

October 31, 2016

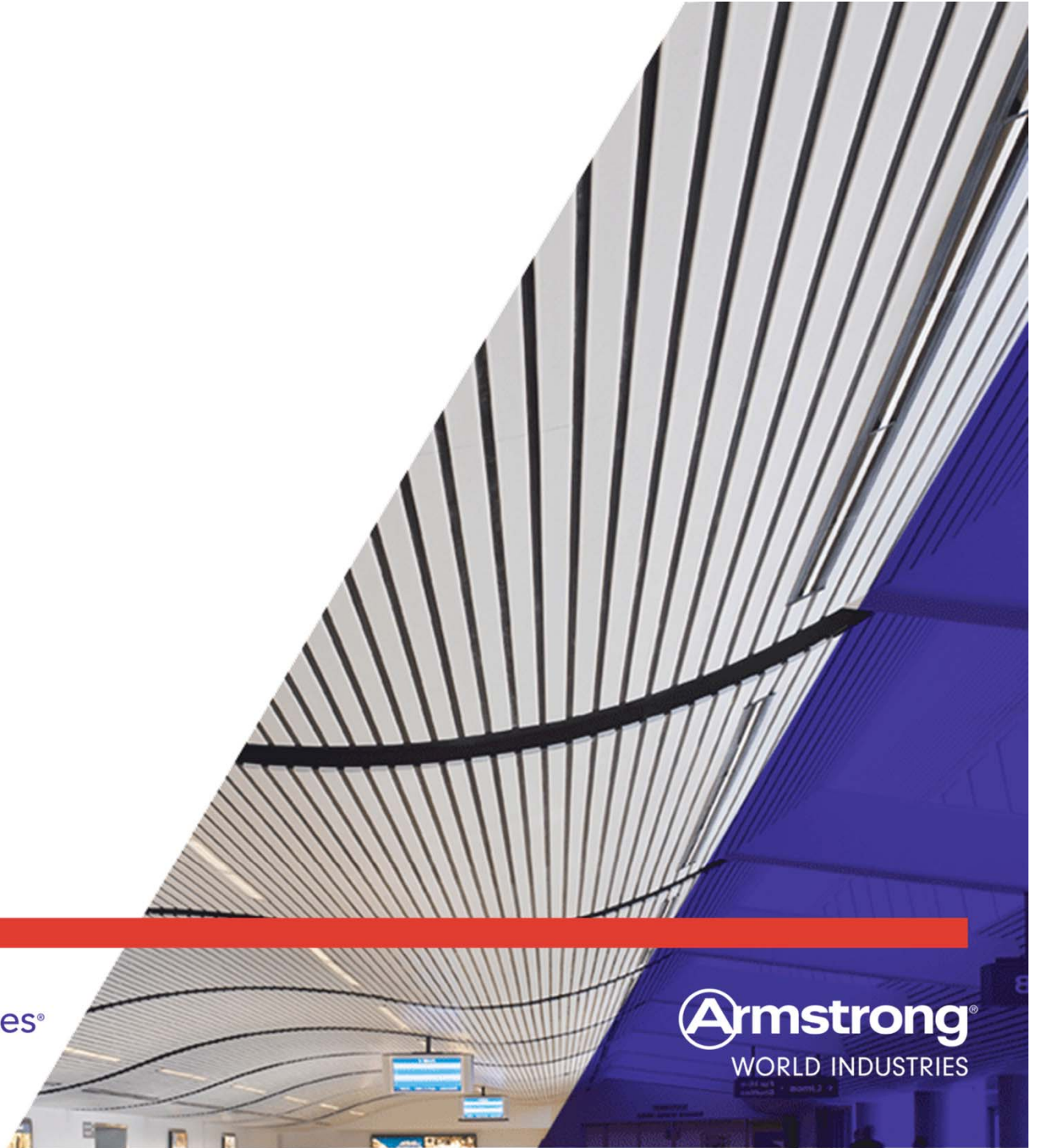
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# Earnings Call Presentation

3<sup>rd</sup> Quarter 2016

Inspiring Great Spaces®

**Armstrong**<sup>®</sup>  
WORLD INDUSTRIES



# Safe Harbor Statement

Our disclosures in this presentation, including without limitation, those relating to future financial results market conditions and guidance, 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 U.S. Securities and Exchange Commission. 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.armstrongceilings.com](http://www.armstrongceilings.com).

