



# The Long View

  
**MOHAWK**<sup>®</sup>

mohawkind.com

NYSE: MHK

October 2023

**Q3 2023**

**Investor Presentation**

# Forward-looking Statements

This presentation may include **forward-looking statements** as defined in the Private Securities Litigation Reform Act of 1995, which are subject to various risks and uncertainties including, but not limited to, those **set forth in our press releases and our periodic filings** with the Securities & Exchange Commission.





# Company Overview



# Mohawk at a Glance



**\$11.2B**

Q3 2023 TTM  
Net Sales



**\$1.3B**

Q3 2023 TTM  
Adjusted EBITDA



**\$8.55**

Q3 2023 TTM  
Adjusted EPS



**\$1.3B**

Q3 2023 TTM  
Cash Flow from Operations



**32**

Acquisitions  
2013-2023



**~40,900**

Worldwide  
Team Members<sup>1</sup>



**19**

Countries  
with Manufacturing



**~170**

Countries  
with Sales



<sup>1</sup>As of December 31, 2022

# Three Reporting Segments

## Global Ceramic

- 38% Sales Q3 '23 TTM
- North America, Europe, South America
- Floor and Wall Tile
- Porcelain Panels
- Exterior Tile
- Stone (U.S.)
- Countertops (U.S./EU)
- Stores in Some Markets

## Flooring North America

- 35% Sales Q3 '23 TTM
- Primarily U.S./Canada
- Residential/Commercial
- Carpet/Carpet Tile/Rugs
- LVT/Sheet Vinyl
- Laminate/Wood
- National Logistics Network

## Flooring Rest of the World

- 27% Sales Q3 '23 TTM
- Europe, Australia/NZ, South America, Asia
- Laminate/Wood
- LVT/Sheet Vinyl
- Carpet/Carpet Tile
- Chipboard/Panels
- Insulation
- Owned Distributors





# The Long View

  
MOHAWK®

# Growth Strategy

## Non-Organic Growth

Mergers & acquisitions

## Operational Excellence

Simplified operations, improved productivity, expanded sustainable processes, enhanced analytics & automation



## Market Development & Penetration

Higher sales to existing customers, sales of existing products to new customers & expansion into new markets

## Product Innovation & Improvement

Higher-value product creation, enhanced design and features for existing products & emphasis on sustainable products



# Operational Excellence



- Reduce manufacturing complexities
- Maximize productivity
- Continuously improve quality
- Leverage differentiated distribution advantages



- Invest in assets that drive speed & efficiency
- Optimize automation opportunities
- Drive better decisions through advanced information systems



- Engineer sustainable products
- Lower energy & water utilization
- Reduce, repurpose & recycle waste
- Manage product circularity

*Visit [mohawksustainability.com](https://mohawksustainability.com) for more information*





# Three Decades of Expansion

Strong record of integrating acquisitions while investing for organic growth

Went public in 1992; expanded U.S. carpet & rug position through 13 acquisitions

Established strong positions in U.S. & EU laminate markets



Established leading U.S. & EU position in sheet vinyl & LVT; grew EU insulation & ceramic position



Extended presence in the EU ceramic market; made record \$906M internal investment



Expanded global sheet vinyl & carpet tile production & introduced U.S. quartz countertop manufacturing

Boosted share in two major ceramic markets – Brazil & Mexico – through significant acquisitions



1992-2000

2005

2015

2017

2019

2023

2002



Became the largest North American ceramic manufacturer

2013



Entered EU ceramic market; expanded laminate position in U.S. & EU

2016

\$672M internal investment: capacity expansion, process improvement & product innovation

2018



Established leading market positions in Australia/New Zealand flooring & Brazilian ceramic tile

2021-22

Seven bolt-on acquisitions in U.S. & EU extend participation in sheet vinyl, mezzanine flooring, parquet, panels, insulation and accessories

# Market Development & Penetration

## Expanding sales with existing customers through

- Differentiated new product launches
- Superior marketing and merchandising
- Exclusive retail partnerships/aligned dealerships

## Entering new sales channels

- Ceramic pavers for garden centers, landscapers and pool construction
- Porcelain slabs for countertop, exterior cladding and furniture producers
- Hard surface products for retail e-commerce channels to target DIY consumers



# Product Innovation

## CERAMIC TILE



Built-in antibacterial protection



**50% MORE**  
SLIP RESISTANT  
THAN ORDINARY TILE\*

\*When compared to the existing ANSI Standards

Superior integral slip resistance

## CARPET



3x the fiber of traditional carpet; ultra soft & stain resistant



Combines exclusive fibers for next level design & performance

## LAMINATE / WOOD



Hyper-realistic visuals; 4x greater resolution; ~1,000 unique colors



Exclusive technology to repel spills at laminate joints

## RESILIENT



Waterproof flooring with a PVC-free renewable core (70% recycled)



