UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 27, 2023

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 0-6365

APOGEE ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Minnesota			**41-0919654**
(State or other jurisdiction of incorporation or organization)			(I.R.S. Employer Identification No.)
4400 West 78th Street, Suite 520	**Minneapolis**	**Minnesota**	**55435**
(Address of principal executive offices)			(Zip Code)

Registrant's telephone number, including area code: (952) 835-1874

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common stock, par value $0.33 1/3 per share	APOG	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	☐
Non-accelerated filer	o	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes x No

As of June 26, 2023, 22,077,600 shares of the registrant’s common stock, par value $0.33 1/3 per share, were outstanding.

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except stock data)		May 27, 2023		February 25, 2023
Assets				
Current assets				
Cash and cash equivalents	$	24,642	$	19,924
Restricted cash		—		1,549
Receivables, net		210,796		197,267
Inventories		80,579		78,441
Contract assets		45,086		59,403
Other current assets		32,622		26,517
Total current assets		393,725		383,101
Property, plant and equipment, net of accumulated depreciation of $439,930 and $431,710		246,343		248,867
Operating lease right-of-use assets		40,213		41,354
Goodwill		129,054		129,026
Intangible assets, net		66,308		67,375
Other non-current assets		45,556		45,642
Total assets	$	921,199	$	915,365
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable	$	77,638	$	86,549
Accrued payroll and related benefits		34,360		51,651
Contract liabilities		36,283		28,011
Operating lease liabilities		11,655		11,806
Other current liabilities		73,223		64,532
Total current liabilities		233,159		242,549
Long-term debt		170,669		169,837
Non-current operating lease liabilities		31,688		33,072
Non-current self-insurance reserves		32,403		29,316
Other non-current liabilities		43,074		44,183
Commitments and contingent liabilities (Note 8)				
Shareholders' equity				
Common stock of $0.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding 22,219,005 and 22,224,299 respectively		7,406		7,408
Additional paid-in capital		147,897		146,816
Retained earnings		286,300		273,740
Accumulated other comprehensive loss		(31,397)		(31,556)
Total shareholders' equity		410,206		396,408
Total liabilities and shareholders' equity	$	921,199	$	915,365

See accompanying notes to consolidated financial statements.

Table of Contents

CONSOLIDATED RESULTS OF OPERATIONS
(Unaudited)

(In thousands, except per share data)	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022
Net sales	$ 361,713	$ 356,635
Cost of sales	268,727	271,018
Gross profit	92,986	85,617
Selling, general and administrative expenses	59,219	52,401
Operating income	33,767	33,216
Interest expense, net	2,036	1,206
Other expense, net	288	1,310
Earnings before income taxes	31,443	30,700
Income tax expense	7,867	7,969
Net earnings	$ 23,576	$ 22,731
Earnings per share - basic	$ 1.08	$ 1.01
Earnings per share - diluted	$ 1.05	$ 1.00
Weighted average basic shares outstanding	21,883	22,399
Weighted average diluted shares outstanding	22,386	22,651

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(Unaudited)

(In thousands)	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022
Net earnings	$ 23,576	$ 22,731
Other comprehensive earnings (loss):		
Unrealized gain (loss) on marketable securities, net of $33, $(74), of tax expense (benefit), respectively	121	(276)
Unrealized loss on derivative instruments, net of $(121), $(1,317), of tax benefit, respectively	(397)	(4,316)
Foreign currency translation adjustments	435	1,732
Other comprehensive earnings (loss)	159	(2,860)
Total comprehensive earnings	$ 23,735	$ 19,871

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022
Operating Activities		
Net earnings	$ 23,576	$ 22,731
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	10,282	10,849
Share-based compensation	2,178	1,597
Deferred income taxes	(165)	4,400
Gain on disposal of assets	(27)	(660)
Proceeds from New Markets Tax Credit transaction, net of deferred costs	—	18,390
Settlement of New Markets Tax Credit transaction	—	(19,523)
Noncash lease expense	2,714	3,088
Other, net	(432)	952
Changes in operating assets and liabilities:		
Receivables	(13,476)	(18,468)
Inventories	(2,068)	(17,744)
Contract assets	14,368	(13,528)
Accounts payable and accrued expenses	(21,702)	(18,576)
Contract liabilities	8,158	(1,907)
Refundable and accrued income taxes	7,590	4,238
Operating lease liability	(3,101)	(3,333)
Prepaid expenses and other current assets	(6,608)	(2,968)
Net cash provided (used) by operating activities	21,287	(30,462)
Investing Activities		
Capital expenditures	(7,398)	(5,125)
Proceeds from sales of property, plant and equipment	66	4,087
Sales/maturities of marketable securities	400	100
Net cash used by investing activities	(6,932)	(938)
Financing Activities		
Borrowings on line of credit	105,852	161,000
Repayment on debt	—	(1,000)
Payments on line of credit	(105,000)	(62,000)
Repurchase and retirement of common stock	(5,193)	(74,312)
Dividends paid	(5,245)	(4,793)
Other, net	(1,677)	(1,271)
Net cash (used) provided by financing activities	(11,263)	17,624
Increase (decrease) in cash, cash equivalents and restricted cash	3,092	(13,776)
Effect of exchange rates on cash	77	64
Cash, cash equivalents and restricted cash at beginning of year	21,473	37,583
Cash, cash equivalents and restricted cash at end of period	$ 24,642	$ 23,871
Noncash Activity		
Capital expenditures in accounts payable	$ 2,115	$ 766

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

(In thousands)	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
Balance at February 25, 2023	**22,224**	**$ 7,408**	**$ 146,816**	**$ 273,740**	**$ (31,556)**	**$ 396,408**
Net earnings	—	—	—	23,576	—	23,576
Unrealized gain on marketable securities, net of $33 tax expense	—	—	—	—	121	121
Unrealized loss on foreign currency hedge, net of $121 tax benefit	—	—	—	—	(397)	(397)
Foreign currency translation adjustments	—	—	—	—	435	435
Issuance of stock, net of cancellations	155	52	13	(9)	—	56
Share-based compensation	—	—	2,178	—	—	2,178
Share repurchases	(120)	(40)	(829)	(4,324)	—	(5,193)
Other share retirements	(40)	(14)	(281)	(1,438)	—	(1,733)
Cash dividends	—	—	—	(5,245)	—	(5,245)
Balance at May 27, 2023	**22,219**	**$ 7,406**	**$ 147,897**	**$ 286,300**	**$ (31,397)**	**$ 410,206**

(In thousands)	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
Balance at February 26, 2022	23,701	7,901	149,713	254,825	(26,240)	386,199
Net earnings	—	—	—	22,731	—	22,731
Unrealized loss on marketable securities, net of $74 tax benefit	—	—	—	—	(276)	(276)
Unrealized loss on derivative instruments, net of $1,317 tax benefit	—	—	—	—	(4,316)	(4,316)
Foreign currency translation adjustments	—	—	—	—	1,732	1,732
Issuance of stock, net of cancellations	100	33	23	—	—	56
Share-based compensation	—	—	1,597	—	—	1,597
Share repurchases	(1,571)	(524)	(10,350)	(63,438)	—	(74,312)
Other share retirements	(30)	(10)	(198)	(1,120)	—	(1,328)
Cash dividends	—	—	—	(4,793)	—	(4,793)
Balance at May 28, 2022	**22,200**	**$ 7,400**	**$ 140,785**	**$ 208,205**	**$ (29,100)**	**$ 327,290**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of presentation
The consolidated financial statements of Apogee Enterprises, Inc. (we, us, our or the Company) have been prepared in accordance with accounting principles generally accepted in the United States. The information included in this Form 10-Q should be read in conjunction with the Company's Form 10-K for the year ended February 25, 2023. We use the same accounting policies in preparing quarterly and annual financial statements. All adjustments necessary for a fair presentation of quarterly and year to date operating results are reflected herein and are of a normal, recurring nature. The results of operations for the three-month period ended May 27, 2023 are not necessarily indicative of the results to be expected for the full year.

