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Q3 2024 Apogee Enterprises Inc Earnings Call

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PRESENTATION

Operator

Good day and welcome to the Q3 2024 Apogee Enterprises earnings conference call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. As a reminder, this call is being recorded. I would now like to turn the call over to Jeff Huebschen, Vice President, Investor Relations. You may begin.

Jeff Huebschen ***Apogee Enterprises Inc - Vice President - Investor Relations and Corporate Communications***

Thanks, Michelle. Good morning, everyone, and welcome to Apogee Enterprises' fiscal 2024 third quarter earnings call. With me today are Tom 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 issued 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. And with that, I'll turn the call over to you, Ty.

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

Thanks, Jeff. Good morning and thank you for joining us today. Our team delivered another strong quarter with continued margin expansion, earnings growth, and improved cash flow. Today, I'll discuss those highlights from the quarter, how execution of our strategy continues to drive improved performance, provide some comments on our end markets, and discuss how we are positioning the company for the future. Then I'll turn it over to Matt for more details on the quarter and our outlook.

Let's start with the highlights, which are on page 4 of our presentation. We delivered another quarter of strong earnings, margin expansion, and cash flow performance. This was the second highest quarterly adjusted EPS in Apogee's history and follows the record adjusted EPS we delivered last quarter. While we are focused on driving revenue growth, we continue to demonstrate that we can deliver profit dollar growth and margin expansion even in an environment with low volume growth.

Year to date, operating income dollars have increased 12% and operating margin improved by 150 basis points to 10.6%, which is up above our current strategic goal of 10%. Once again, our improved results were led by exceptional performance in architectural glass. The glass segment has delivered double digit sales growth every quarter this year, and they again achieved operating margins above their 10% to 15% target range.

These terrific results reflect the strategic transformation of our glass segment over the past two years. They have significantly improved their cost structure, delivered meaningful productivity gains, and are driving their sales mix toward higher value-added premium products.

Another highlight in the quarter was backlog growth in our services segment. We secured approximately $200 million of new project awards during the quarter. These awards reflect the continuing effort to diversify the types of projects that we support. New awards included projects in transportation, healthcare, medical labs, education, multifamily housing, and commercial office. We also secured our first major award in California as we work to expand further in the western states. Given the strength of our earnings performance for the quarter, we are increasing our guidance for full year adjusted EPS.

It's now been two years since our Investor Day, where we introduced our three-pillar strategy highlighted on page 5 of today's presentation. At its core, we aim to deliver two primary objectives, build differentiated businesses that provide compelling value for our customers, and improve operational execution across our businesses to drive a more competitive cost structure. We've made great progress on both fronts, building a solid foundation, and we still have plenty of opportunity ahead of us.

Architectural Glass was the lead business for our launch of the Apogee Management System or AMS and has made significant progress in their shift to premium strategy. This has helped the glass business to deliver record results and gives us confidence in our ability to sustain profitability levels should volumes slow. Framing Systems has more than doubled their margins since fiscal '21. We still see margin expansion opportunities through further stages of AMS deployment and portfolio management as parts of their long-cycle business remain margin challenged compared to levels in the rest of the framing segment.

Architectural Services did take a step back in margins since fiscal '21 and saw revenue declines as we integrated the Sotawall business. That integration is nearly complete. And with backlog growing again, we see favorable revenue and margin improvement as we move into fiscal '25. Large-Scale Optical has improved its already high margin profile since fiscal '21 and we are making investments which will allow them to expand into market adjacencies in late fiscal '25 and beyond. We are keeping a growth mindset and see further opportunities to strengthen margins and grow profit dollars.

Two years in, we are very pleased with the results our team has achieved, and I'm excited for the opportunities that are still ahead of us.

Now let me offer some comments about our construction end markets. Overall, there has been strong growth in nonresidential construction during calendar year 2023. While every subsector of the nonres market has grown the past year, manufacturing projects have accounted for approximately 60% of the total growth in nonresidential construction this year. This is a subsector of the market where Apogee has very low participation given our current product offerings.

