

REFINITIV

DELTA REPORT

10-Q

APOG - APOGEE ENTERPRISES, INC.

10-Q - NOVEMBER 25, 2023 COMPARED TO 10-Q - AUGUST 26, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	538
CHANGES	186
DELETIONS	173
ADDITIONS	179

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 August 26, 2023 November 25, 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

(State or other jurisdiction of incorporation or organization)

4400 West 78th Street, Suite 520

(Address of principal executive offices)

Minneapolis

Minnesota

41-0919654

(I.R.S. Employer Identification No.)

55435

(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	<input type="checkbox"/>
Non-accelerated filer	o	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 September 29, 2023 December 29, 2023, 22,072,357 22,085,098 shares of the registrant's common stock, par value \$0.33 1/3 per share, were outstanding.

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

(Unaudited)

<i>(In thousands, except stock data)</i>	<i>(In thousands, except stock data)</i>	August 26, 2023	February 25, 2023	<i>(In thousands, except stock data)</i>	November 25, 2023	February 25, 2023
Assets	Assets			Assets		
Current assets	Current assets			Current assets		
Cash and cash equivalents	Cash and cash equivalents	\$ 18,423	\$ 19,924	Cash and cash equivalents	\$ 23,407	\$ 19,924
Restricted cash	Restricted cash	—	1,549	Restricted cash	—	1,549
Receivables, net	Receivables, net	205,720	197,267	Receivables, net	198,249	197,267
Inventories	Inventories	72,775	78,441	Inventories	70,267	78,441
Contract assets	Contract assets	50,360	59,403	Contract assets	48,146	59,403
Other current assets	Other current assets	29,036	26,517	Other current assets	32,390	26,517
Total current assets	Total current assets	376,314	383,101	Total current assets	372,459	383,101

Property, plant and equipment, net of accumulated depreciation of \$449,110 and \$431,710		245,541	248,867		
Property, plant and equipment, net of accumulated depreciation of \$454,659 and \$431,710				246,206	248,867
Operating lease right-of-use assets	Operating lease right-of-use assets	41,049	41,354	38,849	41,354
Goodwill	Goodwill	129,143	129,026	129,053	129,026
Intangible assets, net	Intangible assets, net	65,303	67,375	64,174	67,375
Other non-current assets	Other non-current assets	51,229	45,642	44,114	45,642
Total assets	Total assets	\$ 908,579	\$ 915,365	\$ 894,855	\$ 915,365
Liabilities and Shareholders' Equity				Liabilities and Shareholders' Equity	
Current liabilities		Current liabilities		Current liabilities	
Accounts payable	Accounts payable	\$ 78,323	\$ 86,549	Accounts payable	\$ 83,107 \$ 86,549
Accrued compensation and benefits	Accrued compensation and benefits	34,156	51,651	Accrued compensation and benefits	42,768 51,651
Contract liabilities	Contract liabilities	32,498	28,011	Contract liabilities	35,770 28,011
Operating lease liabilities	Operating lease liabilities	12,168	11,806	Operating lease liabilities	12,358 11,806
Other current liabilities	Other current liabilities	67,141	64,532	Other current liabilities	62,572 64,532
Total current liabilities	Total current liabilities	224,286	242,549	Total current liabilities	236,575 242,549
Long-term debt	Long-term debt	145,675	169,837	Long-term debt	100,666 169,837
Non-current operating lease liabilities	Non-current operating lease liabilities	31,962	33,072	Non-current operating lease liabilities	29,547 33,072
Non-current self-insurance reserves	Non-current self-insurance reserves	32,933	29,316	Non-current self-insurance reserves	31,830 29,316
Other non-current liabilities	Other non-current liabilities	41,405	44,183	Other non-current liabilities	40,506 44,183
Commitments and contingent liabilities (Note 7)	Commitments and contingent liabilities (Note 7)			Commitments and contingent liabilities (Note 7)	
Shareholders' equity		Shareholders' equity		Shareholders' equity	
Common stock of \$0.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding 22,072,123 and 22,224,299, respectively		7,357	7,408		
Common stock of \$0.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding 22,085,098 and 22,224,299, respectively				7,362	7,408
Additional paid-in capital	Additional paid-in capital	147,413	146,816	Additional paid-in capital	149,557 146,816
Retained earnings	Retained earnings	308,248	273,740	Retained earnings	329,936 273,740
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(30,700)	(31,556)	Accumulated other comprehensive loss	(31,124) (31,556)

