



THE DIXIE GROUP

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# Non-GAAP Information

11/9/2017

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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 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 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)

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<u>Non-GAAP Gross Profit</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>2015</u>	<u>2016</u>
Net Sales	89,234	105,316	100,297	102,606	97,541	107,187	102,650	422,484	397,453
Gross Profit	19,506	28,242	25,831	21,846	25,161	28,426	24,857	106,231	95,425
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>106,231</b>	<b>95,425</b>
Gross Profit as % of Net Sales	21.9%	26.8%	25.8%	21.3%	25.8%	26.5%	24.2%	25.1%	24.0%
Non-GAAP Adj. Gross Profit % of Net Sales	21.9%	26.8%	25.8%	21.3%	25.8%	26.5%	24.2%	25.1%	24.0%
<u>Non-GAAP S,G&amp;A</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>2015</u>	<u>2016</u>
Net Sales	89,234	105,316	100,297	102,606	97,541	107,187	102,650	422,484	397,453
Selling and Administrative Expense	23,666	24,320	23,774	25,223	24,481	25,261	24,044	100,422	96,983
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>100,422</b>	<b>96,983</b>
S,G&A as % of Net Sales	26.5%	23.1%	23.7%	24.6%	25.1%	23.6%	23.4%	23.8%	24.4%
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%	23.8%	24.4%



<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>2015</u>	<u>2016</u>
Net Sales	89,234	105,316	100,297	102,606	97,541	107,187	102,650	422,484	397,453
Operating income (loss)	(5,840)	3,403	1,916	(2,894)	628	3,179	767	1,990	(3,415)
Plus: Acquisition expenses	-	-	-	-	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	-	-	-	-	-	-	-
Plus: Business integration expense	-	-	-	-	-	-	-	-	-
Plus: Profit improvement plans	1,413	403	(1)	(359)	-	-	-	2,946	1,456
Plus: Impairment of assets	-	-	-	-	-	-	-	-	-
Plus: Impairment of goodwill	-	-	-	-	-	-	-	-	-
<b>Non-GAAP Adj. Operating 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>767</b>	<b>4,936</b>	<b>(1,959)</b>
Operating income as % of net sales	-6.5%	3.2%	1.9%	-2.8%	0.6%	3.0%	0.7%	0.5%	-0.9%
Adjusted operating income as a % of net sales	-5.0%	3.6%	1.9%	-3.2%	0.6%	3.0%	0.7%	1.2%	-0.5%
<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>2015</u>	<u>2016</u>
Net income (loss) as reported	(4,767)	1,677	534	(2,722)	(604)	1,103	(558)	(2,426)	(5,278)
Less: (Loss) from discontinued, net tax	(10)	62	(39)	(84)	(29)	(123)	(11)	(148)	(71)
<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>(547)</b>	<b>(2,278)</b>	<b>(5,207)</b>
Plus: Business integration expense	-	-	-	-	-	-	-	-	-
Plus: Profit improvement plans	1,413	403	(1)	(359)	-	-	-	2,946	1,456
Plus: Amortization of inventory step up	-	-	-	-	-	-	-	-	-
Plus: Acquisition expenses	-	-	-	-	-	-	-	-	-
Less: Gain on purchase of business	-	-	-	-	-	-	-	-	-
Plus: Impairment of assets	-	-	-	-	-	-	-	-	-
Plus: Impairment of goodwill	-	-	-	-	-	-	-	-	-
Plus: Tax effect of above	(537)	(153)	0	136	-	-	-	(1,119)	(553)
Plus: Prior years tax credits and val. allowance	-	-	-	-	-	-	-	-	-
<b>Non-GAAP Adj. (Loss) / Inc from Cont. Op's (Note</b>	<b>(3,881)</b>	<b>1,865</b>	<b>572</b>	<b>(2,861)</b>	<b>(575)</b>	<b>1,225</b>	<b>(547)</b>	<b>(451)</b>	<b>(4,304)</b>
Adj diluted EPS from Cont. Op's	(0.25)	0.12	0.04	(0.18)	(0.04)	0.08	(0.03)	(0.03)	(0.28)
Wt'd avg. common shares outstanding - diluted	15,600	15,783	15,744	15,659	15,673	15,826	15,707	15,536	15,638



