



enterprises, inc.

# Fiscal 2022 Third Quarter Earnings Call

December 21, 2021

Nano Engineering & Science Building | University of Washington | LEED Silver

Photo by: Aaron Leitz Photography, courtesy of ZGF

# Non-GAAP measures & forward-looking statements

This presentation contains non-GAAP financial measures which the company uses to evaluate historical and prospective financial performance, measure operational profitability on a consistent basis, and 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 also contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect Apogee management's expectations or beliefs as of the date of this release and actual results may differ as a result of various factors that could affect Apogee's business and financial results. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. More information about factors that could affect Apogee's business and financial results can be found in the company's filings with the U.S. Securities and Exchange Commission

# Agenda

## **Introductory remarks**

Ty Silberhorn

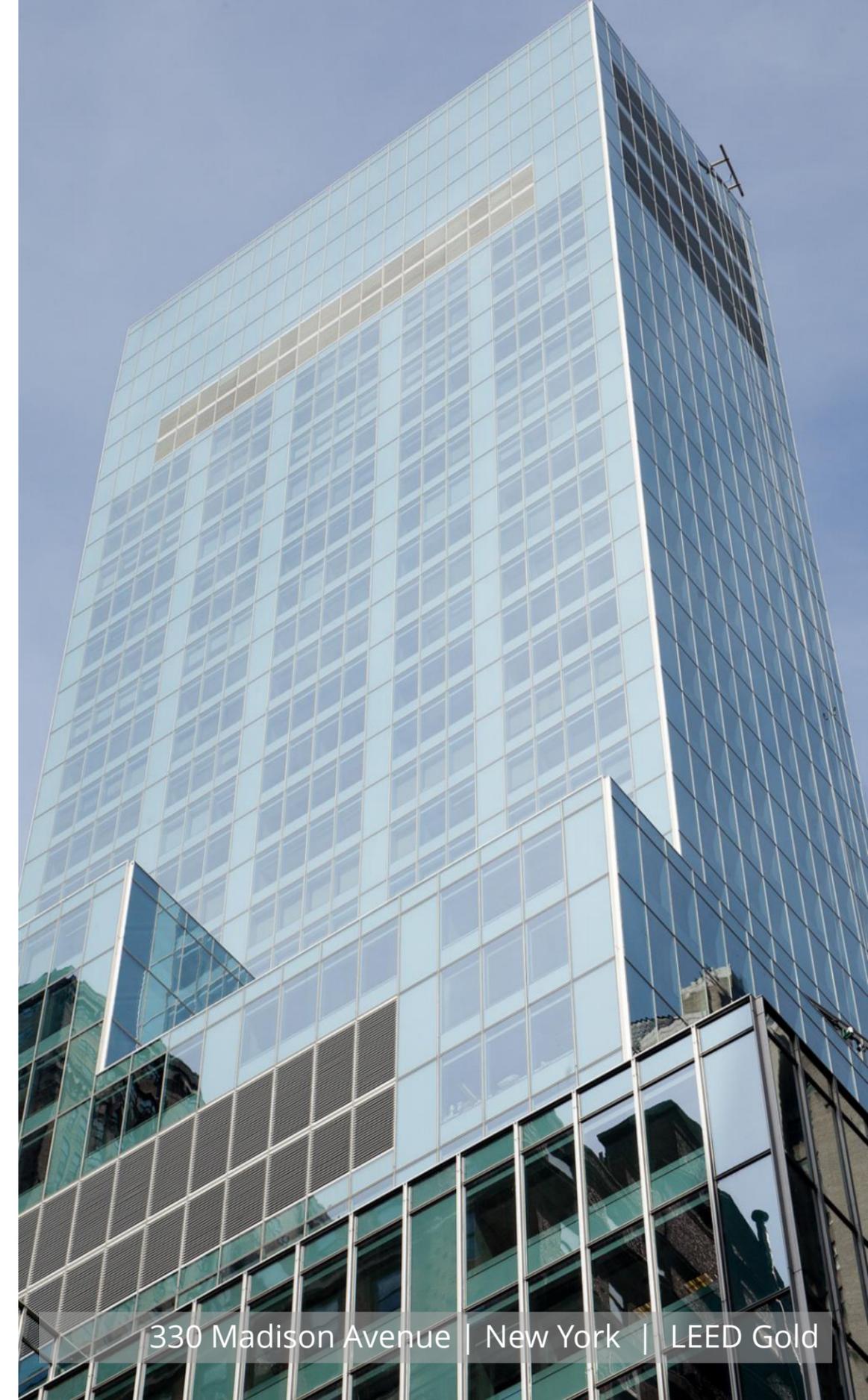
Chief Executive Officer

## **Financial results and outlook**

Nisheet Gupta

Executive Vice President and Chief Financial Officer

## **Q&A**



# FY2022 Third-Quarter Highlights

- Revenue up 6.6%, with growth in three segments
- Sequential margin expansion & adjusted earnings growth compared to Q2
- Record revenue and strong profitability in Architectural Services
- Taking action to mitigate supply chain & inflation headwinds
- Strong cash flow and financial position; returning cash to shareholders
- Executing our new strategy to position the company for improved returns and long-term profitable growth