Total shareholders' equity	Total shareholders' equity	432,318	396,408	Total shareholders' equity	455,731	396,408
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	\$ 908,579	\$ 915,365	Total liabilities and shareholders' equity	\$ 894,855	\$ 915,365

See accompanying notes to consolidated financial statements.

CONSOLIDATED RESULTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)		Three Months Ended		Six Months Ended		(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
		August 26, 2023	August 27, 2022	August 26, 2023	August 27, 2022		November 25, 2023	November 26, 2022	November 25, 2023	November 26, 2022
Net sales	Net sales	\$ 353,675	\$ 372,109	\$ 715,388	\$ 728,744	Net sales	\$ 339,714	\$ 367,847	\$ 1,055,102	\$ 1,096,591
Cost of sales	Cost of sales	258,304	287,173	527,031	558,191	Cost of sales	249,409	281,239	776,440	839,430
Gross profit	Gross profit	95,371	84,936	188,357	170,553	Gross profit	90,305	86,608	278,662	257,161
Selling, general and administrative expenses	Selling, general and administrative expenses	54,818	52,864	114,037	105,265	Selling, general and administrative expenses	52,658	51,847	166,695	157,112
Operating income	Operating income	40,553	32,072	74,320	65,288	Operating income	37,647	34,761	111,967	100,049
Interest expense, net	Interest expense, net	2,230	1,698	4,266	2,904	Interest expense, net	1,454	2,590	5,720	5,494
Other (income) expense, net	Other (income) expense, net	(4,900)	173	(4,612)	1,483					
Other expense (income), net	Other expense (income), net					Other expense (income), net	890	552	(3,722)	2,035
Earnings before income taxes	Earnings before income taxes	43,223	30,201	74,666	60,901	Earnings before income taxes	35,303	31,619	109,969	92,520
Income tax expense (benefit)	Income tax expense (benefit)	9,896	(7,188)	17,763	781					
Income tax expense	Income tax expense					Income tax expense	8,329	7,854	26,092	8,635
Net earnings	Net earnings	\$ 33,327	\$ 37,389	\$ 56,903	\$ 60,120	Net earnings	\$ 26,974	\$ 23,765	\$ 83,877	\$ 83,885
Basic earnings per share	Basic earnings per share	\$ 1.54	\$ 1.71	\$ 2.61	\$ 2.72	Basic earnings per share	\$ 1.24	\$ 1.09	\$ 3.83	\$ 3.81
Diluted earnings per share	Diluted earnings per share	\$ 1.52	\$ 1.68	\$ 2.57	\$ 2.66	Diluted earnings per share	\$ 1.23	\$ 1.07	\$ 3.80	\$ 3.74
Weighted average basic shares outstanding	Weighted average basic shares outstanding	21,708	21,860	21,813	22,129	Weighted average basic shares outstanding	21,819	21,870	21,889	22,043
Weighted average diluted shares outstanding	Weighted average diluted shares outstanding	21,962	22,245	22,105	22,563	Weighted average diluted shares outstanding	22,013	22,278	22,093	22,456

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(Unaudited)

