



THE DIXIE GROUP

Non-GAAP Information

November 5, 2020

Non-GAAP Information



THE DIXIE GROUP

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.

The Company defines Net Sales as Adjusted as net sales less the last week of sales in a 53 week fiscal year.

The Company defines Non-GAAP earnings per Share (EPS) as Net Income less discontinued operations minus the effect of the tax act and divided by the number of fully diluted shares.

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	Three Months Ended										
	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>Q12019</u>	<u>Q22019</u>	<u>Q32019</u>	<u>Q42019</u>	<u>Q12020</u>	<u>Q22020</u>	<u>Q32020</u>
<u>Non-GAAP Gross Profit</u>											
Net Sales	98,858	106,438	101,562	98,175	88,606	100,394	95,447	90,134	80,578	60,824	85,920
Gross Profit	21,580	25,144	21,887	18,380	18,919	23,493	21,074	22,719	18,993	12,244	22,241
Plus: Unusual Workers Comp	-	450	-	-	-	-	-	-	-	-	-
Plus: Inventory write off for PIP	-	-	963	1,738	-	202	82	123	-	-	-
Plus: Business integration expense	-	-	-	-	-	-	-	-	-	-	-
Plus: Amortization of inventory step up	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP Adj. Gross Profit (Note 1)	21,580	25,594	22,850	20,118	18,919	23,695	21,156	22,843	18,993	12,244	22,241
Gross Profit as % of Net Sales	21.8%	23.6%	21.6%	18.7%	21.4%	23.4%	22.1%	25.2%	23.6%	20.1%	25.9%
Non-GAAP Adj. Gross Profit % of Net Sales	21.8%	24.0%	22.5%	20.5%	21.4%	23.6%	22.2%	25.3%	23.6%	20.1%	25.9%
<u>Non-GAAP S,G&A</u>											
Net Sales	98,858	106,438	101,562	98,175	88,606	100,394	95,447	90,134	80,578	60,824	85,920
Selling and Administrative Expense	23,120	23,801	23,033	22,518	21,660	21,114	21,036	20,015	20,397	16,523	19,335
Plus: Business integration expense	-	-	-	-	-	-	-	-	-	-	-
Less: Acquisition expenses	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP Adj. Selling and Admin. Expense	23,120	23,801	23,033	22,518	21,660	21,114	21,036	20,015	20,397	16,523	19,335
S,G&A as % of Net Sales	23.4%	22.4%	22.7%	22.9%	24.4%	21.0%	22.0%	22.2%	25.3%	27.2%	22.5%
Non-GAAP S,G&A as % of Net Sales (Note 2)	23.4%	22.4%	22.7%	22.9%	24.4%	21.0%	22.0%	22.2%	25.3%	27.2%	22.5%



<u>Non-GAAP Operating Income</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>Q12019</u>	<u>Q22019</u>	<u>Q32019</u>	<u>Q42019</u>	<u>Q12020</u>	<u>Q22020</u>	<u>Q32020</u>
Net Sales	98,858	106,438	101,562	98,175	88,606	100,394	95,447	90,134	80,578	60,824	85,920
Operating income (loss)	(1,515)	(165)	(1,179)	(12,765)	(4,863)	574	(1,042)	26,681	(1,336)	(5,625)	2,563
Plus: Unusual Workers Comp	-	450	-	-	-	-	-	-	-	-	-
Plus: Legal Settlement	-	1,514	-	-	-	-	-	-	-	-	-
Plus: Inventory write off for PIP	-	-	963	1,738	-	202	82	123	-	-	-
Plus: Profit improvement plans	216	190	531	2,230	2,091	1,725	1,043	160	24	227	145
Plus: COVID-19 Recovery Plan	-	-	-	-	-	-	-	-	-	1,019	370
Plus: Impairment of assets	-	-	349	815	5	(1)	6	(25,121)	-	-	-
Plus: Impairment of goodwill and intangibles	-	-	-	5,545	-	-	-	-	-	-	-
Non-GAAP Adj. Operating Income (Loss) (Note 3)	(1,299)	1,989	664	(2,437)	(2,767)	2,500	89	1,843	(1,312)	(4,379)	3,078
Operating income as % of net sales	-1.5%	-0.2%	-1.2%	-13.0%	-5.5%	0.6%	-1.1%	29.6%	-1.7%	-9.2%	3.0%
Adjusted operating income as a % of net sales	-1.3%	1.9%	0.7%	-2.5%	-3.1%	2.5%	0.1%	2.0%	-1.6%	-7.2%	3.6%
<u>Non-GAAP Income from Continuing Operations</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>Q12019</u>	<u>Q22019</u>	<u>Q32019</u>	<u>Q42019</u>	<u>Q12020</u>	<u>Q22020</u>	<u>Q32020</u>
Net income (loss) as reported	(2,907)	(1,815)	(2,962)	(13,699)	(6,672)	(1,216)	(2,554)	25,712	(2,689)	(7,060)	860
Less: (Loss) from discontinued, net tax	(23)	157	(40)	1	(31)	(35)	23	(305)	(77)	(81)	(46)
Income (loss) from Continuing Operations	(2,884)	(1,972)	(2,922)	(13,700)	(6,641)	(1,181)	(2,577)	26,018	(2,612)	(6,979)	906
Plus: Unusual Workers Comp	-	450	-	-	-	-	-	-	-	-	-
Plus: Legal Settlement	-	1,514	-	-	-	-	-	-	-	-	-
Plus: Inventory write off for PIP	-	-	963	1,738	-	202	82	123	-	-	-
Plus: Profit improvement plans	216	190	531	2,230	2,091	1,725	1,043	160	24	227	145
Plus: COVID-19 Recovery Plan	-	-	-	-	-	-	-	-	-	1,019	370
Plus: Impairment of assets	-	-	349	815	5	(1)	6	(25,121)	-	-	-
Plus: Impairment of goodwill and intangibles	-	-	-	5,545	-	-	-	-	-	-	-
Plus: Tax effect of above	-	-	-	-	-	-	-	-	-	-	-
Plus: Tax credits, rate change and valuation allowance	-	-	-	-	-	(14)	-	-	-	-	-
Non-GAAP Adj. (Loss) / Inc from Cont. Op's (Note 4)	(2,668)	182	(1,079)	(3,372)	(4,545)	731	(1,446)	1,180	(2,588)	(5,733)	1,421
Adj diluted EPS from Cont. Op's	(0.17)	0.01	(0.07)	(0.21)	(0.29)	0.05	(0.09)	0.08	(0.17)	(0.46)	0.09
Wt'd avg. common shares outstanding - diluted	15,851	15,864	15,786	15,792	15,809	15,809	15,899	15,400	15,356	15,331	15,454



