Armstrong Flooring™

INVESTOR PRESENTATION – MAY 20, 2021

Safe Harbor Statement

Disclosures in this release and in our other public documents and comments contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those statements provide our future expectations or forecasts and can be identified by our use of words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “outlook,” “target,” “predict,” “may,” “will,” “would,” “could,” “should,” “seek,” and other words or phrases of similar meaning in connection with any discussion of future operating or financial performance. Forward-looking statements, by their nature, address matters that are uncertain and involve risks because they relate to events and depend on circumstances that may or may not occur in the future. As a result, our actual results may differ materially from our expected results and from those expressed in our forward-looking statements. A more detailed discussion of the risks and uncertainties that could cause our actual results to differ materially from those projected, anticipated or implied is included our reports filed with the U.S. Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update any forward-looking statements beyond what is required under applicable securities law. The information in this presentation is only effective as of the Company’s First Quarter Earnings call on April 22, 2021 and is subject to change. Any distribution of this presentation on or after May 20, 2021, is not intended and will not be construed as updating or confirming such information.

Armstrong Flooring, Inc. competes globally in many diverse markets. References to "*market*" or "*share*" data are simply estimations based on a combination of internal and external sources and assumptions. They are intended only to assist discussion of the relative performance of product segments and categories for marketing and related purposes. No conclusion has been reached or should be reached regarding a "*product market*," a "*geographic market*" or “*market share*,” as such terms may be used or defined for any economic, legal or other purpose.

In addition, we will be referring to “non-GAAP financial measures” within the meaning of SEC Regulation G. Management uses non-GAAP measures, including Adjusted EBITDA and Free Cash Flow, in managing the business and believes the adjustments provide meaningful comparisons of operating performance between periods. We remove the impact of certain discrete expenses and income. The non-cash expense impact of the U.S. pension and depreciation and amortization is also excluded.

A reconciliation of the differences between these measures with the most directly comparable financial measures calculated in accordance with GAAP can be found in the appendix section of this presentation.

Company Overview

- Leading global innovator of resilient flooring products
- Net Sales of $585 million in 2020
- 85% of business is in North America; Rest of World sales primarily in China and Australia
- Global workforce with +1,700 employees in 7 countries
- Sold South Gate, California property for $76.7 million in Q1’21 furthering transformation and improving liquidity
- Focused on resilient flooring - fastest growing flooring category

2020 SALES

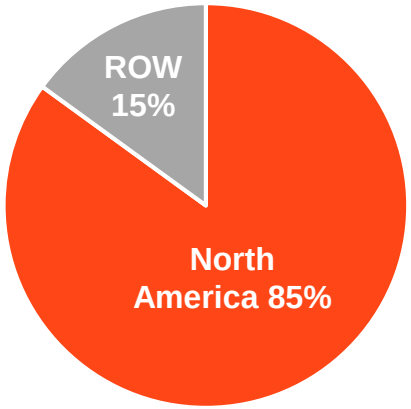
31%

LVT

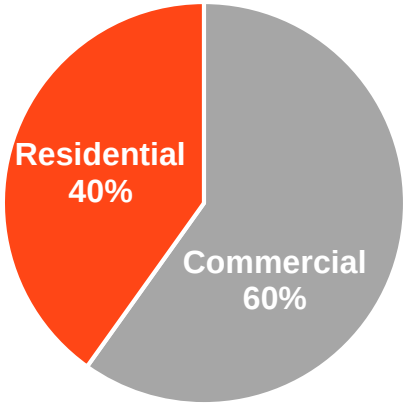
2020 SALES

75%

Renovation



Geographic Mix



End Market Mix

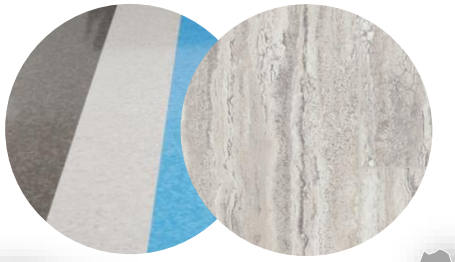
See appendix for reconciliations of non-GAAP measures. Source: Product and end-market mix is based on management estimates

Company Footprint

Manufacturing & Distribution Footprint

- U.S.: 6 facilities
- China: 1, Com Sheet Vinyl
- Australia:1, Com Sheet Vinyl

Kankakee, IL
Product: VCT Plant



Beech Creek, PA
Product: Printed Film Plant

Los Angeles, CA
Distribution Facility

Lancaster, PA
Products: LVT & Res Sheet Plant

Stillwater, OK
Products: LVT & Res Sheet Plant

Jackson, MS
Product: VCT Plant

New Operating Model

Manufacturing focused	Customer focused
Cost focused	Organic growth
Armstrong Flooring branded only	Channel branding
Complexity accepted	Simplification focused
Distributor dependent	Multi-channel sales
Conservative follower	Innovation leader
Deliberate decision-making	Agile execution

Key 2020 Accomplishments

- Published Sustainability Accounting Standard Board Report
- Updated plant shutdown procedures reducing energy use by over 50%
- Reengineered felt-backed sheet to eliminated ~150 tons of waste/year
- Published Environmental and Health Product Declarations to meet customer needs for product transparency

Sustainability
Stronger Together

Reimagining Operations

- Create business value by reimagining how we operate and achieve a circular economy

Revealing Transparency

- From content to carbon footprint, we are committed to providing transparent information to enable smart, sustainable flooring choices

Reconnecting Community

- We aim to improve people's lives and create a better-connected future for our employees, communities and the planet

Operating Responsibly

- We are continuously looking for opportunities to be more environmentally, economically and socially sustainable