Across the other sectors of nonres construction, much of that market growth has been driven by inflation related pricing rather than volumes. This mirrors what we've seen in our home business over the past several quarters. In recent months, the rate of growth in nonres construction has begun to decelerate, and we've seen forward indicators like the Architectural Billings Index turn negative.

Looking ahead to calendar '24, most industry forecast call for further deceleration in nonres construction. Higher interest rates, tighter lending standards, and increased costs have been putting pressure on commercial construction. We have seen that slowing show up in our short-cycle framing business this quarter and expect some pressure in parts of that business as we go into fiscal '25. However, we still expect commercial construction growth rates in the low single digits overall in calendar '24.

On the positive side, we also see institutional and infrastructure projects continuing to benefit from government funding. And the recent [Fed] signaling of a hold and now a likely softening of interest rates could enable a shorter and shallower downturn for commercial construction. It should also loosen what has been a tight market for M&A, providing more opportunities for us to make strategic financially accretive acquisitions to strengthen our portfolio and provide a catalyst for growth.

Regardless of the macro environment, we are working to position Apogee for continued success. It's important to remember that nonresidential construction is a very large and diverse end market. Within this large market, there are always opportunities for growth. We are approaching fiscal '25 with a growth mindset focused on seizing those opportunities to outperform the overall market. We believe our combination of leading brands, deep customer relationships, and differentiated offerings positions us well to gain share in a fragmented industry.

We will also continue to diversify our project mix, focusing on higher growth segments of the market such as transportation, education, and healthcare. And we will continue to evaluate investment opportunities that could accelerate our growth through both organic expansion and through acquisitions. Of course, we will maintain our focus on driving productivity, improving execution, and managing costs.

These have been the foundation of our performance over the past two years. This has allowed us to grow profit dollars above our revenue growth rate, and we continue to see opportunities to further build on that success. Finally, our strong cash flow and balance sheet provide us with significant flexibility to execute our strategy. Our entire team is focused on building upon the strong foundation we have established in continuing to deliver strong performance.

With that, let me turn it over to Matt.

Matthew Osberg ***Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President***

Thanks, Ty, and good morning, everyone. First, I'll begin with a review of our results in the quarter, then I'll discuss our updated guidance for the fiscal year. And finally, I will wrap up with some preliminary thoughts on fiscal '25. The third quarter delivered strong results with significant operating margin expansion, double digit earnings per share growth, and very strong cash flow despite lower revenue. Net sales were $340 million compared to $368 million in the prior year period. The decrease was primarily driven by lower volume in Framing partially offset by growth in Glass.

Gross profit increased 4.3% and gross margin improved by 310 basis points, primarily driven by higher pricing, improved product mix, lower short-term incentive compensation expense, and lower insurance related expense. These items were partially offset by the impact of lower volume and a less favorable mix of projects and services. SG&A expense increased $0.8 million to 15.5% of net sales. The increase was primarily due to higher salary and benefit costs, partially offset by lower short-term incentive compensation expense.

Operating income grew 8.3% and operating margin increased 170 basis points to 11.1%, primarily driven by improved segment operating margin in Glass as well as a higher mix of Glass segment results in our consolidated results. This was partially offset by lower segment operating margin in Framing.

Looking at our segment results, Framing revenue declined 15.4%. As a reminder, our framing business is a mix of short and long-cycle businesses. The majority of the business is shorter cycle and primarily provides solutions for storefront and entrance systems and commercial windows. The longer cycle part of framing provides custom-engineered window and curtain wall solutions for midsize and larger projects. The lower sales this quarter were primarily driven by lower volume in the shorter-cycle parts of the business, reflecting the deceleration in nonresidential construction activity that Ty described earlier.

Segment operating margin for Framing contracted 120 basis points to 12.2%, primarily due to the impact of lower sales volume. This was partially offset by improved mix, cost savings initiatives, improved productivity, and lower short-term incentive compensation expense. Despite the lower volumes, Framing margins continue to be above the 9% to 12% target range for the segment for both the quarter and year to date.