		Three Months Ended		Six Months Ended			Three Months Ended		Nine Months Ended	
		August 26, 2023	August 27, 2022	August 26, 2023	August 27, 2022		November 25, 2023	November 26, 2022	November 25, 2023	November 26, 2022
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	2023	2022	2023	2022
Net earnings	Net earnings	\$ 33,327	\$ 37,389	\$ 56,903	\$ 60,120	Net earnings	\$ 26,974	\$ 23,765	\$ 83,877	\$ 83,885
Other comprehensive earnings (loss):										
	Unrealized (loss) gain on marketable securities, net of \$(8), \$(28), \$25 and \$(102) of tax (benefit) expense, respectively	(28)	(106)	93	(382)					
	Unrealized gain (loss) on derivative instruments, net of \$66, \$(152), \$(55) and \$(1,469) of tax expense (benefit), respectively	217	(500)	(180)	(4,816)					
Other comprehensive (loss) earnings:						Other comprehensive (loss) earnings:				
	Unrealized (loss) gain on marketable securities, net of \$(2), \$(24), \$23 and \$(127) of tax (benefit) expense, respectively						(7)	(88)	86	(470)
	Unrealized gain (loss) on derivative instruments, net of \$56, \$277, \$1 and \$(1,192) of tax expense (benefit), respectively						186	905	6	(3,911)
Foreign currency translation adjustments	Foreign currency translation adjustments	508	(2,777)	943	(1,045)	Foreign currency translation adjustments	(604)	(1,295)	340	(2,340)
Other comprehensive earnings (loss)		697	(3,383)	856	(6,243)					
Other comprehensive (loss) earnings						Other comprehensive (loss) earnings				
Total comprehensive earnings	Total comprehensive earnings	\$ 34,024	\$ 34,006	\$ 57,759	\$ 53,877	Total comprehensive earnings	\$ 26,549	\$ 23,287	\$ 84,309	\$ 77,164

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	(In thousands)	Six Months Ended		(In thousands)	Nine Months Ended	
		August 26, 2023	August 27, 2022		November 25, 2023	November 26, 2022
Operating Activities	Operating Activities			Operating Activities		
Net earnings	Net earnings	\$ 56,903	\$ 60,120	Net earnings	\$ 83,877	\$ 83,885
Adjustments to reconcile net earnings to net cash provided by operating activities:	Adjustments to reconcile net earnings to net cash provided by operating activities:			Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	Depreciation and amortization	20,661	21,448	Depreciation and amortization	31,185	31,925
Share-based compensation	Share-based compensation	4,483	3,394	Share-based compensation	6,644	5,961
Deferred income taxes	Deferred income taxes	(4,281)	6,858	Deferred income taxes	1,296	2,341
Gain on disposal of assets	Gain on disposal of assets	(62)	(695)	Gain on disposal of assets	(50)	(1,484)
Proceeds from New Markets Tax Credit transaction, net of deferred costs	Proceeds from New Markets Tax Credit transaction, net of deferred costs	—	18,390	Proceeds from New Markets Tax Credit transaction, net of deferred costs	—	18,390
Settlement of New Markets Tax Credit transaction	Settlement of New Markets Tax Credit transaction	(4,687)	(19,523)	Settlement of New Markets Tax Credit transaction	(4,687)	(19,523)
Noncash lease expense	Noncash lease expense	6,153	6,160	Noncash lease expense	8,742	8,924
Other, net	Other, net	(1,121)	3,836	Other, net	10	4,700
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:			Changes in operating assets and liabilities:		
Receivables	Receivables	(8,238)	(71,720)	Receivables	(846)	(55,791)
Inventories	Inventories	5,841	(17,636)	Inventories	8,256	(5,822)
Contract assets	Contract assets	8,992	6,754	Contract assets	11,194	(8,314)
Accounts payable and accrued expenses	Accounts payable and accrued expenses	(21,096)	(11,793)			
Accounts payable				Accounts payable	(1,902)	(19,780)
Accrued expenses				Accrued expenses	(7,015)	7,281
Contract liabilities	Contract liabilities	4,244	20,927	Contract liabilities	7,635	24,702
Refundable and accrued income taxes	Refundable and accrued income taxes	4,292	(20,486)	Refundable and accrued income taxes	(7,587)	(14,391)
Operating lease liability	Operating lease liability	(6,608)	(6,684)	Operating lease liability	(9,214)	(9,168)
Prepaid expenses and other current assets	Prepaid expenses and other current assets	(2,912)	(1,993)	Prepaid expenses and other current assets	1,714	(2,724)
Net cash provided (used) by operating activities		62,564	(2,643)			