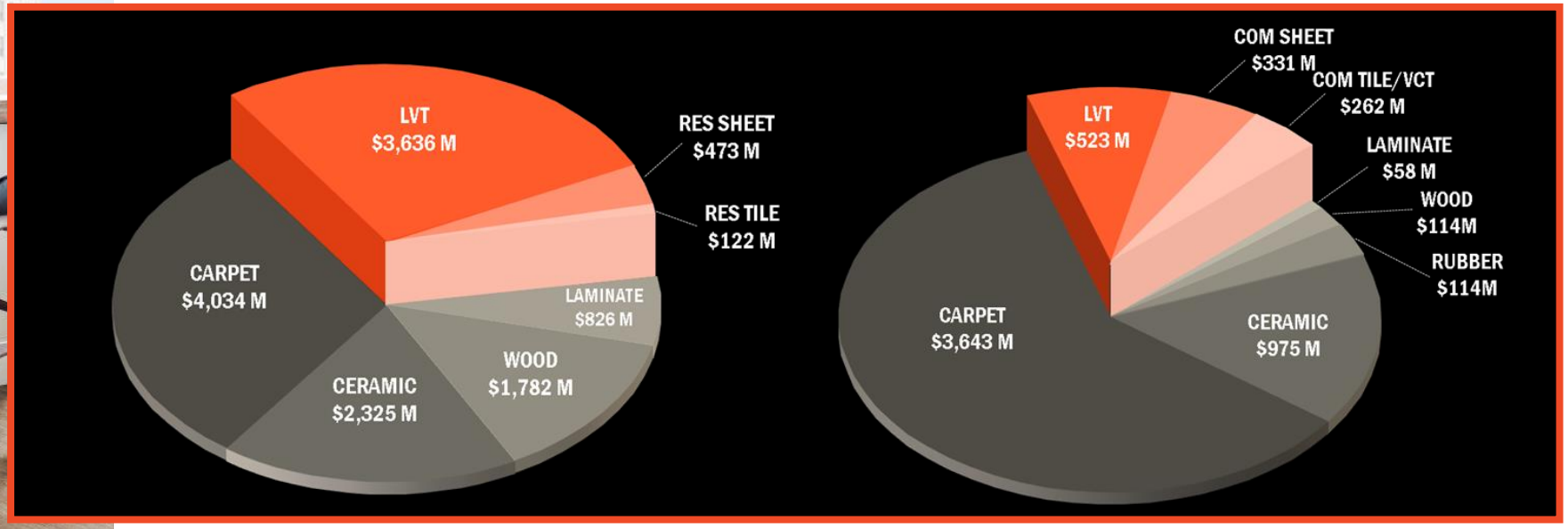
MULTI-YEAR TRANSFORMATION

Multi-year transformation
Key take-aways

- Large addressable market opportunity in residential and commercial
- Well positioned in geographic markets and product categories
- Significant opportunities to accelerate U.S. growth and cost efficiencies
- Focused strategy to transform and modernize business
- AFI will become leaner, faster growing and more profitable

$6B Resilient Market Expanding into All Categories

Residential Market ($13B)



Commercial Market ($6B)

COMPANY STRENGTHS

- Armstrong Flooring Brand
- Diamond 10® Technology
- Non-PVC offering
- Global Service capabilities
- Superior product performance in international markets
- Innovation Pipeline
- Domestic manufacturing
- Faster service with local sources of supply

Source: 2021 US Floor Report
Note: Total Resilient Market includes current AFI product offerings highlighted in charts above, along with Laminate and Rubber

Channels/Products/Markets

Well positioned in markets where we operate

COMMERCIAL PRODUCTS

- Luxury Vinyl Tile & Planks
- Commercial Sheet
- Vinyl Composition Tile
- Custom Capability (Design/Shapes/Sizes/Service)
- Wall Base/Accessories
- Installation Solutions

RESIDENTIAL PRODUCTS

- Luxury Vinyl Tile & Planks
- Residential Tile
- Residential Sheet
- Accessories

GEOGRAPHY

- North America
- Asia
- Australia

WITH OUR BRAND

- Big Box & Warehouse Distribution
- Commercial National Accounts
- Independent Retailers
- Flooring Contractors & Groups
- Residential & Commercial Specified
- Builder & Multi-Family
- Installation Solutions

PRIVATE LABEL (emerging)

- Big Box & Warehouse
- Retail Buying Groups
- OEM

Focus on and build out organizational capability for the identified channels and verticals

Accelerating Growth And Efficiencies

Transformation addressing core areas of legacy underperformance

REGRESSION IN MULTIPLE CHANNELS	**Reason:** Empowerment of distributors to manage brand and reduction of our direct sales force impacted customer connectivity	**Transformation Focus:** In 2019, over 75% of NA sales were to distributors
SLOW-TURNING PRODUCT PORTFOLIO	**Reason:** Multiple product collections were underperforming, with LVT as a percent of sales underweight relative to industry	**Transformation Focus:** In 2019, only 10% of sales were from products launched in last 24 months
UNDERUTILIZED ASSETS	**Reason:** Multiple product lines had excess capacity	**Transformation Focus:** Manufacturing portfolio needed to be rebalanced and downsized
COMPLEX INFRASTRUCTURE	**Reason:** Multiple systems lacked integration, driving slow execution and higher operating cost	**Transformation Focus:** AFI relied on multiple custom IT systems in addition to SAP for daily operations