Superior waterproof performance, scratch & dent resistance



# Prudent Financial Management



Generate strong free cash flow, effectively manage working capital & investments



Maintain financial flexibility



Use excess cash to pay down debt and re-invest in the business



Disciplined approach to acquisitions



Committed to maintaining investment grade rating





**Third Quarter 2023**

  
**MOHAWK®**

# Q3 2023 Financial Results

Net Sales

**\$2.8B**

(-8.1% YOY  
on a Constant Basis)

Adjusted EBITDA

**\$389M**

(-5.6% YOY)

Adjusted OI

**\$233M**

(-14.1% YOY)

Adjusted Diluted EPS

**\$2.72**

(-18.6% YOY)

## Impairment Charge

The Company's current market capitalization along with continued challenging macroeconomic conditions and higher discount rates prompted a review of its goodwill and intangible asset balances during Q3, which resulted in non-cash impairment charges of \$876 million.

## Bond Offering

On September 18, 2023, the Company completed the issuance and sale of \$600M aggregate principal amount of 5.85% Senior Notes due September 18, 2028, which will be used to increase liquidity and term out short debt.

*For more information on both topics, please refer to the Company's 10-Q, filed on October 27, 2023.*

(Amounts in millions)	Q3 2022	Q3 2023
<b>Net Sales</b>	<b>\$2,918</b>	<b>\$2,766</b>
% Change	--	-5.2%
% Change on a Constant and Legacy Basis	--	-8.1%
<b>Adjusted EBITDA</b>	<b>\$412</b>	<b>\$389</b>
% Adjusted EBITDA Margin	14.1%	14.1%
<b>Adjusted Operating Income</b>	<b>\$271</b>	<b>\$233</b>
% Adjusted Operating Margin	9.3%	8.4%
<b>Adjusted Diluted EPS</b>	<b>\$3.34</b>	<b>\$2.72</b>



# Key Current Issues

## U.S. Economy

- Revised Q2 GDP: 2.1%; Initial Q3 GDP: 4.9%
- Historically low unemployment rates
- Material and energy inflation declining
- October Architectural Billing Index at 47.7
- Housing supply deficit remains ~5 million
- Aging housing & low stock should drive future growth in new construction & remodeling

## European Economy

- Inflation continues to decline from Oct 2022 peak
- Unemployment in Euro Zone near record low
- Real wage growth projected to be positive in Q4
- Energy prices have declined ~80% from peak
- Significant pent-up demand for remodeling
- Shortage of single- and multi-family housing persists



# Key Current Issues (continued)

## Operations

- Further restructuring projects announced
  - U.S. rigid LVT converting to direct extrusion
  - Older Italian ceramic product to be shut down
  - ~\$30 million in annual savings
- Capacity expansion projects on schedule
  - North America: LVT & laminate operating
    - Quartz countertop to start up in 2H 2024
  - Europe: Insulation & porcelain slabs operating
    - Laminate to start up in 2H 2024

## Acquisitions

- Elizabeth & Vitromex integrations underway
  - Will almost double sales in two major ceramic markets: Brazil and Mexico
  - Combined 2022 sales were ~\$425M
- Five 2022 bolt-on acquisitions in U.S. and Europe
  - Integrations progressing as expected
  - Investing in improved operations & product offering





# Global Ceramic Segment

- Sales: down 6.0% on a constant & legacy basis
- Adj. Op. Margin down due to unfavorable price & product mix, temp shutdowns, lower volumes & FX headwinds, partially offset by productivity gains
- Residential sales soft as inflation & interest rates affect consumer spending
- U.S. ceramic business outperformed; higher percentage of sales in commercial and new construction channels
- EU energy prices now significantly lower
- New porcelain slab capacity online & slab sales continue to grow
- Integration of Latin American acquisitions progressing; markets under pressure in Mexico and Brazil



	Q3 2022	Q3 2023
<b>GLOBAL CERAMIC SEGMENT (\$ Amounts in millions)</b>		
<b>Sales</b>	<b>\$1,097</b>	<b>\$1,092</b>
% Change	--	-0.5%
% Change on a Constant & Legacy Basis	--	-6.0%
<b>Adjusted Operating Income</b>	<b>\$132</b>	<b>\$88</b>
% Adjusted Operating Margin	12.1%	8.0%



# Flooring Rest of the World Segment

- Sales down 5.0% on a constant & legacy basis
- Adj. Op. Margin up due to lower raw material & energy costs and less downtime, partially offset by unfavorable price & product mix and foreign exchange
- Flooring under pressure; sheet vinyl sales growing as value alternative
- Panels volume declining with market
- Insulation volume improved YOY & margins were in line with last year
- 2022 acquisitions integrated & operational enhancements in progress
- Restructuring, cost containment & promotional activities implemented
- ANZ sales down slightly as industry slowed