Net cash provided by operating activities				Net cash provided by operating activities	129,252	51,112
Investing Activities	Investing Activities			Investing Activities		
Capital expenditures	Capital expenditures	(15,018)	(9,255)	Capital expenditures	(26,956)	(18,119)
Proceeds from sales of property, plant and equipment	Proceeds from sales of property, plant and equipment	143	4,122	Proceeds from sales of property, plant and equipment	247	5,212
Purchases of marketable securities	Purchases of marketable securities	(969)	—	Purchases of marketable securities	(969)	—
Sales/maturities of marketable securities	Sales/maturities of marketable securities	775	450	Sales/maturities of marketable securities	1,370	923
Net cash used by investing activities	Net cash used by investing activities	(15,069)	(4,683)	Net cash used by investing activities	(26,308)	(11,984)
Financing Activities	Financing Activities			Financing Activities		
Borrowings on line of credit	Borrowings on line of credit	174,853	409,880	Borrowings on line of credit	195,851	430,879
Repayment on debt	Repayment on debt	—	(151,000)	Repayment on debt	—	(151,000)
Payments on line of credit	Payments on line of credit	(199,000)	(171,000)	Payments on line of credit	(265,000)	(239,000)
Payments on debt issue costs		—	(687)			
Payments on debt issuance costs				Payments on debt issuance costs	—	(790)
Repurchase and retirement of common stock	Repurchase and retirement of common stock	(11,821)	(74,312)	Repurchase and retirement of common stock	(11,821)	(74,312)
Dividends paid	Dividends paid	(10,467)	(9,602)	Dividends paid	(15,690)	(14,415)
Other, net	Other, net	(3,705)	(2,815)	Other, net	(3,781)	(2,959)
Net cash (used) provided by financing activities		(50,140)	464			
Decrease in cash, cash equivalents and restricted cash		(2,645)	(6,862)			
Net cash used by financing activities				Net cash used by financing activities	(100,441)	(51,597)
Increase (decrease) in cash, cash equivalents and restricted cash				Increase (decrease) in cash, cash equivalents and restricted cash	2,503	(12,469)
Effect of exchange rates on cash	Effect of exchange rates on cash	(405)	28	Effect of exchange rates on cash	(569)	350
Cash, cash equivalents and restricted cash at beginning of year	Cash, cash equivalents and restricted cash at beginning of year	21,473	37,583	Cash, cash equivalents and restricted cash at beginning of year	21,473	37,583
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	\$ 18,423	\$ 30,749	Cash and cash equivalents at end of period	\$ 23,407	\$ 25,464
Noncash Activity	Noncash Activity			Noncash Activity		
Capital expenditures in accounts payable	Capital expenditures in accounts payable	\$ 2,493	\$ 2,019	Capital expenditures in accounts payable	\$ 1,231	\$ 1,557

