

Apogee Enterprises(Q4 2026)

April 24, 2026

Corporate Speakers:

- Jeremy Steffan; Apogee Enterprises; Vice President, Investor Relations and Communications
- Donald Nolan; Apogee Enterprises; Chief Executive Officer
- Mark Augdahl; Apogee Enterprises; Chief Financial Officer

Participants:

- Julio Romero; Sidoti & Company; Analyst
- Gowshihan Sriharan; Singular Research; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to Apogee Enterprises' Fourth Quarter Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes. I will now turn the conference over to Jeremy Steffen, Vice President, Investor Relations and Communications to begin. Jeremy, please go ahead.

Jeremy Steffan^ Thank you. Good morning. And welcome to Apogee Enterprises' Fiscal 2026 Fourth Quarter Earnings Call. On the call today are Don Nolan, Apogee's Chief Executive Officer; and Mark Augdahl, our Chief Financial Officer. During this call the team will reference certain non-GAAP financial measures.

Definitions of these measures and a reconciliation to the nearest GAAP measures are provided in the earnings release and slide deck which are available in the Investor Relations section of our website.

As a reminder, today's call will contain forward-looking statements. These reflect management's expectations based on currently available information. Actual results may differ materially from those expressed today.

More information about factors that could affect Apogee's business and financial results can be found in our press release and in the company's SEC filings. With that, I'll turn the call over to Don.

Donald Nolan^ Thanks, Jeremy. And good morning, everyone. We're glad you could join us for our fourth quarter earnings call. As I spend more time with the business over the past several months, engaging with our teams, visiting our operations and working closely with our leadership group, I have gained a deeper appreciation for both the strengths of our portfolio and the discipline embedded in how we operate.

While the market environment continues to evolve, we are focused on executing with us within our control, managing through near-term pressures and continuing to build a strong foundation for long-term sustainable performance.

I'm confident in the organization we have in place and the enhanced strategic direction we are taking as we move forward.

With that said, I'm pleased to share that our results for the quarter were ahead of our expectations on both the top and bottom line despite what continues to be a dynamic and challenging environment.

I'd like to thank our team of dedicated and resilient employees for their focus on delivering exceptional products and services to all of our valuable customers. Fiscal 2026 was a year of disciplined execution for Apogee as we navigated a difficult environment while continuing to strengthen our operating foundation.

Our teams delivered meaningful gains in safety, service and productivity and generated solid cash flow. I'd like to emphasize three areas that position us particularly well for the future.

First, Performance Services successfully integrated UW solutions into the segment. They delivered upon the first year financial targets for the acquisition of \$100 million in revenue and adjusted EBITDA margin of at least 20%.

The total segment delivered revenue of almost \$200 million and an accretive margin for the company, and we're excited for the future given the expanded market, greater geographical reach, along with the added substrate capability and coding technology.

Second, the Apogee management system continues to drive meaningful improvements across our manufacturing footprint, utilizing technology with embedded AI. Last fiscal year, our Architectural Metals segment made significant progress improving outcomes for our Tube lay brand, completing a value stream redesign which resulted in improved service levels and lead times.

We also reconfigured our Linetec finishing facility in Wassa, Wisconsin, creating a tighter, more connected footprint that streamlined anodizing, paint and packaging operations.

This drove significant reductions in material movement, ultimately creating a leaner and safer environment. EMS has truly become a cornerstone of Apogee's operating success creating a safer work environment for our teams, delivering better quality, service and reliability for our customers and building a culture of continuous improvement that will drive even stronger outcomes in the years ahead.

And third, we actively managed our cost structure and manufacturing footprint to mitigate portions of direct and indirect tariffs while driving efficiencies across the organization.

These decisions were difficult, and we certainly don't take them lightly, but we are confident that the actions further position Apogee to successfully navigate the market headwinds we see today and expect in the near future. What we delivered in fiscal 2026 reflects more than just execution.

It reflects the strength of a strategy that has guided Apogee through change and positioned us to lead. The strategy we put in place in 2021 continues to serve us well with a clear focus on becoming the economic leader in our target markets, actively managing our portfolio, and strengthening our core capabilities and platforms.

That focus has driven meaningful improvement across the business including a more competitive cost structure through facility consolidation and organizational alignment, tighter supply chain integration and greater leverage of enterprise back-office functions.

At the same time the Apogee management system delivered substantial gains in productivity and safety. We elevated pricing discipline and sharpened our portfolio, resulting in higher margins and increased profit [dollars] over the past five years.

