



# Apogee Enterprises, Inc.

Fiscal 2019 Second Quarter Earnings Call

September 18, 2018

# Non-GAAP measures & forward-looking statements

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

This presentation also contains forward-looking statements reflecting management's expectations based on currently available information. Actual results may differ materially. More information about factors that could affect Apogee's business and financial results can be found in the company's SEC filings.

Chief Executive Officer

**JOE PUISHYS**

Apogee Enterprises, Inc.



# FY2019 Second Quarter Highlights

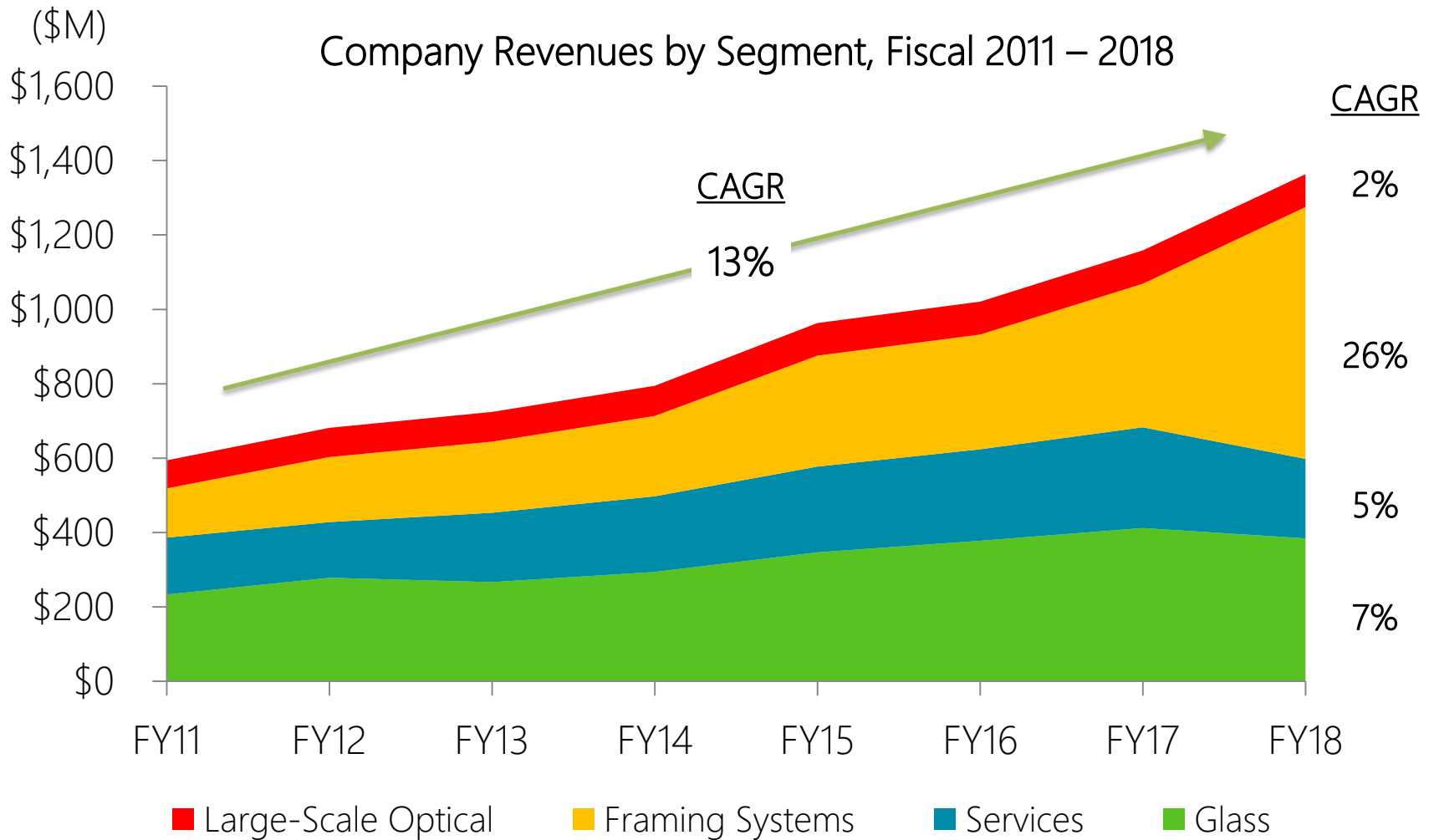
- Strong market conditions drove continued organic growth, adjusted EPS in-line with the prior year, and increased cash flow
- Challenges ramping-up production to meet strong order growth in Architectural Glass impacted overall results
  - Difficulty hiring and training new staff in a tight labor market impacted costs and productivity
  - Plan in place to address these issues and return performance to higher levels
- Solid performance across Apogee's other three segments
  - Led by Architectural Services, with 63% revenue growth and significant margin expansion
  - Architectural Framing and LSO results in-line with expectations
- Updating guidance to reflect lower than expected second quarter results and revised second half outlook for Architectural Glass

