



THE DIXIE GROUP

Non-GAAP Information

8/3/2017

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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 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 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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	Three Months Ended						Twelve Months Ended			
	<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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Non-GAAP Gross Profit</u>										
Net Sales	89,234	105,316	100,297	102,606	97,541	107,187	344,374	406,588	422,484	397,453
Gross Profit	19,506	28,242	25,831	21,846	25,161	28,426	85,569	95,497	106,231	95,425
Plus: Business integration expense	-	-	-	-	-	-	4,738	445	-	-
Plus: Amortization of inventory step up	-	-	-	-	-	-	367	606	-	-
Non-GAAP Adj. Gross Profit (Note 1)	19,506	28,242	25,831	21,846	25,161	28,426	90,674	96,548	106,231	95,425
Gross Profit as % of Net Sales	21.9%	26.8%	25.8%	21.3%	25.8%	26.5%	24.8%	23.5%	25.1%	24.0%
Non-GAAP Adj. Gross Profit % of Net Sales	21.9%	26.8%	25.8%	21.3%	25.8%	26.5%	26.3%	23.7%	25.1%	24.0%
<u>Non-GAAP S,G&A</u>										
Net Sales	89,234	105,316	100,297	102,606	97,541	107,187	344,374	406,588	422,484	397,453
Selling and Administrative Expense	23,666	24,320	23,774	25,223	24,481	25,261	76,221	93,182	100,422	96,983
Plus: Business integration expense	-	-	-	-	-	-	(1,706)	(1,429)	-	-
Less: Acquisition expenses	-	-	-	-	-	-	(350)	(789)	-	-
Non-GAAP Adj. Selling and Admin. Expense	23,666	24,320	23,774	25,223	24,481	25,261	74,164	90,964	100,422	96,983
S,G&A as % of Net Sales	26.5%	23.1%	23.7%	24.6%	25.1%	23.6%	22.1%	22.9%	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%	21.5%	22.4%	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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Sales	89,234	105,316	100,297	102,606	97,541	107,187	344,374	406,588	422,484	397,453
Operating income (loss)	(5,840)	3,403	1,916	(2,894)	628	3,179	8,855	(5,236)	1,990	(3,415)
Plus: Acquisition expenses	-	-	-	-	-	-	350	789	-	-
Plus: Amortization of inventory step up	-	-	-	-	-	-	367	606	-	-
Plus: Business integration expense	-	-	-	-	-	-	6,616	1,874	-	-
Plus: Facility consolidation expense	1,413	403	(1)	(359)	-	-	-	5,514	2,946	1,456
Plus: Impairment of assets	-	-	-	-	-	-	195	1,133	-	-
Plus: Impairment of goodwill	-	-	-	-	-	-	-	-	-	-
Non-GAAP Adj. Operating Income (Loss) (Note 3)	(4,427)	3,806	1,915	(3,253)	628	3,179	16,384	4,681	4,936	(1,959)
Operating income as % of net sales	-6.5%	3.2%	1.9%	-2.8%	0.6%	3.0%	2.6%	-1.3%	0.5%	-0.9%
Adjusted operating income as a % of net sales	-5.0%	3.6%	1.9%	-3.2%	0.6%	3.0%	4.8%	1.2%	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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net income (loss) as reported	(4,767)	1,677	534	(2,722)	(604)	1,103	5,291	(1,402)	(2,426)	(5,278)
Less: (Loss) from discontinued, net tax	(10)	62	(39)	(84)	(29)	(123)	(266)	(2,075)	(148)	(71)
Income (loss) from Continuing Operations	(4,757)	1,615	573	(2,638)	(575)	1,225	5,557	673	(2,278)	(5,207)
Plus: Business integration expense	-	-	-	-	-	-	6,616	1,874	-	-
