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Q3 2025 APOGEE ENTERPRISES INC EARNINGS CALL

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- **Ty Silberhorn** *Apogee Enterprises Inc - President, Chief Executive Officer, Director*
- **Matthew Osberg** *Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Julio Romero** *Sidoti & Company, LLC - Analyst*
- **Brent Thielman** *D.A. Davidson Companies - Analyst*
- **Jon Braatz** *Kansas City Capital Associates - Analyst*
- **Gowshihan Sriharan** *Singular Research - Analyst*

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Q3 2025 Apogee Enterprises Earnings Conference Call. (Operator Instructions). Please be advised that today's conference is being recorded. (Operator Instructions) I would now like to hand the conference over to your speaker today, Jeff Huebschen, Vice President, Investor Relations.

Jeff Huebschen *Apogee Enterprises Inc - Vice President, Investor Relations.*

Thank you, Josh. Good morning, everyone, and welcome to Apogee Enterprises fiscal 2025 third quarter earnings call. With me today are Ty Silberhorn, Apogee's Chief Executive Officer; and Matt Osberg, Chief Financial Officer. I'd like to remind everyone that there are slides to accompany today's remarks, and these are available in the Investor Relations section of Apogee's website.

During this call, we will reference certain non-GAAP financial measures. Definitions of these measures and a reconciliation to the nearest GAAP measures are provided in the earnings release and slide deck we issued this morning.

I'd also like to remind everyone that our call will contain forward-looking statements. These reflect management's expectations based on currently available information. Actual results may differ materially. More information about factors that could affect Apogee's business and financial results can be found in today's press release and in our SEC filings. And with that, I'll turn the call over to you, Ty.

Ty Silberhorn *Apogee Enterprises Inc - President, Chief Executive Officer, Director*

Thank you, Jeff. Good morning, everyone. Thanks for joining us today. This morning, I'll share a few highlights from the quarter, discuss what we are seeing in our end markets and touch on how we're working to position the company for growth. Then I'll hand it over to Matt for more details on the quarter as well as our outlook. Let's start with the quarter highlights on page 4 of our presentation.

Revenue in the quarter was in line with last year, despite seeing continued pressure from soft end market demand in nonresidential construction. As expected, this softness is primarily impacting our Framing and Glass segments. As volumes declined in Glass and Framing, we saw their margins moderate compared to the first half of the year.

Services continued to deliver positive sales and margin results as we executed projects in our backlog. Services year-to-date adjusted operating margin is now 7% within our 7% to 9% target range. The most notable highlight in the quarter was closing the acquisition of UW Solutions. The team is executing our integration plan, and we are encouraged by the early progress.

I'm very optimistic about how the team is coming together and the opportunities they see to leverage their shared capabilities to drive growth. Even after funding the acquisition, our balance sheet remains very strong, and we are well positioned to continue to deploy capital to drive shareholder value. We are actively cultivating our M&A pipeline, evaluating opportunities to add differentiated products that fit with our strategy and will be accretive to our long-term financial profile.

Now let me offer some comments about the nonresidential construction market. As I mentioned earlier, nonresidential new construction remains challenging. Leading indicators such as the Architectural Billing Index have pointed to a contracting market for 20-plus months. We have and continue to see this softness in Framing Systems over the past several quarters and more recently, with awards slowing in our Architectural Glass segment.

I will note that ABI has improved the past two months which may signal a positive inflection point in the trend. The picture across different building types within non-res construction remains mixed. Interest rate sensitive sectors like office, commercial, lodging, and multifamily housing have been weaker. While verticals like education, health care and transportation continue to see growth. Across our architectural segments, we've continued to shift our mix toward the verticals with the highest growth opportunities.

Notably, institutional projects, including health care, education and government are now the largest share of our backlog. Most industry forecasts call for a continuation of these trends in calendar '25. For example, slide 5 in our presentation shows FMI's forecast for 2025, which now reflects 1% growth in the overall market with continued declines in interest rate sensitive verticals and growth in institutional verticals that also benefit from government funding.