Moving forward, we are enhancing these strategic pillars to position Apogee as a more growth-oriented customer-obsessed organization. Pillar number one is focused on accelerating leadership in target markets by differentiating through deep customer focus and insight, shaping what we offer and how we deliver it to be the economic leader in the markets we serve.

The second pillar involves growing and strengthening the portfolio through organic and inorganic advancements and differentiated solutions that address evolving customer challenges and deliver lasting value.

And the third pillar is all about advancing core capabilities by driving a culture of continuous improvement through operational excellence, talent development and technology that truly elevates the customer experience. Building on the progress we've made, we continue to identify areas for growth in nonresidential construction markets.

We see opportunities to further leverage our deep knowledge of this industry by offering differentiated products, project expertise and strong customer relationships across architectural building products and services.

At the same time we are evaluating adjacent opportunities and growth avenues that build on our core capabilities and performance services including the selective expansion of substrate capabilities and advanced coating technologies. These opportunities have the potential to extend our reach into new markets and geographies, broaden our end market exposure and provide platform-style growth options for the future.

Our focus remains to be disciplined on execution and thoughtful with our capital allocation as we evaluate opportunities intended to support durable returns, long-term earnings and cash flow generation across the portfolio.

By cultivating a broad growth mindset, deepening our commercial and customer insight capabilities and intentionally expanding into new and adjacent markets, we are positioning Apogee not only to respond to evolving customer needs, but to anticipate them, shaping demand, redefining our competitive space and creating enduring value over time.

As we look ahead, we're reminded that our industry will always move through cycles, but Apogee's future is not defined by those cycles. It's defined by the choices we're making today.

By investing in the strategic growth areas where demand is strongest and by elevating our focus on delivering exceptional value to our customers, we're building the company positioned not only to navigate the near-term environment, but to achieve long-term sustainable success.

I'm deeply proud of what our teams have accomplished, and I'm even more confident in where we're headed. Together, we are creating an Apogee that is stronger, more resilient and capable of delivering exceptional value for all stakeholders. With that, I'll turn it over to Mark to cover the financials and our fiscal 2027 outlook.

Mark Augdahl^ Thanks, Don. And good morning, everyone. First, I'll begin with a review of the results of the fourth quarter, followed by a full year commentary and then discuss our outlook and assumptions for fiscal '27.

Starting with our consolidated results. Net sales increased 1.6% to \$351.4 million, primarily reflecting favorable pricing in the Metals segment that helped offset a portion of higher aluminum costs. Favorable mix also contributed, partially offset by lower overall volume.

Adjusted EBITDA margin increased to 12.1% compared to 11.9% a year ago. The improvement was primarily driven by lower incentive compensation and risk-related insurance expenses, along with productivity improvements.

We also benefited from cost savings associated with Fortify Phase 2 with actions substantially completed during the quarter. The improvements were partially offset by higher aluminum costs, the impact from the reduction in volume, and higher health insurance costs. Adjusted diluted EPS was \$0.92, slightly ahead of our expectations and up year-over-year, primarily driven by lower amortization and interest expense.

Turning to our segment results. Metals net sales declined approximately 2% to \$110 million, reflecting continued challenging market conditions. The decrease was primarily due to lower volume, partially offset by favorable price and product mix.

Despite the revenue decline, adjusted EBITDA margin improved to 6.5% driven by cost savings from Fortify Phase 2 and favorable product mix partially offset by higher aluminum costs that were not fully offset by those pricing actions and the impact of lower volume.

The Services segment delivered its eighth consecutive quarter of year-over-year net sales growth primarily due to increased volume from project timing, partially offset by price. Adjusted EBITDA margin decreased to 7.5%, mostly driven by lower price, partially offset by the impact from higher volume and improved productivity. Backlog for services ended the quarter at \$694 million, down approximately 4% compared to the prior year, but we are well positioned entering the upcoming fiscal year.

Glass net sales declined to approximately \$67 million, primarily driven by lower volume and price due to continued end market demand softness. Adjusted EBITDA margin also declined to 13.5% due to lower volume and price and higher material and freight costs, partially offset by productivity improvements, lower incentive compensation and warranty-related expenses.

Performance Surfaces net sales increased to over 13%, driven by volume growth, supported by share gains in the retail and fine arts market channels. Adjusted EBITDA margin decreased due to higher material and manufacturing costs, partially offset by net sales leveraged from higher volume.

