

Apogee Enterprises (Q1 2027)
June 26, 2026

Corporate Speakers

- Jeremy Steffan; Apogee Enterprises, Inc.; Vice President, Investor Relations and Communications
- Donald Nolan; Apogee Enterprises, Inc.; Chief Executive Officer
- Mark Augdahl; Apogee Enterprises, Inc.; Chief Financial Officer

Participants

- Julio Romero; Sidoti & Company; Analyst
- Gowshi Sriharan; Singular Research; Analyst

PRESENTATION

Operator^ Good day, and thank you for standing by. Welcome to the Apogee Enterprises First Quarter Earnings Conference Call. (Operator Instructions)

As a reminder this conference is being recorded for replay purposes.

I will now turn the conference over to Jeremy Steffan, Vice President, Investor Relations and Communications, to begin.

Jeremy, please go ahead.

Jeremy Steffan^ Thank you. Good morning, and welcome to Apogee Enterprises' fiscal 2027 first quarter earnings call.

On the call today are Don Nolan, Apogee's Chief Executive Officer; and Mark Augdahl, our Chief Financial Officer.

During this call the team 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 which are available in the Investor Relations section of our website.

As a reminder, today's call will contain forward-looking statements. These reflect management's expectations based on currently available information. Actual results may differ materially from those expressed today.

More information about factors that could affect Apogee's business and financial results can be found in our press release and in the company's SEC filings.

With that, I'll turn the call over to Don.

Donald Nolan^ Thanks, Jeremy. And good morning, everyone.

We're glad you could join us for our first quarter earnings call.

Our team delivered revenue of \$343 million and adjusted diluted EPS of \$0.57 in the quarter, demonstrating strong execution across the business.

We effectively navigated a challenging environment marked by rising aluminum costs, a dynamic macroeconomic backdrop and elevated interest rates. These results were supported by a sustained focus on cost control and thoughtful pricing actions in response to higher input costs.

Across our segments, results reflected a mix of solid performance and continued variability in end markets.

In Metals, pricing actions and cost savings from Fortify 2 drove margin expansion, supported by favorable mix and ongoing productivity improvements.

We also made continued progress in operational performance, improving quality and on-time delivery while strengthening customer relationships.

Services delivered its ninth consecutive quarter of top line growth and also increased backlog sequentially, reflecting steady project award wins and improving project flow.

Performance Surfaces sustained its positive momentum with another quarter of growth, supported by healthy demand across key end markets. Margins were impacted by rising input costs which drove pricing actions during the quarter that we expect to benefit results through the remainder of the fiscal year.

In Glass, results remain pressured by softer conditions in new construction and lower demand for premium product offerings. We are implementing an action plan to improve performance, prioritizing initiatives to drive order rates, enhance operational productivity and strengthen cost management.

I'm proud of our team's performance in the quarter and the progress we're making across the business. The team's actions are aligned to improve results, and we remain on track to deliver on our full year guidance.

As we discussed last quarter, we're actively advancing our strategy, executing on our enhanced three-pillar framework while improving the overall quality and durability of our portfolio. Kalwall is a strong example of this strategy in action, demonstrating how we are building capabilities and expanding into areas that support long-term profitable growth.

Our M&A process remains active as we continue to evaluate additional opportunities that align with our growth priorities and financial criteria.

Turning to the Kalwall acquisition. This is a highly strategic addition that aligns with the M&A priorities we've outlined over the past several quarters. Kalwall expands our presence in attractive, faster-growing areas of the building envelope market, particularly in daylighting solutions that are engineered, specification-driven and aligned with energy efficiency trends.

It strengthens our position with architects and specifiers and enhances our ability to deliver differentiated high-performance solutions across key end markets such as education, health care and other institutional applications.

From a financial perspective, Kalwall is an attractive addition to our portfolio. The business operates with margins that are accretive to Apogee's current profile and is supported by specification-driven demand.

It also is expected to enhance the durability of our earnings which should offset the more cyclical elements of our Glass segment.

Overall, the acquisition enhances the quality and resilience of our earnings profile over time.