We continue to take the view that the downturn in construction will be short and shallow. Most likely, we will continue to see pressure through the first half of our next fiscal year, primarily in Glass and Framing. Services will be executing a backlog that has been secured for much of our fiscal '26. Regardless of what happens in the overall market, our goal remains to outperform the industry.

Over the past several years, we built a much stronger operating foundation, driving sustainable improvements across our business, and our team has demonstrated that we can deliver margin expansion and earnings growth even without meaningful market growth. We are also now executing acquisitions as a growth lever to further enhance and transform our business providing us with exposure to higher growth areas and higher margins.

As we move forward, we intend to build on this foundation to drive long-term profitable growth. We will continue to diversify our sales mix, focusing on the best market opportunities. Within our Architectural segments. This means continuing to shift towards sectors of the market with higher growth rates.

Most importantly, we will leverage the capabilities of UW Solutions to further expand into attractive market adjacencies. We are seeing positive momentum in industrial flooring, which gives us significant exposure to R&R in addition to new warehouse and distribution center opportunities overall.

We will continue to look for acquisition opportunities that accelerate our growth and further diversify our business mix. We will do this while maintaining our focus on productivity, execution, and cost management. These have been the foundation of our improvements over the past few years, and we continue to focus on these areas to ensure we perform at a high level.

Fiscal '25 marks the end of the three-year plan we shared in November of calendar '21. As you would expect, our leadership team is working to build the next evolution of our strategy. The new plan will leverage our strong operational foundation but place a bigger emphasis on driving growth while continuing to expand our margin profile. We're still early in our process, but I am encouraged by the opportunities we see to position the company for future growth in both revenue and earnings. We plan to share additional details with you in the new fiscal year.

With that, I'll turn it over to Matt.

Matthew Osberg *Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President*

Thanks, Ty, and good morning, everyone. I'll start with a review of the results for the quarter and our updated outlook before I finish with some preliminary thoughts on how fiscal '26 is shaping up.

Starting with the consolidated results for the third quarter, net sales were $341 million and included $8.8 million of inorganic revenue from UW Solutions. On an organic basis, net sales declined approximately 2%, primarily driven by lower volume in Glass, partially offset by continued double-digit growth in Services.

Adjusted operating margin declined 70 basis points driven by unfavorable sales leverage from lower volume, a less favorable product mix and higher incentive compensation and lease expense. These drivers were partially offset by a more favorable mix of projects in Services and lower insurance-related costs. Adjusted diluted EPS was down 3%, coming in at $1.19, primarily driven by lower adjusted operating income.

Turning to the segment results. framing net sales declined approximately 1% to $138 million, primarily reflecting a less favorable product mix, volume and Framing increased during the quarter and the rate of sales decline moderated significantly compared to the first half of the fiscal year. Adjusted operating margin in Framing declined to 9.8% reflecting a less favorable product mix, along with higher costs for freight and compensation.

As expected, net sales in Glass declined this quarter as soft end market demand impacted volume. As we previously discussed, Glass has a high variable contribution rate, making margin rate sensitive to changes in volume and pricing. The lower volume levels this quarter were the main driver of the decline in adjusted operating margin. Services delivered its third straight quarter of double-digit net sales growth, with net sales growing 11%. Adjusted operating margin also continued to improve coming in at 8.6%, making this the fourth straight quarter of year-over-year margin expansion for Services.

Services backlog ended the quarter at $742 million compared to $792 million last quarter and was 4% lower than a year ago. Overall backlog levels remain healthy with nearly two years of sales in backlog; however, the declining trend over the past two quarters reflects the softness we've seen in the overall construction market.

