

Apogee Enterprises (Q4 2025)
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Corporate Speakers:

- Jeff Huebschen; Apogee Enterprises; Vice President, Investor Relations & Communications
- Ty Silberhorn; Apogee Enterprises; Chief Executive Officer
- Matthew Osberg; Apogee Enterprises; Chief Financial Officer

Participants:

- Julio Romero; Sidoti & Company, LLC; Analyst
- Unidentified Participant; Unknown; Analyst
- Gowshihan Sriharan; Singular Research; Analyst

PRESENTATION

Operator^ Good day. Welcome to the Q4 2025 Apogee Enterprises Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the call over to your first speaker today, Jeff Huebschen. Please go ahead.

Jeff Huebschen^ Thank you, [Tonia]. And good morning, everyone. Welcome to Apogee Enterprises' fiscal 2025 fourth 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. 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 published 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.

Finally, I'd like to mention some changes we made to our segment names. Our previously named Architectural Framing Systems segment is now called Architectural Metals and our previous LSO segment is now called Performance Surfaces. We believe these changes better reflect the product focus and capabilities within those segments.

And with that, I'll turn the call over to you, Ty.

Ty Silberhorn^ Thank you, Jeff. Good morning. Thanks for joining us today. I'll cover three areas, first, a look back at some of the major accomplishments from our strategic transformation over the past 4 years. Second, I'll share some perspectives on key focus areas for fiscal '26. Third, I'll comment on how we are navigating through this period of uncertainty focusing on what we can control while continuing to invest for growth. Then Matt will offer more details on the quarter and our outlook for our fiscal '26.

Before I dive in, let me comment on the fourth quarter and fiscal '25. We completed another successful year as our team continued to execute our strategy. We demonstrated sustainable operating improvements, which helped us deliver increased adjusted operating margins and record adjusted EPS. Our focus on operational execution, productivity and cost management continued to be key enablers of our improved results despite challenges in Architectural Metals during the fourth quarter.

We also continued to increase our mix of differentiated higher-margin offerings. This was highlighted by the acquisition of UW Solutions and the evolution of our Performance Surfaces segment, which is expected to provide a strong growth platform. We also delivered another year of solid cash flow, and we sustained adjusted ROIC above our 12% target. Notably, we achieved all of this despite market headwinds that contributed to lower revenue and volume in both Architectural Glass and Architectural Metals.

Now looking back, our results in fiscal '25 capped the execution of the strategy that we laid out in November of 2021. Our three-pillar strategy has led to sustainable operating improvements across our business, as outlined on Page seven of our presentation. We significantly improved our cost structure through, facility consolidation and organizational alignment, better integration of our supply chain operations and leveraging our back office functions across our enterprise.

We've also achieved significant productivity improvements through the Apogee Management System. We refocused our business on more differentiated higher-margin offerings. We improved our pricing models to better share in the value we provide to our customers. The reshaping of our portfolio has driven higher margins and profit dollars. We exited less profitable business lines, such as the Velocity Glass business and the curtain wall supply model in the Metals segment.

We made investments in organic capacity for Performance Surfaces, then coupled that with an additional growth catalyst through the UW Solutions acquisition. And we made organic growth investments in people and production capacity in the Services segment to support their westward geographic expansion. All of this has been underpinned by a focus on talent management and people development, which has significantly strengthened our team. Through this work, we've built a much stronger operating foundation that will support continued performance, especially in uncertain or challenging periods.

When we introduced our strategy, we set three financial targets to achieve by fiscal '25. ROIC above 12%, adjusted operating margin over 10% and outgrowing the

nonresidential construction market. We exceeded both the ROIC and margin targets. Adjusted ROIC has been above 12% for three consecutive years, nearly doubling from fiscal '22, and we steadily improved margins, reaching 11% this year, which is a 470 basis point improvement from fiscal '22. But we have fallen short of our growth target.

Some of this was a function of our purposeful strategy to move away from lower-margin offerings, and some was driven by the dynamics of our end markets. Manufacturing plants, data centers and warehouse builds have been the primary driver of nonresidential construction growth the past few years. These are segments where we have historically had less presence but are opening up those markets through the resinDEK industrial flooring product line.

