Steelcase

A Global Leader with Room to Grow

Oct 09, 2024

General

SCS
NASDAQ

Rating
Outperform
Initiation

Current Price
$12.78

Target Price
$16.00

Market Capitalization
1.46B

Shares Outstanding
93.96M

Float
83.87M

Institutional Holdings
94.85%

12-Month Low/High
$10.29/$14.74

Average 90-Day Volume
620530

Fiscal Year End
02/23/2025

Revenues ($ MIL)

Period	2024A	2025E	2026E
Q1	751.9	727.3A	750.0E
Q2	854.6	855.8A	900.0E
Q3	777.9	790.0E	825.0E
Q4	775.2	835.0E	830.0E
	3,159.6	3,208.1E	3,305.0E

EPS ($)

Period	2024A	2025E	2026E
Q1	0.09	0.16A	0.13E
Q2	0.31	0.39A	0.44E
Q3	0.30	0.22E	0.26E
Q4	0.23	0.22E	0.27E
	0.93	0.99E	1.11E

Initiating Research Coverage. We are initiating research coverage of Steelcase Inc. with an Outperform rating and a $16 price target. Already the global leader in the office furniture marketplace, we believe there is a substantial opportunity to capture additional wallet share. The Company's research driven approach is a competitive differentiator, in our view.

Largest, But Room to Grow. Despite being the market leader, we believe Steelcase can benefit from a rising market share in a growing market. Steelcase's overall market share is relatively modest, providing opportunity for Steelcase to capture additional market share, while secular trends are driving overall growth in the market, with the worldwide Office Furniture space projected to grow at a 7.1% CAGR through 2032.

Margin Improvement. Through a combination of pricing initiatives, restructurings, and efficiency improvements, Steelcase has grown gross margin from a post-COVID low of 27.5% to 32.2% in fiscal 2024 and 34% in 1HFY25. The Company is in the early stages of implementing a $50 million cost reduction plan which also will provide earnings leverage.

Balance Sheet. Steelcase's balance sheet is a source of strength for the Company, in our opinion, providing stability through business cycles. As of August 23rd, cash and cash equivalents totaled $296.6 million. There was $39.2 million of short-term investments and an additional $171.3 million of cash value in Company-owned life insurance policies. Debt outstanding totaled $446.7 million.

Projections. For the fiscal third quarter, we are projecting revenue of $790 million, up modestly from $777.9 million in the year ago quarter. Gross margin is projected at 32.9%, slightly above the prior year's 32.4%. Operating expenses are projected to be $226 million compared to $206.5 million in the same period last year, which benefitted from a number of one-time gains. We are projecting Steelcase to report net income of $22.1 million, or $0.19 per share, versus $30.8 million or $0.26 per share last year. Adjusted EPS is estimated at $0.22 compared to $0.30 in the fiscal third quarter of 2024.

Equity Research
Joe Gomes, CFA, Managing Director, Equity Research Analyst, Generalist
561-999-2262, jgomes@noblecapitalmarkets.com, Connect on LinkedIn

Joshua Zoepfel, Research Associate - jzoepfel@noblecapitalmarkets.com

Noble Capital Markets, Inc.
Trading: (561) 998-5489 Sales: (561) 998-5491
noblecapitalmarkets.com | Follow Noble on LinkedIn

Refer to the last two pages for Analyst Certification & Disclosures

Initiation of Research Coverage

We are initiating research coverage of Steelcase Inc. with an Outperform rating and a $16 price target. Already the global leader in the office furniture marketplace, we believe there is a substantial opportunity to capture additional wallet share. Steelcase is benefitting from solid growth trends in verticals such as healthcare and education and a rebounding office market, in our view. The Company's research driven approach is a competitive differentiator, we believe. The Company possesses a solid balance sheet and is a strong cash flow generator, both of which assist the Company during cyclical down periods.

Company Overview

Steelcase offers a comprehensive portfolio of furniture and architectural products and services designed to help customers create workplaces that help people reach their full potential at work, wherever work happens. The Company operates on a global basis within its Americas and International reportable segments. Brands include Steelcase, AMQ, Coalesse, Designtex, HALCON, Orangebox, Smith System, and Viccarbe.

The Americas segment serves customers in the United States, Canada, the Caribbean Islands, and Latin America with a comprehensive portfolio of furniture, architectural, textile, and surface imaging products that are marketed to corporate, government, healthcare, education, and retail customers. Americas customers are served mainly through approximately 380 Steelcase independent and company-owned dealer locations and other non-aligned dealers. Steelcase also sells directly to end-use customers. End-use customers tend to be larger multinational, regional or local companies and are distributed across a broad range of industries, including education, financial services, flexible real estate, government, healthcare, information technology, insurance, manufacturing, and retail.

The International segment serves customers in Europe, the Middle East and Africa ("EMEA") and Australia, China, India, Japan, Korea, and other countries in Southeast Asia, with a comprehensive portfolio of furniture and architectural products that are marketed to corporate, government, education, and retail customers. International customers are served mainly through approximately 390 independent and company-owned Steelcase dealer locations and other non-aligned dealers. Steelcase also sells directly to end-use customers.

Business Segments - Fiscal Year

($ in millions)

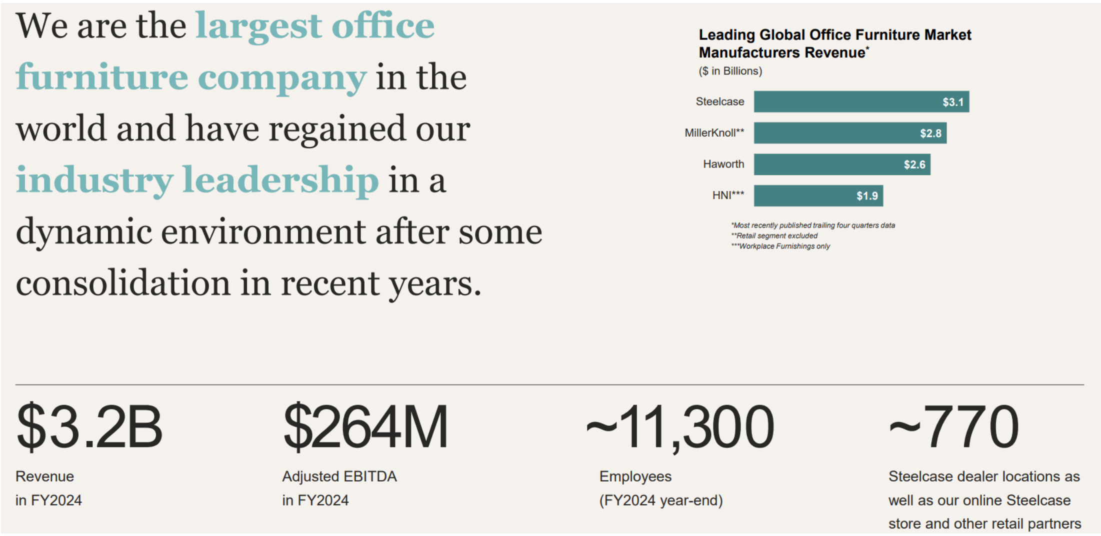
	FY2023		FY2024	
Region	**$**	**%**	**$**	**%**
Americas	$2,436.2	75%	$2,419.8	77%
International	$796.4	25%	$739.8	23%
Net sales	$3,232.6	100%	$3,159.6	100%

Source: Company reports

Investment Overview

Largest Office Furniture Company...

With fiscal 2024 revenue of $3.16 billion, Steelcase is the largest office furniture company in the world, as seen in the following table. Although industry level data is notoriously difficult to obtain in this space, based on market size estimates, Steelcase holds an approximate 6% share of the worldwide Office Furniture market.



Source: Company reports

...With Substantial Opportunity

Despite holding the leading position in the Office Furniture market, substantial opportunity for growth exists, in our opinion. As can be seen in the following table, Steelcase's market share in each of the verticals in the Americas region is relatively small, providing the Company the opportunity for growth by capturing additional market share. This can be done either through capturing additional share of wallet with existing customers or by adding new accounts, both of which Steelcase is well positioned to do, in our view. We believe similar opportunity exists in the International market.