LSO sales grew 28% to $33.2 million primarily due to inorganic sales from UW Solutions. Organic net sales declined 6% as we continued to see lower volumes in the retail channel. Adjusted operating margin declined to 18.6%, reflecting unfavorable leverage from lower volume in the legacy LSO business and the dilutive margin impact from UW Solutions.

Corporate and other expenses increased to $8.8 million, which included $4.5 million of costs related to the UW Solutions acquisition. This was partially offset by lower incentive compensation costs and lower insurance-related expenses.

Turning to cash flow and the balance sheet. Cash from operations remained strong but was below last year's record level. We generated $31 million of cash from operations in the quarter, bringing our year-to-date total to $95 million. During the quarter, we executed our $250 million delayed draw term loan to fund the acquisition of UW Solutions.

We finished the quarter with a consolidated leverage ratio of 1.3 times and we expect to pay down debt in the coming quarters, further strengthening our financial position. We continue to have significant capacity available on our credit facility, giving us ample dry powder for further value-creating capital deployment.

Moving to our outlook for the full fiscal year. We now expect net sales to decline by approximately 5%. This includes the impact of approximately $30 million of incremental net sales from the UW Solutions acquisition as well as lower-than-expected volume in the fourth quarter, primarily in the Framing and Glass segments. Also, as a reminder, the fourth quarter will have the comparative impact of the incremental 53 week of activity in fiscal '24.

We continue to expect full year consolidated adjusted operating margin will be approximately 11%, primarily driven by the strong margin performance in the first half of the year. We expect adjusted operating margin to decline sequentially in the fourth quarter, primarily due to the impact of lower volume and pricing pressure in Glass and Framing.

We expect that full year full fiscal year adjusted operating margins for Framing, Services and LSO will be within their respective target ranges with Glass finishing in the high teens for the year. We now expect full year adjusted diluted EPS will be at the bottom of our range of $4.90 to $5.20. This includes approximately $0.05 of dilution related to the UW Solutions acquisition and the impact of lower than previously expected volume in the fourth quarter in Framing and Glass. We continue to expect an effective tax rate of approximately 24.5% and now expect full year capital expenditures of $40 million to $45 million.

Looking ahead to fiscal '26, we are currently working through our budgeting process and expect to provide an outlook for the new fiscal year on our call in April. However, I thought it would be helpful to share some initial perspectives on next year. We are continuing to monitor economic and market trends and evaluate the potential impacts on our business. As Ty described, most forecasts call for continuation of current market trends. However, as more recent forecasts have been released, growth estimates for calendar '25 have consistently been revised downward.

We also see more uncertainty in the market with the incoming presidential administration and potential for several significant policy changes that could have wide-ranging impacts on nonresidential new construction. Near-term market conditions would generally have more impact on the Framing and Glass segments and less impact on the Services segment due to the longer-term nature of the projects in backlog.

In LSO, we continue to expect that UW Solutions will contribute approximately $100 million of net sales at an adjusted EBITDA margin of approximately 20% and will be accretive to adjusted diluted EPS. We also see an opportunity for organic growth in LSO as retail channel volumes recover and as we pursue growth in adjacent markets, leveraging the capacity investments we've made.

From an adjusted operating margin perspective, based on sustainable performance improvements we've achieved and a continued focus on executing our strategy, we see an opportunity for all four segments to be within their target adjusted operating margin ranges for next year. We have, however, identified some potential fiscal '26 operating income headwinds that we expect to put pressure on EPS growth.

Glass margins are expected to moderate from the high teens in fiscal '25 to be within the segment's long-term range of 10% to 15% in fiscal '26. Additionally, in fiscal '25, we have benefited from lower insurance-related costs and lower short-term incentive costs that are expected to be headwinds in fiscal '26. We are currently working through action plans to try to offset these items as well as prepare for other potential market headwinds.

