



THE DIXIE GROUP

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# Non-GAAP Information

11/8/2018

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## Use of Non-GAAP Financial Information:

The Company believes that non-GAAP performance measures, which management uses in evaluating the Company's business, may provide users of the Company's financial information with additional meaningful bases for comparing the Company's current results and results in a prior period, as these measures reflect factors that are unique to one period relative to the comparable period. However, the non-GAAP performance measures should be viewed in addition to, not as an alternative for, the Company's reported results under accounting principles generally accepted in the United States.

The Company defines Adjusted Gross Profit as Gross Profit plus manufacturing integration expenses of new or expanded operations, plus acquisition expense related to the fair market write up of inventories, plus one time items so defined (Note 1)

The Company defines Adjusted S,G&A as S,G&A less manufacturing integration expenses included in selling, general and administrative, less direct acquisition expenses, less one time items so defined. (Note 2)

The Company defines Adjusted Operating Income as Operating Income plus manufacturing integration expenses of new or expanded operations, plus acquisition expense related to the fair market write up of inventories, plus facility consolidation and severance expenses, plus acquisition related expenses, plus impairment of assets, plus impairment of goodwill, plus one time items so defined. (Note 3)

The company defines Adjusted Income from Continuing Operations as net income plus loss from discontinued operations net of tax, plus manufacturing integration expenses of new or expanded operations, plus facility consolidation and severance expenses, plus acquisition related expenses, plus impairment of assets, plus impairment of goodwill, plus one time items so defined , all tax effected. (Note 4)

The Company defines Adjusted EBIT as net income plus taxes and plus interest. The Company defines Adjusted EBITDA as Adjusted EBIT plus depreciation and amortization, plus manufacturing in integration expenses of new or expanded operations, plus facility consolidation and severance expenses, plus acquisition related expenses, plus impairment of assets, plus impairment of goodwill, plus one time items so defined. (Note 5)

The company defines Free Cash Flow as Net Income plus interest plus depreciation plus non-cash impairment of assets and goodwill minus the net change in working capital minus the tax shield on interest minus capital expenditures. The change in net working capital is the change in current assets less current liabilities between periods. (Note 6)

The company defines Non-GAAP Earnings per Share (EPS) as the adjusted operating income less Interest and other expense, tax adjusted at a 35% rate, and divided by the number of fully diluted shares. (Note 7)

The Company defines Net Sales as Adjusted as net sales less the last week of sales in a 53 week fiscal year. (Note 8)

The Company defines Non-GAAP earnings per Share (EPS) for the Jobs Cut and Tax Act of 2017 as Net Income less discontinued operations minus the effect of the tax act and divided by the number of fully diluted shares. (Note 9)

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	Three Months Ended										
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
<b><u>Non-GAAP Gross Profit</u></b>											
Net Sales	89,234	105,316	100,297	102,606	97,541	107,187	102,650	105,084	98,858	106,438	101,562
Gross Profit	19,506	28,242	25,831	21,846	25,161	28,426	24,857	22,769	21,580	25,144	21,887
Plus: Unusual Workers Comp	-	-	-	-	-	-	-	-	-	450	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	-	-	-	-	963
Plus: Business integration expense	-	-	-	-	-	-	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	-	-	-	-	-	-	-	-	-
<b>Non-GAAP Adj. Gross Profit (Note 1)</b>	<b>19,506</b>	<b>28,242</b>	<b>25,831</b>	<b>21,846</b>	<b>25,161</b>	<b>28,426</b>	<b>24,857</b>	<b>22,769</b>	<b>21,580</b>	<b>25,594</b>	<b>22,850</b>
Gross Profit as % of Net Sales	21.9%	26.8%	25.8%	21.3%	25.8%	26.5%	24.2%	21.7%	21.8%	23.6%	21.6%
Non-GAAP Adj. Gross Profit % of Net Sales	21.9%	26.8%	25.8%	21.3%	25.8%	26.5%	24.2%	21.7%	21.8%	24.0%	22.5%
<b><u>Non-GAAP S,G&amp;A</u></b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>
Net Sales	89,234	105,316	100,297	102,606	97,541	107,187	102,650	105,084	98,858	106,438	101,562
Selling and Administrative Expense	23,666	24,320	23,774	25,223	24,481	25,261	24,044	22,384	23,120	23,801	23,033
Plus: Business integration expense	-	-	-	-	-	-	-	-	-	-	-
Less: Acquisition expenses	-	-	-	-	-	-	-	-	-	-	-
<b>Non-GAAP Adj. Selling and Admin. Expense</b>	<b>23,666</b>	<b>24,320</b>	<b>23,774</b>	<b>25,223</b>	<b>24,481</b>	<b>25,261</b>	<b>24,044</b>	<b>22,384</b>	<b>23,120</b>	<b>23,801</b>	<b>23,033</b>
S,G&A as % of Net Sales	26.5%	23.1%	23.7%	24.6%	25.1%	23.6%	23.4%	21.3%	23.4%	22.4%	22.7%
Non-GAAP S,G&A as % of Net Sales (Note 2)	26.5%	23.1%	23.7%	24.6%	25.1%	23.6%	23.4%	21.3%	23.4%	22.4%	22.7%