	Q3 2022	Q3 2023
<b>FLOORING ROW SEGMENT (\$ Amounts in millions)</b>		
<b>Sales</b>	<b>\$731</b>	<b>\$712</b>
% Change	--	-2.6%
% Change on a Constant & Legacy Basis	--	-5.0%
<b>Adjusted Operating Income</b>	<b>\$62</b>	<b>\$77</b>
% Adjusted Operating Margin	8.5%	10.9%



# Flooring North America Segment

- Sales down 12.2% on a legacy basis
- Adj. Op. Margin down due to unfavorable price & product mix, reduced volumes & unfavorable productivity, partially offset by lower inflation
- Commercial sector continues to outperform residential, though softening
- Enhanced positions with regional and national residential builders
- Sheet vinyl sales up as budget option
- Restructuring, productivity & cost containment projects implemented
- Input costs declining; margins will expand as costs flow through P&L



	Q3 2022	Q3 2023
<b>FLOORING NORTH AMERICA SEGMENT (Amounts in millions)</b>		
<b>Sales</b>	<b>\$1,090</b>	<b>\$962</b>
% Change	--	-11.7%
% Change on a Legacy Basis	--	-12.2%
<b>Adjusted Operating Income</b>	<b>\$88</b>	<b>\$78</b>
% Adjusted Operating Margin	8.0%	8.1%



# Outlook

- High interest rates & consumer inflation persist
- Commercial sector beginning to show signs of weakening
- Believe retail customer inventory adjustments may have bottomed
- Highly competitive markets pressuring price; mix impacted by consumers trading down
- Declining input costs positively impacting margins
- Lower volumes resulting in higher costs from unabsorbed overhead
- Additional restructuring initiatives underway
- Effectively managing working capital in current market conditions



# Outlook (continued)

- Conservatively managing working capital while investing to maximize growth & profitability when markets recover
  - Product innovation
  - Capacity expansions
  - Acquisition enhancements
- Strategically investing in enhanced products, merchandising & marketing activity to grow sales
- Implementing targeted promotional activity to increase volumes
- Anticipate continued strong cash flow generation
- Q4 adjusted EPS guidance of \$1.80 to \$1.90, excluding restructuring or other one-time charges (announced October 26)





Financials

  
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# Earnings Summary (Consolidated)

	2019	2020	2021	2022	Q3 TTM
<b>Net Sales</b> % Change	<b>\$9,971</b> -0.1%	<b>\$9,552</b> -4.2%	<b>\$11,201</b> 17.3%	<b>\$11,737</b> 4.8%	<b>\$11,174</b> -4.8%
<b>Adjusted EBITDA</b> % Adjusted EBITDA Margin	<b>\$1,530</b> 15.3%	<b>\$1,389</b> 14.5%	<b>\$1,949</b> 17.4%	<b>\$1,650</b> 14.1%	<b>\$1,343</b> 12.0%
<b>Adjusted Operating Income</b> % Adjusted Operating Margin	<b>\$938</b> 9.4%	<b>\$799</b> 8.4%	<b>\$1,360</b> 12.1%	<b>\$1,083</b> 9.2%	<b>\$758</b> 6.8%
<b>Adjusted Net Earnings</b> % Change	<b>\$725</b> -21.3%	<b>\$631</b> -13.0%	<b>\$1,027</b> 62.8%	<b>\$823</b> -19.9%	<b>\$546</b> -33.7%
<b>Adjusted Diluted EPS</b> % Change	<b>\$10.04</b> -18.6%	<b>\$8.83</b> -12.1%	<b>\$14.86</b> 68.3%	<b>\$12.85</b> -13.5%	<b>\$8.55</b> -33.5%

(Amounts in Millions except EPS)