Finally, due to the strong results we posted in the first half of fiscal 25, we expect the year-over-year comparisons to be most challenged in the first half of fiscal '26. Although we are facing some fiscal '26 headwinds, I'm excited about the potential of our business. The third quarter delivered solid results, and we are focused on managing through current challenges in the market while balancing strategic investments that will enable future growth.

The acquisition of UW Solutions is expected to provide expanded opportunities for growth, and we continue to look for additional organic and inorganic investments to accelerate our strategy. With that, I'll turn it back over to Ty for some concluding remarks.

Ty Silberhorn *Apogee Enterprises Inc - President, Chief Executive Officer, Director*

Thanks Matt. Let me close by recognizing our team for continuing to build momentum as we execute our strategy. I also want to thank everyone that's been involved with the UW Solutions acquisition and the great progress we've made to date with that business. The work we've done over the past year puts the company in a solid position. We've strengthened our operating foundation, built a more competitive cost structure, increased our mix of differentiated products and services and made investments to enable future growth.

We've done this while continuing to generate significant free cash flow and maintaining a healthy balance sheet, allowing us to deploy further capital to support our strategy and drive shareholder value. With that, we are ready to take your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions)

Julio Romero, Sidoti & Company.

Julio Romero *Sidoti & Company, LLC - Analyst*

Happy New Year. Can we maybe start with the Glass segment a little bit and talk a little bit about the in-market weakness you're seeing there. How are price and mix holding up in the segment and then secondly, how much lower should we be modeling 4Q sales dollars in Glass relative to 3Q because I think the guide implies some sequential step down from 3Q.

Matthew Osberg *Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President*

Yes. Good question, Julio. So I think what you're seeing right now, especially in Q3, in Glass is more pressure on volume. The price is still kind of holding up, but my expectation is price will continue to be under pressure as volume pressure continues, and we do expect volume to continue to be under pressure in Q4 as we kind of laid out today.

In terms of how to think about it, I mean, yes, we talked about volumes coming down in Q4, primarily in Framing and Glass. I'd say most of that is in Framing, but there is some in Glass that's going to be due to pressure on price and volume.

And I think just from a run rate perspective, I think it's something in the ballpark of around Q3, maybe a little bit above, maybe a little bit below, depending on how things shake out. But Q3 is probably a good benchmark for Q4.

Julio Romero *Sidoti & Company, LLC - Analyst*

Got it. That's very helpful. So I guess we should be thinking about a greater step down in the fourth quarter from a volume perspective in Framing than we should be in Glass. Is that fair?

Matthew Osberg *Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President*

Yes. That's fair. And I think the other thing that's in there, too, is Q4 has got the fiscal -- or the additional week of compare in last year. So that kind of makes it hard to parse that out specifically. But I think that there'll be more volume pressure in AFS than Glass.

Julio Romero *Sidoti & Company, LLC - Analyst*

Got it. Very helpful. And then talking about the UW acquisition a little bit. You mentioned some positive momentum in industrial flooring. Can you expand on that a little bit? And then also touch on the other two product lines, HD printable materials and Engineered Coatings, if you could?

Ty Silberhorn *Apogee Enterprises Inc - President, Chief Executive Officer, Director*

Yes. This is Ty. I'll take that one. So if you recall, industrial flooring was a little less than half of the revenue for that business, which -- the total business is about $100 million in sales. We like all parts of that business, but that was a significant part that really interested us in giving us a differentiated product in our portfolio, giving us exposure to the R&R and not having to rely so much on new construction build-out and it really opened the door for us for warehouse distribution and even manufacturing plants, which other than several thousand dollars per project on an entrance system basis, we didn't have a lot to sell in there.

So we weren't guiding specific to those product lines, but we have seen, I would say, better than what we expected in terms of pipeline opportunity growth. So we do think that, that part of the business is really going to drive UW Solutions revenue over the next couple of years and when you combine it in with LSO, especially with some of the softness they've seen on the retail side, we think that's a positive lift for the business overall, and it also has very strong margins.