**Net sales**

**\$334 M**

+6.6% year-over-year

**Adjusted  
operating  
margin\***

**6.3%**

(380) bps year-over-year

**Adjusted  
EPS\***

**\$0.63**

(30)% year-over-year

\*Non-GAAP metric, see reconciliation table

**Delivering results in a challenging operating environment**

# Executing our New Enterprise Strategy

## Three Pillar Enterprise Strategy

To Unlock Profitable Growth

1

**ECONOMIC LEADER**  
IN TARGET MARKETS

2

**ACTIVELY MANAGE**  
THE PORTFOLIO

3

**STRENGTHEN CORE**  
CAPABILITIES & PLATFORMS

### FOUNDATIONAL ENABLERS

- Results-driven Culture
- Talent Development
- Apogee Management System
- Best-in-class Governance

# Consolidated Results

## Third quarter

\$ in millions, except EPS	Q3 FY22	Q3 FY21	Change
Net sales	\$334	\$314	7%
Adjusted operating income*	\$21.1	\$31.8	(34)%
Adjusted operating margin*	6.3%	10.1%	(380) bps
Adjusted EBITDA*	\$33.6	\$45.0	(25)%
Adjusted diluted EPS*	\$0.63	\$0.90	(30)%

## Year-to-date

\$ in millions, except EPS	FY22	FY21	Change
Net sales	\$986	\$922	7%
Adjusted operating income*	\$54.9	\$65.2	(16)%
Adjusted operating margin*	5.6%	7.1%	(150) bps
Adjusted EBITDA*	\$93.0	\$103.8	(10)%
Adjusted diluted EPS*	\$1.58	\$1.78	(11)%

\*Non-GAAP metric, see reconciliation table

# Segment Results

## Third quarter FY2022

	Revenue \$M	Adjusted operating margin*
Architectural Framing Systems <i>Year-over-year change</i>	\$152 <i>11%</i>	7.0% <i>170 bps</i>
Architectural Glass <i>Year-over-year change</i>	\$74 <i>(12)%</i>	3.0% <i>(980) bps</i>
Architectural Services <i>Year-over-year change</i>	\$92 <i>20%</i>	10.0% <i>(120) bps</i>
Large-Scale Optical <i>Year-over-year change</i>	\$27 <i>8%</i>	21.9% <i>(490) bps</i>

## Year-to-date FY2022

	Revenue \$M	Adjusted operating margin*
Architectural Framing Systems <i>Year-over-year change</i>	\$453 <i>3%</i>	6.4% <i>40 bps</i>
Architectural Glass <i>Year-over-year change</i>	\$237 <i>(5)%</i>	2.0% <i>(420) bps</i>
Architectural Services <i>Year-over-year change</i>	\$251 <i>17%</i>	8.4% <i>(120) bps</i>
Large-Scale Optical <i>Year-over-year change</i>	\$75 <i>55%</i>	23.1% <i>1120 bps</i>

\*Non-GAAP metric, see reconciliation table

# Cash Flow and Balance Sheet

\$ in millions	Thirty-Nine Weeks Ended Nov 27, 2021	Thirty-Nine Weeks Ended Nov 28, 2020
Cash flow from operations	\$86.3	\$120.5
Capital expenditures	\$13.1	\$17.1
Free cash flow*	\$73.2	\$103.4
Total debt	\$163.0	\$168.5
Cash & equivalents	\$78.3	\$55.4
Net debt**	\$84.7	\$113.1
Share repurchases	\$29.2	\$20.7
Dividends	\$15.1	\$14.5

\*Free cash flow is a non-GAAP metric which the company defines as cash flow from operations less capital expenditures.

