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Apogee Enterprises, Inc.

Nasdaq: APOG

Fiscal 2025 Third Quarter Earnings Call

January 7, 2025

Non-GAAP measures & forward-looking statements

This presentation contains non-GAAP financial measures which the Company uses to evaluate its historical and prospective financial performance, measure operational profitability on a consistent basis, as a factor in determining executive compensation, and to provide enhanced transparency to the investment community. Definitions for these non-GAAP financial measures are included in today's press release and reconciliations to the most directly comparable GAAP measures are included at the end of this presentation.

This presentation contains certain statements that are considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect our current views with respect to future events and financial performance. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "believe," "expect," "anticipate," "intend," "estimate," "forecast," "project," "should," "will," "continue" or similar words or expressions. All forecasts and projections in this presentation are "forward-looking statements," and are based on management's current expectations or beliefs of the Company's near-term results, based on current information available pertaining to the Company. From time to time, we may also provide oral and written forward-looking statements in other materials we release to the public, such as press releases, presentations to securities analysts or investors, or other communications by the Company. Any or all of our forward-looking statements in this presentation and in any public statements we make could be materially different from actual results.

Accordingly, we wish to caution investors that any forward-looking statements made by or on behalf of the Company are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other risk factors include, but are not limited to, the risks and uncertainties set forth under the "Risk Factors" section of our Annual Report on Form 10-K for the year ended March 2, 2024, and in subsequent filings with the U.S. Securities and Exchange Commission.

We also wish to caution investors that other factors might in the future prove to be important in affecting the Company's results of operations. New factors emerge from time to time; it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Agenda

Introductory remarks

Ty Silberhorn

Chief Executive Officer

Financial results and outlook

Matt Osberg

Chief Financial Officer

Q&A

FY2025 Third Quarter Highlights

- Net sales approximately in-line with prior year, as growth in Services and sales from UW Solutions offset lower volumes in Glass
- Continued volume pressure from soft end market demand
- Adjusted operating margin decline vs prior year but above 10% target
- Healthy cash flow and strong financial position
- Completed the acquisition of UW Solutions
- Remain focused on execution, costs, and positioning for growth

Net sales	$341 M +0.5% year-over-year
Adjusted operating income*	$35.4 M (5.9)% year-over-year
Adjusted operating margin*	10.4% (70) bps year-over-year
Adjusted diluted EPS*	$1.19 (3.3)% year-over-year

Delivering near-term results while positioning for long-term growth

*Non-GAAP financial measures, see reconciliation table

Market Outlook

FMI forecast for construction put in place in the U.S. for selected building types

Building Type	Forecasted 2025 Growth Rate
Multifamily residential	-16%
Lodging	-8%
Office (excluding data centers)	-3%
Commercial	-8%
Health care	+3%
Educational	+3%
Amusement & recreation	+4%
Transportation	+4%

Source: FMI 2024 North American Engineering and Construction Outlook, Fourth Quarter Edition

- FMI nonresidential building construction forecasted to grow by ~1% in calendar 2025
- FMI forecasted growth for 2025 has been revised downward over the past several quarters
- Shifting market dynamics drive a continued focus on diversifying our project mix

Consolidated Results

Third quarter

$ in millions, except EPS	Q3 FY25	Q3 FY24	Change
Net sales	$341.3	$339.7	0.5%
Adjusted operating income*	$35.4	$37.6	(5.9)%
Adjusted operating margin*	10.4%	11.1%	(70) bps
Adjusted EBITDA*	$45.8	$47.3	(3.1)%
Adjusted EBITDA margin*	13.4%	13.9%	(50) bps
Adjusted diluted EPS*	$1.19	$1.23	(3.3)%

Year-to-date

$ in millions, except EPS	FY25	FY24	Change
Net sales	$1,015.3	$1,055.1	(3.8)%
Adjusted operating income*	$121.1	$112.0	8.1%
Adjusted operating margin*	11.9%	10.6%	130 bps
Adjusted EBITDA*	$151.5	$142.2	6.6%
Adjusted EBITDA margin*	14.9%	13.5%	140 bps
Adjusted diluted EPS*	$4.08	$3.64	12.1%