As we move forward, we will strive to sustain the ROIC and margin gains we've achieved, while shifting more focus to growth. Despite those revenue headwinds, the execution of our strategy has driven significant growth in profit dollars and earnings per share as shown on Page 9. Since fiscal year 2022, we've achieved a 22% CAGR on adjusted operating income, and we've doubled adjusted EPS.

We've also improved our cash flow building upon Apogee's long history of consistent, strong cash flow generation. We've used this to pursue a balanced approach to capital deployment shown on Page 11. We steadily increased our dividend. We've returned capital to shareholders through buybacks, and we've made organic and inorganic investments to enable profitable growth. With our strong balance sheet and cash flow, we have more opportunity for value-creating capital allocation. We've also invested significant time and resources to build stronger M&A capabilities. This includes a focused strategy, dedicated resources, disciplined screening and diligence and a playbook for how we drive integration.

Our M&A pipeline remains robust, and we continue to proactively identify and evaluate opportunities that support our strategy and are accretive to our long-term financial profile. We are very excited about the UW Solutions acquisition, and it's a great example of what we can accomplish through M&A. We added a differentiated business that is well positioned in attractive markets including a flooring product line that gives us exposure to R&R in manufacturing and distribution centers. We gained complementary products, providing new opportunities for growth and diversification. We expanded our manufacturing and process technology capabilities, and the business has a strong financial profile that will be accretive to our growth rate and our EBITDA margins.

Since closing the acquisition last November, we've made significant progress on our integration, and we're on track to deliver the deal model financial targets. Prior to the newly announced tariffs and the macro uncertainty that has brought, we felt confident that the combined Performance Surfaces business would deliver double-digit organic growth in fiscal '26. Now we still see this business delivering high single-digit organic growth, but we have attempted to factor in potential softness from the consumer portion of this business into our guidance.

Let me talk about what we are seeing in the market and how we are positioning for the coming year. As we discussed last quarter, we expect continued headwinds in nonresidential construction during calendar year '25. Leading indicators such as long-term interest rates and the Architectural Billings Index, as well as industry forecasts, point to slowing conditions and a cautious outlook for market growth. The picture remains mixed across different segments of the nonresidential market. Interest rate sensitive sectors like office, commercial, lodging and multifamily are projected to decline again this year. But there are also pockets of growth in verticals like education, healthcare and transportation.

Given this market outlook, we expect the most pressure on our Architectural businesses, especially in Glass and Metals. Recent developments with tariffs add to the uncertainty in our market outlook. Our team has been preparing for tariffs since January, and we've already taken actions to mitigate the impact. We've managed through similar situations over the past several years including tariffs during the first Trump administration, supply chain disruptions during the pandemic, and the recent period of rapid inflation. I'm confident that our team will successfully manage through the current situation as well. However, tariffs will have an impact on several aspects of our operations.

We think about tariff exposure in two buckets. Direct tariffs, where we are directly paying tariffs to deliver products to customers, and indirect tariffs, which includes things like raw material cost inflation, potential impacts from supply chain disruption and other indirect impacts. Our operations and supply chain are largely centered in the U.S., and we do have relatively limited exposure to global trade. However, we are more directly exposed to the current Section 232 tariffs on aluminum products entering the U.S. from our manufacturing operation in Canada and the retaliatory tariffs on similar products entering Canada from the U.S. Indirectly, our biggest impact is the cost of aluminum which is our largest input cost and mostly sourced from Canada in the form of billet. We also expect other input costs such as paint, chemicals and lumber to increase as well.

We've already taken actions to mitigate tariffs including accelerating our Canadian production in the Services segment to ship as much work as possible ahead of the new tariffs taking effect, which added to their sales in Q4. Diverting new U.S. project work from our Canada operation into U.S. manufacturing facilities, further optimizing our services manufacturing footprint, evaluating supply chain optionality and diversification, driving internal cost control and productivity improvements, and taking price actions where appropriate and necessary after we have done all that we can to mitigate those higher costs. Tariffs also impact overall inflation and demand for our products, but that is difficult to forecast with any precision today.