From an integration perspective, our priority is to preserve what has made Kalwall successful while identifying opportunities to collaborate and create value across the broader Apogee portfolio.

We will pursue synergies over time along with opportunities to drive revenue by leveraging our relationships with architects, designers and glazing contractors.

As we begin integration planning, we are taking a structured approach across key functions including finance, human resources and sales and marketing.

Our efforts are focused on aligning financial reporting and controls, maintaining stability in talent and culture and strengthening our go-to-market approach over time while ensuring strong day-to-day execution and continued customer engagement.

As we look ahead, we remain focused on strong near-term execution while positioning Apogee for long-term value creation.

Kalwall represents an important step in advancing our strategy to build a more differentiated, higher-margin and specification-driven portfolio while maintaining the operational discipline that has long defined this company.

We are managing the business for the environment we see today while taking deliberate actions to improve the quality and durability of our earnings over time. We believe that combination, near-term discipline paired with long-term strategic progress positions Apogee well to deliver sustainable value.

With that, I'll turn it over to Mark to cover the financials.

Mark Augdahl^ Thanks, Don. And good morning, everyone.

I'll begin with a review of our first quarter results and then discuss our outlook for the remainder of fiscal 2027.

Beginning with our consolidated results, net sales decreased 1.1% to \$342.7 million, primarily reflecting lower volume in Metals and Glass as expected. This was partially offset by favorable pricing actions to recover higher material and freight costs as well as positive mix.

Adjusted EBITDA margin decreased to 9.4% compared to 9.9% a year ago, driven by higher material and freight costs and the impact of lower volume. These headwinds were partially offset by cost savings from Fortify Phase 2, productivity improvements and favorable pricing.

Adjusted diluted EPS was \$0.57, ahead of our expectations and up year-over-year, primarily driven by lower interest expense.

Turning to our segment results. Metals net sales declined 4.8% to \$122 million, reflecting continued challenging market conditions. The decrease was primarily due to lower volume, partially offset by favorable price and product mix.

Adjusted EBITDA margin expanded to 11.2%, driven by favorable mix, increased productivity and cost savings from Fortify Phase 2, partially offset by the impact from lower volume and the net impact from higher aluminum costs.

The Services segment continued its positive momentum and delivered their ninth consecutive quarter of net sales growth, improving by 8.2%, primarily driven by volume.

Adjusted EBITDA margin slightly decreased to 5.3% due to project mix, partially offset by benefits from Project Fortify 2, to reduce the impact of tariffs and the impact from increased volume. Backlog ended the quarter at \$735 million, up 8% year-over-year and 6% sequentially.

Glass net sales declined 7.6% to \$67.7 million, primarily driven by lower price and volume due to the continued end market demand softness. Adjusted EBITDA margin also declined to 8.7% due to the impact of lower price and volume and inflation on material costs.

Performance Surfaces net sales increased approximately 5%, driven by increased volume and favorable price. Adjusted EBITDA margin decreased due to the net impact of higher material and freight costs, partially offset by productivity.

Turning to our cash flow and the balance sheet. Net cash provided by operating activities was \$7.4 million in the quarter compared to \$19.8 million net use of cash a year ago.

In the first quarter, we repurchased \$9.7 million of stock and returned \$5.6 million to shareholders through dividends.

Our balance sheet at the end of the quarter was strong with consolidated leverage ratio at 1.3x, no near-term debt maturities and significant capital available for future deployment.

Overall, Q1 profit exceeded our internal expectations, and I'm pleased with our team's ability to deliver in this environment.

Before I turn to the outlook, I will address Kalwall from a financial perspective. The acquisition is consistent with our capital allocation framework, prioritizing investment in business, value-accretive M&A and returning capital to shareholders and adds a business with margins above our current company average.

We expect Kalwall to generate approximately \$85 million of revenue at roughly a 15% adjusted EBITDA margin over the first 12 months with a long-term margin rate of 20%.

