



THE DIXIE GROUP

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# Non-GAAP Information

March 5, 2020

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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)

# Non-GAAP Information



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	Twelve Months Ended								
<u>Non-GAAP Gross Profit</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Sales	270,110	266,372	344,374	406,588	422,484	397,453	412,462	405,033	374,581
Gross Profit	65,506	65,372	85,569	95,497	106,231	95,425	101,213	86,991	86,205
Plus: Unusual Workers Comp	-	-	-	-	-	-	-	450	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	-	2,701	572
Plus: Business integration expense	-	1,383	4,738	445	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	367	606	-	-	-	-	-
<b>Non-GAAP Adj. Gross Profit (Note 1)</b>	<b>65,506</b>	<b>66,755</b>	<b>90,674</b>	<b>96,548</b>	<b>106,231</b>	<b>95,425</b>	<b>101,213</b>	<b>90,142</b>	<b>86,778</b>
Gross Profit as % of Net Sales	24.3%	24.5%	24.8%	23.5%	25.1%	24.0%	24.5%	21.5%	23.0%
<b>Non-GAAP Adj. Gross Profit % of Net Sales</b>	<b>24.3%</b>	<b>25.1%</b>	<b>26.3%</b>	<b>23.7%</b>	<b>25.1%</b>	<b>24.0%</b>	<b>24.5%</b>	<b>22.3%</b>	<b>23.2%</b>
<u>Non-GAAP S,G&amp;A</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Sales	270,110	266,372	344,374	406,588	422,484	397,453	412,462	405,033	374,581
Selling and Administrative Expense	60,667	63,489	76,221	93,182	100,422	96,983	96,171	92,472	83,825
Plus: Business integration expense	-	-	(1,706)	(1,429)	-	-	-	-	-
Less: Acquisition expenses	-	(318)	(350)	(789)	-	-	-	-	-
<b>Non-GAAP Adj. Selling and Admin. Expense</b>	<b>60,667</b>	<b>63,171</b>	<b>74,164</b>	<b>90,964</b>	<b>100,422</b>	<b>96,983</b>	<b>96,171</b>	<b>92,472</b>	<b>83,825</b>
S,G&A as % of Net Sales	22.5%	23.8%	22.1%	22.9%	23.8%	24.4%	23.3%	22.8%	22.4%
<b>Non-GAAP S,G&amp;A as % of Net Sales (Note 2)</b>	<b>22.5%</b>	<b>23.7%</b>	<b>21.5%</b>	<b>22.4%</b>	<b>23.8%</b>	<b>24.4%</b>	<b>23.3%</b>	<b>22.8%</b>	<b>22.4%</b>



<u>Non-GAAP Operating Income</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Sales	270,110	266,372	344,374	406,588	422,484	397,453	412,462	405,033	374,581
Operating income (loss)	5,668	1,815	8,855	(5,236)	1,990	(3,415)	3,965	(15,624)	21,350
Plus: Acquisition expenses	-	318	350	789	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	367	606	-	-	-	-	-
Plus: Business integration expense	-	1,383	6,616	1,874	-	-	-	-	-
Plus: Unusual Workers Comp	-	-	-	-	-	-	-	450	-
Plus: Legal Settlement	-	-	-	-	-	-	-	1,514	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	-	2,701	572
Plus: Profit improvement plans	(563)	-	-	5,514	2,946	1,456	636	3,167	5,019
Plus: Impairment of assets	-	-	195	1,133	-	-	-	1,164	(25,111)
Plus: Impairment of goodwill and intangibles	-	-	-	-	-	-	-	5,545	-
<b>Non-GAAP Adj. Operating Income (Loss) (Note 3)</b>	<b>5,105</b>	<b>3,516</b>	<b>16,384</b>	<b>4,681</b>	<b>4,936</b>	<b>(1,959)</b>	<b>4,601</b>	<b>(1,083)</b>	<b>1,830</b>
Operating income as % of net sales	2.1%	0.7%	2.6%	-1.3%	0.5%	-0.9%	1.0%	-3.9%	5.7%
Adjusted operating income as a % of net sales	1.9%	1.3%	4.8%	1.2%	1.2%	-0.5%	1.1%	-0.3%	0.5%
<u>Non-GAAP Income from Continuing Operations</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net income (loss) as reported	986	(927)	5,291	(1,402)	(2,426)	(5,278)	(9,555)	(21,384)	15,270
Less: (Loss) from discontinued, net tax	(286)	(275)	(266)	(2,075)	(148)	(71)	(233)	95	(348)
<b>Income (loss) from Continuing Operations</b>	<b>1,272</b>	<b>(653)</b>	<b>5,557</b>	<b>673</b>	<b>(2,278)</b>	<b>(5,207)</b>	<b>(9,323)</b>	<b>(21,479)</b>	<b>15,619</b>
Plus: Acquisition expenses	-	318	350	789	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	367	606	-	-	-	-	-
Less: Gain on purchase of business	-	-	-	(11,110)	-	-	-	-	-
Plus: Business integration expense	-	1,383	6,616	1,874	-	-	-	-	-
Plus: Unusual Workers Comp	-	-	-	-	-	-	-	450	-
Plus: Legal Settlement	-	-	-	-	-	-	-	1,514	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	-	2,701	572
Plus: Profit improvement plans	(563)	-	-	5,514	2,946	1,456	636	3,167	5,019
Plus: Impairment of assets	-	-	195	1,133	-	-	-	1,164	(25,111)
Plus: Impairment of goodwill and intangibles	-	-	-	-	-	-	-	5,545	-
Plus: Tax effect of above	214	(646)	(2,861)	453	(1,119)	(553)	(242)	-	-
Plus: Tax credits, rate change and valuation allowance	-	-	(1,847)	-	-	-	8,169	-	(14)
<b>Non-GAAP Adj. (Loss) / Inc from Cont. Op's (Note 4)</b>	<b>923</b>	<b>402</b>	<b>8,377</b>	<b>(68)</b>	<b>(451)</b>	<b>(4,304)</b>	<b>(759)</b>	<b>(6,938)</b>	<b>(3,915)</b>
Adj diluted EPS from Cont. Op's	0.07	0.03	0.65	(0.00)	(0.03)	(0.28)	(0.05)	(0.44)	(0.25)
Wt'd avg. common shares outstanding - diluted	12,623	12,638	12,852	14,382	15,536	15,638	15,699	15,764	15,772