We've included a slide on Page 25 in our presentation that provides a summary of the tariff impacts, our mitigation efforts and the net estimated impact on our fiscal '26 earnings. We are also seeking opportunities to capitalize on this situation by revisiting customers and projects that had previously planned to source key materials from international suppliers.

Against this backdrop of market uncertainty, we're focused on sustaining the progress we've achieved from executing our strategy. Over the past several years, our team has demonstrated that we can deliver strong results even in challenging market conditions. As we navigate through this period of uncertainty, we recognize the imperative to deliver near-term results. We're approaching fiscal '26, balancing that near-term performance while continuing to invest in long-term growth opportunities. We will maintain our focus on productivity, execution and managing costs as these have been central to everything that we've accomplished.

As part of this focus, we are implementing a second phase of Project Fortify, to drive further efficiencies and better align our operations and cost structure with the current market conditions. These actions are concentrated in Services and Metals. In Services, we will be closing our Toronto manufacturing site and aligning resources to support growth in the U.S.

In Metals, we will continue to optimize our footprint and make organizational changes to gain more efficiency. Now our Metals segment had a rough fourth quarter, as operational challenges hit as they try to drive more standardization of their entrance system product lines across multiple sites. This hurt their productivity and their service levels impacting margins and volume. We made a decision to power through those change efforts to better position the business for fiscal '26. The actions in Fortify Phase Two, in addition to investments we are making to further improve production processes, will help drive the recovery quarter-by-quarter and result in a stronger performing business.

While we take these actions to ensure near-term performance, we also remain focused on positioning the company for growth. We will continue to drive growth in the acquired UW Solutions portfolio and develop new growth opportunities across Performance Surfaces. We will also leverage our recent capacity investments to drive organic growth.

Finally, as I mentioned earlier, we will continue to actively pursue our M&A pipeline, looking for opportunities to add offerings and capabilities that further diversify our business, raising our margin profile and our growth potential.

With that, I will turn it over to Matt.

Matthew Osberg^ Thanks, Ty. And good morning, everyone. First, I'll begin with a review of the results for the fourth quarter and the full year, then I'll discuss our outlook for fiscal '26.

Before I start, I want to point out that due to the net sales impact of the additional week in fiscal '24 and inorganic sales from the UW Solutions acquisition in fiscal '25, we've included a table in our earnings release on Page 32 of our slide deck, that quantified these changes as well as our organic business for both the quarter and full year.

Now let's start with the consolidated results for the fourth quarter. Net sales were down 4.5% to \$346 million. The extra week in the fourth quarter of last year negatively

impacted the net sales comparison by 7.9%. Net sales were also unfavorably impacted by lower volume, primarily in Metals and Glass. These items were partially offset by \$23 million of inorganic sales from UW Solutions, which added 6.4% of growth.

Fourth quarter operating income included a \$9.4 million charge related to the March 2025 confirmation of an arbitration award, which represents the impact of the award amount net of existing reserves and estimated insurance proceeds. Fourth quarter operating income also included a \$7.6 million impairment charge on a trade name in the Metals segment as we continued the strategic product realignment within that business.

Operating income also included \$4.4 million of acquisition-related costs and \$1.1 million of restructuring charges as we closed out the first phase of Project Fortify. Excluding these items, adjusted operating margin declined 120 basis points to 8.3%, primarily driven by unfavorable sales leverage from lower volume and a less favorable product mix. These drivers were partially offset by a more favorable mix of projects in Services and lower incentive, quality and insurance-related costs. Adjusted diluted EPS declined 22%, coming in at \$0.89 per share, primarily driven by lower adjusted operating income and higher interest expense.

Looking at the segments, as Ty mentioned, this quarter's results in Metals were below our expectations. As a part of Project Fortify, the Metals segment has been through significant organizational and operational change. In the fourth quarter, these changes were compounded by the launch of a more standardized product line across multiple facilities, which caused operational disruption and led to production delays and increased freight and labor costs.

Metals net sales declined 19% to \$112 million, 7.8% of the decline was due to the extra week last year. The remainder was primarily driven by lower volume resulting from the operational disruption and a less favorable sales mix. Adjusted operating margin in Metals declined to 2.8%, reflecting unfavorable sales leverage from lower volume, less favorable mix and unfavorable productivity impacts from the standardized product line launch. These items were partially offset by lower quality and short-term incentive compensation costs. Despite the fourth quarter operational disruption, the Metals segment achieved full year adjusted operating margin of 10.3%, which is within our target margin range.