Reclassifications
Certain reclassifications of amounts previously reported have been made to the accompanying consolidated balance sheets, consolidated statements of cash flows and notes to consolidated financial statements to conform to current year presentation of contract assets and liabilities. These reclassifications had no impact on reported cash flows or total assets and liabilities.

Adoption of new accounting standards
In the current quarter, we adopted the guidance in ASU 2022-04, *Liabilities – Supplier Finance Programs, Disclosure of Supplier Finance Program Obligations.* The guidance requires that entities that use supplier finance programs disclose information about the nature and potential magnitude of the programs, activity during the period, and changes from period to period. Beginning in the current quarter, we implemented a supplier financing arrangement with U.S. Bank that enables our suppliers, at their sole discretion, to sell their Apogee receivables (i.e., our payment obligations to the suppliers) to U.S. Bank on a non-recourse basis in order to be paid earlier than our payment terms provide. Our suppliers' voluntary inclusion of invoices in the supplier financing arrangement has no bearing on our payment terms, the amounts we pay, or our liquidity. We have no economic interest in a supplier's decision to participate in the supplier financing program, and we do not provide any guarantees in connection with it. As of May 27, 2023, the amount outstanding that remains unpaid to the bank totaled $2.1 million, and is reflected in accounts payable in the consolidated balance sheets.

2. Revenue, Receivables and Contract Assets and Liabilities

Revenue
The following table disaggregates total revenue by timing of recognition (see Note 12 for disclosure of revenue by segment):

	Three Months Ended	
(In thousands)	May 27, 2023	May 28, 2022
Recognized at shipment	$ 152,655	$ 161,164
Recognized over time	209,058	195,471
Total	$ 361,713	$ 356,635

Receivables
Receivables reflected in the financial statements represent the net amount expected to be collected. An allowance for credit losses is established based on expected losses. Expected losses are estimated by reviewing individual accounts, considering aging, financial condition of the debtor, recent payment history, current and forecast economic conditions and other relevant factors. Upon billing, aging of receivables is monitored until collection. An account is considered current when it is within agreed upon payment terms. An account is written off when it is determined that the asset is no longer collectible.

(In thousands)	May 27, 2023	February 25, 2023
Trade accounts	$ 139,204	$ 140,732
Construction contracts	74,685	58,331
Total receivables	213,889	199,063
Less: allowance for credit losses	3,093	1,796
Receivables, net	$ 210,796	$ 197,267

The following table summarizes the activity in the allowance for credit losses for the three-month period ended:

(In thousands)	May 27, 2023
Beginning balance	$ 1,796
Additions charged to costs and expenses	1,376
Deductions from allowance, net of recoveries	(82)
Foreign currency effects	3
Ending balance	$ 3,093

Contract assets and liabilities

Contract assets consist of retainage, costs and earnings in excess of billings and other unbilled amounts typically generated when revenue recognized exceeds the amount billed to the customer. Retainage on construction contracts represents amounts withheld by our customers on long-term projects until the project reaches a level of completion where amounts are released to us from the customer. Contract liabilities consist of billings in excess of costs and earnings and other deferred revenue on contracts.

The time period between when performance obligations are complete and when payment is due is not significant. In certain parts of our business that recognize revenue over time, progress billings follow an agreed-upon schedule of values, and retainage is withheld by the customer until the project reaches a level of completion at which point amounts are released to us from the customer.

The changes in contract assets and contract liabilities were mainly due to timing of project activity within our businesses that operate under long-term contracts.

Other contract-related disclosures	Three Months Ended	
(In thousands)	May 27, 2023	May 28, 2022
Revenue recognized related to contract liabilities from prior year-end	$ 22,745	$ 35,926
Revenue recognized related to prior satisfaction of performance obligations	427	175

Some of our contracts have an expected duration of longer than a year, with performance obligations extending over that time frame. Generally, these contracts are found in our businesses that typically operate with long-term contracts, which recognize revenue over time. The transaction prices associated with unsatisfied performance obligations at May 27, 2023 are expected to be satisfied, and the corresponding revenue to be recognized, over the following estimated time periods:

(In thousands)	May 27, 2023
Within one year	$ 459,780
Within two years	262,496
Beyond two years	81,710
Total	$ 803,986

3. Supplemental Balance Sheet Information

Inventories

(In thousands)	May 27, 2023	February 25, 2023
Raw materials	$ 39,167	$ 36,869
Work-in-process	17,695	18,024
Finished goods	23,717	23,548
Total inventories	$ 80,579	$ 78,441

Other current liabilities

(In thousands)	May 27, 2023	February 25, 2023
Warranties	$ 17,124	$ 14,872
Accrued self-insurance reserves	14,823	14,447
Income and other taxes	13,552	7,129
Other	27,724	28,084
Total other current liabilities	$ 73,223	$ 64,532

Other non-current liabilities

(In thousands)	May 27, 2023	February 25, 2023
Deferred benefit from New Markets Tax Credit transactions	$ 9,250	$ 9,250
Deferred compensation plan	6,266	5,577
Retirement plan obligations	5,691	5,749
Deferred tax liabilities	1,433	1,417
Other	20,434	22,190
Total other non-current liabilities	$ 43,074	$ 44,183

4. Financial Instruments

Marketable securities

Through our wholly-owned insurance subsidiary, Prism Assurance, Ltd. (Prism), we hold the following available-for-sale marketable securities, made up of municipal and corporate bonds:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
May 27, 2023	$ 10,225	$ —	$ 550	$ 9,675
February 25, 2023	10,647	—	702	9,945

Prism insures a portion of our general liability, workers' compensation and automobile liability risks using reinsurance agreements to meet statutory requirements. The reinsurance carrier requires Prism to maintain fixed-maturity investments for the purpose of providing collateral for Prism's obligations under the reinsurance agreements.

The amortized cost and estimated fair values of these bonds at May 27, 2023, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities, as borrowers may have the right to call or prepay obligations with or without penalty.

(In thousands)	Amortized Cost	Estimated Fair Value
Due within one year	$ 2,906	$ 2,850
Due after one year through five years	7,319	6,825
Total	$ 10,225	$ 9,675

Derivative instruments

We use interest rate swaps, foreign exchange forward contracts, commodity swaps and forward purchase contracts to manage risks generally associated with foreign exchange rate, interest rate and commodity price fluctuations. The information that follows explains the various types of derivatives and financial instruments we use, how such instruments are accounted for, and how such instruments impact our financial position and performance.

In fiscal 2020, we entered into an interest rate swap to hedge exposure to variability in cash flows from interest payments on our floating-rate revolving credit facility. As of May 27, 2023, the interest rate swap contract had a notional value of $30.0 million and has a maturity date of February 5, 2026.

We periodically enter into forward purchase contracts and/or fixed/floating swaps to manage the risk associated with fluctuations in aluminum prices and fluctuations in foreign exchange rates (primarily related to the Canadian dollar). These contracts generally have an original maturity date of less than one year. As of May 27, 2023, we held foreign exchange forward contracts and aluminum fixed/floating swaps with U.S. dollar notional values of $5.1 million and $12.8 million, respectively.

These derivative instruments are recorded within our consolidated balance sheets within other current assets and liabilities. Gains or losses associated with these instruments are recorded as a component of accumulated other comprehensive income.