The guidance in this presentation is only effective as of the date given, October 31, 2016, 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 2016 is used for all currency translations in 2016 and prior years. Guidance is presented using the 2016 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 2016 guidance, and 2016 and 2015 results, which are based on the expected long term tax rate.
- Results throughout this presentation are presented on a continuing operations basis. As a result of the April 1, 2016 AFI separation, the majority of the AWI corporate support functions were incorporated into the Americas segment. Results throughout this presentation reflect the allocation of corporate costs into the segments and were held constant in 2015 for comparability purposes. Please refer to the Appendix for more information.

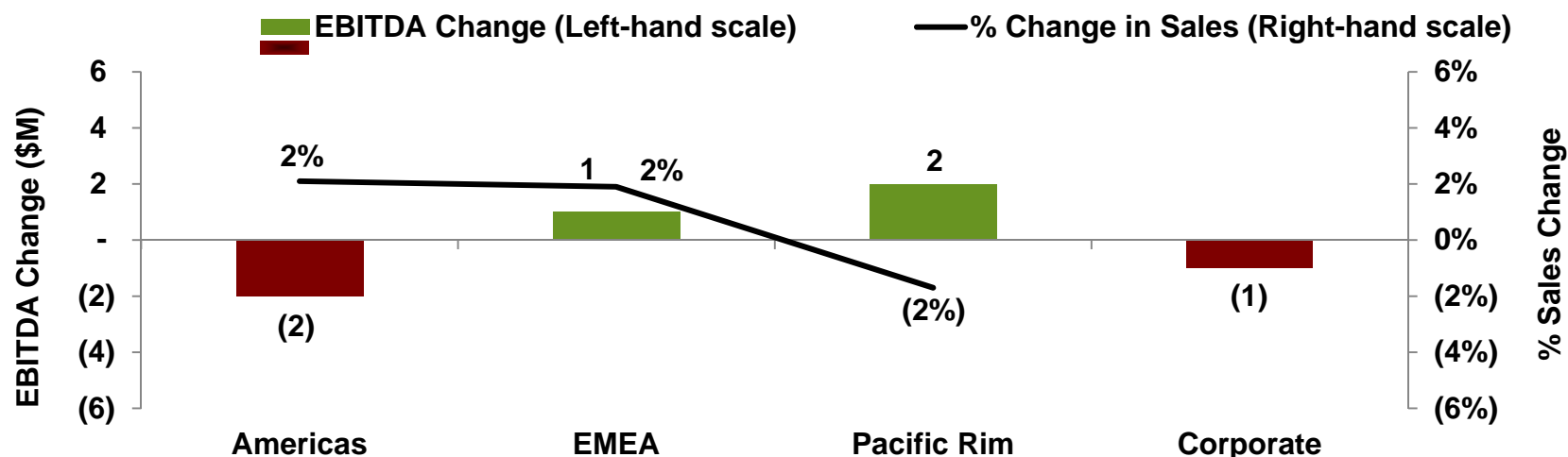
## What Items Are Adjusted

	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	Yes
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.