<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>2015</u>	<u>2016</u>
Net income (loss) as reported	(4,767)	1,677	534	(2,722)	(604)	1,103	(558)	(2,426)	(5,278)
Less: (Loss) from discontinued, net tax	(10)	62	(39)	(84)	(29)	(123)	(11)	(148)	(71)
Plus: Taxes	(2,415)	451	27	(1,685)	(163)	(570)	(181)	(714)	(3,622)
Plus: Interest	1,324	1,333	1,312	1,423	1,362	1,357	1,486	4,935	5,392
<b>Non-GAAP Adjusted EBIT (Note 5)</b>	<b>(5,848)</b>	<b>3,399</b>	<b>1,912</b>	<b>(2,900)</b>	<b>624</b>	<b>2,012</b>	<b>758</b>	<b>1,943</b>	<b>(3,437)</b>
Plus: Depreciation and amortization	3,498	3,325	3,410	3,282	3,210	3,196	3,213	14,120	13,515
<b>Non-GAAP EBITDA from Cont Op</b>	<b>(2,350)</b>	<b>6,724</b>	<b>5,322</b>	<b>382</b>	<b>3,834</b>	<b>5,208</b>	<b>3,971</b>	<b>16,063</b>	<b>10,078</b>
Plus: Acquisition expenses	-	-	-	-	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	-	-	-	-	-	-	-
Less: Gain on purchase of business	-	-	-	-	-	-	-	-	-
Plus: Business integration expense	-	-	-	-	-	-	-	-	-
Plus: Profit improvement plans	1,413	403	(1)	(359)	-	-	-	2,946	1,456
Plus: Impairment of assets	-	-	-	-	-	-	-	-	-
Plus: Impairment of goodwill	-	-	-	-	-	-	-	-	-
<b>Non-GAAP Adj. EBITDA (Note 5)</b>	<b>(937)</b>	<b>7,127</b>	<b>5,321</b>	<b>23</b>	<b>3,834</b>	<b>5,208</b>	<b>3,971</b>	<b>19,009</b>	<b>11,534</b>
<b>Non-GAAP Adj. EBITDA as % of Net Sales</b>	<b>-1.1%</b>	<b>6.8%</b>	<b>5.3%</b>	<b>0.0%</b>	<b>3.9%</b>	<b>4.9%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>2.9%</b>
Management estimate of severe weather (not in	-	-	-	-	-	-	-	-	-
<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>2015</u>	<u>2016</u>
Non-GAAP Adjusted EBIT (from above)	(5,848)	3,399	1,912	(2,900)	624	2,012	758	1,943	(3,437)
Times: 1 - Tax Rate = EBIAT	(3,626)	2,107	1,185	(1,798)	387	1,247	470	1,205	(2,131)
Plus: Depreciation and amortization	3,498	3,325	3,410	3,282	3,210	3,196	3,213	14,120	13,515
Plus: Non Cash Impairment of Assets, Goodwill	-	-	-	-	-	-	-	-	-
Minus: Net change in Working Capital	(4,671)	(3,330)	927	(9,831)	10,906	6,247	11,135	(1,970)	(16,905)
<b>Non-GAAP Cash from Operations</b>	<b>4,543</b>	<b>8,762</b>	<b>3,668</b>	<b>11,315</b>	<b>(7,309)</b>	<b>(1,804)</b>	<b>(7,452)</b>	<b>17,295</b>	<b>28,289</b>
Minus: Capital Expenditures	1,218	1,020	1,357	1,736	3,778	2,733	5,731	12,230	5,331
Minus: Business / Capital acquisitions	-	-	-	-	-	-	-	-	-
<b>Non-GAAP Free Cash Flow (Note 6)</b>	<b>3,325</b>	<b>7,742</b>	<b>2,311</b>	<b>9,579</b>	<b>(11,087)</b>	<b>(4,537)</b>	<b>(13,183)</b>	<b>5,065</b>	<b>22,958</b>