



Apogee Enterprises, Inc.

Fiscal 2020 Third Quarter Earnings Call

December 19, 2019

Non-GAAP measures & forward-looking statements

This presentation contains non-GAAP financial measures which the company uses to evaluate historical and prospective financial performance, measure operational profitability on a consistent basis, and provide enhanced transparency to the investment community. Definitions for these non-GAAP financial measures are included in today's press release and reconciliations to the most directly comparable GAAP measures are included at the end of this presentation.

This presentation also contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect Apogee management's expectations or beliefs as of the date of this release. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. More information about factors that could affect Apogee's business and financial results can be found in the company's filings with the U.S. Securities and Exchange Commission

Agenda

Introductory remarks

Joe Puishys

Chief Executive Officer

Results and outlook

Jim Porter

Executive Vice President and Chief Financial Officer

Q&A

Q3 Highlights

- Q3 results below our expectations, driven by Architectural Framing Systems, leading to reduced full-year outlook
- Taking action to address near-term performance issues
 - Leadership changes
 - Accelerating integration & cost reduction initiatives
 - Procurement savings program
- Several positives in the quarter
 - Strong execution & backlog growth in Arch. Services
 - Growth and strong profitability in LSO
 - Launch of small-project Arch. Glass growth initiative
 - Strong cash flow
- Confident in the potential for significantly improved performance in FY21 and beyond

Framing Systems Integration Opportunities

Architectural Framing Systems has initiated a plan focused on several operational and commercial improvements, including cost savings, integrated product management and pricing strategies, and supply chain and operational efficiencies

Reduced Cost Structure

- Procurement cost savings: Framing Systems has the most opportunity from company-wide initiative
- Overhead cost reductions
- Minimize other controllable costs

Commercial Excellence

- Aligned, integrated approach to product management, sales, and marketing
- Market focused pricing strategies
- Disciplined project selection and execution

Operational & supply chain integration

- Optimize our manufacturing capacity and footprint
- Productivity enabled by functional excellence
- Build on our Lean Enterprise initiative to drive productivity in key value streams

Accelerating our efforts to drive integration, synergies, and improved financial performance

Cost Reduction Actions

Procurement Savings Program

- Program to realize purchasing synergies and savings across all of Apogee
- Partnered with leading advisory firm to accelerate our efforts
- Targeting savings in all categories of spend
- Moving to more centralized procurement model to leverage scale and drive synergies
- Adding new Chief Procurement Officer position to lead on-going efforts

Framing Systems Cost Reduction and Synergy Actions

- Reduce overhead and other controllable costs
- Aligned, integrated product management and pricing strategies
- Optimize manufacturing capacity and footprint
- Build on our Lean Enterprise initiative to drive productivity in key value streams

Expect annual savings of \$30 to \$40 million when fully implemented

FY2020 Q3 Consolidated Results

All numbers in \$M, except per share and where noted	3 rd Quarter FY20	3 rd Quarter FY19	Year-to-date FY20	Year-to-date FY19
Revenues	\$337.9	\$357.7	\$1,050.3	\$1,056.4
Operating income (loss)	21.6	31.4	72.2	82.1
Adjusted operating income*	21.7	31.5	72.4	85.1
Operating margin	6.4%	8.8%	6.9%	7.8%
Adjusted operating margin*	6.4%	8.8%	6.9%	8.0%
Adjusted EBITDA*	\$33.7	\$42.7	\$107.0	\$118.8
Interest and other expense, net	1.8	2.8	6.6	6.3
Tax rate	23.2%	23.5%	23.9%	23.8%
Earnings (loss) per diluted share	\$0.57	\$0.78	\$1.87	\$2.04
Adjusted EPS*	\$0.57	\$0.78	\$1.87	\$2.12