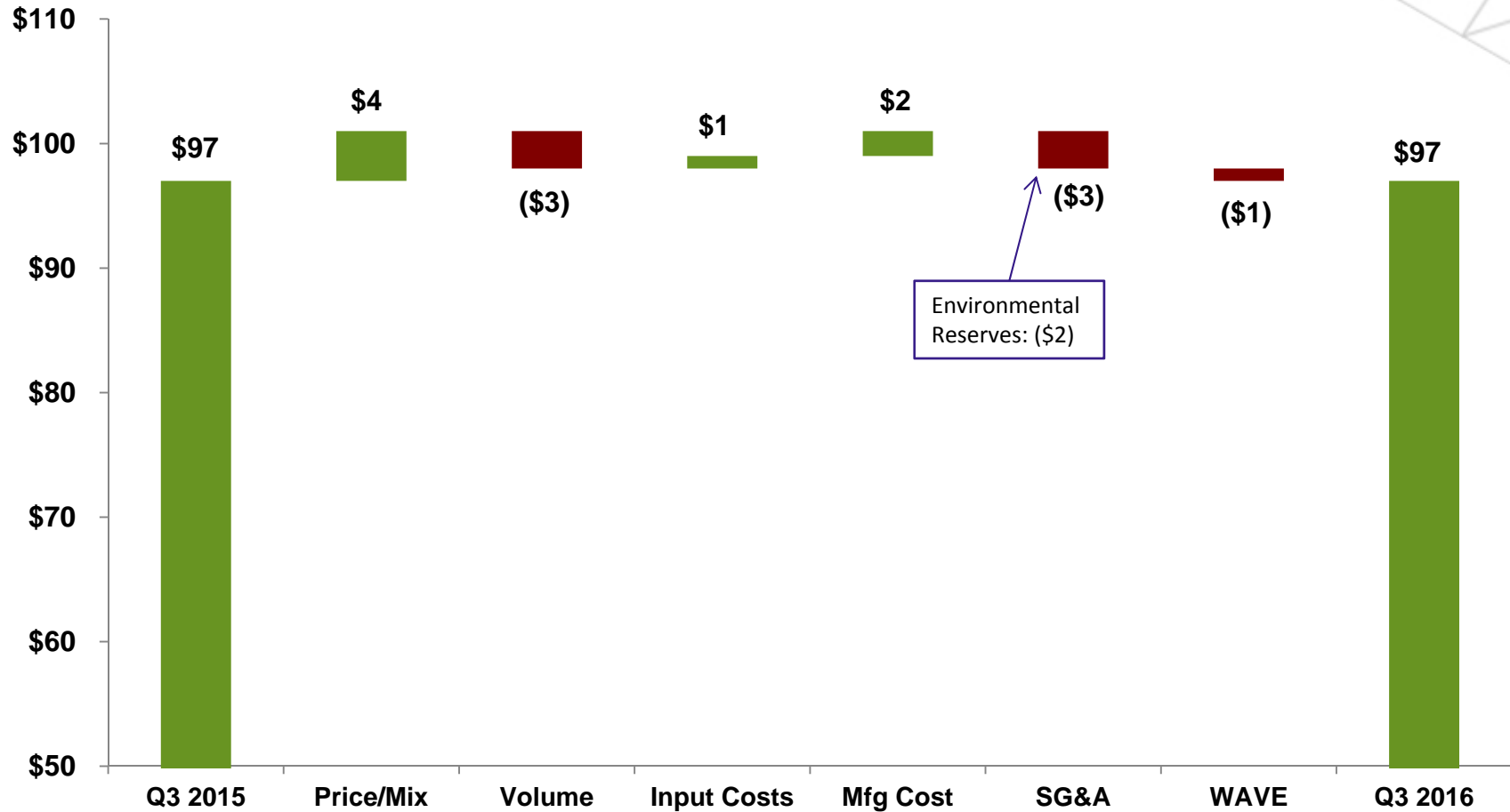
# Consolidated Company Key Metrics - Third Quarter 2016

	2016	2015	Variance
<b>Net Sales <sup>(1)</sup></b>	\$339	\$334	1.7%
<b>Operating Income <sup>(2)</sup></b>	\$77	\$76	1.1%
% of Sales	22.6%	22.8%	(10) bps
<b>EBITDA</b>	97	97	(0.3%)
% of Sales	28.5%	29.1%	(60) bps
<b>Earnings Per Share <sup>(3)</sup></b>	\$0.76	\$0.59	28.4%
<b>Net Debt</b>	731	764	(33)