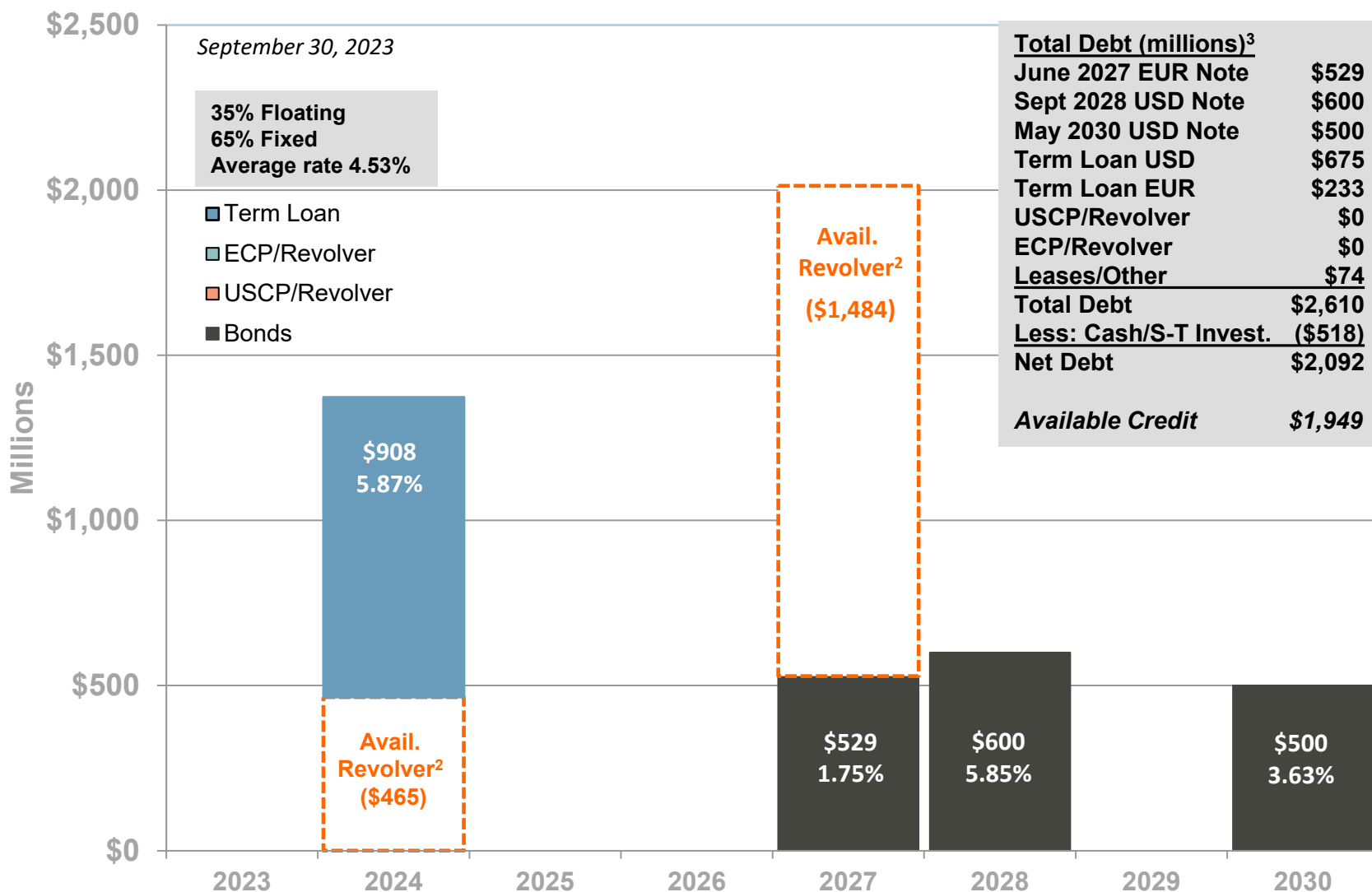
# Results by Segments

	2019	2020	2021	2022	Q3 TTM
<b>GLOBAL CERAMIC</b>					
<b>Sales</b> % Change	<b>\$3,631</b> 2.2%	<b>\$3,433</b> -5.5%	<b>\$3,917</b> 14.1%	<b>\$4,308</b> 10.0%	<b>\$4,294</b> -0.3%
<b>Adjusted Operating Income</b> % Adjusted Operating Margin	<b>\$344</b> 9.5%	<b>\$234</b> 6.8%	<b>\$406</b> 10.4%	<b>\$457</b> 10.6%	<b>\$324</b> 7.5%
<b>FLOORING NA</b>					
<b>Sales</b> % Change	<b>\$3,844</b> -4.6%	<b>\$3,594</b> -6.5%	<b>\$4,116</b> 14.5%	<b>\$4,207</b> 2.2%	<b>\$3,863</b> -8.2%
<b>Adjusted Operating Income</b> % Adjusted Operating Margin	<b>\$258</b> 6.7%	<b>\$198</b> 5.5%	<b>\$424</b> 10.3%	<b>\$282</b> 6.7%	<b>\$142</b> 3.7%
<b>FLOORING ROW</b>					
<b>Sales</b> % Change	<b>\$2,496</b> 3.9%	<b>\$2,525</b> 1.2%	<b>\$3,167</b> 25.4%	<b>\$3,222</b> 1.8%	<b>\$3,016</b> -6.4%
<b>Adjusted Operating Income</b> % Adjusted Operating Margin	<b>\$375</b> 15.0%	<b>\$408</b> 16.2%	<b>\$576</b> 18.2%	<b>\$381</b> 11.8%	<b>\$329</b> 10.9%

(Amounts in Millions except EPS)



# Maturity Profile<sup>1</sup>



1 Not shown on graph: \$74MM in capital/embedded leases and other debt

2 After Letters of Credit issuance of \$0.7MM; Amended RCF is bifurcated, with \$465MM maturing October 2024 and \$1,485MM maturing August 2027

