



Apogee Enterprises, Inc.

Fiscal 2020 Second Quarter Earnings Call

September 17, 2019

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

Joe Puishys

Chief Executive Officer

Results and outlook

Jim Porter

Executive Vice President and Chief Financial Officer

Q&A

Q2 Highlights

- Solid quarter, with results in-line with our expectations
- Strong year-over-year improvement in Architectural Glass
- Continued backlog growth in Architectural Services
- Significant progress toward completing legacy EFCO projects
- Making progress on key initiatives to advance our strategy
- Reaffirming our full-year outlook

FY2020 Q2 Consolidated Results

All numbers in \$M, except per share and where noted	2 nd Quarter FY20	2 nd Quarter FY19	Year-to-date FY20	Year-to-date FY19
Revenues	\$357.1	\$362.1	\$712.4	\$698.7
Operating income	27.6	28.7	50.6	50.7
Adjusted operating income*	27.6	29.3	50.6	53.6
Operating margin	7.7%	7.9%	7.1%	7.3%
Adjusted operating margin*	7.7%	8.1%	7.1%	7.7%
Adjusted EBITDA*	\$39.2	\$40.6	\$73.4	\$76.1
Interest and other expense, net	2.2	1.7	4.8	3.5
Tax rate	24.0%	23.8%	24.2%	23.9%
Earnings per diluted share	\$0.72	\$0.72	\$1.30	\$1.26
Adjusted EPS*	\$0.72	\$0.74	\$1.30	\$1.34

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

FY2020 Q2 Segment Results

All numbers in \$M, except where noted

	2 nd Quarter FY20	2 nd Quarter FY19	Year-to-date FY20	Year-to-date FY19
Revenues				
Architectural Framing Systems	\$187.4	\$189.9	\$367.9	\$368.9
Architectural Glass	99.1	88.1	199.4	165.0
Architectural Services	61.6	76.5	126.7	147.2
Large-Scale Optical	20.8	20.4	42.0	41.1
Operating Margin				
Arch. Framing Systems	8.3%	9.6%	7.6%	8.3%
Arch. Framing Systems (adjusted)*	8.3%	10.2%	7.6%	9.4%
Architectural Glass	6.5%	2.0%	6.4%	2.0%
Architectural Services	6.5%	10.0%	6.7%	8.7%
Large-Scale Optical	22.3%	20.8%	20.9%	22.4%

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

Cash Flow and Balance Sheet

All numbers in \$M

	Twenty-Six Weeks Ended Aug 31, 2019	Twenty-Six Weeks Ended Sep 1, 2018
Cash flow from operations	\$17.8	\$47.9
Capital expenditures	22.6	24.2
Free cash flow*	(4.8)	23.7
Share repurchases	20.0	0
Dividends paid	9.2	8.8
Total debt	272.8	224.9

*Free cash flow is defined as cash flow from operations less capital expenditures.

Outlook

FY2020 Guidance

- Reaffirming our previous guidance
 - Revenue growth of 1 to 3%
 - Operating margin between 8.2 to 8.6%
 - Diluted EPS in the range of \$3.00 to \$3.20
 - Tax rate approximately 24.5%
 - Capital expenditures of \$60 to \$65 million

FY2020 Segment Guidance

Segment	Revenue Growth	Operating Margin
Architectural Framing Systems	Mid-single digit	8.0% to 8.5%
Architectural Glass	Upper-single digit	6% to 7%
Architectural Services	Down ~10%	~7%
Large-Scale Optical	Mid-single digit	~25%

Commentary

- Expect continued productivity improvements in Architectural Glass to drive revenue growth and margin improvement. Glass segment margins negatively impacted by 100-150 bps due to start-up costs related to strategic growth investment
- Expect lower Architectural Services revenue due to timing of projects in backlog; margins negatively impacted by leverage on lower volumes and less favorable project maturity compared to FY2019
- Expect margins will be negatively impacted by costs associated with supply chain initiatives and increased corporate costs from higher legal and other advisory expenses compared to FY2019



enterprises, inc.