Customer Segments — *Americas*

Customer	Description	Primary Brands	Total Addressable Market Size (~$B)	FY23 Estimated Steelcase Market Share	FY20 – FY23 Revenue CAGR	FY24 Revenue Growth Target	Mid-Term Target Revenue CAGR
Large Corporate	>500 employees	Steelcase, Viccarbe, HALCON, Orangebox, Coalesse, ancillary partners	$7.0	~12%	-13%	-MSD%	+MSD%
Small + Medium Businesses	<500 employees	Steelcase, AMQ	$3.5	~10%	Flat	+HSD%	+HSD%
Government	Federal, state, and local	Steelcase, Viccarbe, HALCON, Orangebox, Coalesse, ancillary partners	$3.4	~6%	Flat	+LSD%	+LSD%
Education	K–12 and postsecondary	Steelcase, Steelcase Learning, Smith System	$4.0	~10%	+4%	+LDD%	+LDD%
Healthcare	Large systems to regional clinics	Steelcase, Steelcase Health	$2.5	~10%	-6%	+LDD%	+HSD%
Consumer	Individuals	Steelcase	$4.6	~2%	+65%	Flat	+HSD%

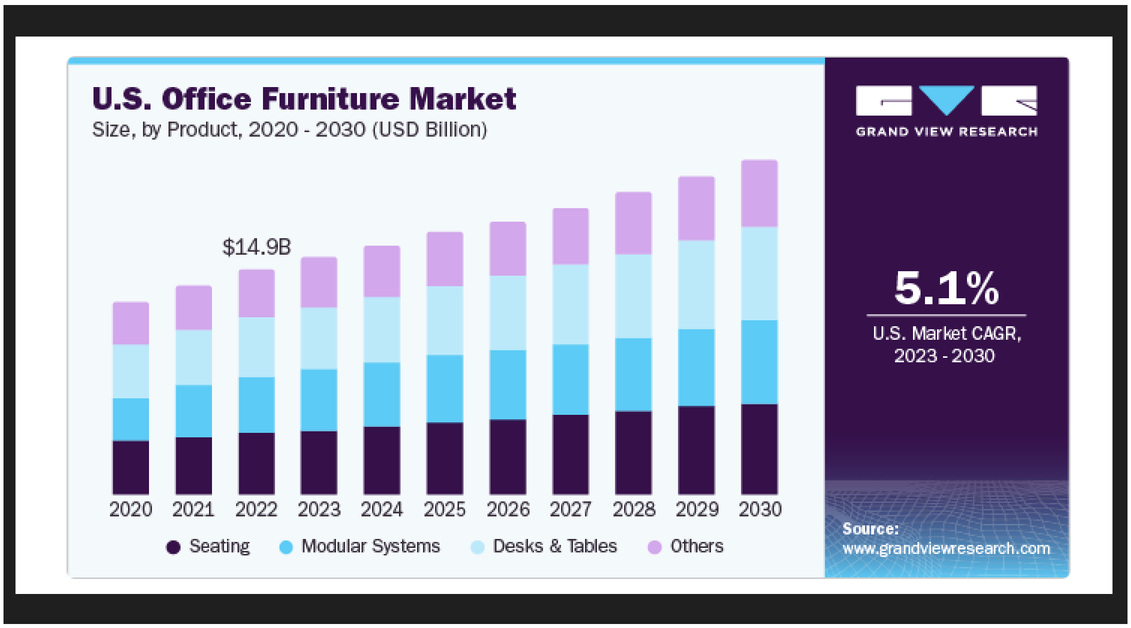
Total Addressable Market based on internal estimates

LSD = Low Single-Digit %, MSD = Middle Single-Digit %, HSD = High Single-Digit %, LDD = Low Double-Digit %

Source: Company reports

Growing End Markets

Steelcase also will benefit from growing end markets. As seen in the following chart, the U.S. Office Furniture market is projected to grow at a 5.1% CAGR through 2030 to approximately $23 billion from $15 billion in 2022. Growth is being driven by demand for flexible, modular furniture solutions, which is being driven by the rise in remote and hybrid work models. Secular macro cyclical drivers are also painting a favorable picture, with such measures as office-based employment, CEO confidence, the consensus construction forecast, and the Architects Billing Index, neutral or trending positive. Office occupancy also is trending positive, as recent headlines are full of stories of companies requiring employees to return to office for work. Similar trends are occurring, to varying degrees, in the $54 billion International Office Furniture market which is projected to grow to $100 billion by 2032, a 7.1% CAGR.



Source: Grandview Research

A number of trends are driving projected growth in the Office Furniture market. The Education market is being driven by strong federal funding in the U.S. and aging facilities worldwide, driving the need for investment in this vertical. Similar themes are occurring in the Healthcare space, with a dramatic rise in aging population fueling healthcare spending, including investment in new facilities and more outpatient care settings. In the traditional Office Furniture market, return to work, a move to more privacy, and a growing office workforce are all contributing to a need for office furniture. In addition, the rapid creation of IT parks and commercial zones has increased the number of corporate offices, resulting in a need for office furniture. Organizations are also creating informal office areas to improve colleague communications, collaborative environments, and social connections.

The opportunity to capture additional market share in a growing market is a dual positive for Steelcase, in our opinion.

Diversified Supplier

Steelcase provides a comprehensive portfolio of furniture and architectural products for individual and collaborative work across a range of price points. The Company's furniture portfolio includes furniture systems, seating, storage, fixed and height-adjustable desks, benches and tables and complementary products such as work accessories, lighting, mobile power and screens. Seating products include task chairs which are highly ergonomic, seating that can be used in collaborative environments and casual settings, and specialty seating for specific vertical markets such as education and healthcare. Interior architectural products include full and partial height walls and free-standing architectural pods. Steelcase also offers services designed to enhance the performance of people, space and real estate. These services include workplace strategy consulting, lease origination services, and furniture and asset management. The following table breaks out revenue by product segment.

Sales by Product Category

($ in millions)

	FY2020		FY2021		FY2022		FY2023		FY2024	
Product	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Americas										
Desking, benching	$1,377.5	37%	$912.0	35%	$903.3	33%	$1,089.7	34%	$1,059.4	34%
Seating	$784.2	21%	$559.4	22%	$583.2	21%	$692.4	21%	$643.6	20%
Other	$511.2	14%	$377.1	15%	$508.6	18%	$654.1	20%	$716.8	23%
International										
Desking, benching	$318.0	9%	$246.2	9%	$271.0	10%	$262.5	8%	$255.6	8%
Seating	$329.7	9%	$255.0	10%	$283.8	10%	$290.0	9%	$261.8	8%
Other	$403.1	11%	$246.5	9%	$222.8	8%	$243.9	8%	$222.4	7%
	$3,723.7	100%	$2,596.2	100%	$2,772.7	100%	$3,232.6	100%	$3,159.6	100%

Source:Company reports

In addition to the Steelcase brand and extensions such as Steelcase Learning, which works with leading educational institutions to create places that enhance the success, outcomes and well-being of students, educators, and administrators, and Steelcase Health, which works with leading healthcare organizations to create places that deliver greater connection, empathy, and well-being for those involved in the experience of healthcare, the Company's brands include:

AMQ — AMQ offers high-quality, affordable products for collaborative environments, training rooms, private offices, and workstations, including height-adjustable desking and benching, seating, screens and storage. AMQ specializes in a 30-day design-to-installation customer experience, with adaptable and modern designs that fit contemporary, active office spaces, ideal for small and mid-sized businesses.

Coalesse — Coalesse creates thoughtful furnishings that bring new life to the modern workplace and ancillary settings. The brand blends beauty and utility into its designs to help customers make great spaces that inspire great work by empowering social connection, creative collaboration, focus and rejuvenation.

Designtex — Designtex offers applied materials that enhance environments and is a leading resource for applied surfaces knowledge, innovation and sustainability. Designtex products include premium fabrics and surface materials, and imaging solutions designed to enhance seating, walls, workstations and floors.

HALCON — HALCON is a designer and manufacturer of precision-tailored wood furniture for the workplace. HALCON specializes in custom wood and executive-level tables, credenzas, and desks.

Orangebox — Orangebox is a designer and manufacturer of furniture, soft seating, and free-standing architectural pods for the changing workplace with a focus on "Smartworking" solutions: furniture and architecture that fosters collaboration while providing contemporary aesthetics, visual and acoustical privacy and commercial-grade performance.

Smith System — Smith System is a leading designer and manufacturer of high-quality furniture for the pre-K-12 education market. Smith System offers desking, seating, lounge and storage products.

Viccarbe — Viccarbe offers contemporary furniture for high-performance collaborative, and social spaces, including contract, hospitality, retail and outdoor settings.