Glass revenue grew 11.6% and segment operating income more than doubled to $15.2 million. Segment operating margin expanded 760 basis points to 16.7%. This was primarily driven by improved pricing and mix, partially offset by the impact of lower volume and continued cost inflation.

Services, revenue, and segment operating margin declined primarily due to a less favorable mix of projects, partially offset by lower short-term incentive compensation expense. However, Services improved margins sequentially from the second quarter, and we expect margins to improve again in the fourth quarter. In LSO, despite lower revenue, operating margin improved by 60 basis points to 27.3%, with favorable mix offsetting lower volume.

Corporate expenses of $6.9 million declined by $1 million, primarily due to lower insurance related costs. Looking at backlog trends for the quarter, on a sequential basis, backlog for Framing was $184 million compared to $197 million in the second quarter. The decline was driven primarily by our longer-cycle business, reflecting slower award activity and a continued strategic shift towards projects that allow for more attractive margins.

Services finished the quarter with $777 million in backlog, up 15% from the second quarter. Project backlog and in Services is typically driven by a small number of relatively large projects. This makes backlog changes inherently variable from quarter to quarter, depending on the timing of project awards. In the first half of the fiscal year, Services backlog declined as we saw delays in projects moving from bid to award. This quarter, several of those delayed projects [going] forward, contributing to the backlog growth in the quarter.

Turning to cash flow, we had another strong result with cash from operations in the quarter, improving $12.9 million. This brings year to date operating cash flow to $129.3 million, an improvement of $78.2 million compared to the same period last year. The year-to-date improvement has primarily been driven by favorable working capital changes. Through three quarters of the fiscal year, we have already achieved the second highest year of operating cash flow in the company's history.

Our primary use of cash in the quarter was debt reduction as we paid down $45 million of debt on our revolving credit facility. Fiscal year to date, we have reduced our net debt by $72.7 million, bringing our net leverage ratio down to 0.4 times trailing 12 month adjusted EBITDA compared to 0.9 times at the beginning of the year. We had $11.9 million of capital expenditures in the quarter, primarily relating to investments to expand capacity in our higher-margin business and enhance productivity through automation.

Moving to our updated outlook for the fiscal year, we are increasing our full year adjusted diluted EPS outlook to a range of $4.55 to $4.70, primarily reflecting our strong third quarter earnings. This updated outlook implies full year growth between 14% to 18% compared to last year's adjusted diluted EPS of $3.98. Additionally, we now expect net sales will decline approximately 3% for the fiscal year.

As a reminder, fiscal '24 is a 53-week year with an extra week of operations in the fourth quarter. We expect our consolidated fourth quarter operating margin to decline sequentially, but improved compared to prior year, as we expect sequential margin moderation in Framing, Glass, and LSO to be partially offset by an improvement in services margin. We continue to expect an average tax rate of approximately 24.5%, and we now expect full year capital expenditures between $40 million to $50 million, down from our previous estimate of $50 million to $60 million.

Looking ahead to fiscal '25, we are currently working through our budgeting process and expect to provide financial guidance for the new fiscal year in April. As we work through this process, we would like to share a few preliminary thoughts about the coming fiscal year. We continue to monitor macroeconomic trends and industry data to assess the potential impacts on our business. As Ty described, most industry forecast calls for decelerating growth for nonresidential construction with low single digit growth expected for calendar '24.

Growth expectations in nonresi construction are impacted by interest rates and financing markets. As interest rate outlooks begin to improve in calendar '24, that could favorably impact our business. However, with the longer cycle nature of the construction industry, we would not expect a significant impact on our fiscal '25 results. Within the prevailing market environment, we will strive to outperform our industry as we continue to drive strategic changes across our business.

Regardless of market conditions, we are approaching the New Year with a growth mindset and a focus on driving further productivity gains and improvements in our cost structure. If we do see slower market growth in fiscal '25, this will primarily impact our Framing and Glass segments. The strong backlog growth in Services this quarter positions that segment well for top line growth next year.

We also see an opportunity for growth in LSO as that business continues to expand into new adjacencies and begins to benefit from additional capacity. We also believe we have further positive margin building blocks yet to realize in fiscal '25. Margin should benefit from further productivity, AMS initiatives, and a favorable project backlog and services.