<u>Non-GAAP EBIT and EBITDA</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>Q12019</u>	<u>Q22019</u>	<u>Q32019</u>	<u>Q42019</u>	<u>Q12020</u>	<u>Q22020</u>	<u>Q32020</u>
Net income (loss) as reported	(2,907)	(1,815)	(2,962)	(13,699)	(6,672)	(1,216)	(2,554)	25,712	(2,689)	(7,060)	860
Less: (Loss) from discontinued, net tax	(23)	157	(40)	1	(31)	(35)	23	(305)	(77)	(81)	(46)
Plus: Taxes	(166)	(26)	82	(721)	100	34	(109)	(682)	(4)	-	4
Plus: Interest	1,533	1,642	1,664	1,651	1,720	1,717	1,648	1,359	1,285	1,357	1,561
Non-GAAP Adjusted EBIT (Note 5)	(1,517)	(356)	(1,176)	(12,770)	(4,821)	570	(1,038)	26,694	(1,331)	(5,622)	2,471
Plus: Depreciation and amortization	3,143	3,164	3,089	3,257	3,098	2,808	2,924	2,973	3,035	2,560	5,793
Non-GAAP EBITDA from Cont Op	1,626	2,808	1,913	(9,513)	(1,723)	3,378	1,886	29,667	1,704	(3,062)	8,264
Plus: Legal Settlement	-	1,514	-	-	-	-	-	-	-	-	-
Plus: Inventory write off for PIP	-	-	963	1,738	-	202	82	123	-	-	-
Plus: Profit improvement plans	216	190	531	2,230	2,091	1,725	1,043	160	24	227	145
Plus: COVID-19 Recovery Plan	-	-	-	-	-	-	-	-	-	1,019	370
Plus: Impairment of assets	-	-	349	815	5	(1)	6	(25,121)	-	-	-
Plus: Impairment of goodwill and intangibles	-	-	-	5,545	-	-	-	-	-	-	-
Non-GAAP Adj. EBITDA (Note 5)	1,842	4,962	3,756	815	373	5,304	3,017	4,830	1,728	(1,816)	8,779
Non-GAAP Adj. EBITDA as % of Net Sales	1.9%	4.7%	3.7%	0.8%	0.4%	5.3%	3.2%	5.4%	2.1%	-3.0%	10.2%
Management estimate of severe weather (not in above)	-	-	-	-	-	-	-	-	-	-	-
<u>Non-GAAP Free Cash Flow</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>Q12019</u>	<u>Q22019</u>	<u>Q32019</u>	<u>Q42019</u>	<u>Q12020</u>	<u>Q22020</u>	<u>Q32020</u>
Non-GAAP Adjusted EBIT (from above)	(1,517)	(356)	(1,176)	(12,770)	(4,821)	570	(1,038)	26,694	(1,331)	(5,622)	2,471
Times: 1 - Tax Rate = EBIAT	(1,517)	(356)	(1,176)	(12,770)	(4,821)	570	(1,038)	26,694	(1,331)	(5,622)	2,471
Plus: Depreciation and amortization	3,143	3,164	3,089	3,257	3,098	2,808	2,924	2,973	3,035	2,560	5,793
Plus: Non Cash Impairment of Assets, Goodwill	-	-	349	6,360	5	(1)	6	(25,121)	-	-	-
Minus: Net change in Working Capital	2,138	5,416	2,356	(18,488)	(1,022)	(4,293)	(4,376)	1,393	1,004	(16,126)	(916)
Non-GAAP Cash from Operations	(512)	(2,608)	(94)	15,335	(696)	7,670	6,268	3,153	700	13,064	9,180
Minus: Capital Expenditures	752	745	1,627	1,317	(1,010)	1,029	1,078	319	794	1,704	403
Minus: Business / Capital acquisitions	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP Free Cash Flow (Note 6)	(1,264)	(3,353)	(1,721)	14,018	314	6,641	5,190	2,834	(94)	11,360	8,777