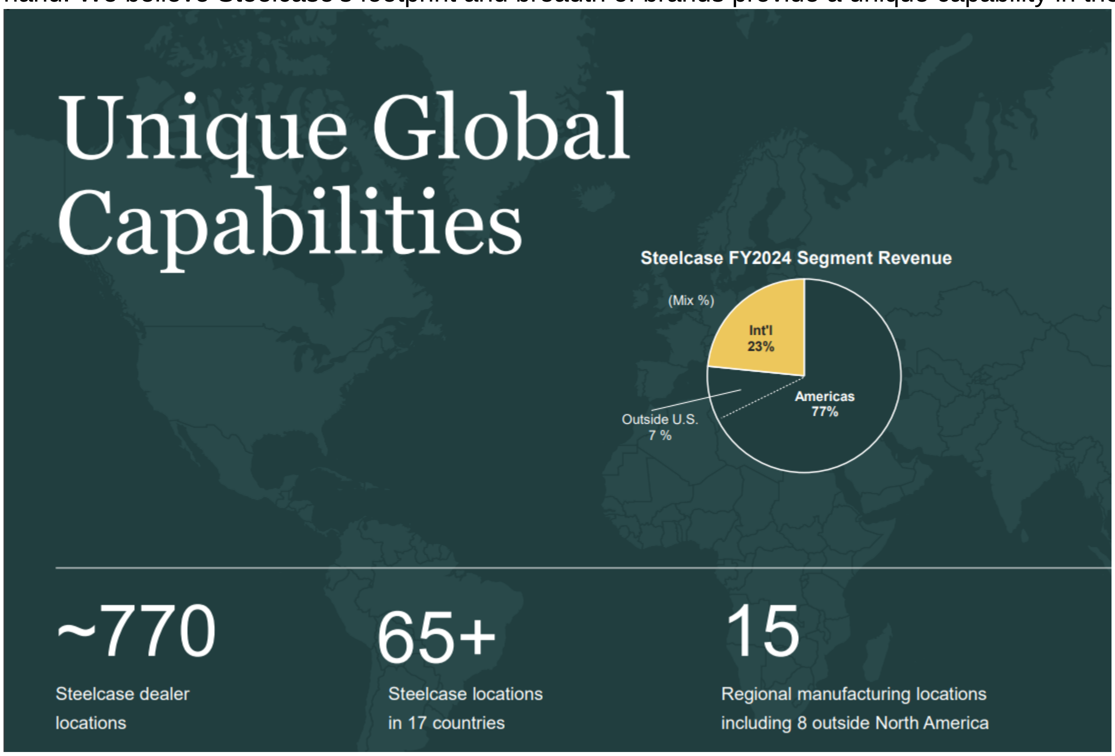
Research Focus

A key competitive differentiator, in our view, is Steelcase's focus on research to develop products that help clients transform their workplaces to increase employee engagement and productivity. Steelcase combines in-house R&D with collaboration with leading research organizations, universities, companies, and design firms, many of which are exclusive to Steelcase. Recently, the Company has completed 15 primary workplace studies across 11 countries and including over 69,000 employees. Steelcase leverages insights from user-centered research to help customers create high performing and sustainable work environments. In fiscal 2024, Steelcase spent $48.2 million on Research and Development activities and over the past ten years the Company has spent an average of $44 million on annual R&D efforts.

Unique Global Capabilities

With about one-quarter of revenue derived outside of the Americas, Steelcase has some unique global capabilities, in our view. About half of the dealer network is located outside the Americas region. Steelcase has manufacturing and distribution operations throughout North America (in the U.S. and Mexico), Europe (Czech Republic, France, Germany, Spain, and the U.K.) and in Asia (China, India, and Malaysia.)

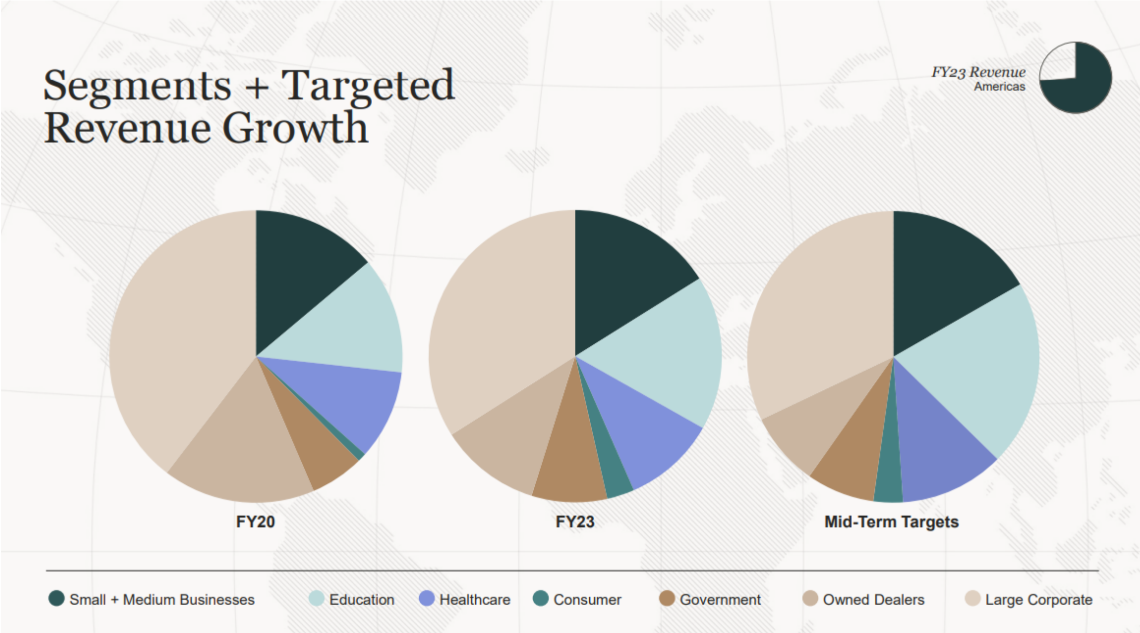
The Company's manufacturing model is predominately make-to-order with standard lead times that typically range from four to six weeks. Steelcase employs lean manufacturing principles, including continuous one-piece flow and platformed processes and products, which allow the Company to achieve efficiencies, and cost savings and minimize the amount of inventory on hand. We believe Steelcase's footprint and breadth of brands provide a unique capability in the space.



Source: Company reports

Diversifying Customers and Markets Served

A key element of Steelcase's strategy is to diversify the customers and end markets served from the Company's historical focus on the corporate office space, which traditionally represented over 50% of revenue. As seen in the following chart, management is focused on expanding the contribution from the Education and Healthcare segments, in particular. Notably, these are two of the faster growing segments in the furniture space. Notably, there is some margin differential in product sold to various verticals and growth in higher yielding verticals, such as education, will benefit overall margins.



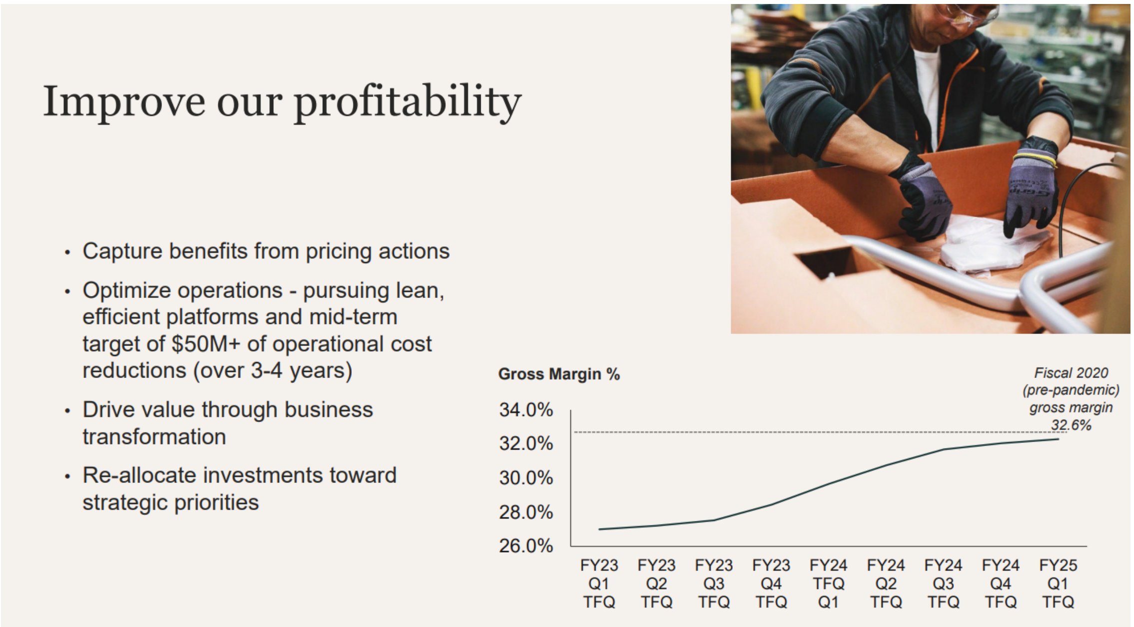
Source: Company reports

Dealer Network

We believe the extensive dealer network provides the Company with an advantage in the office furniture market. Steelcase operates through a network of some 770 dealers, the vast majority of which are independently owned and operated. There are approximately 380 dealers in the Americas area and 390 in the International area. Each of the dealers maintains its own sales force which is complemented by in-house sales representatives who work closely with dealers throughout the selling process. The largest independent Steelcase dealer in the Americas accounted for approximately 6% of the segment's revenue in 2024, and the five largest independent Steelcase dealers collectively accounted for approximately 16% of the segment's revenue in 2024. The largest independent Steelcase dealer in the International segment accounted for approximately 3% of the segment's revenue in 2024. The five largest Steelcase independent dealers collectively accounted for approximately 10% of the segment's revenue in 2024.