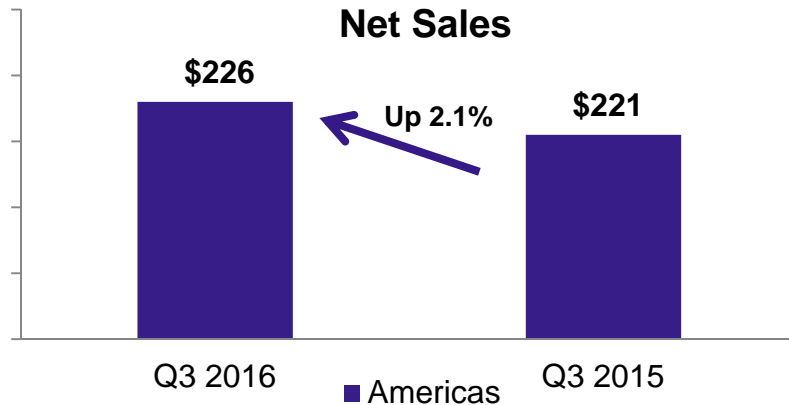


(1) As reported Net Sales: \$335 million in 2016 and \$336 million in 2015  
 (2) As reported Operating Income: \$71 million in 2016 and \$59 million in 2015  
 (3) As reported EPS: \$0.99 in 2016 and \$0.35 in 2015

# EBITDA Bridge – Third Quarter 2016 vs. PY



# Americas Third Quarter Results



## Key Highlights

- Net sales increased 2.1% as the strength in the U.S. commercial channel partially offset softness in retail and Latin America along with continued improvement in average unit value (“AUV”). Growth initiatives contributed significantly to this result with Architectural Specialties (“AS”) up double digits.

### 2015 Q3 Adjusted EBITDA

**\$87M**

AUV

3

Acceleration of AUV achievement as products at the high end of the product range drove the mix improvement along with another quarter of positive like for like pricing

Volume

(3)

Driven by softness predominantly in the retail channel

Manufacturing & Input Costs

1

Driven by better productivity

SG&A

(3)

Driven by an increase of \$2M in environmental reserves

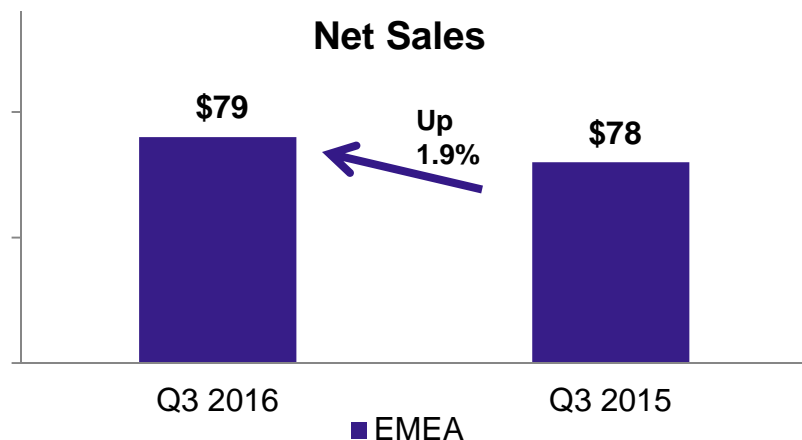
### 2016 Q3 Adjusted EBITDA

**\$85M**

**US Commercial sales up 5% VPY as AUV accelerates**

# EMEA Third Quarter Results

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## Key Highlights

- Excluding the unfavorable impact of foreign exchange of \$6 million, net sales increased 1.9% driven mainly by higher volumes in Russia partially offset by the Middle East and continental Europe.

**2015 Q3 Adjusted EBITDA**

**\$8**

Manufacturing &  
Input Costs

2

Deflation and productivity gains particularly in Russia

WAVE

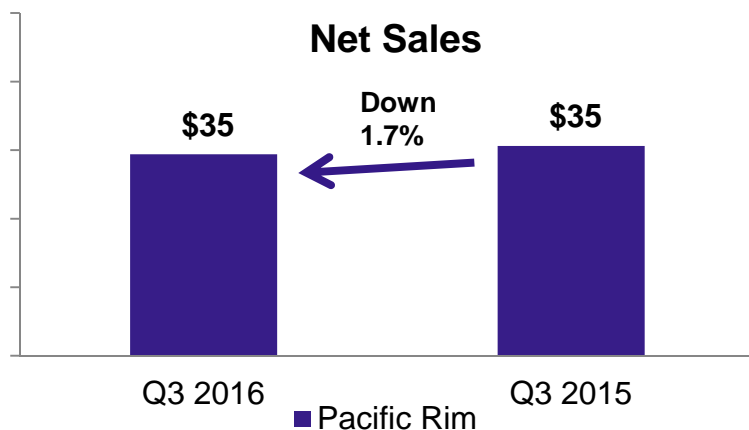
(1)