*Non-GAAP financial measure, see reconciliation table

Segment Results

Third quarter FY2025

	Segment net sales $M	Adjusted operating margin*
Architectural Framing Systems *Year-over-year change*	$138.0 *(1.1)%*	9.8% *(240) bps*
Architectural Glass *Year-over-year change*	$70.2 *(22.8)%*	14.4% *(230) bps*
Architectural Services *Year-over-year change*	$104.9 *10.8%*	8.6% *300 bps*
Large-Scale Optical *Year-over-year change*	$33.2 *27.6%*	18.6% *(870) bps*

Year-to-date FY2025

	Segment net sales $M	Adjusted operating margin*
Architectural Framing Systems *Year-over-year change*	$412.6 *(10.8)%*	12.3% *(20) bps*
Architectural Glass *Year-over-year change*	$247.0 *(12.5)%*	19.5% *210 bps*
Architectural Services *Year-over-year change*	$302.0 *11.0%*	7.0% *400 bps*
Large-Scale Optical *Year-over-year change*	$74.2 *2.9%*	20.0% *(400) bps*

- *Adjusted operating margin is a Non-GAAP financial measure, see reconciliation table.
- Segment net sales is defined as net sales for a certain segment and includes revenue related to intersegment transactions.
- Net sales intersegment eliminations are reported separately to exclude these sales from our consolidated total.
- Segment operating income is equal to net sales, less cost of goods sold, SG&A, and any asset impairment charges associated with the segment.
- Segment operating income includes operating income related to intersegment sales transactions and excludes certain corporate costs that are not allocated at a segment level. We report these unallocated corporate costs in Corporate and Other.
- Operating income does not include any other income or expense, interest expense or income tax expense.

Cash Flow and Balance Sheet

$ in millions	Nine Months Ended 11/30/24	Nine Months Ended 11/25/23
Cash flow from operations	$95.1	$129.3
Capital expenditures	$24.7	$27.0
Free cash flow*	$70.4	$102.3
Share repurchases	$15.1	$11.8
Dividends	$16.2	$15.7
	Nov 30, 2024	**Mar 2, 2024**
Total debt	$272.0	$62.0
Cash & equivalents	$43.9	$37.2
Net debt**	$228.1	$24.8

*Free cash flow is a non-GAAP financial measure which the Company defines as cash flow from operations less capital expenditures.
**Net debt is a non-GAAP financial measure which the Company defines as total debt less cash and cash equivalents.
Tables may not foot due to rounding

Commentary

- Lower year-to-date free cash flow, primarily driven by increased cash used for working capital
- Increased borrowings to fund the acquisition of UW Solutions
- Returned $31.3M of cash to shareholders year-to-date
- Consolidated Leverage Ratio* (as defined in our credit agreement) of 1.3x

*Consolidated Leverage Ratio is a Non-GAAP Financial Measure. See definition at the end of this presentation.

Strong financial position – Deploying capital to drive value

FY2025 Outlook

Net sales	**~5% decline compared to FY24**

Previous range was down 4-7%

Adjusted diluted EPS*	**$4.90 to $5.20**

*Non-GAAP financial measure, see reconciliation table

Additional details

- Net sales outlook includes:
  - ~$30 million contribution from the acquisition of UW Solutions
  - Lower than expected volumes in the fourth quarter
  - ~2 percentage point decline related to reverting to a 52-week year
  - ~1 percentage point decline related to Project Fortify
- Adjusted diluted EPS now expected at the bottom of our range and includes:
  - ~$0.05 of dilution related to the acquisition of UW Solutions
  - Impact of lower-than-expected volumes in the fourth quarter
  - Reversion to 52-week year expected to reduce adjusted diluted EPS by ~$0.20 compared to FY24
- Assuming effective tax rate of approximately 24.5%
- Planning CapEx between $40 to $45 million

Adjusting our guidance to account for UW Solutions and softer market conditions

Third Quarter Summary

- Continuing to build momentum through executing our strategy
- Solid Q3 results as we manage through market softness
- Completed acquisition of UW Solutions
- Strong cash flow and financial position
- Focused on execution, costs, and positioning for growth