Plus: Facility consolidation expense	1,413	403	(1)	(359)	-	-	-	5,514	2,946	1,456
Plus: Amortization of inventory step up	-	-	-	-	-	-	367	606	-	-
Plus: Acquisition expenses	-	-	-	-	-	-	350	789	-	-
Less: Gain on purchase of business	-	-	-	-	-	-	-	(11,110)	-	-
Plus: Impairment of assets	-	-	-	-	-	-	195	1,133	-	-
Plus: Impairment of goodwill	-	-	-	-	-	-	-	-	-	-
Plus: Tax effect of above	(537)	(153)	0	136	-	-	(2,861)	453	(1,119)	(553)
Plus: Prior years tax credits and val. allowance	-	-	-	-	-	-	-	-	-	-
Non-GAAP Adj. (Loss) / Inc from Cont. Op's (Note	(3,881)	1,865	572	(2,861)	(575)	1,225	10,224	(68)	(451)	(4,304)
Adj diluted EPS from Cont. Op's	(0.25)	0.12	0.04	(0.18)	(0.04)	0.08	0.80	(0.00)	(0.03)	(0.28)
Wt'd avg. common shares outstanding - diluted	15,600	15,783	15,744	15,659	15,673	15,826	12,852	14,382	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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net income (loss) as reported	(4,767)	1,677	534	(2,722)	(604)	1,103	5,291	(1,402)	(2,426)	(5,278)
Less: (Loss) from discontinued, net tax	(10)	62	(39)	(84)	(29)	(123)	(266)	(2,075)	(148)	(71)
Plus: Taxes	(2,415)	451	27	(1,685)	(163)	(570)	(576)	1,055	(714)	(3,622)
Plus: Interest	1,324	1,333	1,312	1,423	1,362	1,357	3,756	4,301	4,935	5,392
Non-GAAP Adjusted EBIT (Note 5)	(5,848)	3,399	1,912	(2,900)	624	2,012	8,737	6,029	1,943	(3,437)
Plus: Depreciation and amortization	3,498	3,325	3,410	3,282	3,210	3,196	10,263	12,908	14,120	13,515
Non-GAAP EBITDA from Cont Op	(2,350)	6,724	5,322	382	3,834	5,208	18,999	18,937	16,063	10,078
Plus: Acquisition expenses	-	-	-	-	-	-	350	789	-	-
Plus: Amortization of inventory step up	-	-	-	-	-	-	367	606	-	-
Less: Gain on purchase of business	-	-	-	-	-	-	-	(11,110)	-	-
Plus: Business integration expense	-	-	-	-	-	-	6,616	1,874	-	-
Plus: Facility consolidation expense	1,413	403	(1)	(359)	-	-	-	5,514	2,946	1,456
Plus: Impairment of assets	-	-	-	-	-	-	195	1,133	-	-
Plus: Impairment of goodwill	-	-	-	-	-	-	-	-	-	-
Non-GAAP Adj. EBITDA (Note 5)	(937)	7,127	5,321	23	3,834	5,208	26,528	17,743	19,009	11,534
Non-GAAP Adj. EBITDA as % of Net Sales	-1.1%	6.8%	5.3%	0.0%	3.9%	4.9%	7.7%	4.4%	4.5%	2.9%
Management estimate of severe weather (not in	-	-	-	-	-	-	-	1,054	-	-
<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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Non-GAAP Adjusted EBIT (from above)	(5,848)	3,399	1,912	(2,900)	624	2,012	8,737	6,029	1,943	(3,437)
Times: 1 - Tax Rate = EBIAT	(3,626)	2,107	1,185	(1,798)	387	1,247	5,417	3,738	1,205	(2,131)
Plus: Depreciation and amortization	3,498	3,325	3,410	3,282	3,210	3,196	10,263	12,908	14,120	13,515
Plus: Non Cash Impairment of Assets, Goodwill	-	-	-	-	-	-	195	1,133	-	-
Minus: Net change in Working Capital	(4,671)	(3,330)	927	(9,831)	10,906	6,247	17,714	11,546	(1,970)	(16,905)
Non-GAAP Cash from Operations	4,543	8,762	3,668	11,315	(7,309)	(1,804)	(1,839)	6,234	17,295	28,289
Minus: Capital Expenditures	1,218	1,020	1,357	1,736	3,778	2,733	13,257	32,825	12,230	5,331
Minus: Business / Capital acquisitions	-	-	-	-	-	-	1,863	9,331	-	-
Non-GAAP Free Cash Flow (Note 6)	3,325	7,742	2,311	9,579	(11,087)	(4,537)	(16,959)	(35,922)	5,065	22,958