**2016 Q3 Adjusted EBITDA**

**\$9**

**Margins improved 110 bps driven by favorable inputs, cost control and productivity gains**

# Pacific Rim Third Quarter Results



## Key Highlights

- Excluding the unfavorable impact of foreign exchange of \$1 million, net sales decreased 1.7% due to weakness in India.

### 2015 Q3 Adjusted EBITDA

\$2M

AUV	1	Like for like pricing was positive
Volume	(1)	Driven by softness in India
Manufacturing & Input Costs	1	Deflation and lower manufacturing costs
SG&A	1	Driven by prior cost reduction actions

### 2016 Q3 Adjusted EBITDA

\$4M

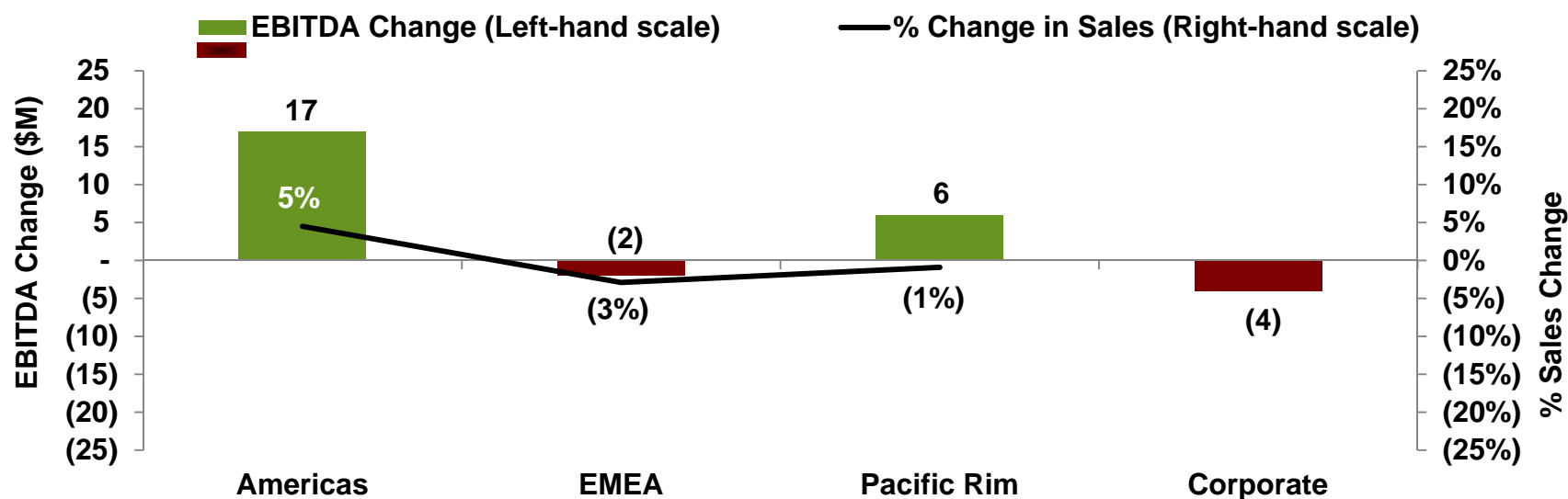
**Margins improved 590 bps driven by improvement in AUV and continued strong SG&A cost control**



# Consolidated Company Key Metrics – September YTD 2016

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	2016	2015	Variance
<b>Net Sales</b> <sup>(1)</sup>	\$946	\$925	2.2%
<b>Operating Income</b> <sup>(2)</sup>	189	173	9.2%
% of Sales	20.0%	18.7%	130 bps
<b>EBITDA</b>	249	232	7.4%
% of Sales	26.3%	25.1%	130 bps
<b>Earnings Per Share</b> <sup>(3)</sup>	\$1.81	\$1.43	26.2%