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

(In thousands)	Common Shares	Common Stock at Par	Additional Paid-In	Accumulated Other		Total Shareholders'
	Outstanding	Value	Capital	Retained Earnings	Comprehensive (Loss) Income	Equity
Balance at February 25, 2023	22,224	\$ 7,408	\$ 146,816	\$ 273,740	\$ (31,556)	\$ 396,408
Net earnings	—	—	—	23,576	—	23,576
Other comprehensive income, net of tax	—	—	—	—	159	159
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
Net earnings	—	—	\$ —	33,327	—	\$ 33,327
Other comprehensive income, net of tax	—	—	—	—	697	697
Issuance of stock, net of cancellations	(3)	(1)	7	(195)	—	(189)
Share-based compensation	—	—	2,305	—	—	2,305
Exercise of stock options	25	8	(1,192)	—	—	(1,184)
Share repurchases	(160)	(53)	(1,160)	(5,415)	—	(6,628)
Other share retirements	(9)	(3)	(444)	(547)	—	(994)
Cash dividends	—	—	—	(5,222)	—	(5,222)
Balance at August 26, 2023	22,072	\$ 7,357	\$ 147,413	\$ 308,248	\$ (30,700)	\$ 432,318

(In thousands)	Accumulated							(In thousands)	Accumulated						
	Common Shares	Common Stock at Par Value	Additional Paid-In	Retained Earnings	Other Comprehensive (Loss) Income	Total Shareholders' Equity			Common Shares	Common Stock at Par Value	Additional Paid-In	Retained Earnings	Other Comprehensive (Loss) Income	Total Shareholders' Equity	
Balance at February 26, 2022	23,701	7,901	149,713	254,825	(26,240)	386,199		Balance at February 25, 2023	22,224	\$ 7,408	\$ 146,816	\$ 273,740	\$ (31,556)	\$ 396,408	
Net earnings	—	—	—	22,731	—	22,731		Net earnings	—	—	—	23,576	—	23,576	
Other comprehensive loss, net of tax	—	—	—	—	(2,860)	(2,860)		Other comprehensive income, net of tax	—	—	—	—	159	159	
Issuance of stock, net of cancellations	100	33	23	—	—	56		Issuance of stock, net of cancellations	155	52	13	(9)	—	56	
Share-based compensation	—	—	1,597	—	—	1,597		Share-based compensation	—	—	2,178	—	—	2,178	
Share repurchases	(1,571)	(524)	(10,350)	(63,438)	—	(74,312)		Share repurchases	(120)	(40)	(829)	(4,324)	—	(5,193)	
Other share retirements	(30)	(10)	(198)	(1,120)	—	(1,328)		Other share retirements	(40)	(14)	(281)	(1,438)	—	(1,733)	

	Cash														
Cash dividends	dividends	—	—	—	(4,793)	—	(4,793)	Cash dividends	—	—	—	(5,245)	—	(5,245)	
Balance at May 28, 2022		22,200	\$ 7,400	\$ 140,785	\$ 208,205	\$ (29,100)	\$ 327,290								
Balance at								Balance at							
May 27, 2023								May 27, 2023	22,219	\$ 7,406	\$ 147,897	\$ 286,300	\$ (31,397)	\$ 410,206	
Net earnings	Net earnings	—	—	—	37,389	—	37,389	Net earnings	—	—	—	33,327	—	33,327	
Other comprehensive loss, net of tax		—	—	—	—	(3,383)	(3,383)								
Other comprehensive income, net of tax								Other comprehensive income, net of tax		—	—	—	—	697	697
Issuance of stock, net of cancellations	Issuance of stock, net of cancellations	(14)	(5)	61	—	—	56	Issuance of stock, net of cancellations	(3)	(1)	7	(195)	—	(189)	
Share-based compensation	Share-based compensation	—	—	1,797	—	—	1,797	Share-based compensation	—	—	2,305	—	—	2,305	
Exercise of stock options	Exercise of stock options	36	12	(954)	—	—	(942)	Exercise of stock options	25	8	(1,192)	—	—	(1,184)	
Share repurchases								Share repurchases		(160)	(53)	(1,160)	(5,415)	—	(6,628)
Other share retirements								Other share retirements		(9)	(3)	(444)	(547)	—	(994)
Cash dividends								Cash dividends		—	—	—	(5,222)	—	(5,222)
Balance at August 26, 2023								Balance at August 26, 2023		22,072	\$ 7,357	\$ 147,413	\$ 308,248	\$ (30,700)	\$ 432,318
Net earnings								Net earnings		—	—	—	26,974	—	26,974
Other comprehensive income, net of tax								Other comprehensive income, net of tax		—	—	—	—	(424)	(424)
Issuance of stock, net of cancellations								Issuance of stock, net of cancellations		15	6	(5)	—	—	1
Share-based compensation								Share-based compensation		—	—	2,161	—	—	2,161
Other share retirements	Other share retirements	(13)	(4)	(114)	(540)	—	(658)	Other share retirements	(2)	(1)	(12)	(64)	—	(77)	
Cash dividends	Cash dividends	—	—	—	(4,809)	—	(4,809)	Cash dividends	—	—	—	(5,222)	—	(5,222)	
Balance at August 27, 2022		22,209	\$ 7,403	\$ 141,575	\$ 240,245	\$ (32,483)	\$ 356,740								
Balance at								Balance at							
November 25, 2023								November 25, 2023	22,085	\$ 7,362	\$ 149,557	\$ 329,936	\$ (31,124)	\$ 455,731	