3 Excluding deferred loan cost deduction of \$11.6MM



# Reconciliation Tables

  
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# Reconciliation of Non-GAAP Measures

## RECONCILIATION OF NET SALES TO ADJUSTED NET SALES

<i>(Amounts in thousands)</i>	Q3 2022	Q3 2023
<b>CONSOLIDATED</b>		
<b>Net Sales</b>	\$ 2,917,539	2,766,186
Adjustment for constant shipping days	-	2,473
Adjustment for constant exchange rates	-	11,230
Adjustment for acquisition volume	-	(97,312)
<b>Adjusted net sales</b>	<b>\$ 2,917,539</b>	<b>2,682,577</b>
<small>NonGAAP.Cer_USD_NonGAAP</small>		
<b>GLOBAL CERAMIC</b>		
<b>Net Sales</b>	\$ 1,096,656	1,091,672
Adjustment for constant shipping days	-	2,472
Adjustment for constant exchange rates	-	19,362
Adjustment for acquisition volume	-	(82,571)
<b>Adjusted net sales</b>	<b>\$ 1,096,656</b>	<b>1,030,935</b>
<small>NonGAAP.Flooring_NA_Seg_NonGAAP</small>		
<b>Flooring NA</b>		
<b>Net Sales</b>	1,089,634	962,222
Adjustment for acquisition volume	-	(5,233)
<b>Adjusted net sales</b>	<b>\$ 1,089,634</b>	<b>956,989</b>
<small>NonGAAP.Flooring_EU_Seg_USD_NonGAAP</small>		
<b>FLOORING ROW</b>		
<b>Net Sales</b>	\$ 731,249	712,292
Adjustment to net sales on constant shipping days	-	-
Adjustment for constant exchange rates	-	(8,132)
Adjustment for acquisition volume	-	(9,509)
<b>Adjusted net sales</b>	<b>\$ 731,249</b>	<b>694,651</b>

# Reconciliation of Non-GAAP Measures

<b>ADJUSTED OPERATING INCOME</b>		
<i>(Amounts in thousands)</i>	Q3 2022	Q3 2023
<b>CONSOLIDATED</b>		
<b>Operating (loss)</b>	<b>(505,589)</b>	<b>(733,742)</b>
<b>Adjustments to operating (loss):</b>		
Restructuring, acquisition and integration-related and other costs	34,539	47,083
Inventory step-up from purchase accounting	1,401	(105)
Impairment of goodwill	695,771	876,108
Legal settlement, reserves and fees	45,000	43,464
<b>Adjusted operating income</b>	<b>271,122</b>	<b>232,808</b>
Adjusted operating income as a percent of net sales	9.3%	8.4%
<b>GLOBAL CERAMIC</b>		
<b>Operating (loss)</b>	<b>(559,706)</b>	<b>(355,304)</b>
<b>Adjustments to operating (loss):</b>		
Restructuring, acquisition and integration-related and other costs	3,366	17,762
Impairment of goodwill and indefinite-lived intangibles	688,514	425,232
Inventory step-up from purchase accounting	-	(105)
<b>Adjusted operating income</b>	<b>132,174</b>	<b>87,585</b>
Adjusted operating income as a percent of net sales	12.1%	8.0%
<b>FLOORING NA</b>		
<b>Operating income (loss)</b>	<b>64,672</b>	<b>(166,973)</b>
<b>Adjustments to operating income (loss):</b>		
Restructuring, acquisition and integration-related and other costs	20,223	27,323
Legal settlement and reserves	-	1,500
Acquisitions purchase accounting, including inventory step-up	1,401	-
Impairment of goodwill and indefinite-lived intangibles	1,407	215,809
<b>Adjusted operating income</b>	<b>87,703</b>	<b>77,659</b>
Adjusted operating income as a percent of net sales	8.0%	8.1%
<b>FLOORING ROW</b>		
<b>Operating income (loss)</b>	<b>45,508</b>	<b>(159,569)</b>
<b>Adjustments to operating income (loss):</b>		
Restructuring, acquisition and integration-related and other costs	10,950	1,836
Impairment of goodwill and indefinite-lived intangibles	5,850	235,067
<b>Adjusted operating income</b>	<b>62,308</b>	<b>77,334</b>
Adjusted operating income as a percent of net sales	8.5%	10.9%
<b>CORPORATE AND INTERSEGMENT ELIMINATIONS</b>		
<b>Operating (loss)</b>	<b>(56,063)</b>	<b>(51,896)</b>
<b>Adjustments to operating (loss):</b>		
Restructuring, acquisition and integration-related and other costs	-	162
Legal settlements, reserves and fees	45,000	41,964
<b>Adjusted operating (loss)</b>	<b>(11,063)</b>	<b>(9,770)</b>