Fair value measurements

Financial assets and liabilities are classified in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement: Level 1 (unadjusted quoted prices in active markets for identical assets or liabilities); Level 2 (observable market inputs, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data). We do not have any Level 3 financial assets or liabilities.

(In thousands)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Total Fair Value
May 27, 2023			
Assets:			
Money market funds	$ 11,901	$ —	$ 11,901
Municipal and corporate bonds	—	9,675	9,675
Cash surrender value of life insurance	—	8,188	8,188
Interest rate swap contract	—	1,522	1,522
Liabilities:			
Deferred compensation	—	10,204	10,204
Foreign currency forward/option contract	—	147	147
Aluminum hedging contract	—	881	881
February 25, 2023			
Assets:			
Money market funds	$ 8,062	$ —	$ 8,062
Municipal and corporate bonds	—	9,945	9,945
Cash surrender value of life insurance	—	8,282	8,282
Interest rate swap contract	—	1,817	1,817
Liabilities:			
Deferred compensation	—	9,515	9,515
Foreign currency forward/option contract	—	206	206
Aluminum hedging contract	—	1,075	1,075

Money market funds and commercial paper

Fair value of money market funds was determined based on quoted prices for identical assets in active markets. Commercial paper was measured at fair value using inputs based on quoted prices for similar securities in active markets. These assets are included within cash and cash equivalents on our consolidated balance sheets.

Municipal and corporate bonds

Municipal and corporate bonds were measured at fair value based on market prices from recent trades of similar securities and are classified within our consolidated balance sheets as other current or other non-current assets based on maturity date.

Cash surrender value of life insurance and deferred compensation

Contracts insuring the lives of certain employees who are eligible to participate in certain non-qualified pension and deferred compensation plans are held in trust. Cash surrender value of the contracts is based on performance measurement funds that shadow the deferral investment allocations made by participants in certain deferred compensation plans. Changes in cash surrender value are recorded in other expense. The deferred compensation liability balances are valued based on amounts allocated by participants to the underlying performance measurement funds.

Derivative instruments

The interest rate swap is measured at fair value using other observable market inputs, based off of benchmark interest rates. Forward foreign exchange and fixed/floating aluminum contracts are measured at fair value using other observable market inputs, such as quotations on forward foreign exchange points, foreign currency exchange rates, and forward purchase aluminum prices. Derivative positions are primarily valued using standard calculations and models that use as their basis readily observable market parameters. Industry standard data providers are our primary source for forward and spot rate information for both interest and currency rates and aluminum prices.

Nonrecurring fair value measurements

We measure certain financial instruments at fair value on a nonrecurring basis including goodwill, intangible assets, property and equipment and right-of-use lease assets. These assets were initially measured and recognized at amounts equal to the fair value determined as of the date of acquisition or purchase subject to changes in value only for foreign currency translation. Periodically, these assets are tested for impairment, by comparing their respective carrying values to the estimated fair value of the reporting unit or asset group in which they reside. In the event any of these assets were to become impaired, we would recognize an impairment expense equal to the amount by which the carrying value of the reporting unit, impaired asset or asset group exceeds its estimated fair value. Fair value measurements of reporting units are estimated using an income approach involving discounted cash flow models that contain certain Level 3 inputs requiring significant management judgment, including projections of economic conditions, customer demand and changes in competition, revenue growth rates, gross profit margins, operating margins, capital expenditures, working capital requirements, terminal growth rates and discount rates. Fair value measurements of the reporting units associated with our goodwill balances and our indefinite-lived intangible assets are estimated at least annually in the fourth quarter of each fiscal year for purposes of impairment testing if a quantitative analysis is performed.

5. Goodwill and Other Intangible Assets

Goodwill

Goodwill represents the excess of the cost over the value of net tangible and identified intangible assets of acquired businesses. We evaluate goodwill for impairment annually as of the first day of our fiscal fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable.

At the beginning of the first quarter of fiscal 2023, we began management of the Sotawall and Harmon businesses under the Architectural Services segment in order to create a single, unified offering for larger custom curtainwall projects, which resulted in the combination of the Sotawall and Harmon reporting units into a single reporting unit. We evaluated goodwill on a qualitative basis prior to and subsequent to this change for these reporting units and concluded that no adjustment to the carrying value of goodwill was necessary. Concurrent with the move of Sotawall from the Architectural Framing Systems segment to the Architectural Services segment effective at the start of our first quarter of fiscal 2023, goodwill was reallocated to the affected reporting units within each segment, using a relative fair value approach as outlined in ASC 350, *Intangibles - Goodwill and Other*.

During the first quarter of fiscal 2024, we did not identify any qualitative indicators of impairment at any of our reporting units, and therefore, no interim quantitative goodwill impairment evaluation was performed.

The following table presents the carrying amount of goodwill attributable to each reporting segment including the amount of goodwill that was reallocated from the Architectural Framing Systems segment to the Architectural Services segment using the relative fair value approach during the first quarter of fiscal 2023:

(In thousands)	Architectural Framing Systems	Architectural Services	Architectural Glass	Large-Scale Optical	Total
Balance at February 26, 2022	$ 93,181	$ 1,120	$ 25,244	$ 10,557	$ 130,102
Reallocation among reporting units [1]	(2,048)	2,048	—	—	—
Foreign currency translation	(996)	(137)	57	—	(1,076)
Balance at February 25, 2023	90,137	3,031	25,301	10,557	129,026
Foreign currency translation	(18)	(2)	48	—	28
Balance at May 27, 2023	$ 90,119	$ 3,029	$ 25,349	$ 10,557	$ 129,054

[1] Represents the reallocation of goodwill as a result of transitioning Sotawall from the Architectural Framing Systems segment to the Architectural Services segment as of the start of the first quarter of fiscal 2023.

Other intangible assets

Indefinite-lived intangible assets

We have intangible assets for certain acquired trade names and trademarks which are determined to have indefinite useful lives. We test indefinite-lived intangible assets for impairment annually at the same measurement date as goodwill, the first day of our fiscal fourth quarter, or more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. During the first quarter of fiscal 2024, we did not identify any qualitative indicators of impairment at any of our reporting units, and therefore, no interim quantitative goodwill impairment evaluation was performed.

Finite-lived intangible assets

Long-lived assets or asset groups, including intangible assets subject to amortization and property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of those assets may not be recoverable. We use undiscounted cash flows to determine whether impairment exists and measure any impairment loss using discounted cash flows to determine the fair value of long-lived assets.

The gross carrying amount of other intangible assets and related accumulated amortization was:

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation	Net
May 27, 2023				
Definite-lived intangible assets:				
Customer relationships	$ 86,798	$ (50,319)	$ 19	$ 36,498
Other intangibles	38,360	(35,409)	13	2,964
Total	125,158	(85,728)	32	39,462
Indefinite-lived intangible assets:				
Trademarks	26,851	—	(5)	26,846
Total intangible assets	$ 152,009	$ (85,728)	$ 27	$ 66,308
February 25, 2023				
Definite-lived intangible assets:				
Customer relationships	$ 89,495	$ (49,404)	$ (2,697)	$ 37,394
Other intangibles	39,404	(35,229)	(1,045)	3,130
Total	128,899	(84,633)	(3,742)	40,524
Indefinite-lived intangible assets:				
Trademarks	27,129	—	(278)	26,851
Total intangible assets	$ 156,028	$ (84,633)	$ (4,020)	$ 67,375

Amortization expense on definite-lived intangible assets was $1.0 million and $4.2 million for the three-month periods ended May 27, 2023 and May 28, 2022, respectively. Amortization expense of other identifiable intangible assets is included in selling, general and administrative expenses. At May 27, 2023, the estimated future amortization expense for definite-lived intangible assets was:

(In thousands)	2024	2025	2026	2027	2028
Estimated amortization expense	$ 3,195	$ 4,239	$ 4,223	$ 4,392	$ 3,892

6. Debt

As of May 27, 2023, we had a committed revolving credit facility with Wells Fargo Bank, N.A. as administrative agent, and other lenders with maximum borrowings of up to $385 million and a maturity date of August 5, 2027. Outstanding borrowings under the revolving credit facility were $155.0 million and $156.0 million as of May 27, 2023 and February 25, 2023, respectively.