Fiscal '24 has been an incredible year for our Glass segment, which has benefited from volume, pricing, and mix, leading to sales growth of 20% and operating income growth of 157% on a year-to-date basis. In fiscal '25, we expect glass segment margin rates to moderate compared to what we've achieved this year as market demand will likely have a negative impact on volume and pricing and as we begin to lap mixed benefits from our shift to premium strategy.

For fiscal '25, we are focused on maximizing margin dollars in the Glass segment, while delivering margin rates within our target range of 10% to 15%. As a reminder, fiscal '25 will revert to a normal 52-week year, which will create a headwind for year-over-year comparisons of approximately two percentage points on revenue.

Finally, we expect our priorities for capital deployment in fiscal '25 to continue to be investing in organic growth, accretive M&A, and returning capital to shareholders through share repurchases and dividends. To close, this was another strong quarter as we continue to advance our strategic objectives and drive improved profitability and cash flow. We are on track to deliver strong full year results in fiscal '24 and see opportunities for further progress in the year ahead.

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

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

Thanks, Matt. To wrap up, I wish to thank our team for delivering yet another strong quarter. In the two years since we introduced our new strategic direction, we have driven sustainable operating improvements across our business, allowing us to exceed the financial targets we set out at our Investor Day in November of 2021.

Our team is focused on delivering a successful fourth quarter to close out this fiscal year. And as we look ahead, we continue to see significant opportunities for long-term profitable growth across our business to both organic and inorganic investment. With that, we are ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Chris Moore, CJS Securities.

Chris Moore ***CJS Securities - Analyst***

Good morning, guys. Thanks for taking a couple of questions.

Matthew Osberg ***Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President***

Good morning, Chris.

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

Good morning, Chris.

Chris Moore ***CJS Securities - Analyst***

Good morning. Maybe we just start with the visibility within services. Backlog was $776 million, that's up 15% sequentially. Roughly, what percentage of that still has some of the lower margin work in there? And is that lower margin we're likely to -- we'll see that in calendar '24.

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

So if you look at -- Chris, if you recall, when we announced the Sotawall integration. That Sotawall, we had it as a standalone business was losing money. So they were in a negative EBIT. Stayed at that point in time. And so it was a combination of managing our costs as well as looking at how we improve productivity and then kind of shift that business model from a supply side to a true integrated project services business model.

They have worked down a significant portion of that amount. So we won't break out those percentages, but I would say as we move through for fourth quarter, and we get to maybe first quarter of next year that would become really immaterial to that backlog as we go forward.

Part of that revenue dip we saw was them transitioning out of that business model because it's a different customer set than by the way Sotawall was going to market before. So that should provide some additional tailwind for them on the margin side as they go into fiscal '25

Chris Moore ***CJS Securities - Analyst***

Perfect. That's helpful. And maybe just staying with service remote. The project that you talked about in California, is that -- is there big growth potential here? Are there any challenges finding employees to work on these?

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

We established a regional office in California almost a year ago now. And then we have been deploying some of the project managers and kind of the key personnel, if you will, to manage that business from other parts of the US to support that. So we feel we're in a very good position. We actually were pulled out there by one of the large contractors that we work with on other parts of the country.

So we feel really good about not only landing that first project but as we're looking at projects in the western part of the United States. We've got a couple of good partnerships and -- with a little bit of the softness that we have been seeing, we are also, as we did in calendar '20 and '21 during COVID, a little bit of a flight to quality what we're seeing here too. In our Services segment, which operates under the Harmon brand, is known in the industry as a high-quality Integrated Project Services business. So we're seeing some benefits from there, not just in the West, but throughout other parts of the region of the US.

Chris Moore ***CJS Securities - Analyst***

Got it. Perfect. And maybe just last one is on glass margins. Obviously 16.7%, Matt kind of talked about that not necessarily being repeatable in fiscal '25, but just trying to get a sense as to -- the range is up to 15%. Is the bias kind of towards the high end of the range at this stage moving forward?