(1) As reported Net Sales: \$937 million in 2016 and \$934 million in 2015

(2) As reported Operating Income: \$144 million in 2016 and \$135 million in 2015

(3) As reported EPS: \$1.16 in 2016 and \$0.72 in 2015

# EBITDA Bridge – September YTD 2016 vs. Prior Year

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# 2016 Guidance

	<u>2015 Constant Currency Results</u>	<u>2016 Constant Currency Guidance</u>	
<b>Revenue<sup>(1)</sup></b>	<b>\$1,224</b>	<b>\$1,240 – \$1,270</b> <i>1% – 4% YoY Growth</i>	<ul style="list-style-type: none"> <li>▪ 2% – 4% North America volume growth</li> <li>▪ (3%) – (1%) lower International volume</li> <li>▪ 1% – 3% average unit value increase</li> </ul>
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>\$296</b>	<b>\$315 – \$325</b> <i>7% – 10% YoY Growth</i>	<ul style="list-style-type: none"> <li>▪ \$42 million of standalone corporate costs</li> <li>▪ 1% – 2% cost savings over inflation</li> <li>▪ Increased sales and marketing investments to expand total solutions selling capabilities</li> </ul>
<b>Adjusted EPS<sup>(3)</sup></b>	<b>\$1.73</b>	<b>\$2.20 – \$2.30</b> <i>27% – 33% YoY Growth</i>	<ul style="list-style-type: none"> <li>▪ \$35 million of interest expense</li> <li>▪ Normalized 39% effective tax rate</li> <li>▪ 56 million average diluted shares outstanding</li> <li>▪ Cash tax rate 30% – 35%</li> </ul>
<b>Free Cash Flow</b>	<b>\$86<sup>(4)</sup></b>	<b>\$80 – \$100</b>	<ul style="list-style-type: none"> <li>▪ \$180 million cash flow from operations</li> <li>▪ \$90 million of total capital expenditures</li> </ul>

Note: Dollars in millions except per share values

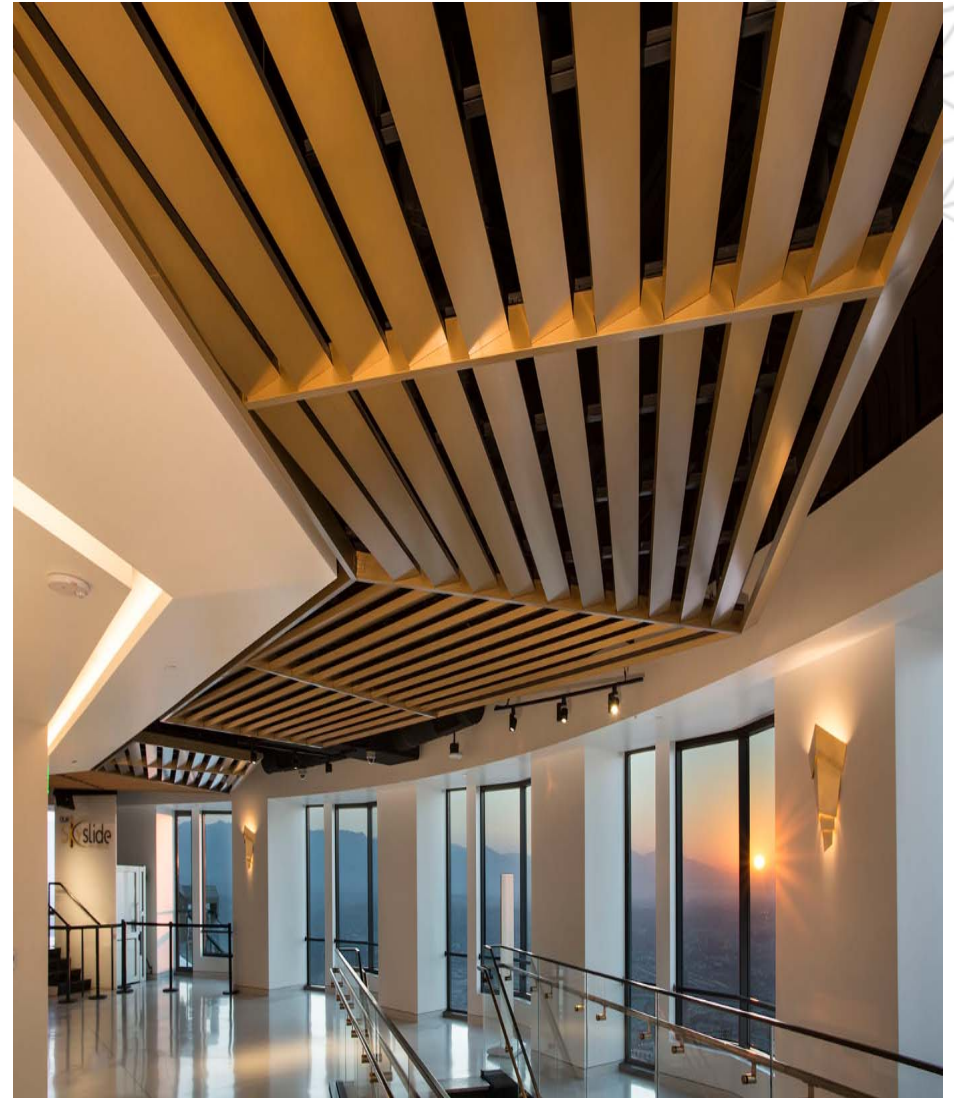
(1) As-reported revenue of \$1,231 million in 2015. 2016 As-reported sales will have (1%) - (3%) FX headwind