<u>Non-GAAP Operating Income</u>	<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>
Net Sales	89,234	105,316	100,297	102,606	97,541	107,187	102,650	105,084	98,858	106,438	101,562
Operating income (loss)	(5,840)	3,403	1,916	(2,894)	628	3,179	767	(608)	(1,515)	(165)	(1,179)
Plus: Unusual Workers Comp	-	-	-	-	-	-	-	-	-	450	-
Plus: Legal Settlement	-	-	-	-	-	-	-	-	-	1,514	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	-	-	-	-	963
Plus: Profit improvement plans	1,413	403	(1)	(359)	-	-	2	634	216	190	529
Plus: Impairment of assets	-	-	-	-	-	-	-	-	-	-	349
<b>Non-GAAP Adj. Op. Income(Loss)(Note 3)</b>	<b>(4,427)</b>	<b>3,806</b>	<b>1,915</b>	<b>(3,253)</b>	<b>628</b>	<b>3,179</b>	<b>769</b>	<b>26</b>	<b>(1,299)</b>	<b>1,989</b>	<b>662</b>
Operating income as % of net sales	-6.5%	3.2%	1.9%	-2.8%	0.6%	3.0%	0.7%	-0.6%	-1.5%	-0.2%	-1.2%
Adjusted operating income as a % of net sales	-5.0%	3.6%	1.9%	-3.2%	0.6%	3.0%	0.7%	0.0%	-1.3%	1.9%	0.7%
<u>Non-GAAP Income from Continuing Operations</u>	<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>
Net income (loss) as reported	(4,767)	1,677	534	(2,722)	(604)	1,103	(558)	(9,496)	(2,907)	(1,815)	(2,962)
Less: (Loss) from discontinued, net tax	(10)	62	(39)	(84)	(29)	(123)	(11)	(69)	(23)	157	(40)
<b>Income (loss) from Continuing Operations</b>	<b>(4,757)</b>	<b>1,615</b>	<b>573</b>	<b>(2,638)</b>	<b>(575)</b>	<b>1,225</b>	<b>(546)</b>	<b>(9,426)</b>	<b>(2,884)</b>	<b>(1,972)</b>	<b>(2,922)</b>
Plus: Acquisition expenses	-	-	-	-	-	-	-	-	-	-	-
Plus: Unusual Workers Comp	-	-	-	-	-	-	-	-	-	450	-
Plus: Legal Settlement	-	-	-	-	-	-	-	-	-	1,514	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	-	-	-	-	963
Plus: Profit improvement plans	1,413	403	(1)	(359)	-	-	2	634	216	190	529
Plus: Impairment of assets	-	-	-	-	-	-	-	-	-	-	349
Plus: Tax effect of above	(537)	(153)	0	136	-	-	(1)	(241)	-	-	-
Plus: Tax credits, rate chng and val. allow.	-	-	-	-	-	-	-	-	-	-	-
<b>Non-GAAP Adj. (Loss)/Inc from Cont. Ops(Note 4)</b>	<b>(3,881)</b>	<b>1,865</b>	<b>572</b>	<b>(2,861)</b>	<b>(575)</b>	<b>1,225</b>	<b>(545)</b>	<b>(9,033)</b>	<b>(2,668)</b>	<b>182</b>	<b>(1,081)</b>
Adj diluted EPS from Cont. Op's	(0.25)	0.12	0.04	(0.18)	(0.04)	0.08	(0.03)	(0.58)	(0.17)	0.01	(0.07)
Wt'd avg. common shares outstanding - diluted	15,600	15,783	15,744	15,659	15,673	15,826	15,707	15,707	15,851	15,864	15,786



