



THE DIXIE GROUP

Non-GAAP Information

8/5/2019

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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									
	<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>	<u>Q4 2018</u>	<u>Q12019</u>	<u>Q22019</u>
<u>Non-GAAP Gross Profit</u>										
Net Sales	97,541	107,187	102,650	105,084	98,858	106,438	101,562	98,175	88,606	100,394
Gross Profit	25,161	28,426	24,857	22,769	21,580	25,144	21,887	18,380	18,919	23,493
Plus: Unusual Workers Comp	-	-	-	-	-	450	-	-	-	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	963	1,738	-	202
Plus: Business integration expense	-	-	-	-	-	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	-	-	-	-	-	-	-	-
Non-GAAP Adj. Gross Profit (Note 1)	25,161	28,426	24,857	22,769	21,580	25,594	22,850	20,118	18,919	23,695
Gross Profit as % of Net Sales	25.8%	26.5%	24.2%	21.7%	21.8%	23.6%	21.6%	18.7%	21.4%	23.4%
Non-GAAP Adj. Gross Profit % of Net Sales	25.8%	26.5%	24.2%	21.7%	21.8%	24.0%	22.5%	20.5%	21.4%	23.6%
<u>Non-GAAP S,G&A</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>	<u>Q4 2018</u>	<u>Q12019</u>	<u>Q22019</u>
Net Sales	97,541	107,187	102,650	105,084	98,858	106,438	101,562	98,175	88,606	100,394
Selling and Administrative Expense	24,481	25,261	24,044	22,384	23,120	23,801	23,033	22,518	21,660	21,114
Plus: Business integration expense	-	-	-	-	-	-	-	-	-	-
Less: Acquisition expenses	-	-	-	-	-	-	-	-	-	-
Non-GAAP Adj. Selling and Admin. Expense	24,481	25,261	24,044	22,384	23,120	23,801	23,033	22,518	21,660	21,114
S,G&A as % of Net Sales	25.1%	23.6%	23.4%	21.3%	23.4%	22.4%	22.7%	22.9%	24.4%	21.0%
Non-GAAP S,G&A as % of Net Sales (Note 2)	25.1%	23.6%	23.4%	21.3%	23.4%	22.4%	22.7%	22.9%	24.4%	21.0%



<u>Non-GAAP Operating Income</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>	<u>Q4 2018</u>	<u>Q12019</u>	<u>Q22019</u>
Net Sales	97,541	107,187	102,650	105,084	98,858	106,438	101,562	98,175	88,606	100,394
Operating income (loss)	628	3,179	767	(608)	(1,515)	(165)	(1,179)	(12,765)	(4,863)	574
Plus: Acquisition expenses	-	-	-	-	-	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	-	-	-	-	-	-	-	-
Plus: Business integration expense	-	-	-	-	-	-	-	-	-	-
Plus: Unusual Workers Comp	-	-	-	-	-	450	-	-	-	-
Plus: Legal Settlement	-	-	-	-	-	1,514	-	-	-	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	963	1,738	-	202
Plus: Profit improvement plans	-	-	2	634	216	190	531	2,230	2,091	1,725
Plus: Impairment of assets	-	-	-	-	-	-	349	815	5	(1)
Plus: Impairment of goodwill and intangibles	-	-	-	-	-	-	-	5,545	-	-
Non-GAAP Adj. Operating Income (Loss) (Note 3)	628	3,179	769	26	(1,299)	1,989	664	(2,437)	(2,767)	2,500
Operating income as % of net sales	0.6%	3.0%	0.7%	-0.6%	-1.5%	-0.2%	-1.2%	-13.0%	-5.5%	0.6%
Adjusted operating income as a % of net sales	0.6%	3.0%	0.7%	0.0%	-1.3%	1.9%	0.7%	-2.5%	-3.1%	2.5%
<u>Non-GAAP Income from Continuing Operations</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>	<u>Q4 2018</u>	<u>Q12019</u>	<u>Q22019</u>
Net income (loss) as reported	(604)	1,103	(558)	(9,496)	(2,907)	(1,815)	(2,962)	(13,699)	(6,672)	(1,216)
Less: (Loss) from discontinued, net tax	(29)	(123)	(11)	(69)	(23)	157	(40)	1	(31)	(35)
Income (loss) from Continuing Operations	(575)	1,225	(546)	(9,426)	(2,884)	(1,972)	(2,922)	(13,700)	(6,641)	(1,181)
Plus: Acquisition expenses	-	-	-	-	-	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	-	-	-	-	-	-	-	-
Less: Gain on purchase of business	-	-	-	-	-	-	-	-	-	-
Plus: Business integration expense	-	-	-	-	-	-	-	-	-	-
Plus: Unusual Workers Comp	-	-	-	-	-	450	-	-	-	-
Plus: Legal Settlement	-	-	-	-	-	1,514	-	-	-	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	963	1,738	-	202
Plus: Profit improvement plans	-	-	2	634	216	190	531	2,230	2,091	1,725
Plus: Impairment of assets	-	-	-	-	-	-	349	815	5	(1)
Plus: Impairment of goodwill and intangibles	-	-	-	-	-	-	-	5,545	-	-
Plus: Tax effect of above	-	-	(1)	(241)	-	-	-	-	-	-
Plus: Tax credits, rate change and valuation allow:	-	-	-	8,169	-	-	-	-	-	(14)
Non-GAAP Adj. (Loss) / Inc from Cont. Op's (Note	(575)	1,225	(545)	(864)	(2,668)	182	(1,079)	(3,372)	(4,545)	731
Adj diluted EPS from Cont. Op's	(0.04)	0.08	(0.03)	(0.06)	(0.17)	0.01	(0.07)	(0.21)	(0.29)	0.05
Wt'd avg. common shares outstanding - diluted	15,673	15,826	15,707	15,707	15,851	15,864	15,786	15,792	15,809	15,809