On a full year basis, the company net sales increased 3.2% to \$1.4 billion, driven by \$65.3 million of inorganic contribution from the acquisition of UW Solutions. This growth was partially offset by lower volume, reflecting softer end market demand in metals and glass throughout the fiscal year.

Adjusted EBITDA margin declined to 11.9%, primarily due to higher aluminum costs as well as the impact of lower volume and higher health insurance costs. These headwinds were partially offset by lower incentive compensation and risk-related insurance expenses and savings generated under Fortify Phase 2.

Turning to cash flow and the balance sheet. Net cash provided by operating activities was \$55.8 million in the quarter compared to \$30 million a year ago. The improvement was driven by higher net income and working capital improvements.

On a full year basis, net cash from operating activities was \$122.5 million and similar on a year-over-year basis. Also during the fiscal year, we used \$27.3 million for CapEx, prioritizing investments that drive operational efficiency and margin improvement.

In the fourth quarter, we repurchased \$15 million of stock. And on a full year basis, returned \$37.2 million to shareholders through dividends and share repurchases. Our balance sheet remains strong with a consolidated leverage ratio of 1.3x, no near-term debt maturities and significant capital available for future deployment.

Looking ahead to fiscal 2027, the market characteristics are expected to remain relatively unchanged, especially in the first half. We anticipate continued competitive pricing and volume pressure in the metals and glass segments, elevated long-term interest rates and a dynamic macroeconomic environment.

External indicators including the Architectural Billings Index and FMI reflect ongoing softness in the operating environment throughout the year. Amid these conditions, we remain focused on executing the enhanced strategy Don referenced earlier which is positioning the business to drive organic and inorganic growth over time.

While we remain confident in the long-term fundamentals of our business, the pace and direction of global economic conditions continue to be in flux and as a result, we've set wider full year sales and EPS ranges to ensure our guidance reflects the realities of today's operating environment.

For fiscal '27, we expect full year net sales between \$1.38 billion and \$1.43 billion and adjusted diluted EPS in the range of \$2.70 to \$3.25. This guidance includes the following headwind assumptions, normalization of corporate incentive compensation expense, elevated aluminum and fuel cost inflation, and persistently rising health insurance expense.

These are partially offset by benefits from the fourth quarter Fortify 2 actions in Metals and Corporate, prior year tariff costs that have since been mitigated and will be tailwinds mostly impacting the first half and pricing actions expected to offset incremental inflationary costs.

And finally, continued emphasis on cost controls across the organization. We anticipate generating slightly more revenue and profit in the second half than the first as macroeconomic factors are expected to improve throughout the upcoming fiscal year.

Additionally, we expect interest expense of approximately \$10 million and adjusted effective tax rate of 26% to 27% and capital expenditures between \$35 million and \$40 million.

Looking ahead to the first quarter, we expect net sales to be slightly lower and adjusted EPS to be lower on a year-over-year basis. We also expect operating cash flow generation to start the year strong, reflecting disciplined execution and working capital management.

As we look ahead, we recognize we are operating amid a challenging macroeconomic environment marked by pricing pressure, elevated interest rates and uneven demand.

Even so, our focus remains firmly on what we can control, operating safely, executing with discipline and managing the business for long-term success. I want to thank our employees for their continued dedication and execution and our customers for their trust and partnership.

Importantly, our strong cash generation and disciplined approach to managing our balance sheet provides the flexibility to reinvest in the business, advance our strategic priorities and return capital thoughtfully.

That financial strength gives us confidence in our ability to navigate near-term headwinds while positioning Apogee for sustainable performance and driving long-term value for all stakeholders. With that said, we will now open up the call to questions. Operator, please go ahead.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Julio Romero with Sidoti & Company.

Julio Romero^ Mark, I appreciate you running through some of the headwinds and tailwinds in the guidance in your prepared remarks.

I was hoping you could help us out with putting a finer point on any effect baked in for the year-to-date rise in aluminum prices? And kind of what assumptions are baked in, in terms of price increases to help offset that?

Mark Augdahl^ Sure. So first of all, yes, aluminum has been an interesting thing to be tracking, and we've been doing so diligently.

I think we've seen about 87% increase in aluminum costs over the past year and 25% increases since -- just since January. So yes, very dynamic market as it relates to that. As far as how we're thinking about that, we're certainly baking those increases in.

We, at this point, have no idea what's going to happen to aluminum costs going forward. But we are certainly addressing price or addressing -- offsetting those costs that we've seen by implementing price as appropriate.