Julio Romero *Sidoti & Company, LLC - Analyst*

If I could sneak one more in here is I really appreciate the preliminary fiscal '26 commentary you guys gave. Can you also maybe talk to the plans to deploy capital in fiscal '26 a little bit? I think you mentioned a pretty robust M&A pipeline. And then also, you talked about plans to continue to pay down debt. Any other commentary you could give there would be helpful.

Ty Silberhorn *Apogee Enterprises Inc - President, Chief Executive Officer, Director*

Yes. Julio, so we're ending the quarter here at a 1.3 times ratio, so we've got current capacity that we can still deploy today. As you mentioned, we did call out that we will continue to pay down debt. Obviously, interest costs are high and the faster we can delever there, the less interest expense we'll have in fiscal '26. But we continue to have our foot on the accelerator from an M&A pipeline perspective.

We've got capacity to do a similar sized deal to UW Solutions today without further debt capacity. And so we continue to look at that as our number one priority for deploying capital.

Also, we're looking at other organic investments. We can continue to make internally to drive some growth and we'll continue to pay down debt while those are not available to us. But as those become available, we'll definitely turn our capital deployment strategy to driving those kind of organic and inorganic investments.

Operator

Brent Thielman, D.A. Davidson.

Brent Thielman *D.A. Davidson Companies - Analyst*

Just on -- Ty, you alluded to some of the forecasts out there by third parties just in terms of the market. But your Services business, I think, as one of those areas in the company that gives you a longer lead times gives you some visibility. Are the trends that you're seeing in terms of sort of bookings or quotes, anything any other KPIs within that business sort of aligning with what some of the third-party forecasts suggest about the market? Are they worse? Are they better? Just kind of curious what you're seeing in terms of underlying demand trends in that business.

Ty Silberhorn *Apogee Enterprises Inc - President, Chief Executive Officer, Director*

Yes. They would say it's aligning. We're not guiding yet for next year. But I think as we look at their backlog and how fiscal '26 is shaping up. They're probably going to demonstrate that they'll outperform the market a little bit.

Even if they, let's say, we're flat year-over-year, we would see that as a win with everything else we're seeing in kind of the core project types. And that's a little bit of the flight to quality. We're certainly seeing that.

As the markets have tightened up, they're getting looks and even second looks on some projects as a result of that. It does put a little pressure on their margin because as projects -- fewer projects, there's more people chasing fewer pieces of the pie. So there is a little bit of pressure there, but they've been executing on the productivity side that got them back into that 7% to 9%, and we expect they'll be operating within that 7% to 9% target range.

But overall, they would also say yes. There's definitely softness in the market, some choppiness again with projects looking like they're ready to go and then getting held before they give a firm yes on an award, so they're seeing a bit of that choppiness.

Brent Thielman *D.A. Davidson Companies - Analyst*

Yes. And I mean, obviously, the Glass segment margins kind of reverted back to your target range this quarter. You've been saying that all along and that should eventually happen. Does the profile of new orders you're seeing in kind of this weaker market give you the confidence to stay within that target range. Matt, I know you did allude to fiscal 2026, you expect to do that.

I guess just my concern is some impact to operating leverage here with volume down. So if you could just kind of walk through the pieces, I guess, what gives you the confidence to stay in that range in Glass and it was really tough market, -- would be helpful.

Matthew Osberg *Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President*

Yes. No, it's a good question, Brent. But yes, you did pick it up. I mean we are seeing a path for Glass to be in their target range next year. And like you said, -- they're going to be in the high teens this year, so even moderating into the middle of that range is a significant decline.

But going back to your question is we've made real structural change in that business in terms of the productivity that we've got, the efficiency we've got and the way we go to market and the type of projects that we try and go after as well as looking at the value add that we can provide.

So we believe that, that 10% is a floor for that business even in a challenged top line year and that we've got a real structural change built into that business from where it was three or four years ago that we can be within that 10% to 15% range even in a year with got some top line headwinds.

