	\$99	\$14

Cash flow includes cash flows attributable to the European flooring business