Q&A

Non-GAAP Measures

- Adjusted operating income, adjusted operating margin, adjusted net earnings, and adjusted diluted EPS are used by the Company to provide meaningful supplemental information about its operating performance by excluding amounts that are not considered part of core operating results to enhance comparability of results from period to period.
- Adjusted EBITDA represents adjusted net earnings before interest, taxes, depreciation, and amortization. The Company believes adjusted EBITDA and adjusted EBITDA margin metrics provide useful information to investors and analysts about the Company's core operating performance.
- Free cash flow is defined as net cash provided by operating activities, minus capital expenditures. The Company considers this measure an indication of its financial strength. However, free cash flow does not fully reflect the Company's ability to freely deploy generated cash, as it does not reflect, for example, required payments on indebtedness and other fixed obligations.
- Consolidated Leverage Ratio is calculated as Consolidated Funded Indebtedness minus Unrestricted Cash at the end of the current period, divided by Consolidated EBITDA (calculated as EBITDA plus certain non-cash charges and allowed addbacks, less certain non-cash income, plus the pro forma effect of acquisitions and certain pro forma run-rate cost savings for acquisitions and dispositions, as applicable for the trailing twelve months ended as of the current period). All capitalized and undefined terms used in this bullet are defined in the Company's credit agreement. The Company is unable to present a quantitative reconciliation of forward-looking expected Consolidated Leverage Ratio to its most directly comparable forward-looking GAAP financial measure because such information is not available, and management cannot reliably predict all the necessary components of such GAAP financial measure without unreasonable effort or expense. In addition, the Company believes such reconciliation would imply a degree of precision that would be confusing or misleading to investors.

Reconciliation of non-GAAP financial measures

Adjusted net earnings and adjusted diluted earnings per share (Unaudited)

In thousands	Three Months Ended		Nine Months Ended	
	November 30, 2024	November 25, 2023	November 30, 2024	November 25, 2023
Net earnings	$ 20,989	$ 26,974	$ 82,566	$ 83,877
Acquisition-related costs (1)				
Transaction	3,748	—	3,748	—
Integration	941	—	941	—
Backlog amortization	805	—	805	—
Inventory step-up	379	—	379	—
Total acquisition-related costs	5,873	—	5,873	—
Restructuring charges (2)	912	—	3,213	—
NMTC settlement gain (3)	—	—	—	(4,687)
Income tax impact on above adjustments (4)	(1,682)	—	(2,226)	1,148
Adjusted net earnings	$ 26,112	$ 26,974	$ 89,426	$ 80,338

	Three Months Ended		Nine Months Ended	
	November 30, 2024	November 25, 2023	November 30, 2024	November 25, 2023
Diluted earnings per share	$ 0.96	$ 1.23	$ 3.76	$ 3.80
Acquisition-related costs (1)				
Transaction	0.17	—	0.17	—
Integration	0.04	—	0.04	—
Backlog amortization	0.04	—	0.04	—
Inventory step-up	0.02	—	0.02	—
Total acquisition-related costs	0.27	—	0.27	—
Restructuring charges (2)	0.04	—	0.15	—
NMTC settlement gain (3)	—	—	—	(0.21)
Income tax impact on above adjustments (4)	(0.08)	—	(0.10)	0.05
Adjusted diluted earnings per share	$ 1.19	$ 1.23	$ 4.08	$ 3.64
Weighted average diluted shares outstanding	21,917	22,013	21,937	22,093

(1) Acquisition-related costs include:
- Transaction costs related to the UW Solutions acquisition.
- Integration costs related to one-time expenses incurred to integrate the UW Solutions acquisition.
- Backlog amortization is related to the value attributed to contracting the backlog purchased in the UW Solutions acquisition. These costs will be amortized in SG&A over the period that the contracted backlog is shipped.
- Inventory step-up is related to the incremental cost to value inventory acquired as part of the UW Solutions acquisition at fair value. These costs will be expensed to cost of goods sold over the period the inventory is sold.