The transaction is expected to be accretive in the first year and is anticipated to close in early July. Following completion, we expect to maintain a strong balance sheet with capacity to support future M&A.

Now for fiscal 2027, we continue to expect full year net sales between \$1.38 billion and \$1.43 billion and adjusted EPS in the range of \$2.70 to \$3.25.

We expect results to be weighed more heavily towards the second half of the year, reflecting anticipated improvement in underlying market conditions as the year progresses.

We continue to expect interest expense of approximately \$10 million and adjusted effective tax rate of 26% to 27% and capital expenditures between \$35 million and \$40 million.

This guidance is based on current market conditions and does not include any impact from Kalwall.

Incorporating the potential impact from Kalwall and assuming closure in early July, our net sales range would be \$1.43 billion to \$1.48 billion and EPS continuing to be in a range of \$2.70 to \$3.25. Interest expense would increase to approximately \$14 million.

Looking ahead to the second quarter, we expect net sales to be slightly lower and adjusted EPS to be lower on a year-over-year basis. These assumptions are minimally impacted by the anticipated early July close of Kalwall with a more meaningful contribution expected in the second half.

We remain focused on what we can control, executing our business, controlling costs and maintaining pricing discipline in a variable demand environment.

Our strong balance sheet and cash flow provide flexibility to invest in the business, advancing integration of Kalwall and deploying capital effectively, including evaluating share repurchases as part of our broader capital allocation strategy. This positions us well to manage near-term dynamics while continuing to build long-term value.

We will now open the call to questions.

Operator, please go ahead.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Julio Romero with Sidoti & Company.

Julio Romero^ Don, Mark, Jeremy, can you update us on where you stand in terms of pricing realization across the portfolio? And does the 1Q results give you more confidence in your ability to offset cost pressure, both in Metals and across the broader portfolio?

Mark Augdahl^ This is Mark.

I'll start off here. Yes. In the quarter, our primary input costs, especially in our Metals segment continued to be very volatile, obviously with aluminum doing what it was doing. So we did implement in the quarter both pricing and surcharges to offset those costs.

In the Metals segment, we also made additional changes in our pricing structures and surcharges in our other segments as well to kind of follow along with those input cost changes.

We expect that to continue. As our input costs change, we will be -- we will have pricing discipline to make sure that we are passing those along to the best of our ability.

Julio Romero^ Okay. Very helpful there. And then on Kalwall, can you maybe expand on your comments about the Kalwall's revenue synergy opportunity with the legacy Glass segment? Just help us think about how it might accelerate growth of the end markets that you outlined, I believe it was education, health care and other institutional.

Is there other end markets it may provide entry to? And just help us think about the strategic fit with legacy Glass there.

Donald Nolan^ This is Don. Great question.

Look, we're really excited about Kalwall. Brings a leading provider of high-performance translucent daylighting solutions into the company.

And you're right, it definitely strengthens our core and advances our strategy. It's differentiated products, specification driven, right up our alley. And these products are highly complementary to Viracon, our Architectural Glass business, and we clearly see cross-selling opportunities over on other brands across the Metals business.

So I would say pretty much across our entire Apogee architectural portfolio, we'll see opportunities to cross-sell.

The other thing I might add is we also see operational and cost synergy opportunities here of about \$4 million by fiscal year '29. So primarily driven by input cost synergies.

So that will also -- we will also see margins will be growing over the next 2.5 years from 15% EBITDA to 20%. So very exciting for us.

Mark Augdahl^ And then maybe, Julio, just to add on, Kalwall certainly plays in different markets than our traditional Viracon business.

So it does help diversify our Glass segment into some other sectors like education and museums and whatnot.

So yes, we feel like this is a great addition to the segment and certainly to the enterprise overall.

Julio Romero^ Very helpful. And then one more for me is just staying on Kalwall for a bit.

Is there a retrofit opportunity embedded within that acquisition?

Donald Nolan^ Yes. I mean that's an interesting question.

There is some as the product ages occasionally, but it's not a primary market for us. Usually, it's new construction, a lot of institutional opportunities here. So it's a little bit different market than we typically would go in with Viracon.