Our revolving credit facility contains two maintenance financial covenants that require us to stay below a maximum debt-to-EBITDA ratio of 3.25 and maintain a minimum ratio of EBITDA-to-interest expense of 3.00. In the event we make an acquisition for which the purchase price is greater than $75 million, we can elect to increase the maximum debt-to-EBITDA ratio to 3.75 for a period of four consecutive fiscal quarters, commencing with the fiscal quarter in which a qualifying acquisition occurs. No more than two acquisition "holidays" can occur during the term of the facility, and at least two fiscal quarters must separate qualifying acquisitions. Both ratios are computed quarterly, with EBITDA calculated on a rolling four-quarter basis. At May 27, 2023, we were in compliance with both financial covenants.

Borrowings under the credit facility bear floating interest at either the Base Rate or Term SOFR, plus a margin based on the Leverage Ratio (as defined in the Credit Agreement). For Base Rate borrowings, the margin ranges from 0.125% to 0.75%. For Term SOFR borrowings, the margin ranges from 1.135% to 1.85%.

The facility also contains an "accordion" provision. Under this provision, we can request that the facility be increased by as much $200.0 million. Any Lender may elect or decline to participate in the requested increase at the Lender’s sole discretion.

At May 27, 2023, we had a total of $12.3 million of ongoing letters of credit related to industrial revenue bonds, construction contracts and insurance collateral that expire in fiscal years 2024 to 2032 and reduce borrowing capacity under the revolving credit facility. As of May 27, 2023, the amount available for revolving borrowings under the Wells Fargo credit facility was $217.7 million.

At May 27, 2023, debt included $12.0 million of industrial revenue bonds that mature in fiscal years 2036 through 2043. The fair value of all industrial revenue bonds approximated carrying value at May 27, 2023, due to the variable interest rates on these instruments.

We also maintain two Canadian committed, revolving credit facilities with the Bank of Montreal totaling $25.0 million (USD). The Canadian committed revolving credit facilities expire annually in February, but can be renewed each year solely at our discretion until August 2027, therefore, we have classified all outstanding amounts under these facilities as long-term debt within our consolidated balance sheets. At May 27, 2023 and February 25, 2023, outstanding borrowings under these Canadian committed, revolving credit facilities were $3.7 million and $1.8 million, respectively. At May 27, 2023, the total amount available for revolving borrowings under the Bank of Montreal credit facilities was $21.3 million. The Bank of Montreal credit facilities have two maintenance financial covenants that are identical to those contained in the Wells Fargo credit facility. At May 27, 2023, we were in compliance with both financial covenants.

Our Wells Fargo credit facility, Bank of Montreal credit facilities and industrial revenue bonds would be classified as Level 2 within the fair value hierarchy described in Note 4.

Interest payments under the Wells Fargo and Bank of Montreal facilities were $2.4 million and $1.1 million for the three months ended May 27, 2023 and May 28, 2022, respectively.

7. Leases

We lease certain of the buildings and equipment used in our operations. We determine if an arrangement contains a lease at inception. Currently, all of our lease arrangements are classified as operating leases. Operating lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease expense is recognized on a straight-line basis over the lease term. Our leases have remaining lease terms of one to ten years, some of which include renewal options that can extend the lease for up to an additional ten years at our sole discretion. We have made an accounting policy election not to record leases with an original term of 12 months or less on our consolidated balance sheet; such leases are expensed on a straight-line basis over the lease term.

In determining lease asset value, we consider fixed or variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. We use a discount rate for each lease based upon an estimated incremental borrowing rate over a similar term. We have elected the practical expedient to account for lease and non lease components (e.g., common-area maintenance costs) as a single lease component. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. We are not a lessor in any transactions.

The components of lease expense were as follows:

	Three Months Ended	
(In thousands)	**May 27, 2023**	**May 28, 2022**
Operating lease cost	$ 3,276	$ 3,051
Short-term lease cost	10	314
Variable lease cost	755	906
Total lease cost	$ 4,041	$ 4,271

Other supplemental information related to leases was as follows:

(In thousands except weighted-average data)	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022
Cash paid for amounts included in the measurement of operating lease liabilities	$ 3,742	$ 3,537
Lease assets obtained in exchange for new operating lease liabilities	$ 1,580	$ 168
Weighted-average remaining lease term - operating leases	4.4 years	5.2 years
Weighted-average discount rate - operating leases	3.27 %	2.86 %

Future maturities of lease liabilities are as follows:

(In thousands)	May 27, 2023
Remainder of Fiscal 2024	$ 9,477
Fiscal 2025	11,785
Fiscal 2026	9,379
Fiscal 2027	7,960
Fiscal 2028	4,324
Fiscal 2029	1,547
Thereafter	2,226
Total lease payments	46,698
Less: Amounts representing interest	3,355
Present value of lease liabilities	$ 43,343

8. Commitments and Contingent Liabilities

Bond commitments

In the ordinary course of business, predominantly in our Architectural Services and Architectural Framing Systems segments, we are required to provide surety or performance bonds that commit payments to our customers for any non-performance. At May 27, 2023, $1.3 billion of these types of bonds were outstanding, of which $503.4 million is in our backlog. These bonds do not have stated expiration dates. We have never been required to make payments under surety or performance bonds with respect to our existing businesses.

Warranty and project-related contingencies

We reserve estimated exposures on known claims, as well as on a portion of anticipated claims, for product warranty and rework cost, based on historical product liability claims as a ratio of sales. Claim costs are deducted from the accrual when paid. Factors that could have an impact on these accruals in any given period include the following: changes in manufacturing quality, changes in product mix and any significant changes in sales volume.

(In thousands)	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022
Balance at beginning of period	$ 17,893	$ 13,923
Additional accruals	4,353	4,069
Claims paid	(2,148)	(2,525)
Balance at end of period	$ 20,098	$ 15,467

Additionally, we are subject to project management and installation-related contingencies as a result of our fixed-price material supply and installation service contracts, primarily in our Architectural Services segment and certain of our Architectural Framing Systems businesses. We manage the risk of these exposures through contract negotiations, proactive project management and insurance coverages.

Letters of credit

At May 27, 2023, we had $12.3 million of ongoing letters of credit, all of which have been issued under our committed revolving credit facility, as discussed in Note 6. We also have a $3.4 million letter of credit which has been issued outside our committed revolving credit facility, with no impact on our borrowing capacity and debt covenants.

Purchase obligations

Purchase obligations for raw material commitments and capital expenditures totaled $31.6 million as of May 27, 2023.

New Markets Tax Credit (NMTC) transactions

We have three outstanding NMTC arrangements which help to support operational expansion. Proceeds received from investors on these transactions are included within other current and other non-current liabilities in our consolidated balance sheets. The NMTC arrangements are subject to 100 percent tax credit recapture for a period of seven years from the date of each respective transaction. Upon the termination of each arrangement, these proceeds will be recognized in earnings in exchange for the transfer of tax credits. The direct and incremental costs incurred in structuring these arrangements have been deferred and are included in other current and other non-current assets in our consolidated balance sheets. These costs will be recognized in conjunction with the recognition of the related proceeds on each arrangement. During the construction phase or for working capital purposes for each project, we are required to hold cash dedicated to fund each project which is classified as restricted cash in our consolidated balance sheets. Variable-interest entities, which have been included within our consolidated financial statements, have been created as a result of the structure of these transactions, as investors in the programs do not have a material interest in their underlying economics.