Focused Strategy To Transform & Modernize Business

EXPAND

Customer Reach

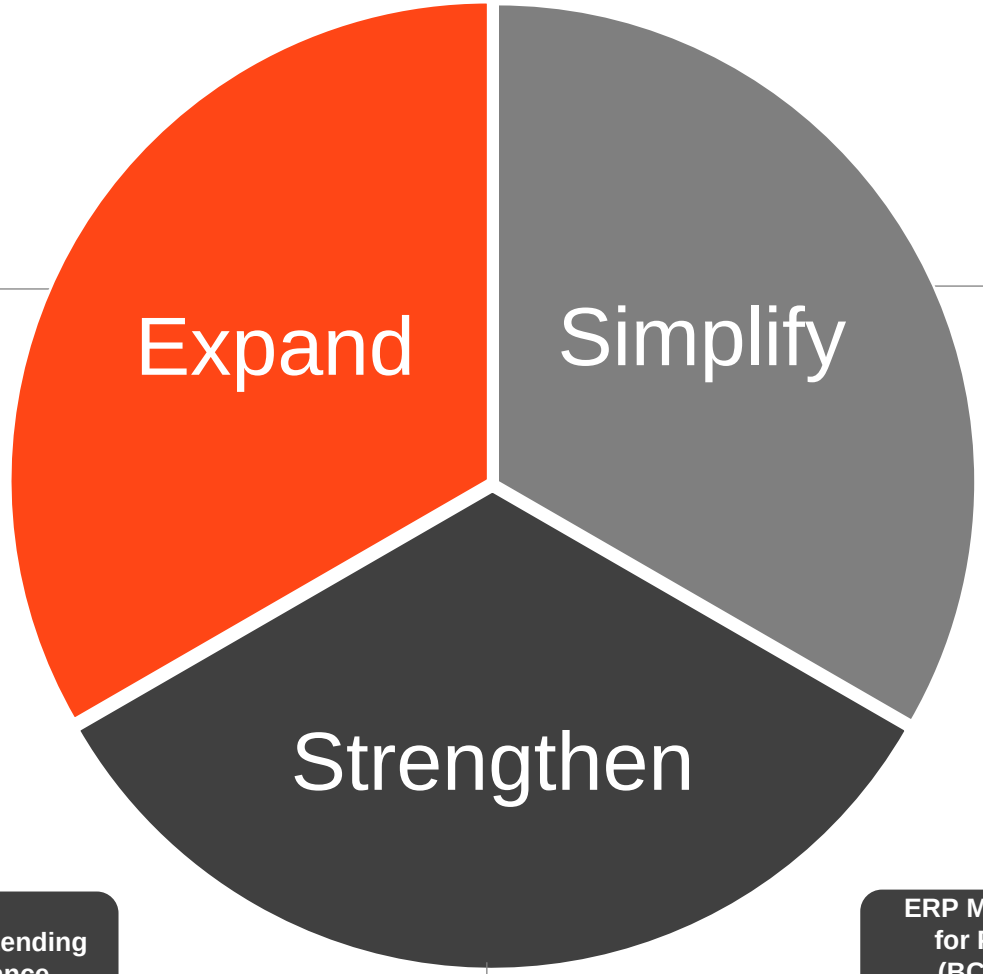
SIMPLIFY

Portfolio & Organization

STRENGTHEN

Capabilities

Transformation – First Year Progress



Expand

- Direct with Commercial National Accounts
- Direct with National Flooring Alliance
- Announced Armstrong® Flooring Pro™ program
- Announced Armstrong® Flooring Signature™ program
- Specialized team for Hospitality & Healthcare
- Added +40 sales and support positions

Simplify

- Made in the USA Quick Ship Program
- SKU Rationalization (30% reduction YoY)
- Sale of South Gate property
- Standardize and Modernize Plant Pay Practices
- Kankakee PNS modernization
- Launched a Non-PVC Homogeneous Sheet Product
- Opened West Coast Distribution Center
- Manufacturing Footprint Optimization

Including commercial tile, felt and AP12

Strengthen

- New HQ Selection
- Asset Based Lending Debt Refinance
- Refreshed Armstrong® Flooring brand
- Improved Terms from International Vendors
- New Tech Center Opens
- ERP Modernization for Production (BC, Jackson, Lancaster)
- Launched new Alterna and Sheet Displays

Multi Year Plan: Expand

- Add Direct Sales representation and augment the Supply Chain model to service Key Independent Retailers, Commercial National Accounts & Large Flooring Contractors
- Resource & Grow by servicing customers the way they want
- Increase focus and investment with Big Box Retail/National Accounts
- Optimize and invest in current Distribution Network
- Penetrate new Commercial verticals such as Hospitality, Corporate/Office and Government
- Invest in Marketing capabilities to drive demand creation with key growth platforms – digital tool expansion, brand refresh & self-service toolbox