Matthew Osberg ***Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President***

Yeah, Chris, it's a great question. And the glass, like you've pointed out, the glass segment had phenomenal results this year. And, as we've said, they're hitting on all cylinders. And as we talked about in my remarks, if there is volume pressure, they'll look at pricing and titrate pricing to the volume, and we're trying to maximize margin dollars for next year in that segment within that 10% to 15% range. So I think where within that range depends on the volume pressure that they get and what happens in pricing. But we're very confident that we'll be able to remain in that range next year as we look to maximize EBIT dollars.

Chris Moore ***CJS Securities - Analyst***

Got it. I appreciate that. I'll jump back in line. Thanks, guys.

Matthew Osberg ***Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President***

Thanks, Chris.

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

Thanks, Chris.

Operator

Julio Romero, Sidoti & Company.

Julio Romero ***Sidoti & Company - Analyst***

Thanks. Hey, good morning, Ty and Matt.

If you start on -- hey, good morning. Maybe to start on the framing segment. How does that -- I'd expected pressure on the shorter-cycle business, which I believe is generally higher margin than the project-related portion of the segment. How does that demand pressure affect expected margins in fiscal '25? And are the margins still expected within the 9% to 12% target range?

Matthew Osberg ***Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President***

Yeah, I think that's a great -- I think that's a good assumption, Julio, for next year and it will be somewhat similar to what's happening in Glass, right? As we look at the volume pressure they might get and adjusting pricing, but we still feel good about our long-range target in that segment. And even this year, like we said, I mean, this quarter, they were a decline, but they're still well ahead of their long-range targets for the quarter and year to date periods. So there's still some opportunities for us in that segment with some other margin building blocks as we look into the future.

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

Yeah. And I would just add to that, Julio, I mean, we've talked about choppiness in order rate and volumes, and we have short -- well, we have low visibility to that short-cycle business as we've talked about, but we did see all three months of the quarter for them be negative. We didn't get that one month of balance where we had some nice bounce back growth. So that's a sign for us when we do our competitive reconnaissance.

The other large players that we compete with in the market from what we have been able to gather, they all saw similar declines in the same period. That said, November was better than October. So we kind of are looking back how does this play out, fourth quarter and then using that fourth quarter to really build our assumptions for fiscal '25. But as Matt said, even if there's continued revenue pressure on that business that extends into our fiscal '25 for some part of fiscal '25, we still feel really good about the operating levers we have to pull still on margin from a productivity and a cost of goods sold.

And then as you highlighted, we have part of that business. While it has been coming down as a percent of our revenues, the larger project supply side of that business, it remains margin channel. And so that's an area that we also have some levers to kind of further accelerate higher margin parts of that business and deal with our costs and some of the margin challenges on the project side of that business.

Julio Romero ***Sidoti & Company - Analyst***

Got it. That's very helpful there. Maybe turning to the services segment. You obviously saw some strong orders there and the book-to-bill above two times. What kind of level of inquiries are you seeing today within the segment?

And then secondly, I think Matt, you addressed this in your prepared remarks, but there's a lumpy nature to quarters within that segment. I guess we shouldn't expect that type of level of orders in the fourth quarter. And if that's so how should we kind of think about underlying demand for the segments?

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

Yeah. I mean, Julio, I have been I would say, just because of the questions on the market when we look at research firms forecasting calendar '24 nonres construction, there's a little bit wider spread than what we have seen in the last few years. So we're seeing anywhere from minus 1%, minus 2% to plus 5%. So that still says that there's some cloudiness there. And I think until people really get grounded on interest rates, not only think everyone feels the ceilings there on.

But until they see that first rate cut, I think it's going to still cause some delays in project awards so that the developers contractors feel more confident about locking in their cost structure for that projects. So I think we'll still see some lumpiness. So I wouldn't assume that Q4 is going to look like Q3 in terms of awards and net booking numbers in relation to that. But like I said before, we are seeing a little bit of a flight to quality, so we have seen some nice projects come into our services segment for bids and quotes so that continues to be a positive sign.