During the first quarter of fiscal 2023, one NMTC transaction was terminated, and a new NMTC transaction was established as a replacement. As a result of these transactions, $19.5 million in previous proceeds received were repaid and $19.5 million was contributed back to the Company as part of the newly established NMTC transaction. This NMTC transaction will be held for the remainder of the original seven-year term.

The table below provides a summary of our outstanding NMTC transactions (in millions):

Inception date	Termination date	Deferred Benefit	Deferred costs	Net benefit
June 2016	June 2023	$ 6.0	$ 1.2	$ 4.8
September 2018	September 2025	3.2	1.0	2.2
May 2022[1]	August 2025	6.1	1.6	4.5
Total		$ 15.3	$ 3.8	$ 11.5

(1) Continuation of the August 2018 NMTC financing transaction

Litigation

The Company is a party to various legal proceedings incidental to its normal operating activities. In particular, like others in the construction supply and services industry, the Company is routinely involved in various disputes and claims arising out of construction projects, sometimes involving significant monetary damages or product replacement. We have in the past and are currently subject to product liability and warranty claims, including certain legal claims related to a commercial sealant product formerly incorporated into our products. In December 2022, the claimant in an arbitration of one such claim was awarded $20 million. The Company has appealed the award and believes, after taking into account all currently available information, including the advice of counsel and the likelihood of available insurance coverage, that this award will not have a material adverse effect on the Company's business, financial condition, results of operations or cash flows. The Company is also subject to litigation arising out of areas such as employment practices, workers compensation and general liability matters. Although it is very difficult to accurately predict the outcome of any such proceedings, facts currently available indicate that no matters will result in losses that would have a material adverse effect on the results of operations, cash flows or financial condition of the Company.

9. Share-Based Compensation

As part of our compensation structure, we grant stock-based compensation awards to certain employees and non-employee directors during the fiscal year. These awards may be in the form of incentive stock options (to employees only), nonstatutory options, or nonvested share awards and units, all of which are granted at a price or with an exercise price equal to the fair market value of the Company’s stock at the date of award. Refer to our Form 10-K for further information on our share-based compensation plans.

The table below sets forth the number of stock-based compensation awards granted during the three-months ended May 27, 2023, along with the weighted average grant date fair value:

Awards	Number of Awards	Weighted Average Exercise Price
Restricted stock awards and restricted stock units[1]	159,286	$ 42.77
Performance share units ("PSUs")[2]	47,402	$ 43.59

[1] Represent service condition awards which generally vest over a two- or three-year period.
[2] Represent performance condition awards with the grant equal to the target number of performance shares based on the share price at grant date. These grants allow for the right to receive a variable number of shares, between 0% and 200% of target, dependent on achieving a defined performance goal of return on invested capital and being employed at the end of the performance period.

Total share-based compensation expense included in the results of operations was $2.2 million for the three-month period ended May 27, 2023, and $1.6 million for the three-month period ended May 28, 2022.

At May 27, 2023, there was $10.3 million of total unrecognized compensation cost related to nonvested share and nonvested share unit awards, which is expected to be recognized over a weighted average period of approximately 20 months. The total fair value of shares vested during the three months ended May 27, 2023 was $5.5 million.

As of May 27, 2023, we had remaining stock options outstanding and expense to vest of 158,000, with a weighted average exercise price of $23.04 and an aggregate intrinsic value of $2.0 million.

10. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. state and local jurisdictions, Canada, Brazil and other international jurisdictions. The Company is no longer subject to U.S. federal tax examinations for years prior to fiscal 2020, or state and local income tax examinations for years prior to fiscal 2015. The Company is not currently under U.S. federal examination for years subsequent to fiscal year 2019, and there is very limited audit activity of the Company’s income tax returns in U.S. state jurisdictions or international jurisdictions.

The total liability for unrecognized tax benefits was $5.2 million at May 27, 2023, compared to $5.3 million at February 25, 2023. Penalties and interest related to unrecognized tax benefits are recorded in income tax expense.

11. Earnings per Share

The following table presents a reconciliation of the share amounts used in the computation of basic and diluted earnings per share:

	Three Months Ended	
(In thousands)	May 27, 2023	May 28, 2022
Basic earnings per share – weighted average common shares outstanding	21,883	22,399
Weighted average effect of nonvested share grants and assumed exercise of stock options	503	252
Diluted earnings per share – weighted average common shares and potential common shares outstanding	22,386	22,651
Stock awards excluded from the calculation of earnings per share because the effect was anti-dilutive (award price greater than average market price of the shares)	229	106

12. Business Segment Data

We have four reporting segments:

- The **Architectural Framing Systems** segment designs, engineers, fabricates and finishes aluminum window, curtainwall, storefront and entrance systems for the exterior of buildings.
- The **Architectural Services** segment integrates technical services, project management, and field installation services to design, engineer, fabricate, and install building glass and curtainwall systems.
- The **Architectural Glass** segment coats and fabricates, high-performance glass used in custom window and wall systems on commercial buildings.
- The **Large-Scale Optical (LSO)** segment manufactures high-performance glass and acrylic products for custom framing, museum, and technical glass markets.

(In thousands)	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022
Segment net sales		
Architectural Framing Systems	$ 164,162	$ 163,292
Architectural Glass	97,202	76,265
Architectural Services	89,418	103,388
Large-Scale Optical	22,456	25,162
Intersegment eliminations	(11,525)	(11,472)
Net sales	$ 361,713	$ 356,635
Segment operating income (loss)		
Architectural Framing Systems	$ 19,945	$ 23,665
Architectural Glass	16,521	5,169
Architectural Services	(596)	2,927
Large-Scale Optical	5,525	6,498
Corporate and other	(7,628)	(5,043)
Operating income	$ 33,767	$ 33,216

Due to the varying combinations and integration of individual window, storefront and curtainwall systems, it is impractical to report product revenues generated by class of product, beyond the segment revenues currently reported.

13. Restructuring

During the second quarter of fiscal 2022, we announced plans to realign and simplify our business structure. The execution of these plans was completed during the first quarter of fiscal 2023, with the sale of the remaining manufacturing assets at our Architectural Glass location, in Dallas, Texas, for $4.1 million. The remaining assets had a carrying value of $3.4 million, and we recognized a gain on the sale of approximately $0.6 million, net of associated transaction costs, which is included as a reduction of cost of sales within our consolidated statements of operations for the prior-year period.

The following table summarizes our restructuring related accrual balances included within accrued payroll and related costs and other current liabilities in the consolidated balance sheets. All balances have been paid as of the end of the first quarter of fiscal 2024.

(In thousands)	Architectural Framing	Architectural Glass	Corporate & Other	Total
Balance at February 26, 2022	$ 440	$ 737	$ 228	$ 1,405
Payments	(124)	(378)	(68)	(570)
Other adjustments	(14)	(17)	—	(31)
Balance at May 28, 2022	302	342	160	804
Balance at February 25, 2023	$ 62	$ 23	$ —	$ 85
Payments	(62)	(23)	—	(85)
Balance at May 27, 2023	$ —	$ —	$ —	$ —

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking statements

This Quarterly Report on Form 10-Q, including the section, Management’s Discussion and Analysis of Financial Condition and Results of Operations, contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect our current views with respect to future events and financial performance. The words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “forecast,” “project,” “should,” "will," "continue" and similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All forecasts and projections in this document are “forward-looking statements,” and are based on management’s current expectations or beliefs. From time to time, we may also provide oral and written forward-looking statements in other materials we release to the public, such as press releases, presentations to securities analysts or investors, or other communications by the Company. Any or all of our forward-looking statements in this report and in any public statements we make could be materially different from actual results.