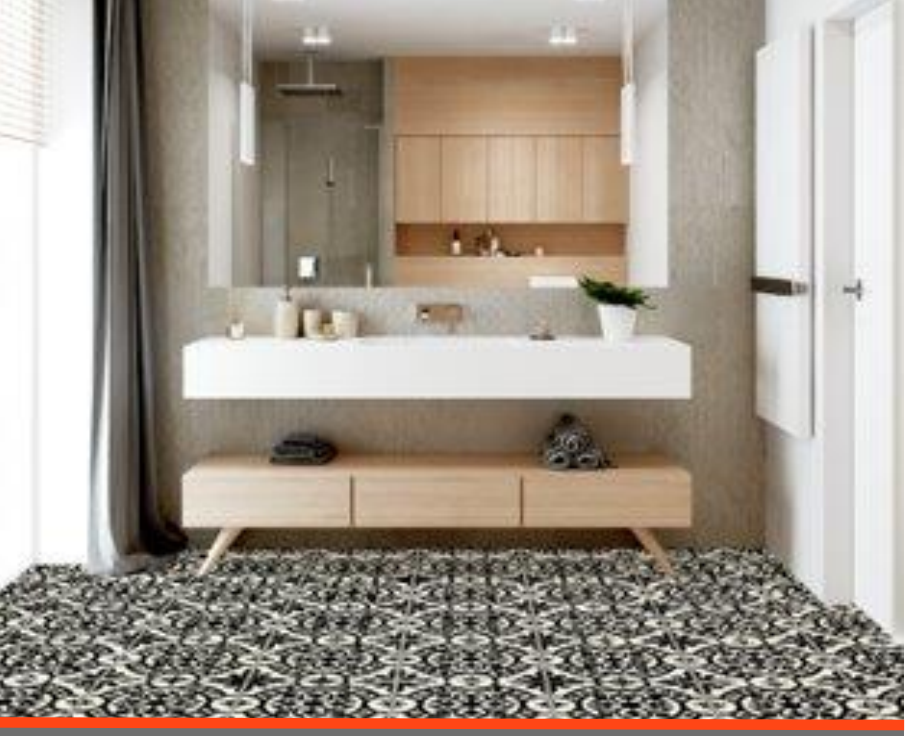
Expand: Recent Progress

Customer Reach

- In 2021, added more than 15 new sales professionals to enhance customer reach; over the last year, more than 40 professionals added in sales, marketing and customer service
- Introduced Armstrong® Flooring Pro™ line for the builder channel – avail. in Q2 2021
- Exclusive products introduced for distribution channel under the Armstrong® Flooring Signature™ line
- Rest & Refuge line introduced in Hospitality channel with attractive palette and durability
- Key wins in Asia & Australia healthcare channels

ArmstrongFlooring PRO

ArmstrongFlooring SIGNATURE



Multi Year Plan: Simplify

- Reduce Complexity of offerings in Commercial VCT and Residential Sheet
- Refresh to MAINTAIN Commercial Sheet and Residential Tile
- Invest to GROW in Commercial and Residential LVT
- Innovate with Coatings, Personalization, Non-PVC, Recycling and Acoustics
- Optimize manufacturing footprint
- Invest in Marketing, Supply Chain, Design & Innovation; Simplify pricing structure and streamline admin processes and systems

Simplify: Recent Progress

Portfolio & Organization

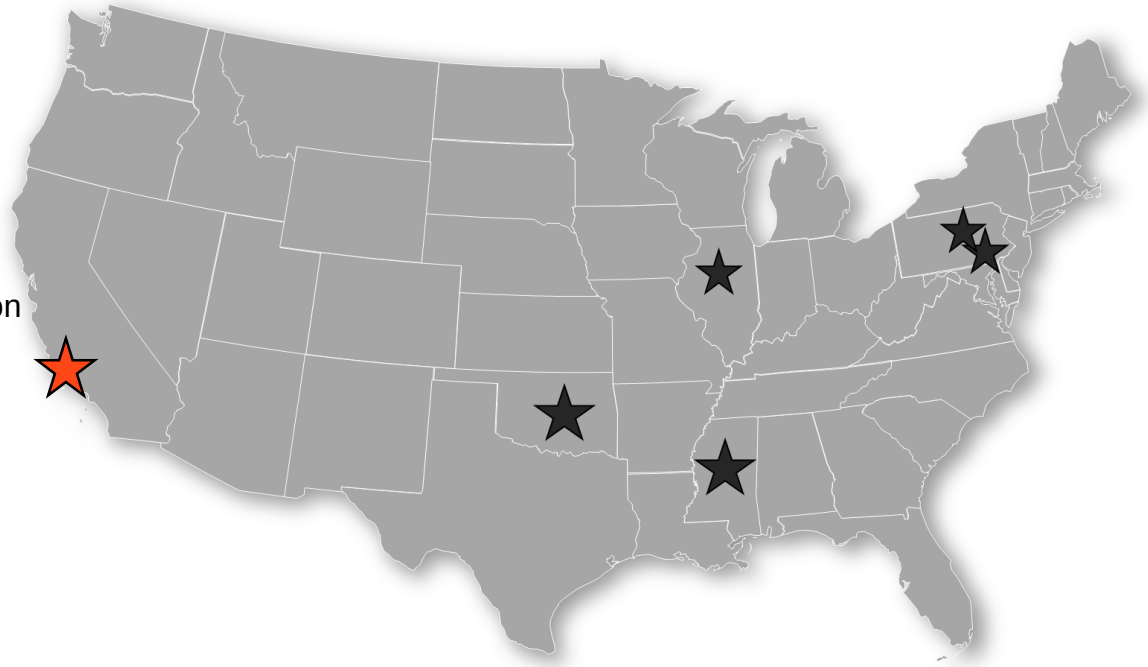
- Completed sale of South Gate, CA property for $76.7 million on March 10
- Distribution Center opened in Los Angeles already servicing West Coast customers efficiently
- Improved reliability and consistency in manufacturing footprint

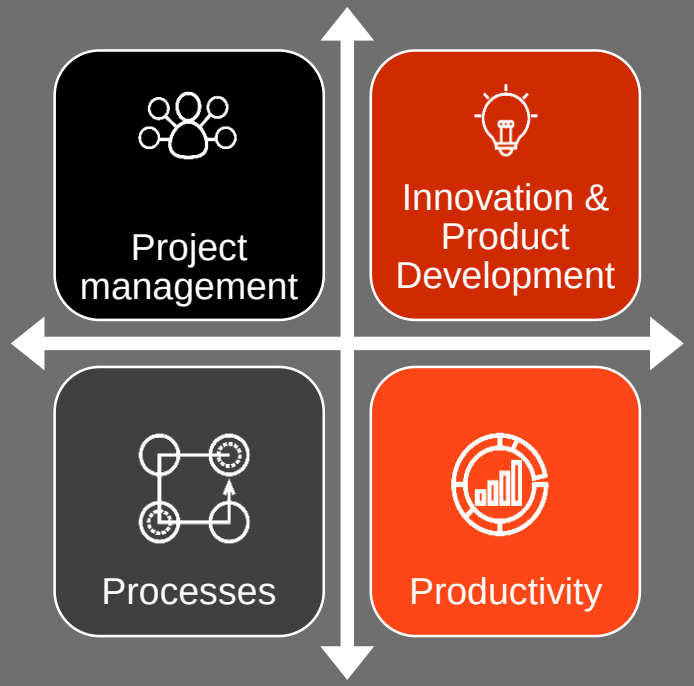
AFI Manufacturing & Distribution Sites:

Lancaster, PA
Beech Creek, PA
Kankakee, IL
Jackson MS
Stillwater, OK

AFI Distribution Sites:

Los Angeles, CA





Strengthen: Recent Progress

Transform and Modernize Capabilities

- Innovation & Product Development: Tech Center move complete – creating a unique space for R&D near new Corp HQ site
- Productivity: ERP Modernization in 3 manufacturing facilities; enhancing visibility, standardization and access to data and information
- Project Management: Transformation office expands change management initiatives to enable common approach, governance and sustainability
- Processes: Improved organizational alignment between supply chain, customer service and procurement organizations to support go to market initiatives and customer expectations

Optimizing Business for Efficiency & Innovation

On Path to Enhance Agility, Growth, Profitability Over Time

Revenue Drivers

- Leverage strength in commercial verticals
- Penetrate underrepresented sectors
- Develop market-leading product portfolio

Gross Margin

- Enhance margin mix through direct sales
- Optimize manufacturing footprint
- Streamline product portfolio
- Reduce pricing complexity
- Enhanced logistics and distribution

SG&A Investments

- Expand sales force to drive revenue
- Revitalize brand and enhance marketing
- Modernize systems and processes
- Drive operating efficiencies
- Align incentives with profitable growth

Working Capital & Capex

- Optimize SKUs and reduce inventory
- Match inventory to market requirements
- Invest in key customer accounts
- Targeted capital investment to fuel growth
- Monetize non-core assets (i.e. South Gate)

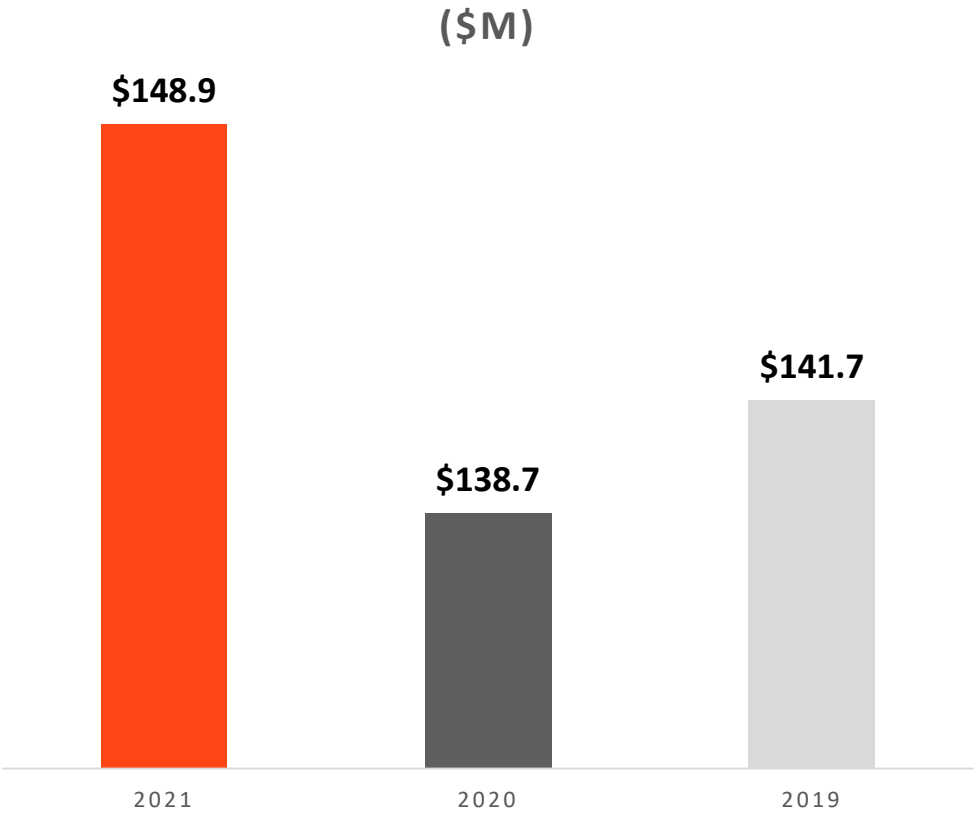
Accelerate Adjusted EBITDA Growth and Generate Positive Free Cash Flow

