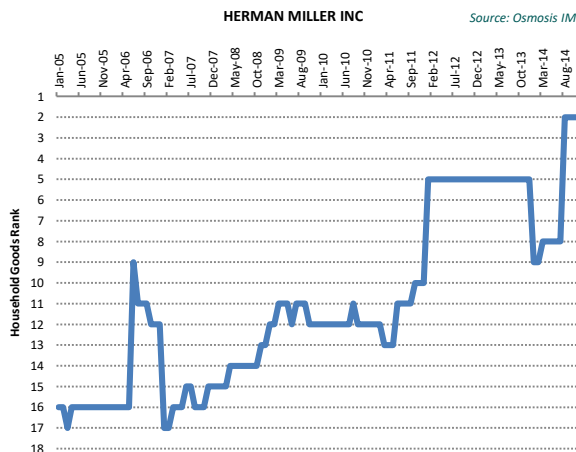


Resource Intensive to Resource Efficient Herman Miller – One to Own

ONE TO OWN – Herman Miller. Moving from the worst in sector to best.

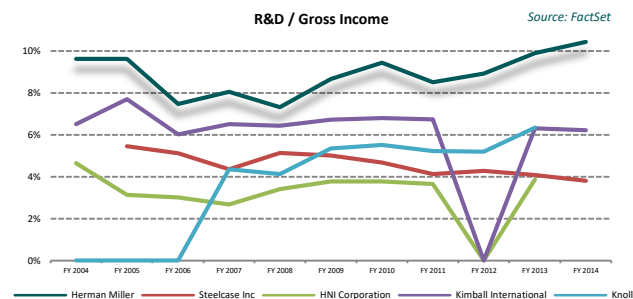
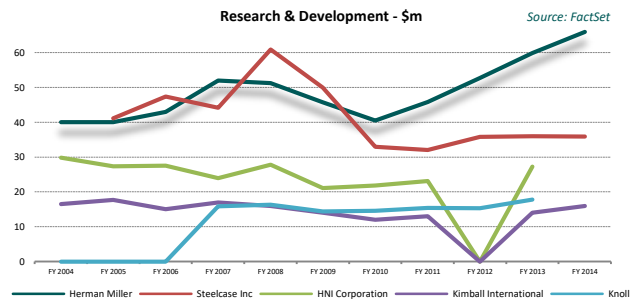
One often associates Herman Miller with ergonomically designed, overly engineered office chairs. However, their business lines encompass not only the office, but healthcare, education and residential settings as well.

Ten years ago, the company implemented a strategy that put in place a set of environmental goals including a zero operational footprint. The Osmosis Model of Resource Efficiency can demonstrate the success of the strategy over that period as the company has moved from one of the most resource inefficient within its sector, to the most efficient.

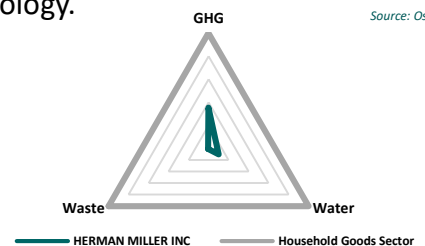


The management team at Herman Miller has significantly reduced their draw on natural resources relative to the economic value they have created over the past few years, putting them in a strong and competitive position to generate long-term value relative to sector peers. The Osmosis model is designed specifically to pick up these kinds of changes in management behaviour and turn them into investment signals.

Their achievements to date do not appear to be hindering this consistent forward looking focus. As we can see from the latest FY14 reports for Herman Miller and four of its biggest rivals, its spending on R&D surpasses that of its closest competitor, almost by double, and significantly as a proportion of gross income.

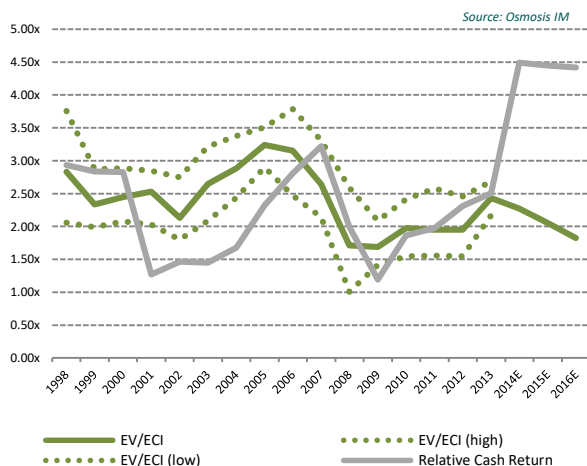


Since the company starting tracking their waste footprint in 1994, they have reduced overall waste by over 90%. They have reduced the amount of material sent to landfill by 97% during the same period and their recycling efforts alone have resulted in an income of \$2m. Additionally, in this time, their process water use has dropped 84%, mainly through the use of a new painting methodology.

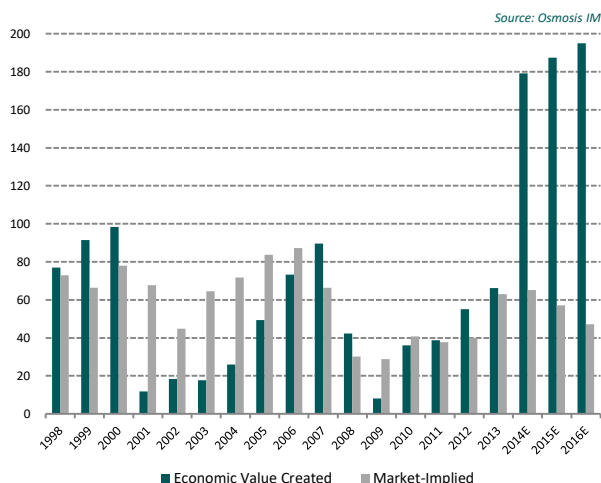


The company ambitiously aims to eliminate all waste from their facilities, drive towards a net zero water extraction and utilise renewable power whilst improving the energy efficiency of the whole operation. This is clearly a management team that understands the challenges of a world transitioning to lower carbon intensity, less water availability and reduced tolerance for waste.

The economic value being created by Herman Miller is not being fully appreciated by the market. As can be seen, the asset multiple of the company, which has traded in tandem with relative cash returns, has not done so in the past year as the company has dramatically increase its cash return position.



The asset multiple goes further in suggesting that the divergence between the economic value being created and that being implied by the market will continue to grow into 2016, suggesting a significant opportunity from this deep value approach.



Combining both this under appreciation of value and objective evidence of high quality, forward looking management team gives a strong signal of long-term shareholder value. If management maintains its current ethos and performance, we believe it is a company to own for a long time.

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IMPORTANT INFORMATION

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