<u>Non-GAAP EBIT and EBITDA</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>	<u>Q4 2018</u>	<u>Q12019</u>	<u>Q22019</u>
Net income (loss) as reported	(2,722)	(604)	1,103	(558)	(9,496)	(2,907)	(1,815)	(2,962)	(13,699)	(6,672)	(1,216)
Less: (Loss) from discontinued, net tax	(84)	(29)	(123)	(11)	(69)	(23)	157	(40)	1	(31)	(35)
Plus: Taxes	(1,685)	(163)	570	(181)	7,283	(166)	(26)	82	(721)	100	34
Plus: Interest	1,423	1,362	1,357	1,486	1,535	1,533	1,642	1,664	1,651	1,720	1,717
Non-GAAP Adjusted EBIT (Note 5)	(2,900)	624	3,153	759	(608)	(1,517)	(356)	(1,176)	(12,770)	(4,821)	570
Plus: Depreciation and amortization	3,282	3,210	3,196	3,213	3,328	3,143	3,164	3,089	3,257	3,098	2,808
Non-GAAP EBITDA from Cont Op	382	3,834	6,349	3,972	2,720	1,626	2,808	1,913	(9,513)	(1,723)	3,378
Plus: Acquisition expenses	-	-	-	-	-	-	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	-	-	-	-	-	-	-	-	-
Less: Gain on purchase of business	-	-	-	-	-	-	-	-	-	-	-
Plus: Business integration expense	-	-	-	-	-	-	-	-	-	-	-
Plus: Unusual Workers Comp	-	-	-	-	-	-	450	-	-	-	-
Plus: Legal Settlement	-	-	-	-	-	-	1,514	-	-	-	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	-	963	1,738	-	202
Plus: Profit improvement plans	(359)	-	-	2	634	216	190	531	2,230	2,091	1,725
Plus: Impairment of assets	-	-	-	-	-	-	-	349	815	5	(1)
Plus: Impairment of goodwill and intangibles	-	-	-	-	-	-	-	-	5,545	-	-
Non-GAAP Adj. EBITDA (Note 5)	23	3,834	6,349	3,974	3,354	1,842	4,962	3,756	815	373	5,304
Non-GAAP Adj. EBITDA as % of Net Sales	0.0%	3.9%	5.9%	3.9%	3.2%	1.9%	4.7%	3.7%	0.8%	0.4%	5.3%
Management estimate of severe weather (not in above)	-	-	-	-	-	-	-	-	-	-	-
<u>Non-GAAP Free Cash Flow</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>	<u>Q4 2018</u>	<u>Q12019</u>	<u>Q22019</u>
Non-GAAP Adjusted EBIT (from above)	(2,900)	624	3,153	759	(608)	(1,517)	(356)	(1,176)	(12,770)	(4,821)	570
Times: 1 - Tax Rate = EBIAT	(1,798)	387	1,955	470	(377)	(1,517)	(356)	(1,176)	(12,770)	(4,821)	570
Plus: Depreciation and amortization	3,282	3,210	3,196	3,213	3,328	3,143	3,164	3,089	3,257	3,098	2,808
Plus: Non Cash Impairment of Assets, Goodwill	-	-	-	-	-	-	-	349	6,360	5	(1)
Minus: Net change in Working Capital	(9,831)	10,906	6,247	11,135	(4,902)	2,138	5,416	2,356	(18,488)	(1,022)	(4,293)
Non-GAAP Cash from Operations	11,315	(7,309)	(1,096)	(7,452)	7,853	(512)	(2,608)	(94)	15,335	(696)	7,670
Minus: Capital Expenditures	1,736	3,778	2,733	5,731	1,340	752	745	1,627	1,317	(1,010)	1,029
Minus: Business / Capital acquisitions	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP Free Cash Flow (Note 6)	9,579	(11,087)	(3,829)	(13,183)	6,513	(1,264)	(3,353)	(1,721)	14,018	314	6,641