FINANCIAL RESULTS

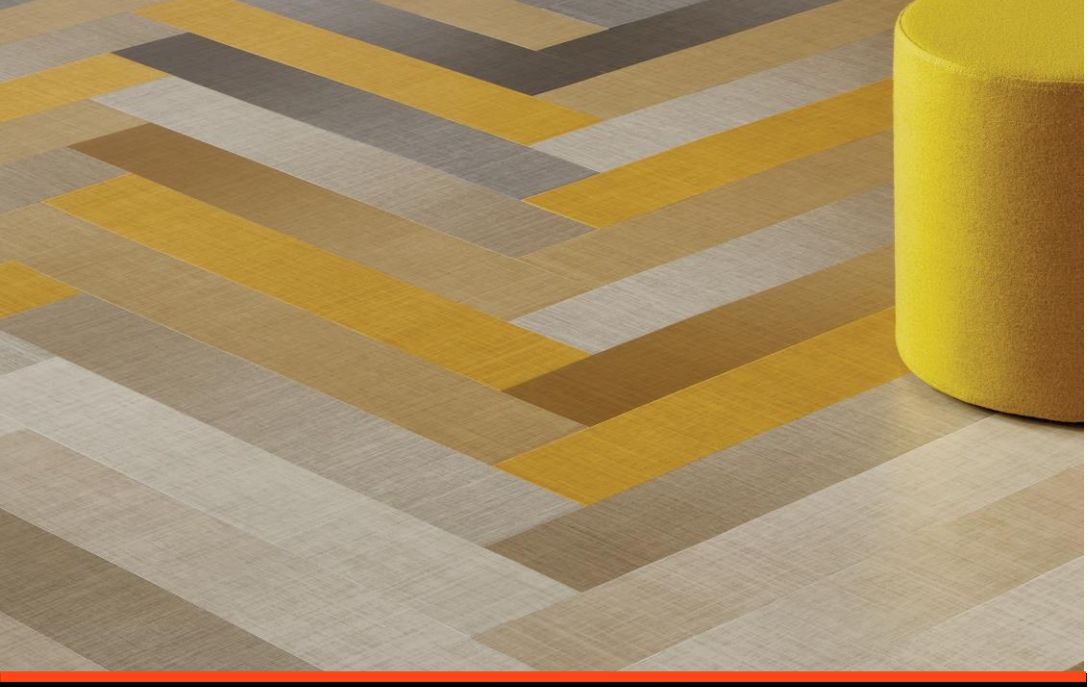
KEY HIGHLIGHTS

- Global sales growth of 7.4%, higher price and mix more than offset declines in volume
- North America sales essentially flat year over year; slow start to quarter with strong finish, healthy order book entering Q2; PY incl Residential National Account inventory load-in
- Asia & Australia experienced sales recovery from the pandemic, specifically commercial products
- LVT in both Residential & Commercial North American markets strong, positive market response to new product introductions and improved mix
- NA price increase announced previously of 5-9% effective Jan 15 across broad range of products. Additional price increase announced to become effective in Q2.

FIRST QUARTER NET SALES



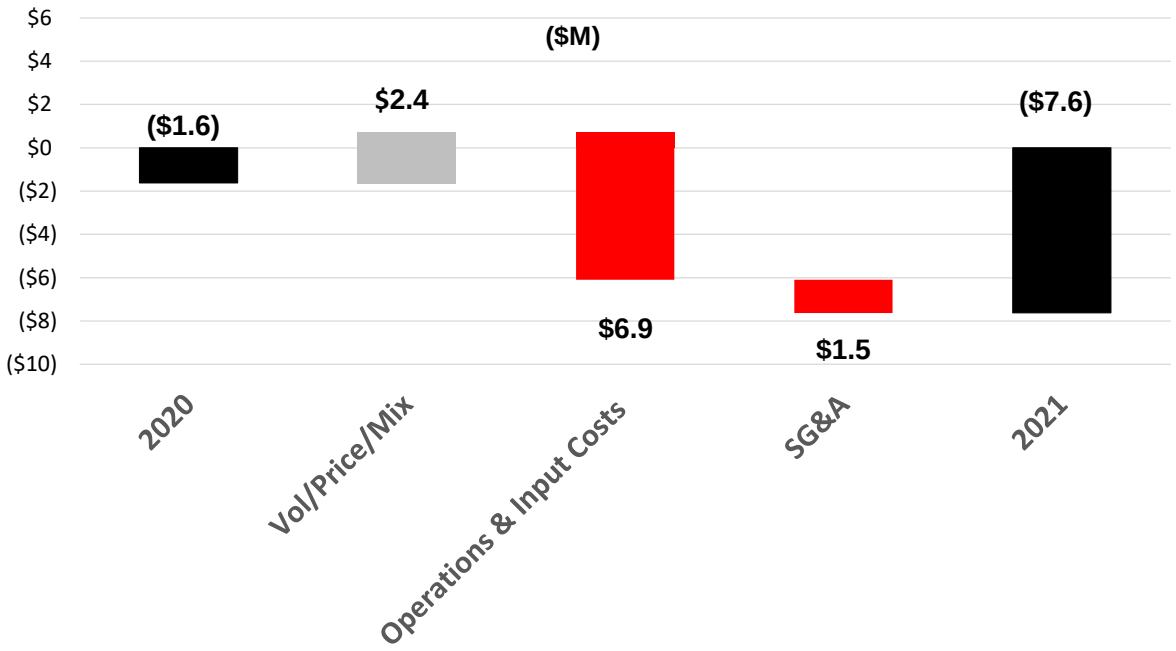
See reconciliation of non-GAAP measures in the Appendix.



KEY HIGHLIGHTS

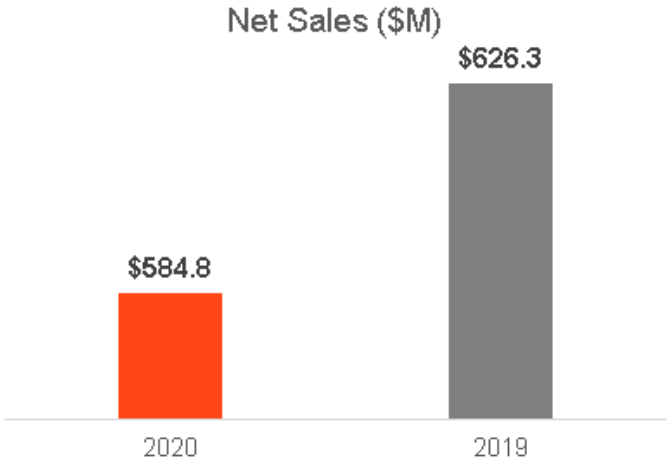
- Raw material inflation combined with higher domestic and ocean freight $4.9M in Q1; anticipate headwinds for full year
- Winter Storm Uri impacted plant operations for up to 3 weeks in midwestern/southern facilities and disrupted raw material availability ~ $2M in Q1 in input costs
- Modest duplicate cost due to finalization of South Gate closure in conjunction with opening of West Coast Distribution Center
- SG&A reflects sales investments, ad & promo expenses for new products and channels