And -- but the retrofit market is not as much. Usually, it's a specified architectural spec product.

So does that answer your question?

Julio Romero^ Understood. It does.

Operator^ Our next question comes from Gowshi Sri with Singular Research.

Gowshi Sriharan^ Can you hear me?

Donald Nolan^ Loud and clear.

Gowshi Sriharan^ My first question is on Kalwall. Just -- I know you guys have said that the end markets are civic buildings, health care. Any of that is that exposed to government funding construction as that -- how much of that is actually being revenue tested against the municipal and federal construction budgets?

Mark Augdahl^ Gowshi, this is Mark. Yes. We would expect a certain amount of government projects in our future as it relates to Kalwall.

I don't know if it's going to be a significant driver, but it's certainly in play.

Donald Nolan^ Yes. I would say -- I'd say all three levels, municipal, state and federal. And I would also add in their educational institutions, quite a bit there.

Gowshi Sriharan^ Okay. So does Kalwall come in at 15%? Or where specifically are -- is that \$4 million adding up to that 15% margin?

Mark Augdahl^ So it comes in close to that 15%. So our ability to take on synergies and hopefully execute some additional cost input reductions across the overall portfolio will drive the EBITDA growth there.

Gowshi Sriharan^ Got you.

Donald Nolan^ So just to be clear, so with the \$4 million in synergy, we expect the business to get to 20% EBITDA margins.

Gowshi Sriharan^ Got you. Okay. On the Glass side, are you -- is it all purely macro-driven softness? Or are you seeing any competitors moving -- being aggressive on price?

Donald Nolan^ Yes. I mean, look, the Glass business has been a few quarters here, and we've definitely seen softer conditions. There's fewer jobs and many of those jobs are at a lower volume. And I must say, though, that the team is executing.

We're -- our hit rate is improving on the jobs we pursue. And we've put together a performance improvement challenge, I'll call it, to increase order rates, enhance productivity and strengthen our cost management.

The other piece I might mention here is yesterday, we actually announced a new President for the Glass segment, and Chris Ede, who is -- he's been with the company for four years. So it enables us to leverage our bench strength in this really important role.

Really happy for Chris and he's got a 20-year background spanning strategy, M&A, P&L responsibility and he was the guy that was responsible for the UW Solutions acquisition. So he made that happen, and he was also running the integration activities which, as you remember, it really hit first year expectations.

So he'll also be leading the integration efforts with Kalwall, leveraging all that knowledge and experience that we had with UW.

Gowshi Sriharan^ Got you. Awesome. And on the performance side, I'll make this my last question.

On the performance side, I know it's been compressed around 20% -- around 14% in Q1. Help us understand how much of that direct oil polymer input cost sensitivity is that for the segment?

So roughly if a \$10 move in oil means to -- what does that mean to performance EBITDA margins?

Mark Augdahl^ How about if I just -- I'm going to go this direction.

So first of all, we're really pleased with the growth that, that segment has displayed over the past quarters. The UW integration was very successful. Yes. In the current quarter, we saw input costs rise quite a bit and specifically related to the petrochemical-derived products like you suggested as well as aluminum costs impact that segment.

We implemented some -- both pricing and some price increases as well as surcharges in the quarter, but we're expecting that to impact later on in the year.

And to the extent that those input costs continue to increase, we will continue those activities.

Operator^ And I'm not showing any further questions at this time.

I'd like to turn the call back over to Don for any further remarks.

Donald Nolan^ In closing, I continue to be encouraged by the progress we are making and the actions we are taking across the business.

I want to thank our employees for their hard work and commitment. They play a critical role in supporting our customers and strengthening our company every day.

We are building Apogee with discipline and ambition, improving performance today while positioning the company for stronger, more durable growth over time.

I'm grateful for our employees, confident in our strategy and energized by what lies ahead.

Thank you for your continued interest and support.

Operator^ Thank you. Ladies and gentlemen, this does conclude today's presentation.

We thank you for your participation.

You may now disconnect, and have a wonderful day.