(2) Restructuring charges related to Project Fortify, including $0.4 million of employee termination costs and $0.5 million of other costs incurred in the third quarter of fiscal 2025, and $1.3 million of employee termination costs, $0.1 million of contract termination costs and $1.8 million of other costs incurred in the first nine months of fiscal 2025.

(3) Realization of a New Market Tax Credit (NMTC) benefit during the second quarter of fiscal 2024, which was recorded in other expense (income), net.

(4) Income tax impact calculated using an estimated statutory tax rate of 24.5%, which reflects the estimated blended statutory tax rate for the jurisdictions in which the charge or income occurred.

Reconciliation of non-GAAP financial measures

Adjusted operating income (loss) and adjusted operating margin

(Unaudited)

	Three Months Ended November 30, 2024					
In thousands	**Architectural Framing Systems**	**Architectural Glass**	**Architectural Services**	**LSO**	**Corporate and Other**	**Consolidated**
Operating income (loss)	$ 12,710	$ 10,118	$ 9,730	$ 4,842	$ (8,771)	$ 28,629
Acquisition-related costs (1)						
Transaction	—	—	—	—	3,748	3,748
Integration	—	—	—	147	794	941
Backlog amortization	—	—	—	805	—	805
Inventory step-up	—	—	—	379	—	379
Total acquisition-related costs	—	—	—	1,331	4,542	5,873
Restructuring charges (2)	842	—	(717)	—	787	912
Adjusted operating income (loss)	$ 13,552	$ 10,118	$ 9,013	$ 6,173	$ (3,442)	$ 35,414
Operating margin	9.2%	14.4%	9.3%	14.6%	N/M	8.4%
Acquisition-related costs (1)						
Transaction	—	—	—	—	N/M	1.1%
Integration	—	—	—	0.4%	N/M	0.3%
Backlog amortization	—	—	—	2.4%	N/M	0.2%
Inventory step-up	—	—	—	1.1%	N/M	0.1%
Total acquisition-related costs	—	—	—	4.0%	N/M	1.7%
Restructuring charges (2)	0.6%	—	(0.7)%	—	N/M	0.3%
Adjusted operating margin	9.8%	14.4%	8.6%	18.6%	N/M	10.4%

	Three Months Ended November 25, 2023					
In thousands	**Architectural Framing Systems**	**Architectural Glass**	**Architectural Services**	**LSO**	**Corporate and Other**	**Consolidated**
Operating income (loss)	$ 16,981	$ 15,164	$ 5,288	$ 7,100	$ (6,886)	$ 37,647
Operating margin	12.2%	16.7%	5.6%	27.3%	N/M	11.1%

(1) Acquisition-related costs include:
- Transaction costs related to the UW Solutions acquisition.
- Integration costs related to one-time expenses incurred to integrate the UW Solutions acquisition.
- Backlog amortization is related to the value attributed to contracting the backlog purchased in the UW Solutions acquisition. These costs will be amortized in SG&A over the period that the contracted backlog is shipped.
- Inventory step-up is related to the incremental cost to value inventory acquired as part of the UW Solutions acquisition at fair value. These costs will be expensed to cost of goods sold over the period the inventory is sold.

(2) Restructuring charges related to Project Fortify, including $0.4 million of employee termination costs and $0.5 million of other costs incurred in the third quarter of fiscal 2025.

Reconciliation of non-GAAP financial measures

Adjusted operating income (loss) and adjusted operating margin

(Unaudited)

	Nine Months Ended November 30, 2024					
In thousands	**Architectural Framing Systems**	**Architectural Glass**	**Architectural Services**	**LSO**	**Corporate and Other**	**Consolidated**
Operating income (loss)	$ 48,187	$ 48,277	$ 21,483	$ 13,481	$ (19,453)	$ 111,975
Acquisition-related costs (1)						
Transaction	—	—	—	—	3,748	3,748
Integration	—	—	—	147	794	941
Backlog amortization	—	—	—	805	—	805
Inventory step-up	—	—	—	379	—	379
Total acquisition-related costs	—	—	—	1,331	4,542	5,873
Restructuring charges (2)	2,755	—	(459)	—	917	3,213
Adjusted operating income (loss)	$ 50,942	$ 48,277	$ 21,024	$ 14,812	$ (13,994)	$ 121,061
Operating margin	11.7%	19.5%	7.1%	18.2%	N/M	11.0%
Acquisition-related costs (1)						
Transaction	—	—	—	—	N/M	0.4%
Integration	—	—	—	0.2%	N/M	0.1%
Backlog amortization	—	—	—	1.1%	N/M	0.1%
Inventory step-up	—	—	—	0.5%	N/M	—
Total acquisition-related costs	—	—	—	1.8%	N/M	0.6%
Restructuring charges (2)	0.7%	—	(0.2)%	—	N/M	0.3%
Adjusted operating margin	12.3%	19.5%	7.0%	20.0%	N/M	11.9%