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(In thousands)	Common Shares		Common Stock at Par		Additional Paid-In		Accumulated Other	Total Shareholders'
	Outstanding	Value	Capital	Retained Earnings	Comprehensive (Loss)	Income	Equity	
Balance at February 26, 2022	23,701	\$ 7,901	\$ 149,713	\$ 254,825	\$ (26,240)		\$ 386,199	
Net earnings	—	—	—	22,731	—		22,731	
Other comprehensive loss, net of tax	—	—	—	—	(2,860)		(2,860)	
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	
Net earnings	—	—	—	37,389	—		37,389	
Other comprehensive loss, net of tax	—	—	—	—	(3,383)		(3,383)	
Issuance of stock, net of cancellations	(14)	(5)	61	—	—		56	
Share-based compensation	—	—	1,797	—	—		1,797	
Exercise of stock options	36	12	(954)	—	—		(942)	
Other share retirements	(13)	(4)	(114)	(540)	—		(658)	
Cash dividends	—	—	—	(4,809)	—		(4,809)	
Balance at August 27, 2022	22,209	\$ 7,403	\$ 141,575	\$ 240,245	\$ (32,483)		\$ 356,740	
Net earnings	—	—	—	23,765	—		23,765	
Other comprehensive loss, net of tax	—	—	—	—	(478)		(478)	
Issuance of stock, net of cancellations	9	3	250	(196)	—		57	
Share-based compensation	—	—	2,567	—	—		2,567	
Other share retirements	(4)	(1)	(34)	(165)	—		(200)	
Cash dividends	—	—	—	(4,813)	—		(4,813)	
Balance at November 26, 2022	22,214	\$ 7,405	\$ 144,358	\$ 258,836	\$ (32,961)		\$ 377,638	

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- and six-month nine-month periods ended August 26, 2023 November 25, 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 first 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 first quarter, we implemented a supplier financing arrangement with U.S. Bank that enables our suppliers, at their sole discretion, to sell their Apogee the Company's 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 **August 26, 2023** **November 25, 2023**, **\$4.9** **\$7.8** million of obligations remained outstanding that we have confirmed as valid to the administrators of our program with U.S. Bank. These balances are reflected in accounts payable in the consolidated balance sheets and are reflected in net cash provided (used by) operating activities in our consolidated statements of cash flows when settled.