# Reconciliation of Non-GAAP Measures

## ADJUSTED OPERATING INCOME

<i>(Amounts in thousands)</i>	2019	2020	2021	2022	Q3 TTM
<b>Operating income (loss)</b>	<b>\$ 827,224</b>	<b>636,002</b>	<b>1,335,011</b>	<b>244,217</b>	<b>(393,829)</b>
<b>Adjustments to operating income (loss):</b>					
Restructuring, acquisition and integration-related and other costs	107,201	163,479	23,637	85,995	169,496
Inventory step-up from purchase accounting	3,938	-	1,749	2,762	5,694
Impairment of goodwill and indefinite-lived intangibles*	-	-	-	695,771	876,108
Legal settlements, reserves and fees, net of insurance proceeds	-	-	-	54,231	100,717
<b>Adjusted operating income</b>	<b>938,364</b>	<b>799,481</b>	<b>1,360,397</b>	<b>1,082,976</b>	<b>758,187</b>
Adjusted operating income as a percent of net sales	9.4%	8.4%	12.1%	9.2%	6.8%

## NET EARNINGS (LOSS) TO ADJUSTED EBITDA

<i>(Amounts in thousands)</i>	2019	2020	2021	2022	Q3 TTM
Net earnings (loss) including noncontrolling interests	<b>744,571</b>	<b>515,727</b>	<b>1,033,548</b>	<b>25,783</b>	<b>(545,247)</b>
Interest expense	41,272	52,380	57,252	51,938	74,739
Income tax expense	4,974	68,647	256,445	158,110	73,574
Net income attributable to non-controlling interest	(360)	(132)	(389)	(536)	(301)
Depreciation and amortization**	576,452	607,507	591,711	595,464	635,126
<b>EBITDA</b>	<b>1,366,909</b>	<b>1,244,129</b>	<b>1,938,567</b>	<b>830,759</b>	<b>237,891</b>
Restructuring, acquisition and integration-related and other costs	99,623	145,153	14,700	58,819	124,134
Inventory step-up from purchase accounting	3,938	-	1,749	2,762	5,694
Impairment of goodwill and indefinite-lived intangibles*	-	-	-	695,771	876,108
Impairment of net investment in a manufacturer and distributor of Ceramic tile in China***	59,946	-	-	-	-
Legal settlement, reserves and fees, net of insurance proceeds****	-	-	-	54,231	101,707
Release of indemnification asset	-	-	-	7,324	(2,939)
Resolution of foreign non-income tax contingencies	-	-	(6,211)	-	-
<b>Adjusted EBITDA</b>	<b>\$1,530,416</b>	<b>1,389,282</b>	<b>1,948,805</b>	<b>1,649,666</b>	<b>1,342,595</b>
Adjusted EBITDA as a percent of net sales	15.3%	14.5%	17.4%	14.1%	12.0%
Net Debt less Short-term Investments to adjusted EBITDA	1.6	1.0	0.9	1.3	1.5

\*As a result of a decrease in the Company's market capitalization, a higher WACC and macroeconomic conditions, the Company performed interim impairment tests of its goodwill and indefinite-lived intangible assets, which resulted in the impairment charges of \$876 million (\$865 million net of tax) and \$696 million (\$686 million net of tax) during the third quarter of 2022 and 2023, respectively.

\*\* Includes accelerated depreciation of \$2,000 for 2019, \$21,662 for 2020, \$8,417 for 2021, \$29,000 for 2022 and \$46,387 for Q3 TTM.

\*\*\*In September 2019, the US commerce department imposed a 104% countervailing duty on top of the 25% general tariffs on all ceramic produced in China. As a consequence, ceramic purchases from China would dramatically decline and Mohawk took a \$60 million write off to our investment in a Chinese manufacturer and distributor.

\*\*\*\*The Company has entered into an agreement with plaintiffs to resolve the Securities Class Action lawsuit, initially filed on January 3, 2020, in the United States District Court for the Northern District of Georgia for \$60m, of which a significant portion is covered by insurance, in addition to legal fees and other.

# Reconciliation of Non-GAAP Measures

## NET EARNINGS TO ADJUSTED EBITDA

<i>(Amounts in thousands)</i>	Q3 2022	Q3 2023
Net earnings including noncontrolling interests	(533,713)	(760,289)
Interest expense	13,797	20,144
Income tax expense	15,569	14,954
Net (income)/loss attributable to non-controlling interest	(256)	(170)
Depreciation and amortization*	153,466	149,570
<b>EBITDA</b>	<b>(351,137)</b>	<b>(575,791)</b>
Restructuring, acquisition and integration-related and other costs	21,375	47,606
Inventory step-up from purchase accounting	1,401	(105)
Impairment of goodwill and indefinite-lived intangibles**	695,771	876,108
Legal settlement, reserves and fees***	45,000	43,464
Release of indemnification asset	-	(1,890)
<b>Adjusted EBITDA</b>	<b>412,410</b>	<b>389,392</b>
Adjusted EBITDA as a percent of net sales	14.1%	14.1%