The team has worked quickly to identify root causes, communicate with customers and implement recovery plans. In recent weeks, we have seen marked improvement in the key operational metrics and believe that we have a path to drive significant performance recovery over the next few months.

The Services segment continued to deliver strong top line growth, with net sales increasing 10.9% despite the unfavorable impact of the additional week in the prior year, making this the fourth consecutive quarter of double-digit sales growth for Services.

Sales in the quarter benefited from increased volume and a more favorable mix of projects. Some of the volume increase resulted from accelerated cost flow on certain projects, which pulled forward approximately \$10 million of revenue that we had originally expected to flow in the first quarter of fiscal '26.

Services adjusted operating margin improved by 140 basis points, coming in at 7.2%, primarily driven by a more favorable mix of projects, partially offset by higher incentive compensation costs and higher lease expense. Services backlog expense ended the quarter at \$720 million compared to \$742 million last quarter and 11% lower than one year ago. Overall backlog levels remain healthy. However, the declining trend over the past three quarters reflect some of the softness we've seen in the non-res construction market.

Moving on to Glass. Net sales declined in the quarter, driven by lower volume and a 7.4% unfavorable impact from the additional week in the prior year. Adjusted operating margin in Glass declined to 14.6% from 19.7% in last year's fourth quarter, primarily driven by unfavorable leverage from lower volume. While Glass margin for the quarter was lower year-over-year, it remained near the top end of our 10% to 15% target range for the segment.

Sales in Performance Surfaces grew 77% to \$47.9 million, primarily due to inorganic sales from UW Solutions. Organic business net sales declined 0.5% as we continue to see lower volumes in the retail channel. Adjusted operating margin was 19.5%, reflecting the dilutive impact from UW Solutions and unfavorable sales leverage from lower organic volume, partially offset by improved productivity.

UW Solutions delivered financial results in line with our expectations, contributing \$23 million of revenue and adjusted EBITDA margin of over 22%. Corporate and Other expenses were \$13.8 million which included \$9.4 million of expense related to the arbitration award and \$1.2 million of acquisition-related costs. This was down from \$14.5 million in last year's fourth quarter due to lower restructuring charges, incentive compensation costs and insurance-related expenses.

Looking at results for the full fiscal year, net sales declined 3.9%. This included 2% of unfavorable impact due to the extra week last year and 2.3% inorganic growth from UW Solutions. Organic business net sales declined 4.2%, primarily due to lower volume in Metals and Glass partially offset by growth in Services. Full year adjusted operating margin improved 70 basis points to 11%, primarily driven by improved operating margin in Services, lower quality and insurance-related costs and lower bad-debt expense. These items were partially offset by unfavorable leverage from lower volume and higher lease costs.

Notably, all segments were within or above their target adjusted operating margin range for the full year. Adjusted diluted EPS grew 4.2% to a record \$4.97 primarily driven by higher adjusted operating margin. EPS also benefited from lower non-operating expenses and a lower diluted share count.

Turning to cash flow and the balance sheet. We had another year of strong cash flow from operations. We generated \$30 million of cash from operations in the fourth quarter, bringing the year-to-date total to \$125 million. During the year, we invested \$36 million in CapEx, which included investments for capacity expansion of Performance Surfaces, expanded manufacturing capacity in Services and other projects to enhance productivity and enable growth. In the fourth quarter, we repurchased \$30 million of stock. For the full year, we returned \$67 million to shareholders through dividends and share buybacks. Our balance sheet remains strong with consolidated leverage ratio of 1.3, no near-term debt maturities and significant dry powder for future capital deployment.

Now let's move to our outlook for fiscal '26. As Ty described, our industry faces uncertainty as we enter the new fiscal year, forecasts now point to a slight decline in non-residential construction, lower consumer confidence and the impact of higher tariffs. The outlook we are providing today incorporates the current macroeconomic and tariff environments, but we also acknowledge the recent volatility in the market.