Accordingly, we wish to caution investors that any forward-looking statements made by or on behalf of the Company are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. Information about factors that could materially affect our results can be found in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended February 25, 2023 and in subsequent filings with the U.S. Securities and Exchange Commission, including this Quarterly Report on Form 10-Q.

We also wish to caution investors that other factors might in the future prove to be important in affecting the Company’s results of operations. New factors emerge from time to time; it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

We are a leader in the design and development of value-added glass and metal products and services. Our four reporting segments are: Architectural Framing Systems, Architectural Glass, Architectural Services and Large-Scale Optical (LSO).

In fiscal 2022, we conducted a strategic review of our business and the markets we serve in order to establish a new enterprise strategy with three key elements, as discussed below:

1. **Become the economic leader in our target markets.** We will achieve this by developing a deep understanding of our target markets and aligning our businesses with clear go-to-market strategies to drive value for our customers through differentiated product and service offerings. We will also build a relentless focus on operational execution, driving productivity improvements, and maintaining a competitive cost structure, so that we may bring more value to our customers and improve our own profitability.
2. **Actively manage our portfolio to drive higher margins and returns.** We intend to shift our business mix toward higher operating margin offerings and improve our return on invested capital performance. We will accomplish this by allocating resources to grow our top performing businesses, actively addressing underperforming businesses, and investing to add new differentiated product and service offerings to accelerate our growth.
3. **Strengthen our core capabilities.** We are shifting from our historical, decentralized operating model, to one with center-led functional expertise that enables us to leverage the scale of the enterprise to better support the needs of the business. We are establishing a Company-wide operating system with common tools and processes that are based on the foundation of Lean and Continuous Improvement, which we are calling "Apogee Management System or AMS". This will be supported by a robust talent management program and a commitment to strong governance to ensure compliance and drive sustainable performance.

We have made significant progress toward these financial targets through the execution of our strategy. We advanced our AMS initiatives, which have resulted in meaningful productivity improvements, particularly in Architectural Glass. We increased our focus on differentiated products and services, and effectively managed pricing to share in the value we delivered for our customers. We have focused on sustainable cost improvements and improvements to quality, service and delivery, while shifting mix toward more differentiated offerings. We integrated the Sotawall business into the Architectural Services segment, in order to create a single, unified offering for larger custom curtainwall projects. We advanced several initiatives to strengthen our core capabilities, driving the standardization of key business processes and systems. We also relaunched our talent development and leadership training programs and added key talent across the organization.

The following selected financial data should be read in conjunction with the Company’s Form 10-K for the year ended February 25, 2023 and the consolidated financial statements, including the notes to consolidated financial statements, included therein.

Highlights of First Quarter of Fiscal 2024 Compared to First Quarter of Fiscal 2023

Net sales
Consolidated net sales increased 1.4%, or $5.1 million, for the three-month period ended May 27, 2023, compared to the same period in the prior year, primarily driven by strong growth in the Architectural Glass segment, partially offset by a decline in the Architectural Services segment.

The relationship between various components of operations, as a percentage of net sales, is presented below:

	Three Months Ended	
	May 27, 2023	May 28, 2022
Net sales	100.0 %	100.0 %
Cost of sales	74.3	76.0
Gross profit	25.7	24.0
Selling, general and administrative expenses	16.4	14.7
Operating income	9.3	9.3
Interest expense, net	0.6	0.3
Other expense, net	0.1	0.4
Earnings before income taxes	8.7	8.6
Income tax expense	2.2	2.2
Net earnings	6.5 %	6.4 %
Effective tax rate	25.0 %	26.0 %

Gross profit
Gross profit as a percent of sales (gross margin) was 25.7% for the three-month period ended May 27, 2023, compared to 24.0% for the three-month period ended May 28, 2022. The improvement was driven primarily by strong performance in the Architectural Glass segment, partially offset primarily by lower margins in the Architectural Services and Architectural Framing segment.

Selling, general and administrative (SG&A) expenses
SG&A expenses as a percent of sales was 16.4% for the three-month period ended May 27, 2023, compared to 14.7% for the prior year three-month period. SG&A increased as a percent of sales compared to the three-month period in the prior year primarily due to an increase in compensation related expenses, higher consulting costs, and higher allowance for credit losses.

Interest expense
Interest expense as a percent of sales was 0.6% for the three-month period ended May 27, 2023, compared to 0.3% for the prior year three-month period, primarily due to an increase in interest rates for the current year period.

Income tax expense
The effective income tax rate in the first quarter of fiscal 2024 was 25.0%, compared to 26.0% in the same period last year, primarily due to an increase to the valuation allowance related to foreign net operating loss carryforwards in the prior year.

Segment Analysis

The following table summarizes net sales, operating income (loss) and operating margin by segment and consolidated total.

(In thousands, except percentages)	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022
Segment net sales		
Architectural Framing Systems	$ 164,162	$ 163,292
Architectural Glass	97,202	76,265
Architectural Services	89,418	103,388
Large-Scale Optical	22,456	25,162
Intersegment eliminations	(11,525)	(11,472)
Net sales	$ 361,713	$ 356,635
Segment operating income (loss)		
Architectural Framing Systems	$ 19,945	$ 23,665
Architectural Glass	16,521	5,169
Architectural Services	(596)	2,927
Large-Scale Optical	5,525	6,498
Corporate and other	(7,628)	(5,043)
Operating income	$ 33,767	$ 33,216
Segment operating margin		
Architectural Framing Systems	12.1 %	14.5 %
Architectural Glass	17.0	6.8
Architectural Services	(0.7)	2.8
Large-Scale Optical	24.6	25.8
Corporate and other	N/M	N/M
Operating income	9.3 %	9.3 %

N/M Indicates calculation not meaningful.

Architectural Framing Systems

(In thousands)	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022	% Change
Net sales	$ 164,162	$ 163,292	0.5 %
Operating income	19,945	23,665	(15.7)%
Operating margin	12.1 %	14.5 %	

Architectural Framing Systems net sales increased $0.9 million, or 0.5%, for the three-month period ended May 27, 2023, compared to the prior year period, driven by improved pricing and mix, which offset lower volume, as the segment continues to increase focus on target markets where it can provide differentiated offerings.

Operating margin decreased 240 basis points for the three-month period of the current year, compared to the same period in the prior year, primarily reflecting favorable timing of inventory flows and aluminum prices in the prior year, which did not repeat in this year's first quarter.

As of May 27, 2023, segment backlog was approximately $221 million, compared to approximately $243 million at the end of the prior quarter, and to approximately $310 million at the end of the first quarter of fiscal 2023. Backlog represents the dollar amount of signed contracts or firm orders, generally as a result of a competitive bidding process, which may be expected to be recognized as revenue in the future. Backlog is not a term defined under U.S. GAAP and is not a measure of contract profitability. We view backlog as one indicator of future revenues, particularly in our longer-lead time businesses. In addition to backlog, we have a substantial amount of projects with short lead times that book-and-bill within the same reporting period and are not included in backlog. We have visibility into future business commitments beyond backlog, as projects awarded, verbal commitments and bidding activities are not included in backlog.

Architectural Glass

(In thousands)	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022	% Change
Net sales	$ 97,202	$ 76,265	27.5 %
Operating income	16,521	5,169	219.6 %
Operating margin	17.0 %	6.8 %	

Net sales increased $20.9 million, or 27.5%, for the three-month period ended May 27, 2023, compared to the same period in the prior year, driven by improved pricing, higher volume, and a more favorable sales mix, reflecting the segment's strategic shift to emphasize premium, high-performance products.