	Nine Months Ended November 25, 2023					
In thousands	**Architectural Framing Systems**	**Architectural Glass**	**Architectural Services**	**LSO**	**Corporate and Other**	**Consolidated**
Operating income (loss)	$ 57,986	$ 49,119	$ 8,211	$ 17,288	$ (20,637)	$ 111,967
Operating margin	12.5%	17.4%	3.0%	24.0%	N/M	10.6%

(1) Acquisition-related costs include:
- Transaction costs related to the UW Solutions acquisition.
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- Inventory step-up is related to the incremental cost to value inventory acquired as part of the UW Solutions acquisition at fair value. These costs will be expensed to cost of goods sold over the period the inventory is sold.

(2) Restructuring charges related to Project Fortify, including $1.3 million of employee termination costs, $0.1 million of contract termination costs and $1.8 million of other costs incurred in the first nine months of fiscal 2025.

Reconciliation of non-GAAP financial measures

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin

(Earnings before interest, taxes, depreciation, and amortization)

(Unaudited)

	Three Months Ended		Nine Months Ended	
In thousands	**November 30, 2024**	**November 25, 2023**	**November 30, 2024**	**November 25, 2023**
Net earnings	$ 20,989	$ 26,974	$ 82,566	$ 83,877
Income tax expense	6,656	8,329	27,268	26,062
Interest expense, net	1,044	1,454	2,634	5,720
Depreciation and amortization	11,134	10,524	30,798	31,185
EBITDA	$ 39,823	$ 47,281	$ 143,266	$ 146,874
Acquisition-related costs (1)				
Transaction	3,748	—	3,748	—
Integration	941	—	941	—
Inventory step-up	379	—	379	—
Total acquisition-related costs	5,068	—	5,068	—
Restructuring charges (2)	912	—	3,213	—
NMTC settlement gain (3)	—	—	—	(4,687)
Adjusted EBITDA	$ 45,803	$ 47,281	$ 151,547	$ 142,187
EBITDA Margin	11.7%	13.9%	14.1%	13.9%
Adjusted EBITDA Margin	13.4%	13.9%	14.9%	13.5%

(1) Acquisition-related costs include:
- Transaction costs related to the UW Solutions acquisition.
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(2) Restructuring charges related to Project Fortify, including $0.4 million of employee termination costs and $0.5 million of other costs incurred in the third quarter of fiscal 2025, and $1.3 million of employee termination costs, $0.1 million of contract termination costs and, $1.8 million of other costs incurred in the first nine months of fiscal 2025.

(3) Realization of a New Market Tax Credit (NMTC) benefit during the second quarter of fiscal 2024, which was recorded in other expense (income), net.

Reconciliation of non-GAAP financial measures

Fiscal 2025 Outlook

Reconciliation of Fiscal 2025 outlook of estimated
diluted earnings per share to adjusted diluted earnings per share

(Unaudited)

	Fiscal Year Ending March 1, 2025	
	Low Range	**High Range**
Diluted earnings per share	$ 4.40	$ 4.64
Acquisition-related costs (1)		
Transaction	0.18	0.19
Integration	0.09	0.12
Backlog amortization	0.07	0.07
Inventory step-up	0.15	0.15
Total acquisition-related costs	0.49	0.53
Restructuring charges (2)	0.17	0.21
Income tax impact on above adjustments per share	(0.16)	(0.18)
Adjusted diluted earnings per share	$ 4.90	$ 5.20

(1) Acquisition-related costs include:
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