\*\*Net debt is a non-GAAP metric which the company defines as total debt (current debt plus long-term debt) less cash and cash equivalents

## Highlights

- Continued strong cash flow
- Lowest net debt level since FY2017
- No significant debt maturities until June 2024
- No outstanding borrowings on \$235 million revolver
- Returned \$44 million of cash to shareholders YTD

**Strong financial position with significant flexibility**

# FY2022 Outlook

Adjusted  
earnings  
per share

\$2.25 to \$2.40

Narrowed from previous range of \$2.20 to \$2.40

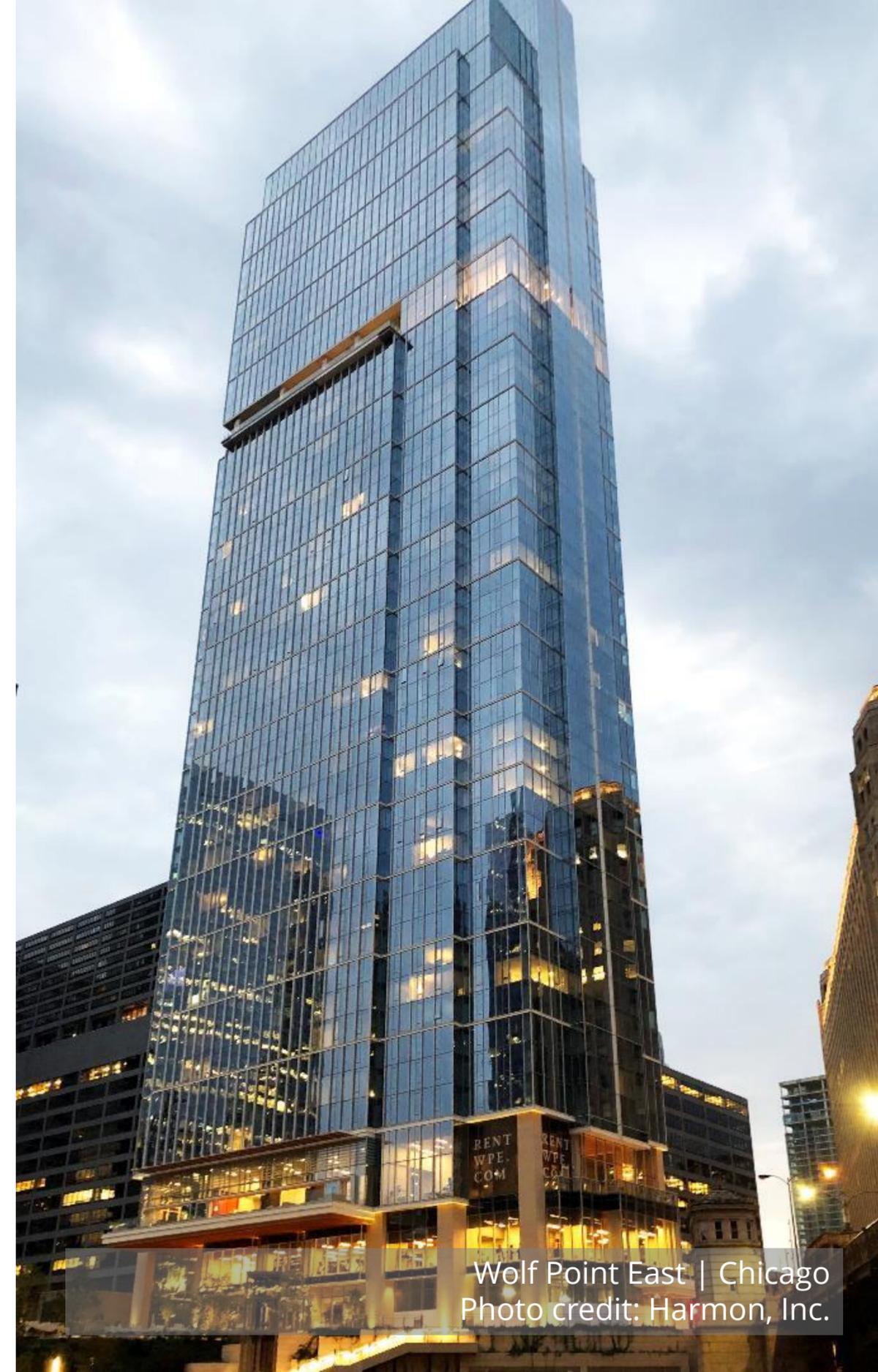
## Key Assumptions

- Adjusted earnings guidance excludes the impact of restructuring and impairment costs
- Expect continued pressure from inflation, primarily in Framing & Glass
- Working to mitigate inflation through pricing, and continued progress on cost and productivity initiatives
- Expect ~\$19 million pre-tax gain on asset sale in Q4; will exclude this from adjusted earnings
- Expect long-term average tax rate of ~24.5%
- CapEx ~\$25 million, down from previous estimate of ~\$35 million

Narrowing our full-year guidance range

# Concluding Remarks

- Continued progress in a challenging operating environment
- Sequential performance improvements vs. Q2
- Strong cash flow and balance sheet
- Taking action to offset inflation and supply chain challenges
- Executing our new strategy to position for the long-term



Wolf Point East | Chicago  
Photo credit: Harmon, Inc.