Improving Financial Performance

Following the events of the past couple of years, including COVID, supply chain disruption, and significant inflation, Steelcase is responding with efforts to improve corporate profitability, taking a number of actions to increase both gross margins and reduce operating expenses. Since fiscal 2022, the Company implemented six pricing actions over an 18-month period to offset inflation. Better sourcing and technical changes also benefitted gross margin. As highlighted below, gross margin has been restored to pre-pandemic levels, but we believe there is additional opportunity to grow gross margin further. We would note that in the first six months of fiscal 2025 gross margin was 34%, compared to 32.4% in the first six months of fiscal 2024.



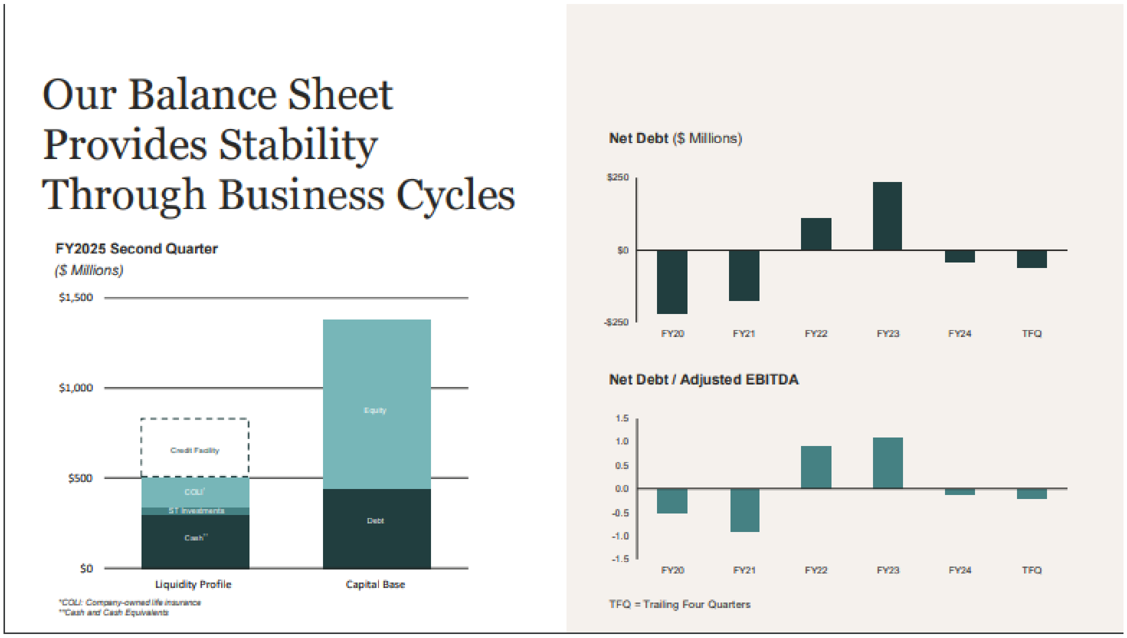
Source: Company reports

Similarly, management is focused on reducing operating expenses. Over the past ten years, operating expenses as a percentage of revenue have averaged 26.4%. Management is implementing a $50 million cost reduction plan, the benefits of which are just beginning to flow through which will ultimately have a positive impact on earnings leverage.

Balance Sheet

Steelcase's balance sheet is a source of strength for the Company, in our opinion, providing stability through business cycles. As of August 23rd, cash and cash equivalents totaled $296.6 million. There was $39.2 million of short-term investments and an additional $171.3 million of cash value in Company-owned life insurance policies. In total, that's over $500 million of liquidity. We would note the Company had an additional $53.6 million of investments in unconsolidated facilities as of August 23rd.

During normal business conditions, management targets a range of $75 million to $175 million for cash and cash equivalents to fund operating requirements. The "excess" cash balance at present provides Steelcase with significant flexibility to fund any organic growth opportunities, potential acquisitions, increase the dividend, or continue to repurchase shares.



Source: Company reports

At the end of the fiscal second quarter, long-term debt totaled $446.7 million. Interest rate of the debt is an effective 5.6%. There are no principal obligations on the debt during 2025 through 2028 with $446.3 million due in 2029. Interest obligations on the debt are estimated to be approximately $23 million in each year until maturity. Steelcase has an unused $300 million credit facility also available.

Dual Class Structure

We would point out Steelcase has a dual class structure, a remnant of its IPO. As of the end of the fiscal second quarter there were 94 million Class A shares outstanding and 20 million Class B shares outstanding. The Class B shares, generally speaking, are held by members of the founding families.

Each share of Class A Common Stock entitles its holder to one vote, and each share of Class B Common Stock entitles its holder to 10 votes. Each share of Class B Common Stock is convertible into a share of Class A Common Stock on a one-for-one basis (i) at the option of the holder at any time, (ii) upon transfer to a person or entity which is not a Permitted Transferee (iii) with respect to shares of Class B Common Stock acquired after February 20, 1998, at such time as a corporation, partnership, limited liability company, trust or charitable organization holding such shares ceases to be controlled or owned 100% by Permitted Transferees and (iv) on the date on which the number of shares of Class B Common Stock outstanding is less than 15% of all of the then outstanding shares of common stock. Currently, Class B shares account for about 18% of the outstanding.

Cash Flow

Historically, Steelcase has generated solid cash flow from operations and free cash flow, as seen in the following table. Over the past decade, even through the typical cyclicality, average annual CFFO was $152 million and average annual FCF was $82 million. The negative CFFO in FY2022 reflects a significant increase in inventories as challenges in shipping in obtaining raw materials forced many furniture companies to increase inventories. Through the first six months of fiscal 2025, CFFO totaled $49 million.

Annual Cash Flows

($ in '000,000)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
CFFO	84.2	186.4	170.7	227.0	131.2	360.8	64.8	(102.6)	89.4	308.7
CapEx	97.5	93.4	61.1	87.9	81.4	73.4	41.3	60.5	59.1	47.1
FCF	(13.3)	93.0	109.6	139.1	49.8	287.4	23.5	(163.1)	30.3	261.6

Source: Company reports

FCF has been used to finance five acquisitions since 2017, as well as to pay dividends and repurchase shares. While the annual dividend has fluctuated with the amount reduced during COVID, the Company currently pays an annual dividend of $0.40, representing a 3% annual yield. In terms of share repurchases, the Company typically attempts to offset dilution while also being opportunistic in repurchasing shares. In fiscal 2024, Steelcase used $4.2 million to repurchase shares, although the 10-year average used to repurchase shares was approximately $24 million. In the first six months of fiscal 2025, the Company spent $30.3 million on share repurchases. The Company had approximately $85 million of repurchase authorization remaining as of the end of the fiscal second quarter.

Operating Overview and Projections

As the Company continues with its restructuring actions and cost initiative programs, the impact is revealing itself in the Company's results. The fiscal second quarter showed an improvement in revenue but an improvement in gross margin as well. The Company's Smith System business resulted in growth in the education segment, improving revenue year-over-year. Steelcase's 34.5% gross margin outshines the previous year of 33.2% as the Company continues with its cost reduction initiatives with support from its operating efficiency. Management is seeing opportunities in areas such as health, small to mid-sized businesses, and government which could potentially build a larger pipeline, which we believe can allow the Company to continue to build on its already good performance.

An item of note is the Company's new ERP system expected to start in the beginning of next year, as management noted that customers and dealers may request shipments earlier in advance of the cutover from the previous system or after. This could lead to business being pushed to the left from Q1 of next year to Q4 of this year or pushed more into next year.

Revenue for the second quarter was $855.8 million, an increase of $1.2 million from the prior year, as strong growth in the Company's education business was partially offset by a decline from the impact of a divestiture. The quarter showed 2% organic revenue growth as well. Management expects its Smith Systems business to continue to post positive results as school districts are issuing bonds for new construction or modernization.

Steelcase's Americas segment had revenue of $688.0 million, an increase of $8.7 million from $679.3 million the prior year. This was due to higher volume partially offset by the divestiture. The International segment's revenue decreased $7.5 million to $167.8 million from $175.3 million as declines in China, the U.K., Germany and Southeast Asia offset growth in the Middle East and India. Lower volume and lower pricing impacts also impacted the top line.

Cost of sales for the quarter improved by roughly 140bps compared to the same period last year. Favorable business mix and benefits from cost reduction initiatives, including the Company's restructuring actions, and operational performance offset the higher variable compensation expense of $4.6 million. Gross margin for the quarter increased to 34.5% from 33.2% in the prior year as a result of the improvement in cost of sales.

Steelcase's operating expenses decreased $30.8 million in the second quarter, which reflected a $42.1 million gain on the sale of land, $4.6 million of lower spending, a $4.3 million decrease from a divestiture, and higher variable compensation expense of $9.8 million. Expenses related to the Company's transformation initiative were higher employee costs of $3.3 million and $2.2 million of higher IT costs. We expect these expenses to continue as the Company's continues its transformation initiative. The

Company recorded restructuring costs of $2.2 million in the second quarter compared to $7.9 million last year. Operating Income for the quarter was $90.0 million compared to $41.0 million last year, with adjusted operating income totaling $68.5 million compared to $53.3 million.