(2) Includes pro forma standalone corporate expense of \$42 million; excludes pension, separation costs and other extraordinary expenses

(3) Excludes pension, separation costs, and other extraordinary expenses. As reported earnings per share of \$1.45- \$1.55 impacted by \$34 million of separation expenses and an as reported effective tax rate of ~43%. Adjusted EPS excludes \$11M of interest expense to settle interest rate swaps as a result of the refinancing; as reported EPS includes this impact.

(4) No FX adjustment. Pro forma standalone free cash flow for AWI in 2015, excludes separation costs and other extraordinary expenses

# Appendix



# Q3 2016 vs. PY - Adjusted EBITDA to Reported Net Income

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	CONSOLIDATED			AMERICAS			EMEA			PACIFIC RIM			CORPORATE		
	2016	2015	V	2016	2015	V	2016	2015	V	2016	2015	V	2016	2015	V
<b>EBITDA- Adjusted</b>	\$97	\$97	\$0	\$85	\$87	(\$2)	\$9	\$8	\$1	\$4	\$2	\$2	(\$1)	\$0	(\$1)
Depreciation and Amortization	(\$20)	(\$21)	\$1	(\$13)	(\$11)	(\$2)	(\$4)	(\$4)	\$0	(\$3)	(\$2)	(\$1)	\$0	(\$4)	\$4
<b>Operating Income – Adjusted</b>	\$77	\$76	\$1	\$72	\$76	(\$4)	\$5	\$4	\$1	\$1	\$0	\$1	(\$1)	(\$4)	\$3
Non-cash Impact of U.S. Pension	\$3	\$4	(\$1)	\$3	\$4	(\$1)	-	-	-	-	-	-	-	-	-
Separation Expenses	\$2	\$8	(\$6)	-	-	-	-	-	-	-	-	-	\$2	\$8	(\$6)
Corp Cost Adjustment	-	\$5	(\$5)	-	(\$16)	\$16	-	\$2	(\$2)	-	\$1	(\$1)	-	\$18	(\$18)
Foreign Exchange Movements	\$1	-	\$1	-	(\$1)	\$1	\$1	\$1	\$0	-	(\$1)	\$1	-	\$1	(\$1)
<b>Operating Income – As Reported</b>	\$71	\$59	\$12	\$69	\$89	(\$20)	\$4	\$1	\$3	\$1	\$0	\$1	(\$3)	(\$31)	\$28
Interest/Other (Expense)	(\$7)	(\$22)	\$15	-	-	-	-	-	-	-	-	-	-	-	-
<b>EBT - As Reported</b>	\$64	\$37	\$27	-	-	-	-	-	-	-	-	-	-	-	-
Tax expense	(\$8)	(\$17)	\$9	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income - As Reported</b>	\$56	\$20	\$36	-	-	-	-	-	-	-	-	-	-	-	-