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

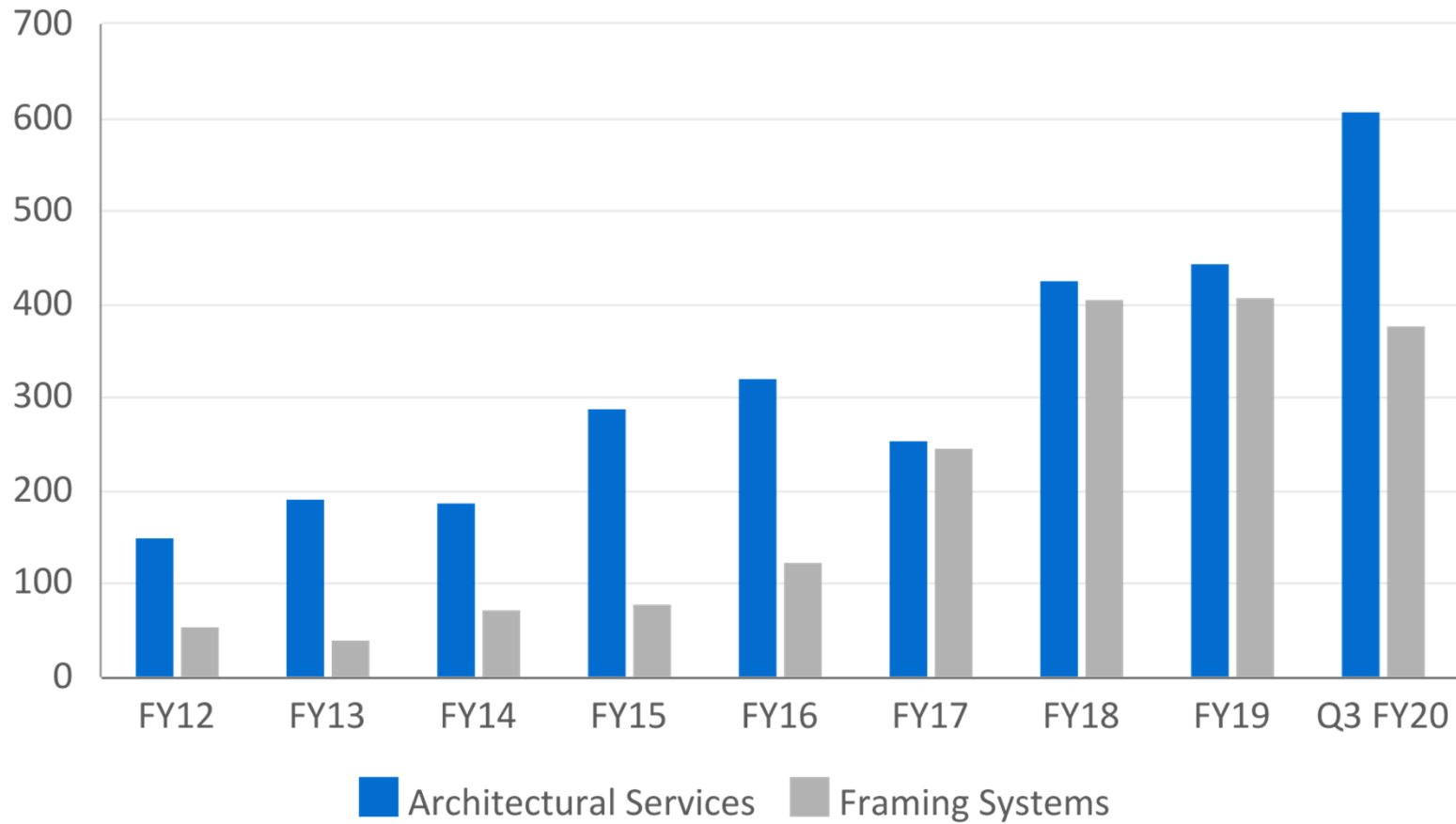
FY2020 Q3 Segment Results

All numbers in \$M, except where noted	3 rd Quarter FY20	3 rd Quarter FY19	Year-to-date FY20	Year-to-date FY19
Revenues				
Architectural Framing Systems	\$165.5	\$181.3	\$533.4	\$550.2
Architectural Glass	89.4	98.5	288.9	263.5
Architectural Services	69.0	72.8	195.8	220.1
Large-Scale Optical	24.4	23.4	66.4	64.5
Operating Margin				
Arch. Framing Systems	3.8%	7.1%	6.4%	7.9%
Arch. Framing Systems (adjusted)*	3.8%	7.5%	6.4%	8.8%
Architectural Glass	4.6%	5.9%	5.9%	3.5%
Architectural Services	9.5%	11.9%	7.7%	9.7%
Large-Scale Optical	27.7%	28.4%	23.4%	24.6%

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

Backlog Trend

Segment Backlog at Period End
(\$ in millions)



Cash Flow and Balance Sheet

All numbers in \$M	Q3 FY20 YTD	Q3 FY19 YTD
Cash flow from operations	\$53.6	\$70.6
Capital expenditures	41.2	33.9
Free cash flow*	12.4	36.7
Share repurchases	20.0	23.3
Dividends paid	13.8	13.2
Total debt	251.3	232.7

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

Outlook

FY2020 Guidance

	Current	Prior*
Revenue	Flat to down 1%	1% - 3% growth
EPS	\$2.15 - \$2.30	\$3.00 - \$3.20
Tax rate	~ 24.5%	~ 24.5%
CapEx	~ \$55 million	\$60 to \$65 million

* As of September 17, 2019

FY2020 Segment Guidance

Segment	Revenue Growth	Operating Margin
Architectural Framing Systems	Down mid-single digit	5.0% to 5.5%
Architectural Glass	Mid to upper-single digit growth	~6%
Architectural Services	Down ~10%	7% to 8%
Large-Scale Optical	Low to mid-single digit growth	~25%



enterprises, inc.