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

# Long-Term Outlook Remains Positive

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

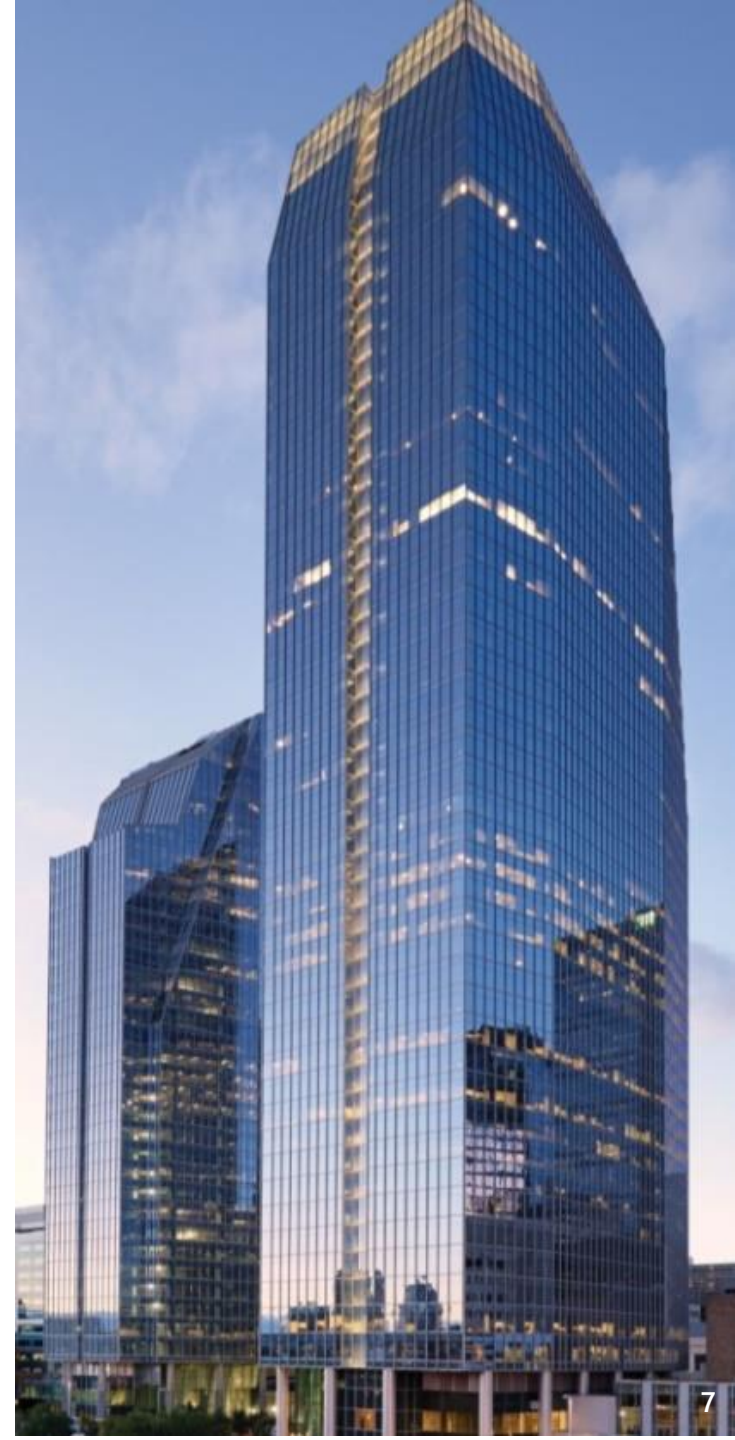
# Building a Stronger, More Diversified Apogee



Chief Financial Officer

**JIM PORTER**

Apogee Enterprises, Inc.



# FY2019 Second Quarter Consolidated Results

All numbers in \$M, except per share and where noted	FY19 Q2	FY18 Q2	CHANGE
Revenues	\$362.1	\$343.9	5%
Gross Profit	84.5	86.0	(2)%
SG&A	55.8	58.2	(4)%
Operating Income	28.7	27.8	3%
Adjusted Operating Income*	29.7	34.1	(13)%
Operating Margin	7.9%	8.1%	(20) bps
Adjusted Operating Margin*	8.2%	9.9%	(170) bps
Adjusted EBITDA*	\$42.1	\$47.8	(12)%
Net Interest Expense	1.9	1.5	27%
Tax rate	23.8%	33.9%	(1010) bps
Earnings per Diluted Share	\$0.72	\$0.60	20%
Adjusted EPS*	\$0.75	\$0.75	0%