We're looking at all levers around that price too, whether it be surcharges or regular price built into our normal pricing processes. So certainly a drag on the year which is reflected in our outlook. But we're doing all that we can to mitigate those impacts.

Julio Romero^ Got it. Very helpful there. And then on tariffs, did I hear you guys correctly that the tariff impact from the prior year is essentially fully mitigated and should be a tailwind in '26? And then secondly, I guess, would both that imply with regards to the recently revised tariff policy, no direct impact and just more of an indirect impact on the rising aluminum side?

Mark Augdahl^ Yes. That's correct, Julio. So first of all, I think we articulated last year that -- or for F '26, we had about a \$9 million impact on tariffs.

It was primarily as it relates to our supply chain as we move product across the border to Canada and back, that was offset with the actions that we put in place with Fortify 2, but it will be a headwind in the first half of the year -- or excuse me, it was a headwind in '26, it will be a tailwind now in '27.

Julio Romero^ Got you. Super helpful there. One more and I'll pass it on. Don, you mentioned in the prepared that the Apogee management system is leveraging embedded AI to drive some manufacturing improvements.

Can you expand on those comments? I think you mentioned some benefit with regards to reconfiguring a finishing facility in Wassa and then another initiative on the metal side. I was hoping you could expand on those comments.

Donald Nolan^ Sure. Look, it's early days for us in AI for sure, but we're already starting to see some impact. We have a few things that we're looking at and using in our manufacturing facilities already. But it's early days more to come.

I think the other thing that you should know is we're rolling out copilot across the company, and we're starting to see some impact as everyone gets a little bit more productive. I think -- but this is a long-term investment.

Operator^ Our next question comes from Gowshi Sri with Singular Research.

Gowshihan Sriharan^ On the metal side, with the aluminum headwind and Fortify that has helped you kind of maintain margins, have you consciously shifted your mix of customers or product types stay away from certain low-margin accounts and should we expect more of that mix tuning as we go through FY '27?

Donald Nolan^ From my perspective, we have not changed our product or customer mix as it relates to anything that's gone on with aluminum cost increases, if that's -- if I'm answering your question correctly there.

Gowshihan Sriharan^ I'm just -- in metals in respect as well have you shifted away from (inaudible)?

Donald Nolan^ No. Aluminum is the base of most of our product in that segment.

Mark Augdahl^ Yes. I mean even at this price, aluminum is the best material for these applications.

Gowshihan Sriharan^ Got you. On the glass side, are you changing any price structure in terms of surcharges or contract duration so that it's not exposed to any rapid swings in input pricing?

Donald Nolan^ The glass market is unique as the float suppliers do provide surcharges to us as they get impacted by various components of their cost. And to the extent that those are passed on to us, we pass them on as well.

Gowshihan Sriharan^ Got you. On the Fortify 1 and 2, as SG&A is down 10%, how much of that SG&A efficiency is truly structural versus temporarily depressed by lower incentive comps? Are there any areas where you actually expect SG&A to step back up in FY '27?

Donald Nolan^ It's a great point. Yes, both incentives as well as Fortify savings impacted the SG&A rate in F '26. We are reinstating our compensation programs are allowing for us STI to come back into play. So it will be a drag on our F '27 results. So therefore I do expect our overall SG&A rate to increase.

Gowshihan Sriharan^ Got you. On the performance in UW platform, you have -- you look like you have a lot of runway, but -- from an operational standpoint, are there any specific capacity bottlenecks or process constraints in that business that you need to address in FY '27 to support the sort of the next leg of growth there?

Mark Augdahl^ No. I mean you hit it right on the head. We're really excited about the growth potential for Performance Services, especially our resin deck mezzanine flooring line.

We continue to expand that business, not just in the United States but into Europe and elsewhere. So we are investing in that plant. And -- but short term, we don't see a problem there.

Operator^ And I'm not showing any further questions at this time. I'd like to turn the call back to Don for any further remarks.

Donald Nolan^ In closing, we remain confident in the actions we're taking and the foundation we've built. We're a leaner, more agile organization with a clear and urgent focus on serving the customer.

I want to thank our employees for their dedication and commitment; they continue to make a meaningful difference for our customers and our company. Our strategy is clear, our discipline is strong, and we believe Apogee is well positioned to deliver long-term value. Thank you for your continued interest and support.

Operator^ Thank you. Ladies and gentlemen, this does conclude today's presentation. We thank you for your participation. You may now disconnect. And have a wonderful day.