With that in mind, we are providing wider-than-normal ranges for our sales and EPS outlook. We expect full year net sales between \$1.37 billion to \$1.43 billion and adjusted diluted EPS in the range of \$3.55 to \$4.10. This includes our current estimate of \$0.45 to \$0.55 of unfavorable adjusted EPS impact from tariffs. We continue to expect UW Solutions will contribute approximately \$100 million of revenue with pro forma mid-single-digit growth in sales, have adjusted EBITDA margin of approximately 20% and be accretive to adjusted EPS. We also see an opportunity for high single-digit organic growth in the legacy Performance Services business as we expect to increase distribution at one of our key retail customers.

Even in the face of a potentially softer market, this remains a strong business with accretive margins and great growth prospects. We anticipate adjusted operating margin to moderate compared to fiscal '25 with the primary drivers being the impact of tariffs, Glass margins moving back into the target range of 10% to 15%, the dilutive impact of the UW Solutions business on Performance Surfaces margin and increasing insurance-related costs, which were a tailwind in fiscal '25.

With the acquisition of UW Solutions, and continued focus on M&A as a growth driver, we will be placing more emphasis on adjusted EBITDA margin as a measure of operating performance. Accordingly, on Slide 29 of our presentation, we have converted our long-term target margin ranges from adjusted operating margin to adjusted EBITDA margin.

As I said, our outlook includes an estimated unfavorable tariff impact to adjusted EPS of \$0.45 to \$0.55. This will fall mostly in the first half of fiscal '26 with the impact decreasing significantly in the second half of the year as mitigation efforts take full effect. We expect that approximately 60% of the tariff impact will affect the Services segment with approximately 30% of the impact in the Metals segment and the rest impacting Glass and Surfaces.

As Ty mentioned, our team has been planning for tariffs for the past few months and we have already taken steps to both avoid tariffs and to mitigate their impact. We are making structural changes and enacting other mitigation plans in the first half of the year that will significantly reduce tariff impacts in the second half of the year. Although we are expecting a material impact of tariffs in fiscal '26, assuming no material changes to tariff policy, we believe that the measures we are enacting in the first half of the year will put us in a position to be able to successfully mitigate these tariffs in fiscal '27 and beyond. Tariff policy has been changing rapidly, and we will continue to monitor and assess the impact on our business.

We are also launching a second phase of Project Fortify. We expect that this will result in \$24 million to \$26 million of pretax restructuring charges, of which approximately \$8 million will be noncash. We expect Phase II to deliver annualized pretax cost savings of \$13 million to \$15 million and the plan to be substantially complete by the end of fiscal '26. We expect that approximately 75% of the charges will be recognized in the first quarter and approximately 75% of the total annualized savings will be realized in fiscal '26. We estimate that approximately 50% of the annualized savings from Phase two will be in Services, 40% in Metals and 10% in Corporate. These savings will be incremental to what we achieved in the initial phase of Project Fortify.

Our outlook assumes interest expense of \$14.5 million to \$15.5 million, an effective tax rate of approximately 24.5% and capital expenditures between \$35 million to \$40 million. We expect operating cash flow to decline year-over-year, primarily due to the impact of the arbitration award payment in the first quarter of fiscal '26, lower estimated EBITDA and higher interest expense. Our first quarter is typically a very low quarter for operating cash flow generation, with the first quarter impact of the arbitration award payment and the higher concentration of EBITDA decline and increased interest expense, we expect negative operating cash flow in the first quarter of fiscal '26.

Looking at the quarterly cadence of the year, due to the first half impacts of moderating operating margins in Metals and Glass, increased interest expense and tariff-related expenses concentrated in the first half of the year, we expect more significant year-over-year declines in adjusted diluted EPS in the first and second quarters of fiscal '26 with a more pronounced decline in the first quarter. Also as a reminder, we posted our highest EPS results for the year in the first and second quarters of fiscal '25. As we move out of the first quarter, we expect adjusted EPS results to improve sequentially, as our actions to mitigate the impact of tariffs and improved productivity in Metals begin to take hold.

