



Apogee Enterprises, Inc.

Fiscal 2019 Third Quarter Earnings Call

December 20, 2018

Non-GAAP measures & forward-looking statements

This presentation contains non-GAAP financial measures when talking about Apogee's performance. Definitions for these non-GAAP financial measures are included in today's press release.

This presentation also contains forward-looking statements reflecting 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 the company's SEC filings.

FY2019 Third Quarter Highlights

- Reported EPS of \$0.78; adjusted EPS of \$0.80*
- 390 bps sequential margin improvement in Architectural Glass
- Architectural Services revenue increases 48 percent, with strong margin improvement and increased backlog
- Year-to-date cash flow from operations increased to \$71 million, with year-to-date free cash flow up 35% to \$37 million*
- Returned \$28 million to shareholders in the quarter through dividends and share repurchases

*See reconciliation of non-GAAP financial measures tables at the end of this presentation. Free cash flow is defined as cash flow from operations less capital expenditures.

Long-Term Outlook Remains Positive

- Successfully reshaped and diversified Apogee's business mix
- Favorable market conditions with multi-year visibility
- Strong order flow and healthy backlog
- Multiple drivers for continued organic growth
- Significant opportunities to drive margin expansion
- Strong balance sheet & cash flow, provides flexibility to drive long-term value

Consolidated Results

All numbers in \$M, except per share and where noted	Q3 FY19	Q3 FY18	Change
Revenues	\$357.7	\$356.5	0%
Gross profit	84.1	91.6	(8)%
SG&A	52.7	57.0	(8)%
Operating income	31.4	34.5	(9)%
Adjusted operating income*	32.1	37.9	(15)%
Operating margin	8.8%	9.7%	(90) bps
Adjusted operating margin*	9.0%	10.6%	(160) bps
Adjusted EBITDA*	\$44.0	\$52.6	(16)%
Net interest expense	2.1	1.5	43%
Tax rate	23.5%	29.1%	(560) bps
Earnings per diluted share	\$0.78	\$0.82	(5)%
Adjusted EPS*	\$0.80	\$0.90	(11)%

*See reconciliation of non-GAAP financial measures tables at the end of this presentation.

Segment Results

All numbers in \$M, except where noted	Q3 FY19	Q3 FY18	Change
Revenues			
Architectural Framing Systems	\$181.3	\$194.2	(7)%
Architectural Glass	98.5	96.9	2%
Architectural Services	72.8	49.1	48%
Large-Scale Optical	23.4	26.0	(10)%
Operating Margin			
Arch. Framing Systems	7.1%	9.5%	(240) bps
Arch. Framing Systems (adjusted)*	7.5%	11.0%	(350) bps
Architectural Glass	5.9%	9.4%	(350) bps
Architectural Services	11.9%	5.2%	670 bps
Large-Scale Optical	28.4%	25.9%	250 bps

*See reconciliation of non-GAAP financial measures tables at the end of this presentation.

Cash Flow and Balance Sheet

All numbers in \$M	Q3 FY19 YTD	Q3 FY18 YTD
Cash flow from operations	\$70.6	\$66.2
Capital expenditures	33.9	38.9
Free cash flow*	36.8	27.3
Share repurchases	23.3	10.8
Dividends paid	13.2	12.0
Long-term debt	232.7	231.3

*See reconciliation of non-GAAP financial measures tables at the end of this presentation. Free cash flow is defined as cash flow from operations less capital expenditures.

Outlook

Updated FY19 Guidance

- Revenue growth of 6-7%, compared to 8% to 10% previously
- Operating margin of approximately 8.4%, compared to 8.3% to 8.8% previously
- Adjusted operating margin* of approximately 8.7%, from 8.6% to 9.1% previously
- EPS of approximately \$3.00, at the low-end of the previous range of \$3.00 to \$3.20
- Adjusted EPS* of approximately \$3.13, compared to \$3.13 – \$3.33 previously
- Capital expenditures of approximately \$60 million
- Tax rate of approximately 24%

*Adjusted fiscal 2019 earnings and margin guidance excludes the after-tax impact of amortization of short-lived acquired intangibles associated with the acquired backlog of Sotawall and EFCO of \$3.8 million (\$0.13 per diluted share).



Reconciliation of Q3 FY19 Non-GAAP Financial Measures

Adjusted Net Earnings and Adjusted Earnings per Diluted Common Share

(Unaudited)

	Thirteen Weeks Ended December 1, 2018	Thirteen Weeks Ended December 2, 2017
<i>In thousands</i>		
Net earnings	\$ 21,891	\$ 23,646
Amortization of short-lived acquired intangibles	717	2,924
Acquisition-related costs	-	423
Income tax impact on above adjustments ⁽¹⁾	(168)	(974)
Adjusted net earnings	\$ 22,440	\$ 26,019

	Thirteen Weeks Ended December 1, 2018	Thirteen Weeks Ended December 2, 2017
Earnings per diluted common share	\$ 0.78	\$ 0.82
Amortization of short-lived acquired intangibles	0.03	0.10
Acquisition-related costs	-	0.01
Income tax impact on above adjustments ⁽¹⁾	(0.01)	(0.03)
Adjusted earnings per diluted common share	\$ 0.80	\$ 0.90

⁽¹⁾ Income tax impact on adjustments was calculated using the estimated quarterly effective income tax rate of 23.5% in the current year and 29.1% in the prior year.

Reconciliation of Q3 FY19 Non-GAAP Financial Measures

Adjusted Operating Income and Adjusted Operating Margin (Unaudited)

	Thirteen Weeks Ended December 1, 2018				
	Framing Systems Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating income (loss)	Operating income	Operating margin
Operating income (loss)	\$ 12,903	7.1%	\$ (2,633)	\$ 31,408	8.8%
Amortization of short-lived acquired intangibles	717	0.4%	—	717	0.2%
Adjusted operating income (loss)	\$ 13,620	7.5%	\$ (2,633)	\$ 32,125	9.0%

	Thirteen Weeks Ended December 2, 2017				
	Framing Systems Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating income (loss)	Operating income	Operating margin
Operating income (loss)	\$ 18,452	9.5%	\$ (2,295)	\$ 34,535	9.7%
Amortization of short-lived acquired intangibles	2,924	1.5%	—	2,924	0.8%
Acquisition-related costs	—	—%	423	423	0.1%
Adjusted operating income (loss)	\$ 21,376	11.0%	\$ (1,872)	\$ 37,882	10.6%

Reconciliation of Q3 FY19 Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA (Unaudited)

	Thirteen	Thirteen	Thirty-Nine	Thirty-Nine
	Weeks Ended	Weeks Ended	Weeks Ended	Weeks Ended
<i>In thousands</i>	December 1, 2018	December 2, 2017	December 1, 2018	December 2, 2017
Net earnings	\$ 21,891	\$ 23,646	\$ 57,778	\$ 57,159
Income tax expense	6,730	9,704	18,030	26,517
Other income, net	655	(303)	459	(560)
Interest expense, net	2,132	1,488	5,795	3,299
Depreciation and amortization	11,921	14,712	38,378	39,774
EBITDA	43,329	49,247	120,440	126,189
Amortization of short-lived acquired intangibles	717	2,924	4,655	7,608
Acquisition-related costs	—	423	—	4,840
Adjusted EBITDA	\$ 44,046	\$ 52,594	\$ 125,095	\$ 138,637