

**Steelcase Reports Fourth Quarter and Fiscal 2016 Results**

**Quarterly Dividend Increased to $0.12 per Share**

***News Highlights:***

* Americas posts 11.7% adjusted operating margin and 3% organic revenue growth for fiscal 2016
* EMEA's industrial modernization nears completion, laying the foundation for improved profitability in fiscal 2017
* Results include significant favorable impact from reversal of tax valuation allowance and gain on partial sale of unconsolidated affiliate

**GRAND RAPIDS, Michigan, March 22, 2016** (GLOBE NEWSWIRE) -- Steelcase Inc. (NYSE: SCS) today reported fourth quarter revenue of $747.9 million and net income of $77.5 million, or diluted earnings per share of $0.62. Excluding restructuring costs, adjusted earnings were $0.64 per share. During the fourth quarter, the company reversed its valuation allowance recorded against net deferred tax assets in France and recorded a gain from the partial sale of an investment in an unconsolidated affiliate. These fourth quarter significant items, net of the associated variable compensation expense and income tax expense, had a combined favorable impact on diluted earnings per share of approximately $0.42. In the prior year, Steelcase reported $749.9 million of revenue, diluted earnings of $0.18 per share and adjusted earnings of $0.21 per share.

Jim Keane, President and CEO, commented on the results:

***“We had another successful year in fiscal 2016, we continued to expand our adjusted operating margin in the Americas, we invested in a number of initiatives expected to improve EMEA’s operating results, we significantly improved our operating results in Asia Pacific, and we returned nearly $100 million to shareholders in the form of dividends and share repurchases.”***

Organic revenue growth in the fourth quarter compared to the prior year was 1 percent after adjusting for approximately $16.4 million of unfavorable currency translation effects and the impact of a small acquisition. The Americas and EMEA posted organic revenue growth of less than 1 percent each, while the Other category posted organic growth of 4 percent. The modest organic growth in EMEA in the current quarter compares to 23 percent organic revenue growth in the prior year, which was primarily related to strong project business.

“We are pleased with the strong operating income performance in the Americas and the improvement in the EMEA operating loss as compared to the second and third quarters,” said Jim Keane, president and CEO. “Economic and political uncertainty continue to affect CEO confidence in the U.S., which is highly correlated with our industry demand patterns. Our U.S. industry association reported year-over-year declines in demand for January and February, following decelerating growth rates in the second half of calendar 2015. We still expect to see modest growth in fiscal 2017, in part because of the more than 20 new products we are launching in the U.S. to address areas where demand is strengthening.”

Current quarter operating income of $25.8 million compares to operating income of $37.0 million in the prior year. Excluding restructuring costs, fourth quarter adjusted operating income of $29.5 million declined by $14.0 million compared to the prior year. Current quarter operating income included approximately $13.7 million of variable compensation expense associated with the significant items recorded during the quarter.

Cost of sales was 68.3 percent of revenue in the current quarter, an improvement of 60 basis points compared to the prior year. In the Americas, cost of sales as a percentage of revenue increased 10 basis points over the prior year, as the benefits of lower material and freight costs and improvements in negotiated pricing were offset by unfavorable impacts from a shift in business mix and approximately $3 million of inventory adjustments. The current quarter was also negatively impacted by approximately 60 basis points by variable compensation expense associated with the significant items recorded during the quarter. In EMEA, cost of sales as a percentage of revenue improved by 140 basis points, driven by lower disruption costs and inefficiencies and initial savings associated with the manufacturing footprint changes, offset in part by an unfavorable shift in business mix. Cost of sales in the Other category improved by 310 basis points over the prior year, primarily due to the organic revenue growth in the quarter, favorable shifts in business mix, and foreign currency benefits.

Operating expenses of $207.4 million in the current quarter represented an increase of $17.6 million compared to the prior year. Higher variable compensation expense (including approximately $10 million associated with the significant items) and other operating expenses were partially offset by approximately $3.5 million of favorable currency translation effects.

Other income, net improved by $9.1 million in the fourth quarter compared to the prior year, primarily driven by an $8.5 million gain from the partial sale of an investment in an unconsolidated affiliate.

The income tax benefit of $47.4 million in the quarter included a $56 million benefit from the reversal of a valuation allowance recorded against net deferred tax assets in France and approximately $2 million related to the reinstatement of the U.S. research tax credit.

"The changes we implemented in EMEA in fiscal 2015 to align our tax structure with the management of our globally integrated enterprise have generated taxable income for our French subsidiaries and allowed for the partial utilization of net operating loss carryforwards in France throughout fiscal 2016,” said Dave Sylvester, senior vice president and CFO. “During the fourth quarter, sufficient positive evidence became available, including acceptance of our new tax structure by the U.S. Internal Revenue Service, sustained profitability in our French subsidiaries and other factors, which caused us to reverse the valuation allowance recorded against net deferred tax assets in France. While the new tax structure significantly reduced the income taxes that we otherwise would have paid in the U.S. for fiscal 2016, when we achieve expected profitability in EMEA, the new structure will result in somewhat higher income taxes than we otherwise would have paid in the U.S."

Total liquidity, comprised of cash, short-term investments and the cash surrender value of company-owned life insurance, aggregated $426 million, and total debt was $299 million, at the end of the fourth quarter.

During the fourth quarter, the company repurchased a total of 3.0 million shares of Class A Common Stock for a total cost of $42.1 million. A total of $168.0 million remained under the company's share repurchase authorization at the end of the fourth quarter.

The Board of Directors has declared a cash dividend of $0.12 per share, to be paid on or before April 14, 2016 to shareholders of record as of April 4, 2016. This represents an increase of 0.75 cents per share compared to the third quarter.