# YTD 2016 vs. PY - Adjusted EBITDA to Reported Net Income

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	CONSOLIDATED			AMERICAS			EMEA			PACIFIC RIM			CORPORATE		
	2016	2015	V	2016	2015	V	2016	2015	V	2016	2015	V	2016	2015	V
<b>EBITDA- Adjusted</b>	\$249	\$232	\$17	\$238	\$221	\$17	\$8	\$10	(\$2)	\$7	\$1	\$6	(\$4)	\$0	(\$4)
Depreciation and Amortization	(\$60)	(\$59)	(\$1)	(\$40)	(\$32)	(\$8)	(\$13)	(\$11)	(\$2)	(\$7)	(\$7)	\$0	-	(\$9)	\$9
<b>Operating Income – Adjusted</b>	\$189	\$173	\$16	\$198	\$189	\$9	(\$5)	(\$1)	(\$4)	\$0	(\$6)	\$6	(\$4)	(\$9)	\$5
Non-cash Impact of U.S. Pension	\$9	\$11	(\$2)	\$9	\$11	(\$2)	-	-	-	-	-	-	-	-	-
Separation Expenses	\$33	\$17	\$16	-	-	-	-	-	-	-	-	-	\$33	\$17	\$16
Cost Reduction Initiatives	\$3	-	\$3	-	-	-	-	-	-	\$3	-	\$3	-	-	-
Corp Cost Adjustment	-	\$11	(\$11)	-	(\$45)	\$45	-	\$4	(\$4)	-	\$1	(\$1)	-	\$51	(\$51)
Foreign Exchange Movements	-	(\$1)	\$1	-	(\$2)	\$2	-	\$2	(\$2)	(\$1)	(\$3)	\$2	-	\$2	(\$2)
<b>Operating Income – As Reported</b>	\$144	\$135	\$9	\$189	\$225	(\$36)	(\$5)	(\$7)	\$2	(\$2)	(\$4)	\$2	(\$37)	(\$79)	\$42
Interest/Other (Expense)	(\$34)	(\$42)	\$8	-	-	-	-	-	-	-	-	-	-	-	-
<b>EBT - As Reported</b>	\$110	\$93	\$17	-	-	-	-	-	-	-	-	-	-	-	-
Tax expense	(\$45)	(\$52)	\$7	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income - As Reported</b>	\$65	\$41	\$24	-	-	-	-	-	-	-	-	-	-	-	-

# Consolidated Results

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## Third Quarter

	2016 Reported	Comparability <sup>(1)</sup> Adjustments	FX <sup>(2)</sup> Adj	2016 Adjusted	2015 Reported	Comparability <sup>(1)</sup> Adjustments	FX <sup>(2)</sup> Adj	2015 Adjusted
<b>Net Sales</b>	335	-	4	339	336	-	(2)	334
<b>Operating Income</b>	71	5	1	77	59	17	-	76
<b>EPS<sup>(3)</sup></b>	\$0.99	(\$0.24)	\$0.01	\$0.76	\$0.35	\$0.24	\$-	\$0.59

## YTD

	2016 Reported	Comparability <sup>(1)</sup> Adjustments	FX <sup>(2)</sup> Adj	2016 Adjusted	2015 Reported	Comparability <sup>(1)</sup> Adjustments	FX <sup>(2)</sup> Adj	2015 Adjusted
<b>Net Sales</b>	937	-	9	946	934	-	(9)	925
<b>Operating Income</b>	144	45	-	189	135	39	(1)	173
<b>EPS<sup>(3)</sup></b>	\$1.16	\$0.65	\$-	\$1.81	\$0.72	\$0.72	(\$0.01)	\$1.43

(1) See earnings press release and 10-Q for additional detail on comparability adjustments. See slides 13 and 14 for more details.

(2) Eliminates impact of foreign exchange movements

(3) Adjusted EPS calculation excludes the one time impact of \$10.7M for charges to settle existing interest rate SWAPS due to refinancing