



THE DIXIE GROUP

Non-GAAP Information

March 4, 2021

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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 and intangibles, 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 and intangibles, 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 and intangibles, 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)

Due to the COVID-19 pandemic the Company paid certain non-service wages and related health insurance charges for the safety, welfare and retention of our employees. The expenses were incurred through the second, third and fourth quarter of 2020 and were partially offset by the employee retention credit allowed under the CARES Act. (Note 10)

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Twelve Months Ended

<u>Non-GAAP Gross Profit</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>	<u>2020</u>
Net Sales	266,372	344,374	406,588	422,484	397,453	412,462	405,033	374,581	315,940
Gross Profit	65,372	85,569	95,497	106,231	95,425	101,213	86,991	86,205	76,456
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	-	-	-	-	-	-
Non-GAAP Adj. Gross Profit (Note 1)	66,755	90,674	96,548	106,231	95,425	101,213	90,142	86,777	76,456
Gross Profit as % of Net Sales	24.5%	24.8%	23.5%	25.1%	24.0%	24.5%	21.5%	23.0%	24.2%
Non-GAAP Adj. Gross Profit % of Net Sales	25.1%	26.3%	23.7%	25.1%	24.0%	24.5%	22.3%	23.2%	24.2%
<u>Non-GAAP S,G&A</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>	<u>2020</u>
Net Sales	266,372	344,374	406,588	422,484	397,453	412,462	405,033	374,581	315,940
Selling and Administrative Expense	63,489	76,221	93,182	100,422	96,983	96,171	92,472	83,825	75,731
Plus: Business integration expense	-	(1,706)	(1,429)	-	-	-	-	-	-
Less: Acquisition expenses	(318)	(350)	(789)	-	-	-	-	-	-
Non-GAAP Adj. Selling and Admin. Expense	63,171	74,164	90,964	100,422	96,983	96,171	92,472	83,825	75,731
S,G&A as % of Net Sales	23.8%	22.1%	22.9%	23.8%	24.4%	23.3%	22.8%	22.4%	24.0%
Non-GAAP S,G&A as % of Net Sales (Note 2)	23.7%	21.5%	22.4%	23.8%	24.4%	23.3%	22.8%	22.4%	24.0%



<u>Non-GAAP Operating Income</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>	<u>2020</u>
Net Sales	266,372	344,374	406,588	422,484	397,453	412,462	405,033	374,581	315,940
Operating income (loss)	1,815	8,855	(5,236)	1,990	(3,415)	3,965	(15,624)	21,350	(2,919)
Plus: Unusual Workers Comp	-	-	-	-	-	-	450	-	-
Plus: Legal Settlement	-	-	-	-	-	-	1,514	-	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	2,701	572	-
Plus: Profit improvement plans	-	-	5,889	2,946	1,456	636	3,167	5,019	1,382
Plus: COVID-19 Recovery Plan	-	-	-	-	-	-	-	-	2,370
Plus: COVID-19 Related Expenses (Note 10)	-	-	-	-	-	-	-	-	2,117
Plus: Financing Expenses	-	-	-	-	-	-	-	-	744
Plus: Impairment of assets	-	195	1,133	-	-	-	1,164	(25,111)	-
Plus: Impairment of goodwill and intangibles	-	-	-	-	-	-	5,545	-	-
Non-GAAP Adj. Operating Income (Loss) (Note 3)	3,516	16,384	5,056	4,936	(1,959)	4,601	(1,083)	1,830	3,694
Operating income as % of net sales	0.7%	2.6%	-1.3%	0.5%	-0.9%	1.0%	-3.9%	5.7%	-0.9%
Adjusted operating income as a % of net sales	1.3%	4.8%	1.2%	1.2%	-0.5%	1.1%	-0.3%	0.5%	1.2%
<u>Non-GAAP Income from Continuing Operations</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>	<u>2020</u>
Net income (loss) as reported	(927)	5,291	(1,402)	(2,426)	(5,278)	(9,555)	(21,384)	15,270	(9,207)
Less: (Loss) from discontinued, net tax	(275)	(266)	(2,075)	(148)	(71)	(233)	95	(348)	(121)
Income (loss) from Continuing Operations	(653)	5,557	673	(2,278)	(5,207)	(9,323)	(21,479)	15,619	(9,086)
Plus: Unusual Workers Comp	-	-	-	-	-	-	450	-	-
Plus: Legal Settlement	-	-	-	-	-	-	1,514	-	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	2,701	572	-
Plus: Profit improvement plans	-	-	5,889	2,946	1,456	636	3,167	5,019	1,382
Plus: COVID-19 Recovery Plan	-	-	-	-	-	-	-	-	2,370
Plus: COVID-19 Related Expenses (Note 10)	-	-	-	-	-	-	-	-	2,117
Plus: Financing Expenses	-	-	-	-	-	-	-	-	744
Plus: Impairment of assets	-	195	1,133	-	-	-	1,164	(25,111)	-
Plus: Impairment of goodwill and intangibles	-	-	-	-	-	-	5,545	-	-
Plus: Tax effect of above	(646)	(2,861)	311	(1,119)	(553)	(242)	-	-	-
Plus: Tax credits, rate change and valuation allowance	-	(1,847)	-	-	-	8,169	-	(14)	(342)
Non-GAAP Adj. (Loss) / Inc from Cont. Op's (Note 4)	402	8,377	165	(451)	(4,304)	(759)	(6,938)	(3,915)	(2,815)
Adj diluted EPS from Cont. Op's	0.03	0.65	0.01	(0.03)	(0.28)	(0.05)	(0.44)	(0.25)	(0.18)
Wt'd avg. common shares outstanding - diluted	12,638	12,852	14,382	15,536	15,638	15,699	15,764	15,926	15,316