Looking back at the past three years, I'm proud of the results that we've been able to deliver. Although we are facing additional uncertainty in fiscal '26, our team is focused on managing what we can control and taking appropriate actions to adapt to a changing environment while continuing to make prudent investments that position the company for future growth. We've established a strong record of progress over the past several years, and we have successfully managed through challenging business environments before. Even as the near term seems unsettled, we remain focused on execution and are confident in the long-term outlook for our business.

With that, I'll turn it back over to Ty for some concluding remarks.

Ty Silberhorn^ Thanks, Matt. To close, fiscal '25 was another successful year for Apogee, with improved adjusted operating margin and record adjusted EPS. These results continue to demonstrate a track record of driving sustainable operating improvements across the business. During the year, we made several strategic investments, both organic and inorganic, that do position the company for improved growth in the long term.

Importantly, our acquisition of UW Solutions is progressing very well and delivering the results that we expected. As we move into fiscal '26, our team is focused on managing what we can control and executing our strategy to deliver near-term results while positioning the company for the long term. Over the past few years, our team has built a strong record of success, and I am confident that we will continue to execute our strategy as we move forward, pushing through the current macro challenges and coming out even stronger on the other side. Despite the current market uncertainty, we are working through our next strategic plan that will drive an even stronger focus on growth. We're planning to share our updated strategy later in our fiscal year.

With that, we are ready to take your questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And our first question will be coming from Julio Romero of Sidoti & Company, LLC.

Julio Romero^ Thanks for all the color on all the moving pieces here. Really appreciate it, and it sounds like you move quickly in January to prepare for tariffs. Any way to kind of put a finer point on the tariff impact, EPS impact of \$0.45 to \$0.55 between the direct and indirect tariff buckets or maybe ask another way the direct impact of the Section 232 tariff specifically related to aluminum?

Then as a follow-on to that, just maybe if you could speak to the confidence level in terms of customers maybe accepting mitigation initiatives you're taking related to that?

Matthew Osberg^ Yes, Julio. I'll take it initially here and then Ty will probably jump in. So let's talk about tariffs first. We talked about it in two major buckets, direct and indirect. If you think about the major impact in direct. It's -- what we are doing right now is in our Services segment. We're manufacturing certain pieces for certain jobs in the U.S., and we're importing those into the U.S. So what the team has done there, has done a great job trying to accelerate a lot of that production ahead of tariffs going in effect, shift jobs that maybe would have been produced in Toronto and shipped into the U.S. and brought those into the U.S.

So as we mentioned, as part of Project Fortify, one of the things we're doing is closing down the Toronto manufacturing. So structurally, in the first half of the year, that will

happen in the first half of the year, as we cycle through that production and we run those projects out, that impact essentially goes away by the end of the second quarter. That's our biggest direct impact.

The biggest indirect impact we have is the cost of aluminum billet going up. What we've been doing is watching that very carefully, looking at ways we can offset costs, taking price increases where appropriate. And as we cycle in some of those price increases and other mitigation efforts that flows in over the first half of the year as well and then we would start to really mitigate that in the second half of the year.

So as we said, we think the majority of that \$0.50 impacts the first half of the year, and we get down to something that's -- we can definitely mitigate as we look at even the third and fourth quarter with productivity initiatives, working with some of our suppliers doing some other productivity costs or productivity initiatives internally. So it's definitely a front half weighted impact as we make some structural changes to offset that second half of the year, we see that diminishing.

Ty Silberhorn^ Yes. I think that's good color, Matt. I guess I would just add, if you look at the supply chain moves we're making, we never want to have to close the facility. But when we looked at where we're sitting and maybe some additional color on Services.

Services was going through the year and driving meaningful productivity improvements in the plants. The softness in the market, they picked up a few jobs that they will revenue through over the next 18 months that actually involve no manufacturing of curtain wall. These are smaller revenue jobs, think about \$15 million-ish instead of \$30 million-ish, but they fill some nice holes in the revenue stream. They're good margin, but they don't involve us fabricating curtain wall.

So those two things together before tariffs, the team was already looking at, hey, across our three facilities, we have excess capacity we probably need to look at some workforce, either furloughs or workforce reduction in one or two of those facilities. So that was something the team was already working on a plan for. Then layer in the tariffs, and the biggest impact was for them with curtain wall coming out of Toronto into the Northeast. That's where it just became clear for us.