<u>Non-GAAP EBIT and EBITDA</u>	<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>
Net income (loss) as reported	(4,767)	1,677	534	(2,722)	(604)	1,103	(558)	(9,496)	(2,907)	(1,815)	(2,962)
Less: (Loss) from discontinued, net tax	(10)	62	(39)	(84)	(29)	(123)	(11)	(69)	(23)	157	(40)
Plus: Taxes	(2,415)	451	27	(1,685)	(163)	570	(181)	7,283	(166)	(26)	82
Plus: Interest	1,324	1,333	1,312	1,423	1,362	1,357	1,486	1,535	1,533	1,642	1,664
Non-GAAP Adjusted EBIT (Note 5)	(5,848)	3,399	1,912	(2,900)	624	3,153	759	(608)	(1,517)	(356)	(1,176)
Plus: Depreciation and amortization	3,498	3,325	3,410	3,282	3,210	3,196	3,213	3,328	3,143	3,164	3,089
Non-GAAP EBITDA from Cont Op	(2,350)	6,724	5,322	382	3,834	6,349	3,972	2,720	1,626	2,808	1,913
Plus: Unusual Workers Comp	-	-	-	-	-	-	-	-	-	450	-
Plus: Legal Settlement	-	-	-	-	-	-	-	-	-	1,514	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	-	-	-	-	963
Plus: Profit improvement plans	1,413	403	(1)	(359)	-	-	2	634	216	190	529
Plus: Impairment of assets	-	-	-	-	-	-	-	-	-	-	349
Non-GAAP Adj. EBITDA (Note 5)	(937)	7,127	5,321	23	3,834	6,349	3,974	3,354	1,842	4,962	3,754
Non-GAAP Adj. EBITDA as % of Net Sales	-1.1%	6.8%	5.3%	0.0%	3.9%	5.9%	3.9%	3.2%	1.9%	4.7%	3.7%
<u>Non-GAAP Free Cash Flow</u>	<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>
Non-GAAP Adjusted EBIT (from above)	(5,848)	3,399	1,912	(2,900)	624	3,153	759	(608)	(1,517)	(356)	(1,176)
Times: 1 - Tax Rate = EBIAT	(3,626)	2,107	1,185	(1,798)	387	1,955	470	(377)	(1,517)	(356)	(1,176)
Plus: Depreciation and amortization	3,498	3,325	3,410	3,282	3,210	3,196	3,213	3,328	3,143	3,164	3,089
Plus: Non Cash Impairment of Assets, Goodwill	-	-	-	-	-	-	-	-	-	-	349
Minus: Net change in Working Capital	(4,671)	(3,330)	927	(9,831)	10,906	6,247	11,135	(4,902)	2,138	5,416	2,356
Non-GAAP Cash from Operations	4,543	8,762	3,668	11,315	(7,309)	(1,096)	(7,452)	7,853	(512)	(2,608)	(94)
Minus: Capital Expenditures	1,218	1,020	1,357	1,736	3,778	2,733	5,731	1,340	752	745	1,627
Minus: Business / Capital acquisitions	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP Free Cash Flow (Note 6)	3,325	7,742	2,311	9,579	(11,087)	(3,829)	(13,183)	6,513	(1,264)	(3,353)	(1,721)