Ty Silberhorn *Apogee Enterprises Inc - President, Chief Executive Officer, Director*

Yes. And I would echo that. If you just look at the quarter, I mean, year-over-year, a little more than 20% decline in revenues and still delivered 14%-plus on the operating income side on the EBIT side. So I think that is evidence of what Matt just said if we're looking for proof points within that. We do expect the high value-add products, we are seeing pressure there.

So not only volume from a bid perspective, we see coming down and they really started to feel that this quarter, and they can see that in the next couple of quarters. but they're also seeing pressure of, hey, we really wanted to have three or four of those additional high value adds in that insulated Glass unit. But -- we're trying to get this project to get greenlighted and we're trying to shave some dollars. So maybe we can only afford to pay for two or three of those high value adds in the IGU. So that affects mix a little bit.

But even with that, as we project out, I think they're comfortably looking to stay in that 10% to 15%. And of course, that gives upside as volume turns, which we'll see how the calendar year starts to play out here. But if it starts to turn in the second half of calendar '25, then that starts to show up again from a mix and price standpoint, yes.

Brent Thielman *D.A. Davidson Companies - Analyst*

Maybe just a last one, sort of a follow-on, I guess, to Julio's question about capital allocation. I understand you want to pay down the debt, maybe Ty I mean extent that you want to focus on paying down debt and integrate UW. I'm sure you're still talking to other potential prospects on the acquisition side out there. Could you just kind of give us some flavor for what you might be looking for and is the acquisition pipeline active.

Ty Silberhorn *Apogee Enterprises Inc - President, Chief Executive Officer, Director*

Yes. I mean, our acquisition pipeline is very active. I think that market is also heating up. A lot of folks sat on the sidelines waiting for interest rates to kind of settle and hoping to have more bidders and processes. So we're seeing activity pick up on that.

That will be a focus for us, especially if we think, let's say, FMI is right, and it's kind of a flat year for non-resi, and that's still getting a lift from manufacturing plant and warehouse build-outs, which are still forecasted to be healthy growth rates.

So we will continue to focus there. Strategically, like we said, it has to fit within our capabilities, both from a -- think about it from a technology manufacturing process standpoint, and then we're looking to add more differentiated products like we got with UW Solutions that tend to also bring higher margin rates than the rest of our businesses.

So we'll be opportunistic. We will use that strategic lens coupled with we want accretive margins. We wanted to continue to help lift our margin profile. But there's a growth emphasis there, too. We're looking to acquire things that are going to open up higher growth spaces for us as well.

Operator

Jon Braatz , KCCA.

Jon Braatz *Kansas City Capital Associates - Analyst*

Ty, Matt, you spoke a little bit about the industrial flooring market for UW. And I guess when you speak to the group there and you think about it, what kind of sensitivity might that end market have to higher interest rates and maybe a slower economy and maybe some of the transition administration transition. Is there any concern that, that market could weaken a little bit?

Ty Silberhorn *Apogee Enterprises Inc - President, Chief Executive Officer, Director*

I think when we see that, remember this flooring is really driven not only by putting mezzanine floors in existing facilities, we do have some where it gets spec-ed in on first floor build-out, but it's the robotics component. So there's a benefit there that frankly, even with tight labor, et cetera, that creates an opportunity where people are looking to put robotics into their facilities to address some of the labor challenges or labor cost issues. It's also nice because it's about 80% R&R. So it's a retrofit of an existing facility. It's not relying new plant or new warehouse build-out.

Obviously, if consumer spending is picking up and sold the Walmart's to Amazon, et cetera, see growth and want to continue to add to existing or build new facilities, that's a plus. But otherwise, I think that business for the next few years relatively insulated from that.

Yes, there could be years where they get a couple of huge wins across a couple of sites that give them a big lift that gives them tough comps in the future year. But we like that business a lot. We're investing in that. We're going to continue to look at other areas we can add into the portfolio that gives us that type of exposure.