Operating margin increased by 10.2 percentage points primarily driven by improved pricing, favorable mix, and increased volume, partially offset by cost inflation.

Architectural Services

(In thousands)	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022	% Change
Net sales	$ 89,418	$ 103,388	(13.5)%
Operating (loss) income	(596)	2,927	N/M
Operating margin	(0.7)%	2.8 %	

N/M Indicates calculation not meaningful.

Architectural Services net sales decreased $14.0 million, or 13.5% for the three-month period ended May 27, 2023, compared to the same period in the prior year, primarily reflecting lower volume.

In the current quarter, the segment had negative operating margin of 0.7%, compared to operating margin of 2.8% in the same period of the prior year, primarily due to the impact of lower estimated profitability levels on certain projects, the unfavorable leverage impact of lower net sales, and severance costs related to a facility closure.

As of May 27, 2023, segment backlog was approximately $709 million, compared to approximately $727 million at the end of the prior quarter, and to approximately $681 million at the end of the first quarter of fiscal 2023. Backlog, a non-GAAP financial measure, and the implications thereof, are described within the Architectural Framing Systems discussion above.

Large-Scale Optical (LSO)

(In thousands)	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022	% Change
Net sales	$ 22,456	$ 25,162	(10.8)%
Operating income	5,525	6,498	(15.0)%
Operating margin	24.6 %	25.8 %	

LSO net sales decreased $2.7 million, or 10.8%, for the three-month period ended May 27, 2023 compared to the same period in the prior year, primarily reflecting lower volume due to timing of customer orders and customer inventory destocking.

Operating margin decreased 120 basis points in the three-month period of the current year, compared to the same period in the prior year, primarily reflecting the unfavorable leverage impact of lower net sales.

Corporate and other
Our corporate and other expenses increased $2.6 million for the three-month period ended May 27, 2023 compared to the same period in the prior year, primarily due to an increase in compensation expense and higher consulting costs.

Liquidity and Capital Resources

Selected cash flow data *(In thousands)*	Three Months Ended May 27, 2023	Three Months Ended May 28, 2022
Operating Activities		
Net cash provided (used) by operating activities	$ 21,287	$ (30,462)
Investing Activities		
Capital expenditures	(7,398)	(5,125)
Proceeds from sales of property, plant and equipment	66	4,087
Net cash used by investing activities	(6,932)	(938)
Financing Activities		
Borrowings on line of credit	105,852	161,000
Payments on line of credit	(105,000)	(62,000)
Repurchase and retirement of common stock	(5,193)	(74,312)
Dividends paid	(5,245)	(4,793)
Net cash (used) provided by financing activities	(11,263)	17,624

We rely on cash provided by operations for the Company’s material cash requirements, including working capital needs, capital expenditures, satisfaction of contractual commitments (including principal and interest payments on our outstanding indebtedness) and shareholder return through dividend payments and share repurchases.

Operating Activities. Net cash provided by operating activities was $21.3 million for the first three months of fiscal 2024, compared to $30.5 million of net cash used by operating activities in the prior year period, primarily reflecting lower working capital requirements for the current year period.

Investing Activities. Net cash used by investing activities was $6.9 million for the first three months of fiscal 2024, driven primarily by capital expenditures of $7.4 million. In the first three months of the prior year, net cash used by investing activities was $0.9 million, primarily driven by capital expenditures of $5.1 million, partially offset by proceeds from sales of property, plant and equipment of $4.1 million. The majority of our capital expenditures in the current year and prior year periods are to support future growth and cost reduction initiatives.

Financing Activities. Net cash used by financing activities was $11.3 million for the first three months of fiscal 2024, compared to net cash provided by financing activities of $17.6 million in the prior year period. The usage in the current year period was primarily driven by share repurchases and dividend payments totaling $10.4 million, while the prior year period included $99.0 million of net debt borrowings, partially offset by $79.1 million of share repurchases and dividend payments.

We paid dividends totaling $5.2 million ($0.24 per share) in the first three months of fiscal 2024, compared to $4.8 million ($0.22 per share) in the comparable prior year period. During the first three months of fiscal 2024, we repurchased 119,916 shares under our authorized share repurchase program, for a total cost of $5.2 million. In the first three months of fiscal 2023, we repurchased 1,571,139 shares under the share repurchase program, for a total cost of $74.3 million. In fiscal 2004, announced on April 10, 2003, the Board of Directors authorized the repurchase of 1,500,000 shares of Company stock. The Board increased the authorization by 750,000 shares, announced on January 24, 2008; by 1,000,000 shares on each of the announcement dates of October 8, 2008, January 13, 2016, January 9, 2018, January 14, 2020, October 7, 2021, and June 22, 2022; and by 2,000,000 shares, on each of the announcement dates of October 3, 2018 and January 14, 2022. The repurchase program does not have an expiration date. Since the inception of the share repurchase program in 2004, we have purchased a total of 11,116,517 shares, at a total cost of $386.8 million. As of May 27, 2023, we had remaining authority to repurchase an additional 1,133,483 shares under this program. We may also elect to repurchase additional shares of common stock under our authorization, subject to limitations contained in our debt agreements and based upon our assessment of a number of factors, including share price, trading volume and general market conditions, working capital requirements, general business conditions, financial conditions, any applicable contractual limitations, and other factors, including alternative investment opportunities. We may finance share repurchases with available cash, additional debt or other sources of financing.

Additional Liquidity Considerations. We periodically evaluate our liquidity requirements, cash needs and availability of debt resources relative to acquisition plans, significant capital plans, and other working capital needs.

As of the end of the first quarter of fiscal 2024, we had a committed revolving credit facility with maximum borrowings of up to $385 million, with a maturity date of August 5, 2027, and two Canadian committed, revolving credit facilities totaling $25 million (USD). At May 27, 2023, we had outstanding borrowings under our committed, revolving credit facility of $155.0 million, and $3.7 million outstanding under the Canadian committed, revolving credit facility. We are required to make periodic interest payments on our outstanding indebtedness, and future interest payments will be determined based on the amount of outstanding borrowings and prevailing interest rates during that time.

Our revolving credit facility contains two maintenance financial covenants that require us to stay below a maximum debt-to-EBITDA ratio of 3.25 and maintain a minimum ratio of EBITDA-to-interest expense of 3.00. In the event we make an acquisition for which the purchase price is greater than $75 million, we can elect to increase the maximum debt-to-EBITDA ratio to 3.75 for a period of four consecutive fiscal quarters, commencing with the fiscal quarter in which a qualifying acquisition occurs. No more than two acquisition "holidays" can occur during the term of the facility, and at least two fiscal quarters must separate qualifying acquisitions. Both ratios are computed quarterly, with EBITDA calculated on a rolling four-quarter basis. At May 27, 2023, we were in compliance with both financial covenants (which are identical in both of our revolving credit facilities).

Borrowings under the credit facility bear floating interest at either the Base Rate or Term SOFR, plus a margin based on the Leverage Ratio (as defined in the Credit Agreement). For Base Rate borrowings the margin ranges from 0.125% to 0.75%. For Term SOFR borrowings the margin ranges from 1.135% to 1.85%.

The facility also contains an "accordion" provision. Under this provision, we can request that the facility be increased by as much $200.0 million. Any Lender may elect or decline to participate in the requested increase at the Lender’s sole discretion.