<b>Non-GAAP EBIT and EBITDA</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Net income (loss) as reported	986	(927)	5,291	(1,402)	(2,426)	(5,278)	(9,555)	(21,384)	15,270
Less: (Loss) from discontinued, net tax	(286)	(275)	(266)	(2,075)	(148)	(71)	(233)	95	(348)
Plus: Taxes	684	(401)	(576)	1,055	(714)	(3,622)	7,510	(831)	(657)
Plus: Interest	3,470	3,146	3,756	4,301	4,935	5,392	5,740	6,490	6,444
<b>Non-GAAP Adjusted EBIT (Note 5)</b>	<b>5,426</b>	<b>2,092</b>	<b>8,737</b>	<b>6,029</b>	<b>1,943</b>	<b>(3,437)</b>	<b>3,927</b>	<b>(15,820)</b>	<b>21,405</b>
Plus: Depreciation and amortization	9,650	9,396	10,263	12,908	14,120	13,515	12,947	12,653	11,803
<b>Non-GAAP EBITDA from Cont Op</b>	<b>15,075</b>	<b>11,488</b>	<b>18,999</b>	<b>18,937</b>	<b>16,063</b>	<b>10,078</b>	<b>16,874</b>	<b>(3,167)</b>	<b>33,208</b>
Plus: Acquisition expenses	-	318	350	789	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	367	606	-	-	-	-	-
Less: Gain on purchase of business	-	-	-	(11,110)	-	-	-	-	-
Plus: Business integration expense	-	1,383	6,616	1,874	-	-	-	-	-
Plus: Unusual Workers Comp	-	-	-	-	-	-	-	450	-
Plus: Legal Settlement	-	-	-	-	-	-	-	1,514	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	-	2,701	572
Plus: Profit improvement plans	(563)	-	-	5,514	2,946	1,456	636	3,167	5,019
Plus: Impairment of assets	-	-	195	1,133	-	-	-	1,164	(25,111)
Plus: Impairment of goodwill and intangibles	-	-	-	-	-	-	-	5,545	-
<b>Non-GAAP Adj. EBITDA (Note 5)</b>	<b>14,512</b>	<b>13,189</b>	<b>26,528</b>	<b>17,743</b>	<b>19,009</b>	<b>11,534</b>	<b>17,510</b>	<b>11,374</b>	<b>13,689</b>
Non-GAAP Adj. EBITDA as % of Net Sales	5.4%	5.0%	7.7%	4.4%	4.5%	2.9%	4.2%	2.8%	3.7%
Management estimate of severe weather (not in above)	-	-	-	1,054	-	-	-	-	-
<b>Non-GAAP Free Cash Flow</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Non-GAAP Adjusted EBIT (from above)	5,426	2,092	8,737	6,029	1,943	(3,437)	3,927	(15,820)	21,405
Times: 1 - Tax Rate = EBIAT	3,364	1,297	5,417	3,738	1,205	(2,131)	2,435	(15,820)	21,405
Plus: Depreciation and amortization	9,650	9,396	10,263	12,908	14,120	13,515	12,947	12,653	11,803
Plus: Non Cash Impairment of Assets, Goodwill	-	-	195	1,133	-	-	-	6,709	(25,111)
Minus: Net change in Working Capital	9,589	10,786	17,714	11,546	(1,970)	(16,905)	23,386	(8,578)	(8,298)
<b>Non-GAAP Cash from Operations</b>	<b>3,425</b>	<b>(93)</b>	<b>(1,839)</b>	<b>6,234</b>	<b>17,295</b>	<b>28,289</b>	<b>(8,004)</b>	<b>12,120</b>	<b>16,395</b>
Minus: Capital Expenditures	6,735	4,052	13,257	32,825	12,230	5,331	13,582	4,441	1,416
Minus: Business / Capital acquisitions	-	6,961	1,863	9,331	-	-	-	-	-
<b>Non-GAAP Free Cash Flow (Note 6)</b>	<b>(3,310)</b>	<b>(11,106)</b>	<b>(16,959)</b>	<b>(35,922)</b>	<b>5,065</b>	<b>22,958</b>	<b>(21,586)</b>	<b>7,679</b>	<b>14,979</b>