<u>Non-GAAP EBIT and EBITDA</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>	<u>2020</u>
Net income (loss) as reported	(927)	5,291	(1,402)	(2,426)	(5,278)	(9,555)	(21,384)	15,270	(9,207)
Less: (Loss) from discontinued, net tax	(275)	(266)	(2,075)	(148)	(71)	(233)	95	(348)	(121)
Plus: Taxes	(401)	(576)	1,055	(714)	(3,622)	7,510	(831)	(657)	(312)
Plus: Interest	3,146	3,756	4,301	4,935	5,392	5,740	6,490	6,444	5,803
Non-GAAP Adjusted EBIT (Note 5)	2,092	8,737	6,029	1,943	(3,437)	3,927	(15,820)	21,405	(3,595)
Plus: Depreciation and amortization	9,396	10,263	12,908	14,120	13,515	12,947	12,653	11,803	10,746
Non-GAAP EBITDA from Cont Op	11,488	18,999	18,937	16,063	10,078	16,874	(3,167)	33,208	7,151
Plus: Legal Settlement	-	-	-	-	-	-	1,514	-	-
Plus: Inventory write off for PIP	-	-	-	-	-	-	2,701	572	-
Plus: Profit improvement plans	-	-	5,889	2,946	1,456	636	3,167	5,019	1,382
Plus: COVID-19 Recovery Plan	-	-	-	-	-	-	-	-	2,370
Plus: COVID-19 Related Expenses (Note 10)	-	-	-	-	-	-	-	-	2,117
Plus: Financing Expenses	-	-	-	-	-	-	-	-	744
Plus: Impairment of assets	-	195	1,133	-	-	-	1,164	(25,111)	-
Plus: Impairment of goodwill and intangibles	-	-	-	-	-	-	5,545	-	-
Non-GAAP Adj. EBITDA (Note 5)	13,189	26,528	18,118	19,009	11,534	17,510	11,374	13,688	13,764
Non-GAAP Adj. EBITDA as % of Net Sales	5.0%	7.7%	4.5%	4.5%	2.9%	4.2%	2.8%	3.7%	4.4%
Management estimate of severe weather (not in above)	-	-	1,054	-	-	-	-	-	-
Non-GAAP Free Cash Flow	2012	2013	2014	2015	2016	2017	2018	2019	2020
Non-GAAP Adjusted EBIT (from above)	2,092	8,737	6,029	1,943	(3,437)	3,927	(15,820)	21,405	(3,595)
Times: 1 - Tax Rate = EBIAT	1,297	5,417	3,738	1,205	(2,131)	2,435	(15,820)	21,405	(3,595)
Plus: Depreciation and amortization	9,396	10,263	12,908	14,120	13,515	12,947	12,653	11,803	10,746
Plus: Non Cash Impairment of Assets, Goodwill	-	195	1,133	-	-	-	6,709	(25,111)	-
Minus: Net change in Working Capital	10,786	17,714	11,546	(1,970)	(16,905)	23,386	(8,578)	(8,298)	(9,368)
Non-GAAP Cash from Operations	(93)	(1,839)	6,234	17,295	28,289	(8,004)	12,120	16,395	16,519
Minus: Capital Expenditures	4,052	13,257	32,825	12,230	5,331	13,582	4,441	1,416	3,074
Minus: Business / Capital acquisitions	6,961	1,863	9,331	-	-	-	-	-	-
Non-GAAP Free Cash Flow (Note 6)	(11,106)	(16,959)	(35,922)	5,065	22,958	(21,586)	7,679	14,979	13,445