Reconciliation of Non-GAAP Financial Measures

Adjusted Net Earnings and Adjusted Earnings per Diluted Common Share

(Unaudited)

<i>In thousands</i>	Thirteen	Thirteen	Thirty-Nine	Thirty-Nine
	Weeks Ended	Weeks Ended	Weeks Ended	Weeks Ended
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Net earnings	\$ 15,234	\$ 21,891	\$ 49,956	\$ 57,778
Cooperation agreement advisory costs	2,776	—	2,776	—
Acquired project matters	(2,635)	—	(2,635)	—
Amortization of short-lived acquired intangibles	—	717	—	4,655
Acquired project profits (1)	—	(637)	—	(1,651)
Income tax impact on above adjustments	(33)	(19)	(34)	(715)
Adjusted net earnings	\$ 15,342	\$ 21,952	\$ 50,063	\$ 60,067
	Thirteen	Thirteen	Thirty-Nine	Thirty-Nine
	Weeks Ended	Weeks Ended	Weeks Ended	Weeks Ended
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Earnings per diluted common share	\$ 0.57	\$ 0.78	\$ 1.87	\$ 2.04
Cooperation agreement advisory costs	0.10	—	0.10	—
Acquired project matters	(0.10)	—	(0.10)	—
Amortization of short-lived acquired intangibles	—	0.03	—	0.16
Acquired project profits (1)	—	(0.02)	—	(0.06)
Income tax impact on above adjustments	—	—	—	(0.03)
Adjusted earnings per diluted common share	\$ 0.57	\$ 0.78	\$ 1.87	\$ 2.12

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

Reconciliation of Non-GAAP Financial Measures

Adjusted Operating Income and Adjusted Operating Margin

(Unaudited)

Thirteen Weeks Ended November 30, 2019

<i>In thousands</i>	Framing Systems Segment		Corporate	Consolidated	
	Operating income	Operating margin	Operating loss	Operating income	Operating margin
Operating income (loss)	\$ 6,345	3.8 %	\$ (2,130)	\$ 21,594	6.4 %
Cooperation agreement advisory costs	—	— %	2,776	2,776	0.8 %
Acquired project matters	—	— %	(2,635)	(2,635)	(0.8)%
Adjusted operating income (loss)	\$ 6,345	3.8 %	\$ (1,989)	\$ 21,735	6.4 %

Thirteen Weeks Ended December 1, 2018

<i>In thousands</i>	Framing Systems Segment		Corporate	Consolidated	
	Operating income	Operating margin	Operating loss	Operating income	Operating margin
Operating income (loss)	\$ 12,903	7.1 %	\$ (2,633)	\$ 31,408	8.8 %
Amortization of short-lived acquired intangibles	717	0.4 %	—	717	0.2 %
Acquired project profits (1)	—	— %	(637)	(637)	(0.2)%
Adjusted operating income (loss)	\$ 13,620	7.5 %	\$ (3,270)	\$ 31,488	8.8 %

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

Reconciliation of Non-GAAP Financial Measures

Adjusted Operating Income and Adjusted Operating Margin

(Unaudited)

Thirty-Nine Weeks Ended November 30, 2019					
<i>In thousands</i>	Framing Systems Segment		Corporate	Consolidated	
	Operating income	Operating margin	Operating loss	Operating income	Operating margin
Operating income (loss)	\$ 34,141	6.4 %	\$ (9,525)	\$ 72,210	6.9 %
Cooperation agreement advisory costs	—	— %	2,776	2,776	0.3 %
Acquired project matters	—	— %	(2,635)	(2,635)	(0.3)%
Adjusted operating income (loss)	\$ 34,141	6.4 %	\$ (9,384)	\$ 72,351	6.9 %

Thirty-Nine Weeks Ended December 1, 2018					
<i>In thousands</i>	Framing Systems Segment		Corporate	Consolidated	
	Operating income	Operating margin	Operating loss	Operating income	Operating margin
Operating income (loss)	\$ 43,554	7.9 %	\$ (7,940)	\$ 82,062	7.8 %
Amortization of short-lived acquired intangibles	4,655	0.8 %	—	4,655	0.4 %
Acquired project profits (1)	—	— %	(1,651)	(1,651)	(0.2)%
Adjusted operating income (loss)	\$ 48,209	8.8 %	\$ (9,591)	\$ 85,066	8.0 %

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

Reconciliation of Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA

(Unaudited)

	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirty-Nine Weeks Ended
<i>In thousands</i>	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Net earnings	\$ 15,234	\$ 21,891	\$ 49,956	\$ 57,778
Income tax expense	4,596	6,730	15,677	18,030
Interest and other expense, net	1,764	2,787	6,577	6,254
Depreciation and amortization	11,922	11,921	34,681	38,378
EBITDA	\$ 33,516	\$ 43,329	\$ 106,891	\$ 120,440
Cooperation agreement advisory costs	2,776	—	2,776	—
Acquired project matters	(2,635)	—	(2,635)	—
Acquired project profits (1)	—	(637)	—	(1,651)
Adjusted EBITDA	\$ 33,657	\$ 42,692	\$ 107,032	\$ 118,789

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