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



# FY2019 Second Quarter Segment Results

All numbers in \$M, except where noted	FY19 Q2	FY18 Q2	CHANGE
Revenues			
Architectural Framing Systems	\$189.9	\$189.0	0%
Architectural Glass	88.1	97.4	(10)%
Architectural Services	76.5	46.8	63%
Large-Scale Optical	20.4	20.3	0%
Operating Income			
Arch. Framing Systems	\$18.3	\$16.5	11%
Arch. Framing Systems (adjusted)*	19.4	19.2	1%
Architectural Glass	1.7	10.3	(83)%
Architectural Services	7.6	0.8	885%
Large-Scale Optical	4.2	4.2	0%

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

# Cash Flow and Balance Sheet

All numbers in \$M	FY19 Q2 YTD	FY18 Q2 YTD
Cash Flow from Operations	\$47.9	\$40.8
Capital Expenditures	\$24.2	\$26.8
Free Cash Flow	\$23.7	\$14.0
Dividends Paid	\$8.8	\$8.0
Long-term Debt	\$224.9	\$257.8

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

# Outlook

## Updated FY19 Guidance

- Revenue growth of 8% to 10%, compared to approximately 10% previously
- Operating margin of 8.3% to 8.8%, compared to 8.9% to 9.4% previously
- Adjusted operating margin of 8.6% to 9.1%, from 9.2% to 9.7%
- Earnings of \$3.00 - \$3.20 per diluted share, from \$3.35 – \$3.55 previously
- Adjusted EPS\* of \$3.13 - \$3.33, compared to \$3.48 – \$3.68 previously
- Capital expenditures of \$60 – \$65 million
- Tax rate of approximately 24%

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



# Reconciliation of Q2 FY19 Non-GAAP Financial Measures

## Adjusted Net Earnings and Adjusted Earnings per Diluted Common Share

(Unaudited)

	Thirteen Weeks Ended	Thirteen Weeks Ended	
<i>In thousands</i>	September 1, 2018	September 2, 2017	% Change
Net earnings	\$ 20,513	\$ 17,409	18%
Amortization of short-lived acquired intangibles	1,068	2,630	(59)%
Acquisition-related costs	-	3,737	(100)%
Income tax impact on above adjustments <sup>(1)</sup>	(254)	(2,158)	(88)%
Adjusted net earnings	\$ 21,327	\$ 21,618	(1)%

	Thirteen Weeks Ended	Thirteen Weeks Ended	
	September 1, 2018	September 2, 2017	% Change
Earnings per diluted common share	\$ 0.72	\$ 0.60	20%
Amortization of short-lived acquired intangibles	0.04	0.09	(58)%
Acquisition-related costs	-	0.13	(100)%
Income tax impact on above adjustments <sup>(1)</sup>	(0.01)	(0.07)	(87)%
Adjusted earnings per diluted common share	\$ 0.75	\$ 0.75	0%

<sup>(1)</sup> Income tax impact on adjustments was calculated using the estimated quarterly effective income tax rate of 23.8% in the current year and 33.9% in the prior year.

# Reconciliation of Q2 FY19 Non-GAAP Financial Measures

## Adjusted Operating Income and Adjusted Operating Margin (Unaudited)

	Thirteen Weeks Ended September 1, 2018				
	Framing Systems Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating income (loss)	Operating income	Operating margin
Operating income (loss)	\$ 18,312	9.6%	\$ (3,248)	\$ 28,660	7.9%
Amortization of short-lived acquired intangibles	1,068	0.6%	—	1,068	0.3%
Adjusted operating income (loss)	\$ 19,380	10.2%	\$ (3,248)	\$ 29,728	8.2%

	Thirteen Weeks Ended September 2, 2017				
	Framing Systems Segment		Corporate	Consolidated	
<i>In thousands</i>	Operating income	Operating margin	Operating income (loss)	Operating income	Operating margin
Operating income (loss)	\$ 16,542	8.8%	\$ (4,048)	\$ 27,774	8.1%
Amortization of short-lived acquired intangibles	2,630	1.4%	—	2,630	0.8%
Acquisition-related costs	—	—%	3,737	3,737	1.1%
Adjusted operating income (loss)	\$ 19,172	10.1%	\$ (311)	\$ 34,141	9.9%

# Reconciliation of Q2 FY19 Non-GAAP Financial Measures

## EBITDA and Adjusted EBITDA (Unaudited)

	Thirteen	Thirteen	Twenty-Six	Twenty-Six
	Weeks Ended	Weeks Ended	Weeks Ended	Weeks Ended
<i>In thousands</i>	September 1, 2018	September 2, 2017	September 1, 2018	September 2, 2017
Net earnings	\$ 20,513	\$ 17,409	\$ 35,887	\$ 33,512
Income tax expense	6,420	8,909	11,300	16,813
Other income, net	(217)	(77)	(196)	(256)
Interest expense, net	1,944	1,533	3,663	1,811
Depreciation and amortization	12,407	13,639	26,457	25,062
EBITDA	41,067	41,413	77,111	76,942
Amortization of short-lived acquired intangibles	1,068	2,630	3,938	4,684
Acquisition-related costs	—	3,737	—	4,417
Adjusted EBITDA	\$ 42,135	\$ 47,780	\$ 81,049	\$ 86,043