# Q&A

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# Reconciliation of non-GAAP financial measures

## Adjusted net earnings and adjusted earnings per diluted common share

(Unaudited)

<i>In thousands</i>	Three Months Ended November 27, 2021	Three Months Ended November 28, 2020	Nine Months Ended November 27, 2021	Nine Months Ended November 28, 2020
Net earnings	\$11,057	\$ 37,273	\$ 19,759	\$ 57,807
Restructuring costs (1)	3,419	—	24,233	—
Impairment of equity investment (2)	3,000	—	3,000	—
Gain on sale of building (3)	—	(19,346)	—	(19,346)
COVID-19 (4)	—	1,372	—	4,068
Post-acquisition and acquired project matters	—	—	—	1,000
Income tax impact on above adjustments (5)	(1,605)	4,224	(6,808)	3,398
Adjusted net earnings	\$ 15,871	\$ 23,523	\$ 40,184	\$ 46,927
	Three Months Ended November 27, 2021	Three Months Ended November 28, 2020	Nine Months Ended November 27, 2021	Nine Months Ended November 28, 2020
Earnings per diluted common share	\$0.44	\$ 1.42	\$ 0.78	\$ 2.19
Restructuring costs (1)	0.14	—	0.95	—
Impairment of equity investment (2)	0.12	—	0.12	—
Gain on sale of building (3)	—	(0.74)	—	(0.73)
COVID-19 (4)	—	0.05	—	0.15
Post-acquisition and acquired project matters	—	—	—	0.04
Income tax impact on above adjustments (5)	(0.06)	0.16	(0.27)	0.13
Adjusted earnings per diluted common share	\$ 0.63	\$ 0.90	\$ 1.58	\$ 1.78

Per share amounts are computed independently for each of the items presented so the sum of the items may not equal the total amount.

(1) Adjustment related to previously announced decision to exit certain operations in the Architectural Glass segment and reorganize operations within the Architectural Framing Systems segment, including \$1.3 million of asset impairment charges, \$1.4 million of employee termination costs and \$0.7 million of other costs associated with these restructuring plans incurred during the third quarter of fiscal 2022.

(2) Adjustment for impairment of minority equity investment is a result of the assignment for the benefit of creditors of all of the assets of a company in which Apogee holds a minority interest. The impairment represents a write-down of Apogee's entire investment in the company.

(3) Gain on sale of building within the Large-Scale Optical segment during the third quarter of fiscal 2021.

(4) Adjustment for COVID-19-related costs, primarily incremental labor costs due to quarantine-related absenteeism and personal protective equipment for employees.

(5) Income tax impact calculated using an estimated statutory tax rate of 25%, which reflects the estimated blended statutory tax rate for the jurisdiction in which the charge or income occurred.

# Reconciliation of non-GAAP financial measures

## Adjusted operating income and adjusted operating margin (Unaudited)

	Three Months Ended November 27, 2021								
	Framing Systems Segment		Glass Segment		LSO Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating (loss) income	Operating margin	Operating income	Operating margin	Operating loss	Operating income	Operating margin
Operating income (loss)	\$10,689	7.0%	\$ (1,277)	(1.7)%	\$ 5,996	21.9%	\$ (6,901)	\$17,710	5.3%
Restructuring costs (1)	(44)	—	3,518	4.7%	—	—	(55)	3,419	1.0%
Adjusted operating income (loss)	\$ 10,645	7.0%	\$ 2,241	3.0%	\$ 5,996	21.9%	\$ (6,956)	\$ 21,129	6.3%

(1) Adjustment related to previously announced decision to exit certain operations in the Architectural Glass segment and reorganize operations within the Architectural Framing Systems segment, including \$1.3 million of asset impairment charges, \$1.4 million of employee termination costs and \$0.7 million of other costs associated with these restructuring plans incurred during the third quarter of fiscal 2022.