**Fiscal 2016 Results**

For fiscal 2016, the company recorded $3.1 billion of revenue and net income of $170.3 million, or diluted earnings per share of $1.36. Adjusted earnings per share were $1.46 and included approximately $0.42 related to the significant items recorded during the fourth quarter. In fiscal 2015, the company recorded $3.1 billion of revenue and net income of $86.1 million, or diluted earnings per share of $0.68. Adjusted earnings per share were $0.89.

Organic revenue growth in fiscal 2016 was 3 percent. All segments posted organic revenue growth, with the Americas, EMEA and the Other category growing 3 percent, 1 percent and 4 percent, respectively.

Operating income of $174.6 million for fiscal 2016 compares to operating income of $144.9 million in fiscal 2015. Adjusted operating income increased by $9.0 million from $185.5 million in fiscal 2015 to $194.5 million in fiscal 2016, which included $13.7 million of variable compensation expense associated with the significant items recorded during the fourth quarter. Strong operating performance in the Americas and the Other category were partially offset by higher costs associated with the EMEA manufacturing footprint changes and other operational challenges experienced during the second and third quarters of the current year.

“The fiscal 2016 adjusted operating loss of $43.9 million in EMEA included approximately $20 million of disruption costs and inefficiencies related to our manufacturing footprint changes and approximately $6 million related to the manufacturing and distribution issues experienced in the second and third quarters,” said Dave Sylvester. “As our EMEA industrial modernization nears completion and our operational performance continues to stabilize, we expect to substantially eliminate these costs and realize the majority of the expected annual savings during fiscal 2017.”

The company repurchased approximately 3.1 million shares under its share repurchase authorization program during fiscal 2016 at a cost of $43.6 million and paid $57.0 million in dividends.

“We had another successful year in fiscal 2016,” said Jim Keane. “We continued to expand our adjusted operating margin in the Americas, we invested in a number of initiatives expected to improve EMEA’s operating results, we significantly improved our operating results in Asia Pacific, and we returned over $100 million to shareholders in the form of dividends and share repurchases.”

**Outlook**

Order patterns remained mixed during the fourth quarter. EMEA orders grew approximately 3 percent organically over the prior year, but the growth rates varied significantly on a regional basis. Orders in the Americas declined 2 percent organically compared to the prior year, driven by continued softness in large project business from our largest customers. The Other category posted organic order growth of 9 percent, driven primarily by strength in Asia Pacific and Designtex. As a result, the company expects first quarter fiscal 2017 revenue to be in the range of $690 to $715 million, which reflects an expected range of an organic revenue decline of 3 percent to organic revenue growth of 1 percent compared to the prior year. The company reported revenue of $705.5 million in the first quarter of fiscal 2016.

“Order patterns in the Americas reflected lower activity from customers in the insurance and energy sectors, both of which had several large projects in the prior year,” said Dave Sylvester. “The decline in those two sectors had a combined negative impact of approximately 6 percent on total orders in the Americas and was partially offset by net growth across all other vertical markets.”

Steelcase expects to report diluted earnings per share between $0.12 to $0.16 for the first quarter of fiscal 2017. This estimate includes approximately $0.02 per share of restructuring costs relating to previously announced restructuring actions primarily in the Americas. Adjusted for the estimated restructuring costs, the company expects to report adjusted earnings between $0.14 and $0.18 per share. Steelcase reported diluted earnings per share of $0.16 and adjusted earnings per share of $0.17 in the first quarter of fiscal 2016.

**Other Recent Highlights**

•       Fortune recognized Steelcase Inc. as one of its [2016 "World's Most Admired Companies"](http://fortune.com/worlds-most-admired-companies/steelcase-100000/) in the Home Equipment and Furnishings industry sector for the 10th consecutive year. Steelcase, the global leader in its industry, moved up the ranks to the 2nd spot in the category earning high remarks in all nine criteria.

•        Steelcase introduced its first Global Report: [Engagement + the Global Workplace](http://www.steelcase.com/insights/360-magazine/steelcase-global-report/)

conducted in 17 countries, receiving positive customer response and media traction globally including the United States, United Kingdom, France and Germany.

•       Earlier this fiscal year, Steelcase introduced [Brody™ WorkLounge](http://www.steelcase.com/products/lounge-seating/brody/), a cocoon-like space that helps workers regulate their attention and minimize distractions and focus on their tasks by creating a microenvironment for controlled attention. Brody is currently a finalist in the Office & Home category of the [Edison Awards](http://www.edisonawards.com/finalists2016.php).

•       Steelcase was, for the fifth consecutive year, honored by [2020 Women on Boards](https://www.2020wob.com/), a grassroots campaign that recognizes companies with 20 percent or more of Board seats held by women.

*Journalist Note:* Please visit the Steelcase investor relations website at <http://ir.steelcase.com/> to view the following:

* Q4’16 financial results and balance sheets
* Letter to shareholders
* Live webcast on March 23 at 10:00 a.m. EST, discussing the fourth quarter results and business outlook
* Additional presentation slides

**About Steelcase Inc.**

For over 100 years, Steelcase Inc. has helped create great experiences for the world's leading organizations, across industries. We demonstrate this through our family of brands – including Steelcase®, Coalesse®, Designtex®, PolyVision® and Turnstone®. Together, they offer a comprehensive portfolio of architecture, furniture and technology products and services designed to unlock human promise and support social, economic and environmental sustainability. We are globally accessible through a network of channels, including over 800 dealer locations. Steelcase is a global, industry-leading and publicly traded company with fiscal 2016 revenue of $3.1 billion.

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