Jon Braatz *Kansas City Capital Associates - Analyst*

Okay. Matt, you mentioned a big win. How big is a big win -- how is going to move the needle for that group?

Ty Silberhorn *Apogee Enterprises Inc - President, Chief Executive Officer, Director*

Yes, John, this is Ty. We won't get into those specifics. But again, that business, a little less than half of UW Solutions. It is a lot of smaller projects, I think, hundreds of thousands. However, they have some large accounts where someone could decide we're putting mezzanines in 10 facilities -- and we're doing robotics in everyone.

And so now you're into 1 million-plus type of opportunity. But most of that business is a smaller dollar. Again, we like that too, right? We don't have to rely on a huge project win like we'd have to see in services, there's really been glass to move the needle for them.

Jon Braatz *Kansas City Capital Associates - Analyst*

Okay. Good. And then last, secondly, Ty, you've been investing -- making some investments in LSO in adjacent markets. And what kind of progress are you seeing in that regard? Can you give us a little update?

Ty Silberhorn *Apogee Enterprises Inc - President, Chief Executive Officer, Director*

Yes. I would say we're seeing good progress. So in terms of building that opportunity pipeline, getting a couple of projects across the finish line. We've seen those positives. Obviously, we'd like more.

It's getting drowned out a little bit because of the retail side has been soft for them, and that's kind of hiding some of the gains that they're getting there. But they've got good momentum that we'll probably be putting a lot of attention on that business overall in our fiscal '26.

Matthew Osberg *Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President*

Yes. And one of the things I called out is we see a lot of growth -- organic growth opportunities in that legacy LSO business as well in fiscal '26.

Operator

(Operator Instructions) Gowshi Sri, Singular Research.

Gowshihan Sriharan *Singular Research - Analyst*

Yes. Just with the EPS guidance, what are the key factors that could potentially drive the performance towards the upper end of that range in Q4?

Matthew Osberg *Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President*

Yes. So Gowshi, this is Matt. We tried to be pretty thoughtful in directing people towards the bottom of that range for the year, which obviously all that plays out in Q4. And I think the big driver we're seeing there is just more pressure on volume than we expected. And so I think as we look at Q4, volume is probably our biggest variable that drives that what we're seeing now would put us towards the bottom of that $490 million to $520 million range.

Gowshihan Sriharan *Singular Research - Analyst*

Okay. In terms of the UWS progress, can you give me a little more color on what synergies you're expecting? And I think you had like a target of $100 million contribution for FY26. Any update on that?

Matthew Osberg *Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President*

Yes. So for F26, we're still projecting that we're going to have $100 million contribution from UW Solutions at about a 20% adjusted EBITDA margin and we do expect that to be accretive to EPS next year. And we do -- we have outlined that we are trying to achieve $5 million in synergy targets as we move through the next 12 to 18 months as we look at bringing in the business, we've already started to realize some, but we're working through the integration process here. And I'd say we're on track -- or where we expect it to be.

Gowshihan Sriharan *Singular Research - Analyst*

Okay. And in terms of the market conditions and the changes for your long-term operating margins, I'm sorry, I might have missed this, but any particular number for the Architectural Framing that you're putting out on an update?

Matthew Osberg *Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President*

So Framing for this year, we expect Framing to be within its 10% to 15% range. And next year, we see the opportunity for them to be in their long-term range as well in fiscal '26.

Operator

Thank you. I would now like to turn the call back over to Ty Silberhorn for any closing remarks.

Ty Silberhorn *Apogee Enterprises Inc - President, Chief Executive Officer, Director*

Thank you again for joining us today, and we look forward to providing you with another update in our April call as we close out our fiscal '25. Have a great rest of your week.

Operator

Thank you. This concludes the conference. Thank you for your participation. You may now disconnect.

DISCLAIMER