For the segments, the Americas segment's operating income increased $42.0 million to $102.0 million from $60.0 million, driven by a sale of land gain of $30.7 million, gross margin improvement, and strong results from the education business. For the International segment, its operating loss of $12.0 million was an improvement from a loss of $19.0 million the prior year due to lower restructuring costs and lower spending, partially offset by lower revenue and higher variable expense.

Net income totaled $63.1 million, or $0.53 per diluted share, compared to $27.5 million or $0.23 in the previous year. The largest impact was from the gain from the sale of land, impacting net income by $21.2 million or EPS of $0.17. Adjusted EPS for the quarter was $0.39 versus $0.31 in the prior year. Adjusted EBITDA was $89.5 million, or a margin of 10.5%, compared to $77.0 million or 9.0% last year.

Projections

At the end of the second quarter, the company's backlog was approximately $680 million, which was approximately flat compared to the prior year and contained a higher percentage of orders expected to ship within ninety days compared to the prior year. For the fiscal third quarter, we are projecting revenue of $790 million, up modestly from $777.9 million in the year ago quarter. Gross margin is projected at 32.9%, slightly above the prior year's 32.4%. Operating expenses are projected to be $226 million compared to $206.5 million in the same period last year, which benefitted from a number of one-time gains. We are projecting Steelcase to report net income of $22.1 million, or $0.19 per share, versus $30.8 million or $0.26 per share last year. Adjusted EPS is estimated at $0.22 compared to $0.30 in the fiscal third quarter of 2024.

For the full fiscal year, we are projecting revenue of $3,208.1 million, reported net income of $118.7 million, or EPS of $1.00, adjusted EPS of $0.99, and adjusted EBITDA of $271.8 million.

Key Officers and Directors

Sara Armbruster — President and CEO — Ms. Armbruster has been Steelcase President and Chief Executive Officer since 2021. She served as Executive Vice President during 2021 and as Vice President, Strategy, Research and Digital Transformation from 2018 to 2021. Ms. Armbruster joined Steelcase in 2007. Before joining Steelcase, Ms. Armbruster served as Vice President of Business Development at Banta Corporation, a publicly traded global printing and supply chain services company, where she led strategy development and managed all merger and acquisition activity. Ms. Armbruster also worked for McKinsey & Company in Boston, Massachusetts, and Andersen Consulting in New York City. Her consulting experience spanned industries and included work in North America, Europe, and Asia.

David Sylvester — Chief Financial Officer — Mr. Sylvester is Senior Vice President, Chief Financial Officer. Named to this role in April 2011, Mr. Sylvester previously served as Vice President, Chief Financial Officer and took responsibility for global facilities and real estate and Steelcase aviation. Previously, Mr. Sylvester was Vice President, Operations Finance, responsible for Operations Finance in North America and internationally. Mr. Sylvester began his Steelcase career in 1995 as Manager, Financial Reporting and Planning. In 1998 he became Director and Assistant Controller, Corporate Finance, for Steelcase Inc., primarily responsible for all internal and external financial reporting and analysis. In 1998, Mr. Sylvester helped Steelcase Inc. with the transition to becoming a publicly traded company. Before joining Steelcase, Dave held several audit positions with PriceWaterhouseCoopers.

Alessandro Centrone — President Steelcase EMEA — Mr. Alessandro began his Steelcase journey in 2012, responsible for teams of workplace specialists that catered to the needs of customers, designers, and dealer partners across markets. After six years of leading sales, he assumed the role of Vice President Marketing for EMEA, during which he worked on integrating new brands and partners, and on translating customer needs, trends, and insights into products and solutions for Steelcase's comprehensive product portfolio. Prior to joining Steelcase, Mr. Centrone held leadership roles at Sedus, Renault Italy, and Arthur Anderson.

Peter Lewchanin — President APAC — Peter Lewchanin is President, APAC, where he is responsible for Steelcase's activities in Asia Pacific. Previously, Mr. Lewchanin was Vice President of Corporate Strategy for Steelcase, where he was responsible for driving global strategic initiatives and corporate business development activities. Before that, he was President of PolyVision where he oversaw restructuring and turnaround efforts and the eventual divestiture of the company from Steelcase to a private equity firm in 2000. Prior to this, Peter served as Chief Financial Officer of PolyVision, where he was responsible for financial planning, operations finance, supply chain, and accounting compliance. Before joining Steelcase, Mr. Lewchanin worked as Controller for Revolution LLC, a venture capital firm in Washington, DC where he oversaw finance and treasury functions. Earlier, he was Assistant VP of finance for Oldcastle in Atlanta, Georgia, where he was responsible for various financial reporting and planning functions, M&A activities, and value creation plans. Mr. Lewchanin started his career as an associate with KPMG.

Allen Smith, Jr. — President Americas — Mr. Smith is Senior Vice President, President, Americas, and Chief Product Officer in the office furniture industry. In this dual role, Mr. Smith provides regional leadership and accountability for the Americas, focused on strategy, execution and profitability, and leads the design and development of innovative and competitive products. Formerly, Mr. Smith served as Chief Revenue Officer from October 2021 – February 2024, where he oversaw all revenue-generating business functions globally within the company, including Steelcase Workspace Futures, Global Design and Product Engineering, Marketing, Communications, and Sales. His team was responsible for developing insights about the future of work and applying those insights to ensure new, relevant products are brought to market to meet emerging customer needs. Prior to that, Mr. Smith held a variety of roles including Vice President, Global Marketing for Steelcase, where he oversaw and led all marketing functions and teams globally, including curating the worldwide product portfolio for all brands, product and lifecycle management, product development and launch, communications and branding.

Connie Duckworth — Director — A Director since 2010, Ms. Duckworth was Chairman and Chief Executive Officer of ARZU, Inc., a non-profit organization that empowered Afghan women weavers by sourcing and selling the rugs they weave, from 2003 to 2019. She retired as a Partner and Managing Director of Goldman, Sachs & Co. in 2001 following a 20-year career at that firm.

Timothy Brown — Director — Mr. Brown has been Chair Emeritus of IDEO LP, a global innovation and design firm, since March 2024 and Vice Chair of kyu, a collective of creative organizations, since 2020. He was Chief Executive Officer and President of IDEO from 2000 to 2019, and his other roles at IDEO include Chair (2023 to 2024), Co?Chair (during 2023), Chair and Co-Chief Executive Officer (2022 to 2023) and Executive Chair (2019 to 2022).

Jennifer Newman — Director — Ms. Niemann has been President and Chief Executive Officer and the majority owner of Forward Space, LLC, an independent Steelcase dealership, since 2014. From 1992 to 2014, she held various positions at Steelcase, including Chief Executive Officer of Red Thread, a Steelcase-owned dealership, from 2011 to 2014.

Robert Pew — Director — Mr. Pew has been a private investor since 2004. From 1974 to 1984 and from 1988 to 1995, he held various positions at Steelcase, including President, Steelcase North America and Executive Vice President, Operations. From 1984 to 1988, Mr. Pew was a majority owner of an independent Steelcase dealership.

Linda Williams — Director — Ms. Williams has been Vice President, Global Head of FP&A Finance, Google Cloud of Google LLC since January 2024. She served as Vice President, Global Head of Go-to-Market Finance, Google Cloud of Google from 2021 to 2024. Prior to joining Google, she was with Hewlett Packard Enterprise (and its predecessor companies) from 1997 to 2021, serving as Senior Vice President, HPE Products and Services Chief Financial Officer in 2021, Chief Audit Executive and Vice President of Enterprise Risk Management from 2019 to 2021, and Vice President and Chief Financial Officer, HPE Pointnext Services Division from 2015 to 2019.

Ownership

The following table highlights key holders of SCS shares. Note the B shares holders, which, generally speaking, remain in the hands of the founding families. We would anticipate the outstanding B shares to eventually convert to A shares, eliminating the dual share class structure.

Steelcase Major Stock Holders

Holder	Class A Shares	Percent	Quarterly Change	Class B Shares	Percent	Change	Date	Form
Fifth Third Bancorp	4,647,635	5.0%		8,325,465	41.1%		5/29/2024	DEF 14A
Anne Hunting	242,487	0.0%		4,351,970	21.5%		5/29/2024	DEF 14A
Vanguard Group	9,765,893	10.4%	90,959	0	0.0%		5/29/2024	DEF 14A
BlackRock	8,873,221	9.5%	(316,835)	0	0.0%		5/29/2024	DEF 14A
Pzena Investment Management	7,843,245	8.4%	33,024	0	0.0%		5/29/2024	DEF 14A
Officers & Directors								
Kate Wolters	255,308	0.0%		5,731,354	28.3%		5/29/2024	DEF 14A
Robert Pew III	182,992	0.0%		4,815,754	23.8%		5/29/2024	DEF 14A
Jennifer Niemann	54,055	0.0%		2,079,131	10.3%		5/29/2024	DEF 14A
Other Directors/Officers	2,165,420	2.3%		12,626,239	62.3%		5/29/2024	DEF 14A

Source: SCS proxy and NASDAQ

Company Profile

Founded in 1912 and publicly traded since 1998, Steelcase is the world's largest office furniture company. Through a network of 770 independent and wholly-owned dealers, Steelcase provides a comprehensive portfolio of furniture and architectural products for individual and collaborative work across a range of price points. The Company's furniture portfolio includes furniture systems, seating, storage, fixed and height-adjustable desks, benches and tables and complementary products such as work accessories, lighting, mobile power and screens. Steelcases's family of brands that includes Steelcase, AMQ, Coalesse, Designtex, HALCON, Orangebox, Smith System and Viccarbe.