Additionally, at May 27, 2023, we had a total of $12.3 million of ongoing letters of credit related to industrial revenue bonds, construction contracts and insurance collateral that expire in fiscal years 2024 to 2032 and reduce borrowing capacity under the revolving credit facility. As of May 27, 2023, the amount available for revolving borrowings under the Wells Fargo credit facility was $217.7 million.
We acquire the use of certain assets through operating leases, such as property, manufacturing equipment, vehicles and other equipment. Future payments for such leases, excluding leases with initial terms of one year or less, were $46.7 million at May 27, 2023, with $9.5 million payable during the remainder of fiscal 2024.

As of May 27, 2023, we had $31.6 million of open purchase obligations, of which payments totaling $22.4 million are expected to become due during the remainder of fiscal 2024. These purchase obligations primarily relate to raw material commitments and capital expenditures and are not expected to impact future liquidity, as amounts should be recovered through customer billings.

We expect to make contributions of $0.7 million to our defined-benefit pension plans in fiscal 2024, which will equal or exceed our minimum funding requirements.

As of May 27, 2023, we had reserves of $5.2 million for unrecognized tax benefits. We are unable to reasonably estimate in which future periods the remaining unrecognized tax benefits will ultimately be settled.

We are required, in the ordinary course of business, to provide surety or performance bonds that commit payments to our customers for any non-performance. At May 27, 2023, $1.3 billion of these types of bonds were outstanding, of which $503.4 million is in our backlog. These bonds do not have stated expiration dates. We have never been required to make payments under surety or performance bonds with respect to our existing businesses.

We continue to evaluate acquisition opportunities on a regular basis. We may finance acquisition activity with available cash, the issuance of shares of common stock, additional debt, or other sources of financing, depending upon the size and nature of any such transaction and the status of the capital markets at the time of such acquisition.

Due to our ability to generate strong cash from operations and our borrowing capability under our committed revolving credit facilities, we believe that our sources of liquidity will be adequate to meet our short-term and long-term liquidity and capital expenditure needs. In addition, we believe that we have the ability currently to obtain both short-term and long-term debt to meet our financing needs for the foreseeable future. We also believe that we will be able to operate our business so as to continue to be in compliance with our existing debt covenants over the next fiscal year.

Related Party Transactions
No material changes have occurred in the disclosure with respect to our related party transactions set forth in our Annual Report on Form 10-K for the fiscal year ended February 25, 2023.

Critical Accounting Policies
There have been no material changes to our critical accounting policies from those disclosed in our Annual Report on Form 10-K for the fiscal year ended February 25, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to the Company’s Annual Report on Form 10-K for the fiscal year ended February 25, 2023 for a discussion of the Company’s market risk. There have been no material changes in market risk since February 25, 2023.

Item 4. Controls and Procedures

a) Evaluation of disclosure controls and procedures: As of the end of the period covered by this report (the Evaluation Date), we carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). Based upon that evaluation, the Chief Executive Officer and Interim Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in applicable rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, to allow timely decisions regarding required disclosure.

b) Changes in internal controls: There was no change in the Company’s internal control over financial reporting that occurred during the fiscal quarter ended May 27, 2023, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to various legal proceedings incidental to its normal operating activities. In particular, like others in the construction supply and services industry, the Company is routinely involved in various disputes and claims arising out of construction projects, sometimes involving significant monetary damages or product replacement. We have in the past and are currently subject to product liability and warranty claims, including certain legal claims related to a commercial sealant product formerly incorporated into our products. In December 2022, the claimant in an arbitration of one such claim was awarded $20 million. The Company has appealed the award and believes, after taking into account all currently available information, including the advice of counsel and the likelihood of available insurance coverage, that this award will not have a material adverse effect on the Company's business, financial condition, results of operations or cash flows. The Company is also subject to litigation arising out of areas such as employment practices, workers compensation and general liability matters. Although it is very difficult to accurately predict the outcome of any such proceedings, facts currently available indicate that no matters will result in losses that would have a material adverse effect on the results of operations, cash flows or financial condition of the Company.

Item 1A. Risk Factors

There have been no material changes or additions to our risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended February 25, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information with respect to purchases made by the Company of its own stock during the first quarter of fiscal 2024:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (b)
February 26, 2023 to March 25, 2023	1,432	$ 45.73	—	1,253,399
March 26, 2023 to April 22, 2023	45,000	43.65	45,000	1,208,399
April 23, 2023 to May 27, 2023	114,084	42.92	74,916	1,133,483
Total	160,516	$ 43.37	119,916	1,133,483

(a) The shares in this column represent the total number of shares that were repurchased by us pursuant to our publicly announced repurchase program, plus the shares surrendered to us by plan participants to satisfy withholding tax obligations related to share-based compensation.

(b) In fiscal 2004, announced on April 10, 2003, the Board of Directors authorized the repurchase of 1,500,000 shares of Company stock. The Board increased the authorization by 750,000 shares, announced on January 24, 2008; by 1,000,000 shares on each of the announcement dates of October 8, 2008, January 13, 2016, January 9, 2018, January 14, 2020, October 7, 2021, and June 22, 2022; and by 2,000,000 shares, on each of the announcement dates of October 3, 2018 and January 14, 2022. The repurchase program does not have an expiration date.

Item 6. Exhibits

3.1	Restated Articles of Incorporation. (Incorporated by reference to Exhibit 3.1 to Registrant's Annual Report on Form 10-K for the year-ended February 28, 2004.)
3.2	Articles of Amendment to Restated Articles of Incorporation. (Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on January 16, 2020.)
3.3	Amended and Restated Bylaws of Apogee Enterprises, Inc. (Incorporated by reference to Exhibit 3.3 to the Registrant’s Quarterly Report on Form 10-Q for the quarter-ended May 29, 2021).
10.1	Offer Letter dated March 2, 2023 between Apogee Enterprises, Inc. and Matthew J. Osberg. Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on March 2, 2023.
31.1#	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2#	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1#	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2#	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101#	The following materials from Apogee Enterprises, Inc.’s Quarterly Report on Form 10-Q for the quarter ended May 27, 2023, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Balance Sheets as of May 27, 2023 and February 25, 2023, (ii) the Consolidated Results of Operations for the three-months ended May 27, 2023 and May 28, 2022, (iii) the Consolidated Statements of Comprehensive Earnings for the three-months ended May 27, 2023 and May 28, 2022, (iv) the Consolidated Statements of Cash Flows for the three-months ended May 27, 2023 and May 28, 2022, (v) the Consolidated Statements of Shareholders' Equity for the three-months ended May 27, 2023 and May 28, 2022, and (vi) Notes to Consolidated Financial Statements.
104#	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101)
	Exhibits marked with a (#) sign are filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APOGEE ENTERPRISES, INC.

Date: June 28, 2023	By: /s/ Ty R. Silberhorn
	Ty R. Silberhorn President and Chief Executive Officer (Principal Executive Officer)
Date: June 28, 2023	By: /s/ Matthew J. Osberg
	Matthew J. Osberg Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Ty R. Silberhorn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apogee Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 28, 2023

/s/ Ty R. Silberhorn

Ty R. Silberhorn
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Matthew J. Osberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apogee Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 28, 2023

/s/ Matthew J. Osberg

Matthew J. Osberg
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Apogee Enterprises, Inc. (the “Company”) on Form 10-Q for the period ended May 27, 2023 as filed with the Securities and Exchange Commission (the “Report”), I, Ty R. Silberhorn, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ty R. Silberhorn

Ty R. Silberhorn
President and Chief Executive Officer
June 28, 2023

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Apogee Enterprises, Inc. (the “Company”) on Form 10-Q for the period ended May 27, 2023 as filed with the Securities and Exchange Commission (the “Report”), I, Matthew J. Osberg, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew J. Osberg
Matthew J. Osberg
Executive Vice President and Chief Financial Officer
June 28, 2023