Matthew Osberg ***Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President***

And the only thing I would add, Julio, really encouraging to see the diversity of project wins that we had in the quarter. So I think that reinforces that the people are looking for quality and we can provide that as we have in the past and to have a more diverse set of project wins come in that's encouraging to me.

Julio Romero ***Sidoti & Company - Analyst***

All right, that's helpful. If I could just ask one more here is just on -- the cash flow is really impressive here in the quarter. Just how much more runway do you have for working capital improvement? And do you foresee working capital being neutral in fiscal '25?

Matthew Osberg ***Apogee Enterprises Inc - Chief Financial Officer, Executive Vice President***

Yeah. A great question, Julio. So if you recall back in fiscal '23, I think there's a couple of things benefiting us. One is we're doing some good things in fiscal '24 and strong earnings growth helps that cash flow.

The second, just from a comparability perspective, fiscal '23, I think are -- with just some of the nature of what happened in the marketplace that year, our working cash flow -- working capital went backwards a little bit. So I think you're seeing a really strong recovery on a year-over-year basis compared to '23 because of just some abnormal bad guys that happened in '23.

So if you're thinking about year-over-year improvement I think there's -- I wouldn't assume we're going to do that same type of improvement as I look ahead to fiscal '25. If you're thinking about just sustaining and being able to kind of deliver at relatively high levels of cash flow, I think there is a good possibility of us doing that. I think we've got some opportunity in working capital, but I think being able to sustain where we are at this high of a level is also a good outcome from a cash flow. But we'll get into more of that as we get through our budget cycle and look into fiscal '25.

Julio Romero ***Sidoti & Company - Analyst***

Really helpful. I'll pass it along. Thanks very much.

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

Thanks, Julio.

Operator

(Operator Instructions)

Brent Thielman, D.A. Davidson.

Brent Thielman ***D.A. Davidson & Company - Analyst***

Hey, thanks. Good morning. Congrats on a great quarter.

Really just one for me. A lot has been answered here. But, Ty, your balance sheet's in great shape. You're throwing off a lot of cash. You're obviously focused on growth prospects, organic, and potentially inorganic. I guess my question is, just starting to look at those opportunities out there. Is it all entirely within the non-residential market? Are you intrigued by some other opportunities because we've got this great LSO business producing great margins. And assuming you've some good things there. I'd just be curious where we see this go.

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

Yeah, Brent, great question. And we've talked before. We've built the process. We've got resources. We've been -- we have an active pipeline. We'll never talk specifics on companies, et cetera. It has remained tight, even things that were coming into a process and just they get a sense that there's not maybe as many buyers yet as they would like. And so we've seen some processes pulled as a result of that.

When you step back and think about it, we are primarily an architectural products and services company. So we will look to diversify our product portfolio via acquisitions in part to allow us to play into more of those project types. And we won't get into specifics, but I'd say if you think about it that way from our products related business and probably things that are more related to are an extension of what we're doing in framing with different product sets.

And then yes, you hit on a really solid point with Large-Scale Optical. We've got some really great technology and know-how and understanding about performance coatings on both glass and acrylic or polymer substrates. And as we now have invested in additional coating capacity for that business, and we've worked to accelerate their diversification. We are being opportunistic. If there's some acquisitions that can accelerate that diversification of that business that we see both the strategic fit from a technology and business standpoint and again, are accretive to our margin goals as a company.

So as we look at that space, it's likely we're not acquiring something that's a 25% -- greater than 25% EBIT, but we're certainly interested in things that accelerate the execution of that business that are even in the teens from an EBIT perspective that help us grow that business as well.

Brent Thielman ***D.A. Davidson & Company - Analyst***

Okay. Very good. Thank you.

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

Thank you.

Operator

Thank you. There are no further questions. I'd like to turn the call over to Ty Silberhorn for closing remarks.

Ty Silberhorn ***Apogee Enterprises Inc - President, Chief Executive Officer, Director***

Well, I'd just like to thank everyone for joining us today. And I know we're right up against the holiday season, so I'd just like to wish you and your families, happy holidays, and looking forward to a prosperous new year for all of us. Have a great day.

Operator

Thank you, for your participation. This does conclude the program. You may now disconnect.