	Three Months Ended November 28, 2020								
	Framing Systems Segment		Glass Segment		LSO Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating income	Operating margin	Operating income	Operating margin	Operating loss	Operating income	Operating margin
Operating income (loss)	\$ 7,218	5.3%	\$ 10,825	12.8%	\$ 26,114	103.4%	\$ (2,965)	\$49,750	15.9%
Gain on sale of building (2)	—	—	—	—	(19,346)	(76.6)	—	(19,346)	(6.2)%
COVID-19 (3)	—	—	—	—	—	—	1,372	1,372	0.4%
Adjusted operating income (loss)	\$ 7,218	5.3%	\$ 10,825	12.8%	\$ 6,768	26.8%	\$ (1,593)	\$ 31,776	10.1%

(2) Gain on sale of building within the Large-Scale Optical segment during the third quarter of fiscal 2021.

(3) Adjustment for COVID-19-related costs, primarily incremental labor costs due to quarantine-related absenteeism and personal protective equipment for employees. .

# Reconciliation of non-GAAP financial measures

## Adjusted operating income and adjusted operating margin (Unaudited)

	Nine Months Ended November 27, 2021								
	Framing Systems Segment		Glass Segment		LSO Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating (loss) income	Operating margin	Operating income	Operating margin	Operating loss	Operating income	Operating margin
Operating income (loss)	\$27,027	6.0%	\$ (16,143)	(6.8)%	\$ 17,326	23.1%	\$ (18,508)	\$30,684	3.1%
Restructuring costs (1)	2,004	0.4%	20,909	8.8%	—	—	1,320	24,233	2.5%
Adjusted operating income (loss)	\$ 29,031	6.4%	\$ 4,766	2.0%	\$ 17,326	23.1%	\$ (17,188)	\$ 54,917	5.6%

(1) Adjustment related to previously announced decision to exit certain operations in the Architectural Glass segment and reorganize operations within the Architectural Framing Systems segment, including \$16.7 million of asset impairment charges, \$5.8 million of employee termination costs and \$1.7 million of other costs associated with these restructuring plans.

	Nine Months Ended November 28, 2020								
	Framing Systems Segment		Glass Segment		LSO Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating income	Operating margin	Operating income	Operating margin	Operating loss	Operating income	Operating margin
Operating income (loss)	\$ 26,211	6.0%	\$ 15,306	6.2%	\$ 25,131	51.9%	\$ (7,685)	\$ 79,433	8.6%
Gain on sale of building (2)	—	—	—	—	(19,346)	(39.9)%	—	(19,346)	(2.1)%
COVID-19 (3)	—	—	—	—	—	—	4,068	4,068	0.4%
Post-acquisition & acquired project matters	—	—	—	—	—	—	1,000	1,000	0.1%
Adjusted operating income (loss)	\$ 26,211	6.0%	\$ 15,306	6.2%	\$ 5,785	11.9%	\$ (2,617)	\$ 65,155	7.1%

(2) Gain on sale of building within the Large-Scale Optical segment during the third quarter of fiscal 2021. (3) Adjustment for COVID-19-related costs, primarily incremental labor costs due to quarantine-related absenteeism and personal protective equipment for employees.

# Reconciliation of non-GAAP financial measures

## EBITDA and Adjusted EBITDA (Unaudited)

	Three Months Ended November 27, 2021	Three Months Ended November 28, 2020	Nine Months Ended November 27, 2021	Nine Months Ended November 28, 2020
<i>In thousands</i>				
Net earnings	\$ 11,057	\$ 37,273	\$ 19,759	\$ 57,807
Income tax expense	3,068	11,447	4,821	18,070
Interest expense, net	528	1,502	2,838	4,240
Depreciation and amortization	12,545	12,716	38,353	38,000
EBITDA	\$ 27,198	\$ 62,938	\$ 65,771	\$ 118,117
Restructuring costs (1)	3,419	—	24,233	—
Impairment of equity investment (2)	3,000	—	3,000	—
Gain on sale of building (3)	—	(19,346)	—	(19,346)
COVID-19 (4)	—	1,372	—	4,068
Post-acquisition and acquired project matters	—	—	—	1,000
Adjusted EBITDA	\$ 33,617	\$ 44,964	\$ 93,004	\$ 103,839

(1) Adjustment related to previously announced decision to exit certain operations in the Architectural Glass segment and reorganize operations within the Architectural Framing Systems segment, including \$1.3 million of asset impairment charges, \$1.4 million of employee termination costs and \$0.7 million of other costs associated with these restructuring plans incurred during the third quarter of fiscal 2022.

(2) Adjustment for impairment of minority equity investment is a result of the assignment for the benefit of creditors of all of the assets of a company in which Apogee holds a minority interest. The impairment represents a write-down of Apogee's entire investment in the company.

(3) Gain on sale of building within the Large-Scale Optical segment during the third quarter of fiscal 2021.

(4) Adjustment for COVID-19-related costs, primarily incremental labor costs due to quarantine-related absenteeism and personal protective equipment for employees.