Steelcase employs a research and analytical driven approach towards helping people reach their full potential at work, wherever work happens. The Company focuses on translating research-based insights into products, applications, and experiences that help organizations around the world amplify the performance of their people, teams, and enterprises. Steelcase helps customers create office, healthcare, and educational environments that support attraction and retention of talent, employee well-being and engagement, organizational culture and productivity, and other needs of employees. Steelcase's global scale and reach allows for a consistent experience to global customers while offering local differentiation through a local dealer network and tailored solutions.

In fiscal 2024 (ended February 23, 2024), Steelcase generated revenue of $3.16 billion and net income of $81.1 million or EPS of $0.68. Adjusted EPS was $0.93. During fiscal 2024, the Americas accounted for 76.6% of consolidated revenue and the International business 23.4%.

Fundamental Analysis 4.0/5.0 checks

Our fundamental assessment rating, separate from our investment rating and valuation, is based on five attributes. We assign 4.0 checks out of 5.0 checks, which falls within our "Above Average" range. In terms of Governance, all directors are elected annually and eight of the ten Directors are independent. The Chairman and CEO positions are separated, with an independent Chairman. Executive compensation is driven by a pay-for-performance philosophy. There are stock ownership guidelines for executive officers and Directors. Directors cannot be reappointed once they have reached 75 years old. Offsetting these positives are a dual class structure with 93.8 million Class A shares outstanding as of May 3, 2024 and 20.27 million Class B shares outstanding. The Class B shares have 10 votes per share, with the Class B shares effectively controlling the Company.

From a business perspective, we believe Steelcase can use its already market leading position to capture additional market share, driving revenue higher. The Company has a goal of reducing costs by $50 million over the next couple of years which should drive margins higher. The capital structure remains a source of strength, in our view, with cash and the cash value of the Company owned life insurance exceeding debt. Historically, cash flow has been solid and we expect this to continue. On the negative side, the office furniture sector is competitive and subject to cyclicality based on the overall economy.

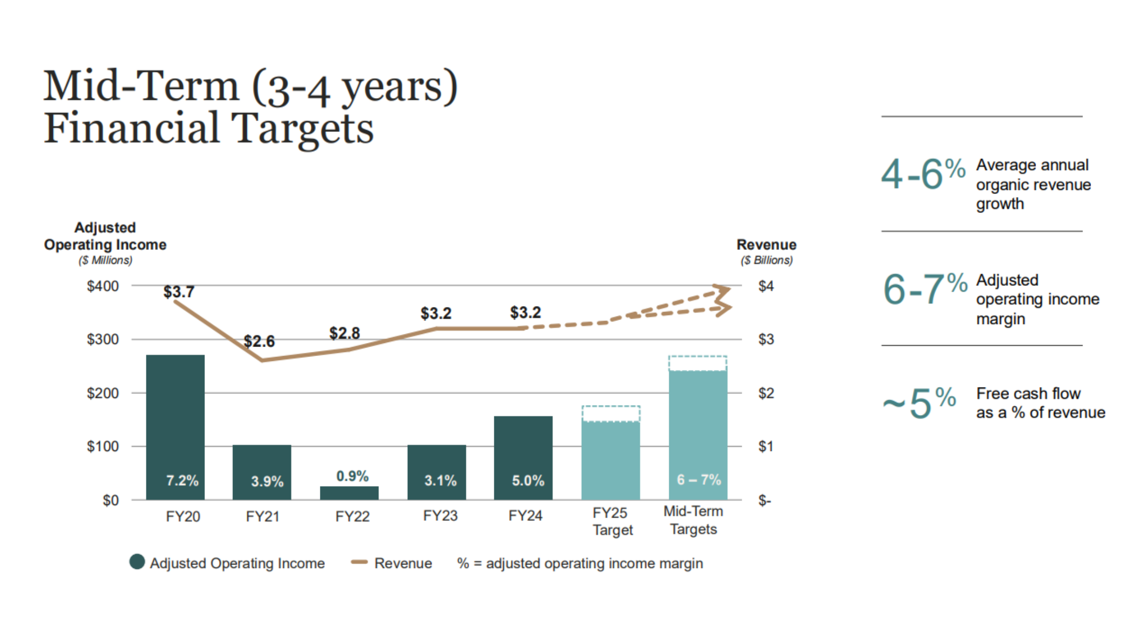
Valuation Summary

We are initiating research coverage of Steelcase Inc. with an Outperform rating and a $16 price target. Already the global leader in the office furniture marketplace, we believe there exists substantial opportunity to capture additional wallet share. The Company's research driven approach is a competitive differentiator, in our view.

At our target price, SCS shares would trade at 16.2x projected fiscal 2025 EPS, 7.5x EV/projected fiscal 2025 adjusted EBITDA, and 0.64x EV/projected fiscal 2025 revenue. If we also subtracted out the cash value of Company owned life insurance from our EV calculation, the EV multiples would decline to 6.9x adj. EBITDA and 0.59x revenue. Historically, SCS shares have traded in the 14-15x EPS range and about 7x on an EV/adjusted EBITDA range.

There is not a solid peer group to Steelcase. The closest competitor is MillerKnoll, which trades at 27x 2024 projected EPS, 8.5x EV/projected 2024 adjusted EBITDA, and 0.90x EV/projected 2024 revenue. If we expand the peer group out to include firms that provide various products to other companies, such as Pitney Bowes, ARC Document, and ACCO, the group trades at an average 12x 2024 projected EPS, 5.2x EV/projected adjusted EBITDA, and 0.83x EV/projected 2024 revenue.

Longer term, we believe Steelcase will benefit from expanding margins over a higher revenue base. Management's near-term financial goals are highlighted in the following chart. We believe the 6-7% adjusted operating margin is a conservative goal as the Company has come close to the 7% level in the past and is in the midst of implementing $50 million of cost savings.



Source: Company reports

To illustrate what achieving these goals could mean to Steelcase, we would point to fiscal 2020 results (calendar 2019). The Company generated $3.7 billion of revenue, a 32.6% gross margin, $257 million of operating income, a 6.9% margin, and an estimated $340 million of adjusted EBITDA. This compares to our fiscal 2025 estimates of $3.2 billion, a 33.2% gross margin, $177 million of operating income, a 5.5% margin and $272 million of adjusted EBITDA. We are confident in management's ability to hit the near-term financial targets.

Investment Risks include, but are not limited to:

1) Advances in technology, changing workforce demographics, remote work, shifts in work styles and behaviors and the globalization of business have been changing the world of work and impacting the types and amounts of workplace products and services purchased by customers. In recent years, these trends have resulted in changes such as:

- a decrease in overall demand for office furniture from corporate customers,
- an increase in demand for products that support individual privacy and focused work,
- an increase in demand for products that facilitate distributed collaboration, including those that enhance remote work experiences,
- an increase in demand for ancillary furniture for social and collaborative spaces in office settings,
- refreshment of workplace settings, and
- customer interest in a broader range of price points, quality and warranty coverage.

2) Demand for office furniture is influenced by macroeconomic factors, such as corporate profits, non-residential fixed investment, white-collar employment, and commercial office construction and vacancy rates. The office furniture industry has experienced periodic major declines in demand, driven by economic downturns in the Americas, EMEA, and Asia Pacific.

3) Changes in raw material, commodity, and other input costs. In the short term, significant increases in raw material, commodity, and other input costs can be very difficult to offset with price increases because of existing contractual commitments with customers, and it is difficult to find effective financial instruments to hedge against such changes. As a result, gross margins can be adversely affected in the short term by significant increases in these costs.

4) Steelcase relies largely on a network of independent dealers to market, deliver and install products, and disruptions and increasing consolidations within the dealer network could adversely affect business.

5) The Company's global presence subjects Steelcase to risks that may negatively affect profitability and financial condition.

6) Unforeseen complexity or delay in the design or implementation of the new global enterprise resource planning (“ERP”) system could adversely affect the business. Steelcase is reliant on a global ERP system to support processes critical to manufacturing operations, financial reporting, and executive decision-making. In the third quarter of fiscal 2024, the Company entered the application-development phase of a multi-year, phased implementation of a new cloud-based ERP system which is expected to replace the current ERP system and various other supporting systems for operating and financial processes. The new system is expected to be deployed beginning in 2026.