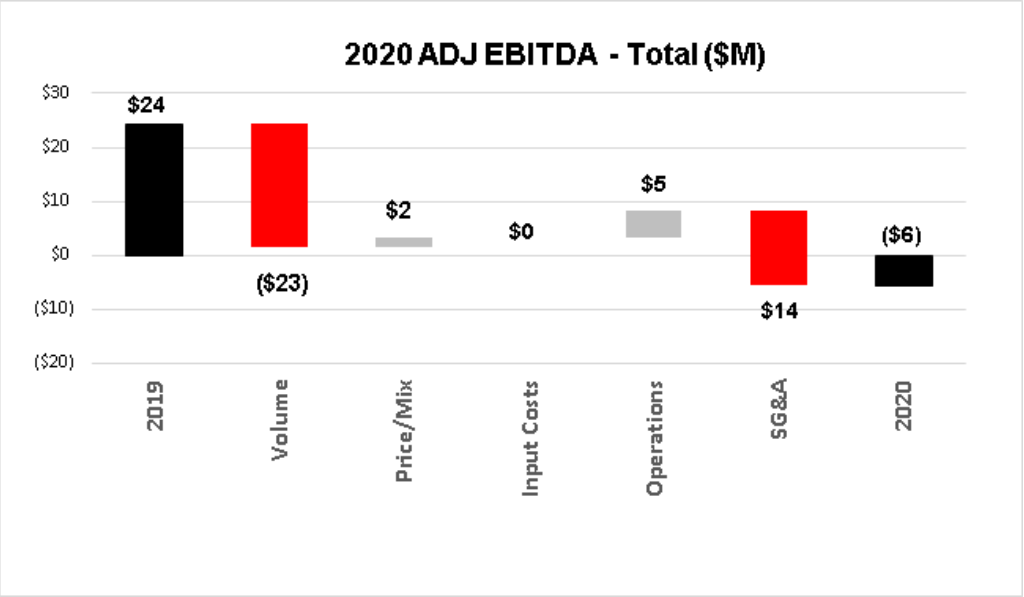
FIRST QUARTER ADJUSTED EBITDA



See reconciliation of non-GAAP measures in the Appendix.

FULL YEAR 2020 RESULTS





KEY HIGHLIGHTS

- COVID impact on volume particularly in commercial segments, most notably in Q2/Q3
- Higher price/mix reflect mid-year increases
- Input cost flat, one-time tariff benefit offsetting increased freight and raw materials
- Operations cost benefit mainly due to lower overhead from manufacturing footprint consolidation and operating improvements
- SG&A reflects loss of $19M TSA income benefit in 2019 and reduced advertising/promotional spend. Investments in sales force partially offset these benefits.

See reconciliation of non-GAAP measures in the Appendix.

CASH FLOW & CAPITAL RESOURCES

(Dollars in Millions)	Q1 2021	Q1 2020	YTD vs. 2020
Operating Cash Flow	**($28)**	($17)	($10)
Cap Ex, net	**(7)**	(8)	1
Proceeds from asset sales	**65**	-	65
Free Cash Flow	**$31**	($25)	$56

- Working capital use includes receivable build due to terms changes and timing, plus investments in inventory to improve delivery times and to facilitate plant consolidation
- Cap Ex continues to reflect targeted spend for key initiatives and plant consolidation, supporting transformation
- Proceeds from South Gate sale used for $20M long-term debt repayment; $30M revolving credit repayment
- Net Debt $36M at 3/31/2021 vs. $66M at 12/31/2020
- Available liquidity of $104M; $0 ABL borrowings at 3/31/2021

Note: Figures may not foot due to rounding

See reconciliation of non-GAAP measures in the Appendix.

2021 Outlook Commentary

- Transformation progress to expand, simplify and strengthen business will continue through 2021
- Large addressable market opportunity in residential and commercial
- EBITDA performance will continue to reflect SG&A investments in our transformation
- Inflation and freight/transportation headwinds anticipated to continue
- AFI is better positioned in geographic markets and product categories
- Significant opportunities to accelerate U.S. growth and cost efficiencies
- AFI is transforming to become leaner, faster growing and more profitable

APPENDIX

RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA

	Three Months Ended March 31,	
(In millions)	**2021**	**2020**
Net income (loss)	**$ 27.2**	$ (13.2)
Add-back (deduct):		
Income tax expense (benefit)	**(0.8)**	(0.3)
Other (income) expense, net	**(2.1)**	(0.4)
Interest expense	**3.5**	0.6
Operating (loss)	**27.8**	(13.3)
Add-back: Depreciation and amortization expense	**9.9**	10.6
Add-back: U.S. Pension expense	**0.2**	0.6
Add-back (deduct) Business reset items:		
Site exit costs	**0.5**	—
Additional costs related to business transformation initiatives	**—**	0.4
Gain on sale of South Gate property	**(46.0)**	—
Adjusted EBITDA	**$ (7.6)**	$ (1.6) (a)

(a) Does not total due to rounding.