## ADJUSTED NET EARNINGS

<i>(Amounts in thousands, except EPS)</i>	Q3 2022	Q3 2023
<b>Net earnings attributable to Mohawk Industries, Inc.</b>	<b>(533,969)</b>	<b>(760,459)</b>
<b>Adjusting items:</b>		
Restructuring, acquisition, integration-related and other costs	34,460	47,081
Inventory step-up from purchase accounting	1,401	(105)
Impairment of goodwill and indefinite-lived intangibles**	695,771	876,108
Legal settlements, reserves and fees***	45,000	43,464
Release of indemnification asset	-	(1,890)
Income taxes - reversal of uncertain tax position	-	1,890
Income taxes - impairment of goodwill and indefinite-lived intangibles**	(10,168)	(12,838)
Income tax effect of adjusting items	(20,487)	(19,594)
<b>Adjusted net earnings attributable to Mohawk Industries, Inc.</b>	<b>212,008</b>	<b>173,657</b>
Adjusted diluted earnings per share attributable to Mohawk Industries, Inc.	\$3.34	\$2.72
Weighted-average common shares outstanding - diluted	<b>63,534</b>	<b>63,934</b>

\*Includes accelerated depreciation of \$13,085 for Q2 2022 and (\$525) for Q3 2023.

\*\*As a result of a decrease in the Company's market capitalization, a higher WACC and macroeconomic conditions, the Company performed interim impairment tests of its goodwill and indefinite-lived intangible assets, which resulted in the impairment charges of \$876 million (\$865 million net of tax) and \$696 million (\$686 million net of tax) during the third quarter of 2022 and 2023, respectively.

\*\*\*The Company has entered into an agreement with plaintiffs to resolve the Securities Class Action lawsuit, initially filed on January 3, 2020, in the United States District Court for the Northern District of Georgia for \$60m, of which a significant portion is covered by insurance, in addition to legal fees and other.

# Reconciliation of Non-GAAP Measures

ADJUSTED OPERATING INCOME					
(Amounts in thousands)	2019	2020	2021	2022	Q3 TTM
<b>GLOBAL CERAMIC</b>					
Operating income (loss)	\$ 335,639	167,731	403,135	(236,066)	(138,919)
<b>Adjustments to operating income (loss):</b>					
Restructuring, acquisition and integration-related and other costs	8,288	65,842	2,627	4,420	33,261
Inventory step-up from purchase accounting	204	-	-	-	4,112
Impairment of goodwill	-	-	-	688,514	425,233
<b>Adjusted operating income</b>	<b>\$ 344,130</b>	<b>233,572</b>	<b>405,761</b>	<b>456,868</b>	<b>323,687</b>
Adjusted operating income as a percent of net sales	9.5%	6.8%	10.4%	10.6%	7.5%
<b>FLOORING NA</b>					
Operating income (loss)	\$ 177,566	147,442	407,577	231,076	(160,737)
<b>Adjustments to operating income (loss):</b>					
Restructuring, acquisition and integration-related and other costs	80,195	50,895	16,888	48,263	80,975
Inventory step-up from purchase accounting	-	-	-	1,401	-
Impairment of indefinite-lived intangibles	-	-	-	1,407	215,809
Legal settlement and reserves	-	-	-	-	6,375
<b>Adjusted operating income</b>	<b>\$ 257,761</b>	<b>198,338</b>	<b>424,465</b>	<b>282,147</b>	<b>142,422</b>
Adjusted operating income as a percent of net sales	6.7%	5.5%	10.3%	6.7%	3.7%
<b>FLOORING ROW</b>					
Operating income	\$ 353,667	366,934	571,126	340,167	38,492
<b>Adjustments to operating income:</b>					
Restructuring, acquisition and integration-related and other costs	17,643	41,098	2,911	33,313	54,106
Inventory step-up from purchase accounting	3,734	-	1,749	1,361	1,582
Impairment of indefinite-lived intangibles	-	-	-	5,850	235,067
<b>Adjusted operating income</b>	<b>\$ 375,044</b>	<b>408,032</b>	<b>575,786</b>	<b>380,691</b>	<b>329,247</b>
Adjusted operating income as a percent of net sales	15.0%	16.2%	18.2%	11.8%	10.9%
<b>CORPORATE AND INTERSEGMENT ELIMINATIONS</b>					
Operating (loss)	\$ (39,647)	\$ (46,105)	\$ (46,827)	\$ (90,960)	\$ (132,665)
<b>Adjustments to operating (loss):</b>					
Restructuring, acquisition and integration-related and other costs	1,078	5,644	1,211	-	164
Legal settlements, reserves and fees, net of insurance proceeds	-	-	-	54,231	95,332
<b>Adjusted operating (loss)</b>	<b>\$ (38,569)</b>	<b>\$ (40,462)</b>	<b>\$ (45,615)</b>	<b>\$ (36,729)</b>	<b>\$ (37,169)</b>