We need to do more than furlough. And unfortunately, we need to consolidate production into the two U.S. facilities. Historically, about 75% of the revenue coming out of Service's Toronto facility shipped back into the U.S. Last year, it was almost all just to give you a guide. If the current tariffs had been in effect all of last fiscal year, that would have been a \$12 million to \$15 million tariff hit just to Services. So we look at that and say we need to create some certainty. We need to take some actions that give us confidence and the fact that we were able to support the work over the next, I'd say 18-plus months, maybe even 24 months out of the two U.S. facilities, we made that tough decision.

Julio Romero^ Really helpful color there. Then secondly, on the UW Solutions portion of the business, just speak to how integration for that is going, how demand is going? And does that business in particular have any expected tariff impact that's baked into your guidance?

Ty Silberhorn^ Yes. I would say first, on the tariff Julio. It's minimal. We do have some aluminum products that are in there. The team feels that between productivity and some pricing, they'll navigate that. We have included some of that in our \$0.45 to \$0.55, because it will take a while for them to work pricing through, but it's minimal. That team still feels confident as we look out, still feels confident they can see a path to double-digit growth, which was our original plan before the macro uncertainty settled in.

As Matt commented, we're looking at it, thinking the buying business across Performance Surfaces is probably mid, maybe high single-digit growth, and that's what we've included in our guidance. The flooring portion of that business, which was just under half of UW Solutions looks very strong and is tied to projects that have been greenlighted. So we do see double-digit growth happening in that part of the business.

So overall, we feel very good about how the acquisition is performing. The heavy lift on the integration, I would say is substantially complete. There's some minor things. I'd say minor, I'm sure my team won't appreciate that, but there's a minor lift in things and clean up on some IT systems and integration work that's still happening over the next quarter or two. But the bulk of that work is behind us and it's performing well. And as we said, it's doing as expected from an EBITDA and a cash generation perspective.

Matthew Osberg^ And I'd just add in from a synergy perspective, we're also on target, if not slightly ahead of where we expected to be at this point in time.

Operator^ Our Next question will come from Jean Veliz of D.A. Davidson.

Unidentified Participant^ Could you talk about the degree of the noise over the last couple of months around tariffs impacting your customer decisions? Are they moving slower than a few months ago to execute any (inaudible) projects?

Ty Silberhorn^ I would say there's a general level of uncertainty that is causing some additional slowdown in the industry. I think as you look at for nonresidential construction, aluminum is a key raw material. I mean there's not a commercial building that's going to go up without a fair amount of aluminum or steel. So certainly, the tariffs have an impact there. Customers are assessing that in terms of how much of this is long term, how much of this gets negotiated downward.

So I would say we have seen some of the market forecasters revised calendar '25 from flattish to a couple of percent growth to flattish to a couple of percent negative growth, anticipating some of that. So there certainly is a bit more, I would say of caution, just like you're seeing across the larger macroeconomic environment.

Unidentified Participant^ Got it. And could you provide -- I guess you're still seeing really strong margins in Glass despite the volume headwind. Is the 15% to 20% EBITDA margin target for the segment still attainable in fiscal '26, even with the de-leveraging you're expecting?

Matthew Osberg^ Yes, Jean, this is Matt. Yes. We definitely think so. Although Glass segment is -- the margins are moderating from way outside on the top end of that range than where they've been in the past. So they're moderating more into that expected range, and that's a drag year-over-year. But when you still look at it, it's definitely where we expect them to be on a long-term basis.

Unidentified Participant^ Got it. If I do one more. Any color on the expectations for cash flow in fiscal '26? You see that the CapEx guidance, but you should -- we see the CapEx guidance there. And based on what we anticipate some of these moving pieces or tariffs impact, how does that impact your overall cash flow this year?

Matthew Osberg^ Yes. In my remarks, I commented that we expect operating cash flow to be down. You picked up on one of them. We talked about in the first quarter, we have an arbitration award payment that we had to make that was close to \$25 million. So that's going to be a drag on the year from a cash flow perspective. The impact of tariffs and just overall lower EBITDA will be a bit of a drag and then we'll have higher interest expense or cash paid for interest. So a lot of those are going to be a weight on our operating cash flow this year. So we expect it to be down from what we delivered in fiscal 2025.