Steelcase Operating Results

($ in millions except per share)

	YE2023 2/24/23	1Q2024 5/26/24	2Q2024 8/25/23	3Q2024 11/24/23	4Q2024 2/23/24	YE2024 2/23/24	1Q2025 5/24/24	2Q2025 8/23/24	3Q2025E 11/24/24	4Q2025E 2/23/25	YE2025E 2/23/25	1Q2026E 5/24/25	2Q2026E 8/23/25	3Q2026E 11/24/25	4Q2026E 2/23/26	YE2026E 2/23/26
Revenue	3,232.6	751.9	854.6	777.9	775.2	3,159.6	727.3	855.8	790.0	835.0	3,208.1	750.0	900.0	825.0	830.0	3,305.0
Cost of Sales	2,310.7	515.9	569.8	525.5	531.6	2,142.8	485.9	558.5	530.0	560.0	2,134.4	500.0	588.0	547.0	549.0	2,184.0
Restructuring Costs	2.5	1.4	1.4	0.1	1.5	4.4	7.0	1.9	0.0	0.0	8.9	0.0	0.0	0.0	0.0	0.0
Gross Profit	919.4	234.6	283.4	252.3	242.1	1,012.4	234.4	295.4	260.0	275.0	1,064.8	250.0	312.0	278.0	281.0	1,121.0
Consolidated Gross Margin	*28.4%*	*31.2%*	*33.2%*	*32.4%*	*31.2%*	*32.0%*	*32.2%*	*34.5%*	*32.9%*	*32.9%*	*33.2%*	*33.3%*	*34.7%*	*33.7%*	*33.9%*	*33.9%*
Operating Expenses	837.2	220.6	235.9	206.5	213.5	876.5	217.5	205.1	226.0	240.0	888.6	228.0	240.0	235.0	237.0	940.0
percent of revenue	*25.9%*	*29.3%*	*27.6%*	*26.5%*	*27.5%*	*27.7%*	*29.9%*	*24.0%*	*28.6%*	*28.7%*	*27.7%*	*30.4%*	*26.7%*	*28.5%*	*28.6%*	*28.4%*
Merger, Restructuring, and Other Expenses	16.7	6.7	6.5	2.0	2.9	18.1	(0.7)	0.3	0.0	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0
Operating Income	65.5	7.3	41.0	43.8	25.7	117.8	17.6	90.0	34.0	35.0	176.6	22.0	72.0	43.0	44.0	181.0
Operating Margin	*2.0%*	*1.0%*	*4.8%*	*5.6%*	*3.3%*	*3.7%*	*2.4%*	*10.5%*	*4.3%*	*4.2%*	*5.5%*	*2.9%*	*8.0%*	*5.2%*	*5.3%*	*5.5%*
Interest Expense	(28.4)	(6.6)	(6.6)	(6.4)	(6.3)	(25.9)	(6.2)	(6.4)	(6.4)	(6.4)	(25.4)	(6.4)	(6.4)	(6.4)	(6.4)	(25.6)
Investment Income	1.0	0.5	0.8	2.3	2.9	6.5	2.4	2.9	2.5	2.5	10.3	2.5	2.5	2.5	2.5	10.0
Other income, net	13.5	1.7	1.8	0.9	4.3	8.7	0.3	(0.6)	0.0	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0
EBT	51.6	2.9	37.0	40.6	26.6	107.1	14.1	85.9	30.1	31.1	161.2	18.1	68.1	39.1	40.1	165.4
Taxes (benefit)	16.3	1.4	9.5	9.8	5.3	26.0	3.2	22.8	8.0	8.5	42.5	4.5	18.0	10.0	10.5	43.0
Tax Rate	*31.6%*	*48.3%*	*25.7%*	*24.1%*	*19.9%*	*24.3%*	*22.7%*	*26.5%*	*26.6%*	*27.3%*	*26.4%*	*24.9%*	*26.4%*	*25.6%*	*26.2%*	*26.0%*
Net Income	35.3	1.5	27.5	30.8	21.3	81.1	10.9	63.1	22.1	22.6	118.7	13.6	50.1	29.1	29.6	122.4
Basic Net Income (loss)	$0.30	$0.01	$0.23	$0.26	$0.18	$0.68	$0.09	$0.53	$0.19	$0.19	$1.00	$0.12	$0.42	$0.25	$0.25	$1.04
Weighted Avg Shares	117.1	117.9	118.8	118.9	118.9	118.6	118.4	118.1	118.1	118.1	118.2	118.1	118.1	118.1	118.1	118.1
Diluted Net Income (loss)	$0.30	$0.01	$0.23	$0.26	$0.18	$0.68	$0.09	$0.53	$0.19	$0.19	$1.00	$0.11	$0.42	$0.24	$0.25	$1.03
Weighted Avg Shares	117.5	118.4	119.1	119.4	120.1	119.1	119.1	118.8	118.8	118.8	118.9	118.8	118.8	118.8	118.8	118.8
Adjusted EPS																
Reported EPS	$0.30	$0.01	$0.23	$0.26	$0.18	$0.68	$0.09	$0.53	$0.19	$0.19	$1.00	$0.11	$0.42	$0.24	$0.25	$1.03
Amortization purchased intangibles	$0.18	$0.04	$0.03	$0.04	$0.03	$0.14	$0.04	$0.03	$0.04	$0.04	$0.15	$0.03	$0.03	$0.03	$0.03	$0.12
Restructuring costs	$0.16	$0.07	$0.07	$0.02	$0.04	$0.20	$0.05	$0.02			$0.07					$0.00
Gains on sale	$0.00					$0.00		($0.23)			($0.23)					$0.00
Income tax effect	($0.09)	($0.03)	($0.02)	($0.02)	($0.02)	($0.09)	($0.02)	$0.04	($0.01)	($0.01)	$0.00	($0.01)	($0.01)	($0.01)	($0.01)	($0.04)
Adjusted EPS	**$0.55**	**$0.09**	**$0.31**	**$0.30**	**$0.23**	**$0.93**	**$0.16**	**$0.39**	**$0.22**	**$0.22**	**$0.99**	**$0.13**	**$0.44**	**$0.26**	**$0.27**	**$1.11**
Adjusted EBITDA																
Net Income	35.3	1.5	27.5	30.8	21.3	81.1	10.9	63.1	22.1	22.6	118.7	13.6	50.1	29.1	29.6	122.4
Income Taxes	16.3	1.4	9.5	9.8	5.3	26.0	3.2	22.8	8.0	8.5	42.5	4.5	18.0	10.0	10.5	43.0
Add (subtract)																
Interest expense	28.4	6.6	6.6	6.4	6.3	25.9	6.2	6.4	6.4	6.4	25.4	6.4	6.4	6.4	6.4	25.6
D&A	90.0	20.4	21.3	21.1	20.8	83.6	20.2	20.0	20.0	20.0	80.2	20.0	20.0	20.0	20.0	80.0
Share-based compensation	20.8	13.7	4.2	3.4	3.6	24.9	14.5	2.9	3.5	3.5	24.4	16.0	4.0	4.0	4.0	28.0
Gain on Sale of Land	0.0	0.0	0.0	(0.8)	0.0	0.0	0.0	(27.9)			(27.9)					
Restructuring costs	19.2	8.1	7.9	2.1	4.4	22.5	6.3	2.2	0.0	0.0	8.5	0.0	0.0	0.0	0.0	0.0
Adjusted EBITDA	**210.0**	**51.7**	**77.0**	**72.8**	**61.7**	**264.0**	**61.3**	**89.5**	**60.0**	**61.0**	**271.8**	**60.5**	**98.5**	**69.5**	**70.5**	**299.0**