Reconciliation of Non-GAAP Financial Measures

Adjusted Net Earnings and Adjusted Earnings per Diluted Common Share

(Unaudited)

	Thirteen	Thirteen	Twenty-Six	Twenty-Six
	Weeks Ended	Weeks Ended	Weeks Ended	Weeks Ended
<i>In thousands</i>	August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018
Net earnings	\$ 19,279	\$ 20,513	\$ 34,722	\$ 35,887
Amortization of short-lived acquired intangibles	—	1,068	—	3,938
Acquired project profits (1)	—	(448)	—	(1,013)
Income tax impact on above adjustments	—	(148)	—	(708)
Adjusted net earnings	\$ 19,279	\$ 20,985	\$ 34,722	\$ 38,104
	Thirteen	Thirteen	Twenty-Six	Twenty-Six
	Weeks Ended	Weeks Ended	Weeks Ended	Weeks Ended
	August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018
Earnings per diluted common share	\$ 0.72	\$ 0.72	\$ 1.30	\$ 1.26
Amortization of short-lived acquired intangibles	—	0.04	—	0.14
Acquired project profits (1)	—	(0.01)	—	(0.04)
Income tax impact on above adjustments	—	(0.01)	—	(0.02)
Adjusted earnings per diluted common share	\$ 0.72	\$ 0.74	\$ 1.30	\$ 1.34

(1) Adjustment for profits recognized during fiscal 2019 on contracts that were acquired with the purchase of EFCO

Reconciliation of Non-GAAP Financial Measures

Adjusted Operating Income and Adjusted Operating Margin

(Unaudited)

	Thirteen Weeks Ended August 31, 2019				
	Framing Systems Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating income (loss)	Operating income	Operating margin
Operating income	\$ 15,523	8.3%	\$ (3,013)	\$ 27,576	7.7%

	Thirteen Weeks Ended September 1, 2018				
	Framing Systems Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating income (loss)	Operating income	Operating margin
Operating income	\$ 18,312	9.6%	\$ (3,248)	\$ 28,660	7.9%
Amortization of short-lived acquired intangibles	1,068	0.6%	—	1,068	0.3%
Acquired project profits (1)	—	—	(448)	(448)	(0.1)%
Adjusted operating income	\$ 19,380	10.2%	\$ (3,696)	\$ 29,280	8.1%

(1) Adjustment for profits recognized during fiscal 2019 on contracts that were acquired with the purchase of EFCO

Reconciliation of Non-GAAP Financial Measures

Adjusted Operating Income and Adjusted Operating Margin

(Unaudited)

	Twenty-Six Weeks Ended August 31, 2019				
	Framing Systems Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating income (loss)	Operating income	Operating margin
Operating income	\$ 27,796	7.6%	\$ (7,395)	\$ 50,616	7.1%

	Twenty-Six Weeks Ended September 1, 2018				
	Framing Systems Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating income (loss)	Operating income	Operating margin
Operating income	\$ 30,650	8.3%	\$ (5,306)	\$ 50,654	7.3%
Amortization of short-lived acquired intangibles	3,938	1.1%	—	3,938	0.6%
Acquired project profits (1)	—	—	(1,013)	(1,013)	(0.1)%
Adjusted operating income	\$ 34,588	9.4%	\$ (6,319)	\$ 53,579	7.7%

(1) Adjustment for profits recognized during fiscal 2019 on contracts that were acquired with the purchase of EFCO

Reconciliation of Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA

(Unaudited)

	Thirteen	Thirteen	Twenty-Six	Twenty-Six
	Weeks Ended	Weeks Ended	Weeks Ended	Weeks Ended
<i>In thousands</i>	August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018
Net earnings	\$ 19,279	\$ 20,513	\$ 34,722	\$ 35,887
Income tax expense	6,094	6,420	11,081	11,300
Interest and other expense, net	2,203	1,727	4,813	3,467
Depreciation and amortization	11,657	12,407	22,759	26,457
EBITDA	\$ 39,233	\$ 41,067	\$ 73,375	\$ 77,111
Acquired project profits (1)	—	(448)	—	(1,013)
Adjusted EBITDA	\$ 39,233	\$ 40,619	\$ 73,735	\$ 76,098

(1) Adjustment for profits recognized during fiscal 2019 on contracts that were acquired with the purchase of EFCO