Operator^ Our next question will be coming from Gowshihan Sriharan of Singular Research.

Gowshihan Sriharan^ My first question is in the architectural market in the specific end markets. What are you guys seeing in the competitive dynamics? Is there a consolidation? And how confident are you, you'll be able to pass on the cost in the pricing in the future?

Ty Silberhorn^ Yes. It's a great question. I would say as we look at our end markets and the competition and let's really look at Architectural Metals first. We are seeing and hearing that softness is consistent across the market. There are a few bigger competitors in the space are currently held by private equity firms. So we've seen under that ownership there's been a focus on improving operations and it appears to be there's been a focus on improving margins. So as we look at that, I think there's continued to be some rationality in just managing through price given some of the broader market challenges. So I think that right now is a positive to neutral situation from that perspective.

Glass, they -- where they have really refocused on their premium offerings, that has taken out some of the international competition. But one of the things they're doing is going back and looking at the opportunity to maybe go after some projects, not give up on their premium position, but maybe go down the ladder a little bit where they know some projects were awarded to glass suppliers that are going to have to import that product from overseas, particularly from Europe.

So that's maybe something that shows up in the second half for them or as we go into fiscal '27. But there's an example where they're trying to capitalize on the situation and turn it into a positive and maybe revisit some awards that were given to international suppliers for Glass.

Then Services, I mean they are the largest glazing contractor in North America. They not only, I would say have continued to see this shift in flight to quality that helped them stay competitive on winning jobs. But as I mentioned, they've also picked up some non-curtain wall work, which allows them to leverage their engineering design, project management and installation services and still generate some nice margins.

Gowshihan Sriharan^ Got you. On the other front, on the M&A side, given your balance sheet, is this an opportunity for bolt-on deals or some kind of roll up? I mean do you see this as an opportunity to take some market share?

Ty Silberhorn^ We're very active in that -- in our M&A pipeline, our acquisition pipeline. Of course I think just where the market is right now companies that were considering a sale they have paused a little bit. So we have seen some slowness there. But there's still a fair amount of activity. We look to be opportunistic in this environment. I think we do think there could be opportunities the acquisition of UW Solutions, we are actually able to break that loose probably about a year ahead of what the private equity firm had intended to bring that to market.

We're taking a similar approach and looking at strong strategic fit and good valuations. Again accretive to margins. And most importantly for us as we really shift to growth, we're looking for things that are going to add to our growth potential and outgrow our existing core target markets. So we'll remain active. There's good dialogues going on, but we do recognize there's a little bit of softness if you don't have to sell right now in this level of uncertainty people aren't going to sell. But we're hopeful on that as we work our way through the fiscal year.

Gowshihan Sriharan^ And the last question, on the inventory front, is there more -- any particular segments that you guys have meaningfully built buffer around? Is it more pronounced in the Metals, Glass? Any color on that?

Matthew Osberg^ Nothing unusual. I think with our business, a lot of it is made-to-order. We have a little bit of make-to-stock. So I would say nothing from an inventory perspective, (inaudible) things unusual.

Operator^ And I'm showing no further questions at this time. I would now like to turn the call back to Ty Silberhorn, CEO, for closing remarks.

Ty Silberhorn^ Thank you. As we close the call today I want to just recap, three key points. We had a record year for earnings, capping our 3-year journey that saw us improve margins by nearly 500 basis points, improve ROIC to well above our cost of

capital and grow profit dollars by 80%. Tariffs are impacting our adjusted EPS by approximately \$0.50, but we are taking actions to fully mitigate these by the end of our fiscal year, creating some certainty in uncertain times.

Our growth efforts through the acquisition of UW Solutions will deliver strong above-market growth and accretive margins in Performance Surfaces. We've got an experienced strong team that is embracing the new challenges while pivoting to a stronger growth focus to build the next leg of growth. Thanks for joining us today. We look forward to providing you with another update with our first quarter results in June.

Operator^ This concludes today's conference call. Thank you for participating. You may now disconnect.