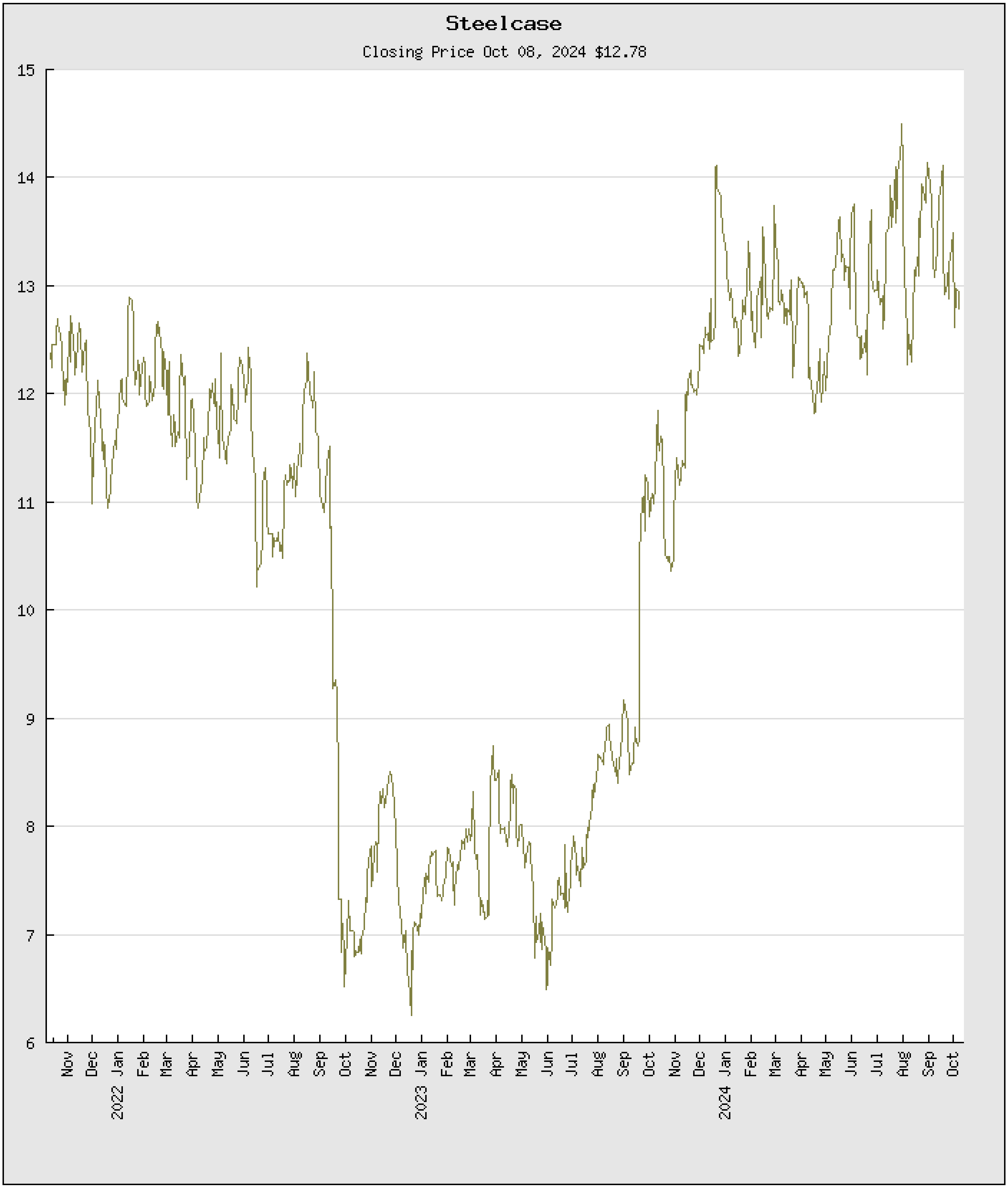
Source: Company filings and Noble Capital estimates

Steelcase Balance Sheet and Cash Flow

($ in millions)

	2023	1Q2024	2Q2024	3Q2024	4Q2024	2024	1Q2025	2Q2025
Current Assets								
Cash & equivalents	90.4	40.2	153.6	262.0	318.6	318.6	173.2	296.6
Short-term investments	0.0	0.0	0.0	0.0	0.0	0.0	35.7	39.2
A/R , net	373.3	363.3	372.9	354.5	338.3	338.3	324.5	354.4
Inventories	319.7	307.3	271.0	259.8	231.0	231.0	247.6	241.9
Prepaid expenses	28.9	34.5	38.4	31.0	31.9	31.9	39.5	35.9
Assets held for sale	29.0	29.0	19.3	19.3	0.0	0.0	0.0	0.0
Other assets	42.7	41.6	46.0	42.2	39.6	39.6	41.7	32.5
Total	884.0	815.9	901.2	968.8	959.4	959.4	862.2	1,000.5
Property & equipment, net	376.5	373.1	365.3	362.2	352.9	352.9	348.2	344.5
Company-owned Life Insurance	157.3	159.7	160.9	162.6	166.9	166.9	168.9	171.3
Deferred income taxes	117.3	117.6	118.9	117.6	115.8	469.9	115.2	117.8
Goodwill & intangibles	388.0	384.5	381.0	373.7	369.4	369.4	365.2	362.2
Investments	51.1	51.4	54.6	52.6	55.7	55.7	55.5	53.6
Operating leases	198.3	193.5	183.9	171.7	168.6	168.6	151.9	149.9
Other	30.3	29.8	32.8	37.7	48.0	48.0	60.3	71.3
Total Assets	2,202.8	2,125.5	2,198.6	2,246.9	2,236.7	2,236.7	2,127.4	2,271.1
Current Liabilities								
A/P	203.5	215.3	227.0	231.6	211.3	211.3	224.6	233.0
Current portion of LTD	35.7	0.8	5.2	0.0	0.0	0.0	0.0	0.0
Operating leases	44.7	46.0	47.3	45.0	45.1	45.1	41.7	42.0
Employee Compensation	120.0	79.3	116.0	150.1	166.1	166.1	92.5	135.2
Employee benefit plan obligations	31.2	20.5	28.2	35.1	39.9	39.9	21.3	30.3
Accrued promotions	26.7	25.8	18.6	20.2	19.4	19.4	19.7	24.6
Customer deposits	50.8	51.1	52.6	54.0	44.8	44.8	47.4	49.9
Other	90.7	94.8	95.0	94.6	80.5	80.5	87.9	102.6
Total Current	603.3	533.6	589.9	630.6	607.1	607.1	535.1	617.6
LT debt	445.5	445.7	445.9	446.1	446.3	446.3	446.5	446.7
Employee beneift plan obligations	103.0	95.4	97.2	100.4	104.5	104.5	98.0	101.4
Operating Leases	169.9	163.5	153.0	142.1	138.6	138.6	122.8	122.1
Other long-term liabilities	54.9	58.2	59.5	51.8	53.1	53.1	51.9	50.3
Total Liabilities	1,376.6	1,296.4	1,345.5	1,371.0	1,349.6	1,349.6	1,254.3	1,338.1
APIC	19.4	30.1	34.6	37.3	41.2	41.2	28.3	28.9
AOCL	(72.5)	(69.7)	(65.9)	(64.8)	(66.9)	(66.9)	(66.6)	(58.7)
Retained earnings	879.3	868.7	884.4	903.4	912.8	912.8	911.4	962.8
Total Shareholders' equity	826.2	829.1	853.1	875.9	887.1	887.1	873.1	933.0
Total Liabilities and Shareholders' equity	2,202.8	2,125.5	2,198.6	2,246.9	2,236.7	2,236.7	2,127.4	2,271.1
Operating Activities								
Net Income	35.3	1.5	27.5	30.8	21.3	81.1	10.9	63.1
D&A	90.0	20.4	21.3	21.1	20.8	83.6	20.2	20.0
Share-based compensation	21.8	14.0	4.5	3.6	3.9	26.0	14.8	3.2
Restructuring costs	19.2	8.1	7.9	2.1	4.4	22.5	6.3	2.2
Other, net	(18.7)	(1.3)	(7.2)	(13.4)	(4.0)	(25.9)	(0.9)	(44.0)
Changes in Working Capital	(58.2)	(31.4)	65.9	75.9	11.0	121.4	(110.4)	63.6
Net Operating Cash Flows	89.4	11.3	119.9	120.1	57.4	308.7	(59.1)	108.1
Investing Activities								
Capital Expenditures	(59.1)	(11.7)	(12.6)	(13.1)	(9.7)	(47.1)	(12.1)	(12.5)
Purchases of investments	0.0	0.0	0.0	0.0	0.0	0.0	(36.2)	(4.1)
Liquidation from investments	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.2
Other	(75.7)	0.5	13.9	17.8	21.0	53.2	1.2	1.2
Net Investing Cash Flows	(134.8)	(11.2)	1.3	4.7	11.3	6.1	(46.6)	30.7
Financing Activities								
Cash dividends	(57.3)	(12.1)	(11.8)	(11.8)	(11.9)	(47.6)	(12.3)	(11.7)
Stock repurchases	(3.9)	0.0	0.0	0.0	(4.2)	(4.2)	(27.7)	(2.6)
Net Borrowing	0.0	(32.2)	0.0	0.0	0.0	(32.2)	0.0	0.0
Other Financing Activities	(1.7)	(6.0)	4.4	(4.5)	4.2	(1.9)	0.0	0.0
Net Financing Cash Flows	(62.9)	(50.3)	(7.4)	(16.3)	(11.9)	(85.9)	(40.0)	(14.3)
Exchange Rate Effects	(1.5)	(0.4)	0.2	0.0	0.0	(0.2)	0.1	(0.9)
Net Change in Cash	(109.8)	(50.6)	114.0	108.5	56.8	228.7	(145.6)	123.6
Cash at Beginning of Period	207.0	97.2	97.2	97.2	269.1	97.2	325.9	325.9
Cash at End of Period	97.2	46.6	160.6	269.1	325.9	325.9	180.3	303.9

Source: Company filings


Steelcase
Closing Price Oct 08, 2024 $12.78
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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or under-served needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclicality, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

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FINRA licenses 6, 7, 24, 63, 86, 87.

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NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	90%	25%
Market Perform: potential return is -15% to 15% of the current price	10%	3%
Underperform: potential return is >15% below the current price	0%	0%

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Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

Noble Capital Markets, Inc.
150 E Palmetto Park Rd, Suite 110
Boca Raton, FL 33432
561-994-1191

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