# Reconciliation of Non-GAAP Measures

ADJUSTED NET EARNINGS					
<i>(Amounts in thousands, except EPS)</i>	2019	2020	2021	2022	Q3 TTM
<b>Net earnings (loss) attributable to Mohawk Industries, Inc.</b>	<b>\$ 744,211</b>	<b>\$ 515,595</b>	<b>\$ 1,033,159</b>	<b>\$ 25,247</b>	<b>\$ (545,548)</b>
<b>Adjusting items:</b>					
Restructuring, acquisition, integration-related and other costs	99,622	166,817	23,118	87,819	170,433
Inventory step-up from purchase accounting	3,938	-	1,749	2,762	5,694
Impairment of goodwill and indefinite-lived intangibles*	-	-	-	695,771	876,108
Legal settlements, reserves and fees, net of insurance proceeds**	-	-	-	54,231	101,707
Release of indemnification asset	-	-	-	7,324	(2,939)
Deferred loan costs	601	-	-	-	-
Impairment of net investment in a manufacturer and distributor of Ceramic tile in China***	59,946	-	-	-	-
One-time tax planning election	-	-	(22,163)	-	-
Resolution of foreign non-income tax contingencies	-	-	(6,211)	-	-
Income tax effect on resolution of foreign non-income tax contingencies	-	-	2,302	-	-
European tax restructuring****	(136,194)	-	-	-	-
Income taxes - reversal of uncertain tax position	-	-	-	(7,324)	2,939
Income taxes - impairment of goodwill and indefinite-lived intangibles*	-	-	-	(10,168)	(12,838)
Income tax effect of adjusting items	(46,786)	(51,740)	(4,626)	(32,536)	(49,479)
<b>Adjusted net earnings attributable to Mohawk Industries, Inc.</b>	<b>\$ 725,338</b>	<b>630,672</b>	<b>1,027,328</b>	<b>823,126</b>	<b>546,077</b>
Adjusted diluted earnings per share attributable to Mohawk Industries, Inc.	\$ 10.04	8.83	14.86	12.85	8.55
Weighted-average common shares outstanding - diluted	72,264	71,401	69,145	64,062	63,868

\*As a result of a decrease in the Company's market capitalization, a higher WACC and macroeconomic conditions, the Company performed interim impairment tests of its goodwill and indefinite-lived intangible assets, which resulted in the impairment charges of \$876 million (\$865 million net of tax) and \$696 million (\$686 million net of tax) during the third quarter of 2022 and 2023, respectively.

\*\*The Company has entered into an agreement with plaintiffs to resolve the Securities Class Action lawsuit, initially filed on January 3, 2020, in the United States District Court for the Northern District of Georgia for \$60m, of which a significant portion is covered by insurance, in addition to legal fees and other.

\*\*\*In September 2019, the US commerce department imposed a 104% countervailing duty on top of the 25% general tariffs on all ceramic produced in China. As a consequence, ceramic purchases from China would dramatically decline and Mohawk took a \$60 million write off to our investment in a Chinese manufacturer and distributor.

\*\*\*\*In 2019, the Company implemented select operational, administrative and financial restructurings that centralized certain business processes and intangible assets in various European jurisdictions into a new entity. The restructurings resulted in a current tax liability of \$136 million, calculated by measuring the fair value of intangible assets transferred. The Company offset the tax liability with the utilization of \$136 million of deferred tax assets from accumulated net operating loss carry forwards. The restructurings also resulted in the Company recording a \$136 million deferred tax asset, and a corresponding deferred tax benefit, related to the tax basis of the intangible assets transferred.



# Reconciliation of Non-GAAP Measures

<b>NET DEBT</b>				
<i>(Amounts in thousands)</i>	<b>2020Q4</b>	<b>2021Q4</b>	<b>2022Q4</b>	<b>2023Q3</b>
Current portion of long-term debt and commercial paper	\$ 377,255	624,503	840,571	922,697
Long-term debt, less current portion	2,356,887	1,700,282	1,978,563	1,675,590
<b>Total debt</b>	<b>2,734,142</b>	<b>2,324,785</b>	<b>2,819,135</b>	<b>2,598,287</b>
Less: cash and cash equivalents	768,625	268,895	509,623	518,452
<b>Net debt</b>	<b>1,965,517</b>	<b>2,055,890</b>	<b>2,309,511</b>	<b>2,079,835</b>
Less: short-term investments	571,741	323,000	158,000	-
<b>Net debt less short-term investments</b>	<b>\$1,393,776</b>	<b>1,732,890</b>	<b>2,151,511</b>	<b>2,079,835</b>