Adjusted EBITDA is a non-GAAP financial measure and consists of net income (loss) adjusted to remove the impact of income taxes, other (income) expense, interest expense, depreciation and amortization, U.S. pension expense and business transformation costs. The Company's management believes Adjusted EBITDA is meaningful to investors because management reviews Adjusted EBITDA in assessing and evaluating performance. However, this measure should be considered in addition to, rather than as a substitute for net income (loss) provided in accordance with GAAP. The Company's method of calculating Adjusted EBITDA may differ from methods used by other companies and, as a result, Adjusted EBITDA may not be comparable to other similarly titled measures disclosed by other companies.

Note: Figures may not foot due to rounding.

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

	Year Ended December 31,	
(In millions)	2020	2019
Net (loss)	$ (63.6)	$ (58.5)
Add-back (deduct):		
Net earnings for discontinued operations	—	(10.4)
Income tax expense (benefit)	(0.8)	1.6
Other (income) expense, net	(4.8)	1.8
Interest expense	7.5	4.4
Operating (loss)	(61.7)	(61.1)
Add-back: Depreciation and amortization expense	42.9	50.7
Add-back: U.S. Pension expense	2.6	2.7
Add-back (deduct) Business reset items:		
Product rationalization	—	19.6
Strategic initiative costs (including executive transition)	0.7	8.3
Site exit costs	6.2	—
Additional costs related to business transformation initiatives	3.2	4.2
Gain on sale of Vicksburg property	(0.2)	—
Adjusted EBITDA	$ (6.3)	$ 24.4

Adjusted EBITDA is a non-GAAP financial measure and consists of net (loss) adjusted to remove the impact of discontinued operations, income taxes, other (income) expense, interest expense, depreciation and amortization, U.S. pension expense and business transformation costs. The Company‘s management believes Adjusted EBITDA is meaningful to investors because management reviews Adjusted EBITDA in assessing and evaluating performance. However, this measure should be considered in addition to, rather than as a substitute for net (loss) provided in accordance with GAAP. The Company's method of calculating Adjusted EBITDA may differ from methods used by other companies and, as a result, Adjusted EBITDA may not be comparable to other similarly titled measures disclosed by other companies.

Note: Figures may not foot due to rounding.

RECONCILATION OF NET CASH USED FOR OPERATING ACTIVITIES TO FREE CASH FLOW

	Three Months Ended March 31,	
(In millions)	**2021**	**2020**
Net cash used for operating activities	**$ (27.8)**	$ (17.1)
Less: Capital expenditures	**(7.0)**	(7.5)
Add: Proceeds from asset sales	**65.3**	—
Free cash flow	**$ 30.5**	$ (24.6)

Free cash flow is a non-GAAP financial measure and consists of net cash provided by (used for) operating activities less capital expenditures net of proceeds from asset sales. The Company's management believes Free cash flow is meaningful to investors because management reviews Free cash flow in assessing and evaluating performance. However, this measure should be considered in addition to, rather than a substitute for cash flows used for operating activities provided in accordance with GAAP. The Company's method of calculating Free cash flow may differ form methods used by other companies and, as a result, Free cash flow may not be comparable to other similarly titled measures disclosed by other companies.

RECONCILIATION OF NET LOSS TO ADJUSTED NET INCOME (LOSS)

	Three Months Ended March 31,	
(In millions)	**2021**	**2020**
Net income (loss)	**$ 27.2**	$ (13.2)
Add-back (deduct) business reset items:		
Site exit costs	**0.5**	—
Additional costs related to business transformation initiatives	**—**	0.4
Gain on sale of South Gate property	**(46.0)**	—
U.S. Pension expense	**0.2**	0.6
Other (income) expense, net	**(2.1)**	(0.4)
Tax impact of adjustments (at statutory rate)	**11.9**	(0.2)
Adjusted net (loss)	**$ (8.3)**	$ (12.7) (a)
Adjusted diluted (loss) per share	**$ (0.38)**	$ (0.58)

(a) Does not total due to rounding.

Adjusted net income (loss) is a non-GAAP financial measures and consists of net income (loss) adjusted to remove the impact of business transformation costs, U.S. pension expense, other (income) expense; and adjust such items for the related tax impacts. Adjusted diluted earnings (loss) per share is a non-GAAP financial measure and consists of Adjusted net income (loss) divided by weighted average diluted shares outstanding for the corresponding period. The Company's management believes Adjusted net income (loss) and Adjusted diluted earnings (loss) per share are meaningful to investors because management reviews Adjusted net income (loss) and Adjusted diluted earnings (loss) per share in assessing and evaluating performance. However, these measures should be considered in addition to, rather than a substitute for net income (loss) and diluted earnings (loss) per share provided in accordance with GAAP. The Company's method of calculating Adjusted net income (loss) and Adjusted diluted earnings (loss) per share may differ from methods used by other companies and, as a result, Adjusted net income (loss) and Adjusted diluted earnings (loss) per share may not be comparable to other similarly titled measures disclosed by other companies.

RECONCILIATION OF TOTAL DEBT TO NET DEBT

(In millions)	March 31, 2021	December 31, 2020
Total debt outstanding:		
Short-term debt	**$ 8.2**	$ 5.5
Current installments of long-term debt	**3.9**	2.9
Long-term debt, net of unamortized debt issuance costs	**40.9**	71.4
Total debt outstanding	**53.0**	79.8
Less: Cash and cash equivalents	**16.7**	13.7
Net Debt	**$ 36.3**	$ 66.1

Net debt is a non-GAAP financial measure and consists of total debt outstanding reduced by cash and cash equivalents. The Company‘s management believes Net debt is meaningful to investors because management reviews Net debt in assessing and evaluating performance. However, this measure should be considered in addition to, rather than as a substitute for total debt outstanding in accordance with GAAP. The Company's method of calculating Net debt may differ from methods used by other companies and, as a result, Net debt may not be comparable to other similarly titled measures disclosed by other companies.