2. Revenue, Receivables and Contract Assets and Liabilities

Revenue

The following table disaggregates total revenue by timing of recognition (see Note 11 for disclosure of revenue by segment):

(In thousands)	(In thousands)	Three Months Ended		Six Months Ended		(In thousands)	Three Months Ended		Nine Months Ended	
		August 26, 2023	August 27, 2022	August 26, 2023	August 27, 2022		November 25, 2023	November 26, 2022	November 25, 2023	November 26, 2022
Recognized at shipment	Recognized at shipment	\$ 152,240	\$ 174,693	\$ 304,895	\$ 335,857	Recognized at shipment	\$ 144,910	\$ 168,593	\$ 449,805	\$ 504,450
Recognized over time	Recognized over time	201,435	197,416	410,493	392,887	Recognized over time	194,804	199,254	605,297	592,141
Total	Total	\$ 353,675	\$ 372,109	\$ 715,388	\$ 728,744	Total	\$ 339,714	\$ 367,847	\$ 1,055,102	\$ 1,096,591

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)	(In thousands)	August 26, 2023	February 25, 2023	(In thousands)	November 25, 2023	February 25, 2023
Trade accounts	Trade accounts	\$ 138,283	\$ 140,732	Trade accounts	\$ 113,016	\$ 140,732
Construction contracts	Construction contracts	70,742	58,331	Construction contracts	88,007	58,331
Total receivables	Total receivables	209,025	199,063	Total receivables	201,023	199,063
Less: allowance for credit losses	Less: allowance for credit losses	3,305	1,796	Less: allowance for credit losses	2,774	1,796
Receivables, net	Receivables, net	\$ 205,720	\$ 197,267	Receivables, net	\$ 198,249	\$ 197,267

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

(In thousands)	August 26, 2023	November 25, 2023
Beginning balance	\$ 1,796	
Additions charged to costs and expenses		1,594 1,256
Deductions from allowance, net of recoveries		(95) (281)
Foreign currency effects		103
Ending balance	\$ 3,305 2,774	

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 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.

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	Other contract-related disclosures	Other contract-related disclosures
Three Months Ended	Six Months Ended	Three Months Ended
		Nine Months Ended

(In thousands)	(In thousands)	August 26, 2023	August 27, 2022	August 26, 2023	August 27, 2022	(In thousands)	November 25, 2023	November 26, 2022	November 25, 2023	November 26, 2022
Revenue recognized related to contract liabilities from prior year-end	Revenue recognized related to contract liabilities from prior year-end	\$ 2,249	\$ 4,978	\$ 24,956	\$ 33,157	Revenue recognized related to contract liabilities from prior year-end	\$ 191	\$ 3,473	\$ 25,147	\$ 36,630
Revenue recognized related to prior satisfaction of performance obligations	Revenue recognized related to prior satisfaction of performance obligations	4,477	4,770	4,904	4,946	Revenue recognized related to prior satisfaction of performance obligations	730	4,640	5,634	9,586

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 **August 26, 2023** **November 25, 2023** are expected to be satisfied, and the corresponding revenue to be recognized, over the following estimated time periods:

(In thousands)	August 26, 2023	November 25, 2023
Within one year	\$ 444,579	456,880
Within Between one and two years	256,248	315,667
Beyond two years	49,970	75,170
Total	\$ 750,797	847,717

3. Inventories

Inventories

(In thousands)	(In thousands)	August 26, 2023	February 25, 2023	(In thousands)	November 25, 2023	February 25, 2023
Raw materials	Raw materials	\$ 36,465	\$ 36,869	Raw materials	\$ 34,535	\$ 36,869
Work-in-process	Work-in-process	15,543	18,024	Work-in-process	17,256	18,024
Finished goods	Finished goods	20,767	23,548	Finished goods	18,476	23,548
Total inventories	Total inventories	\$ 72,775	\$ 78,441	Total inventories	\$ 70,267	\$ 78,441

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 fixed-maturity investments:

(In thousands)	(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
August 26, 2023		\$ 10,778	\$ 2	\$ 588	\$ 10,192	November 25, 2023				
November 25, 2023						November 25, 2023	\$ 10,168	\$ 3	\$ 597	\$ 9,574
February 25, 2023	February 25, 2023	10,647	—	702	9,945	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 investments at **August 26, 2023** **November 25, 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)	(In thousands)	Amortized Cost	Estimated Fair Value	(In thousands)	Amortized Cost	Estimated Fair Value
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Due within one year	Due within one year	\$ 2,717	\$ 2,675	Due within one year	\$ 2,439	\$ 2,406
Due after one year through five years	Due after one year through five years	8,061	7,517	Due after one year through five years	7,729	7,168
Total	Total	\$ 10,778	\$ 10,192	Total	\$ 10,168	\$ 9,574

Derivative instruments

We use interest rate swaps, foreign exchange 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 **August 26, 2023** **November 25, 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. These contracts generally have an original maturity date of less than one year. As of **August 26, 2023** **November 25, 2023**, we held aluminum fixed/floating swaps and foreign exchange contracts with U.S. dollar notional values of **\$12.9 million** **\$14.9 million** and **\$1.6 million** **\$0.8 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)	(In thousands)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Total Fair Value	(In thousands)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Total Fair Value
August 26, 2023					November 25, 2023			
Assets:	Assets:				Assets:			
Money market funds	Money market funds	\$ 9,385	\$ —	\$ 9,385	Money market funds	\$ 13,262	\$ —	\$ 13,262
Municipal and corporate bonds	Municipal and corporate bonds	—	10,192	10,192	Municipal and corporate bonds	—	9,574	9,574
Foreign currency option contract	Foreign currency option contract	—	9	9	Foreign currency option contract	—	3	3
Interest rate swap contract	Interest rate swap contract	—	1,748	1,748	Interest rate swap contract	—	1,550	1,550
Liabilities:	Liabilities:				Liabilities:			
Aluminum hedging contract	Aluminum hedging contract	—	1,034	1,034	Aluminum hedging contract	—	724	724
February 25, 2023	February 25, 2023				February 25, 2023			
Assets:	Assets:				Assets:			

Money market funds	Money market funds	\$	8,062	\$	—	\$	8,062	Money market funds	\$	8,062	\$	—	\$	8,062
Municipal and corporate bonds	Municipal and corporate bonds		—		9,945		9,945	Municipal and corporate bonds		—		9,945		9,945
Interest rate swap contract	Interest rate swap contract		—		1,817		1,817	Interest rate swap contract		—		1,817		1,817
Liabilities:	Liabilities:							Liabilities:						
Foreign currency forward/option contract	Foreign currency forward/option contract		—		206		206	Foreign currency forward/option contract		—		206		206
Aluminum hedging contract	Aluminum hedging contract		—		1,075		1,075	Aluminum hedging contract		—		1,075		1,075

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 **second third** 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)	(In thousands)	Architectural Framing Systems	Architectural Glass	Architectural Services	Large-Scale Optical	Total	(In thousands)	Architectural Framing Systems	Architectural Glass	Architectural Services	Large-Scale Optical	Total
Balance at February 26, 2022	Balance at February 26, 2022	\$ 93,181	\$ 25,244	\$ 1,120	\$10,557	\$130,102	Balance at February 26, 2022	\$ 93,181	\$ 25,244	\$ 1,120	\$10,557	\$130,102
Reallocation among reporting units ⁽¹⁾	Reallocation among reporting units ⁽¹⁾	(2,048)	—	2,048	—	—	Reallocation among reporting units ⁽¹⁾	(2,048)	—	2,048	—	—
Foreign currency translation	Foreign currency translation	(996)	57	(137)	—	(1,076)	Foreign currency translation	(996)	57	(137)	—	(1,076)
Balance at February 25, 2023	Balance at February 25, 2023	90,137	25,301	3,031	10,557	129,026	Balance at February 25, 2023	90,137	25,301	3,031	10,557	129,026
Foreign currency translation	Foreign currency translation	6	111	—	—	117	Foreign currency translation	(28)	59	(4)	—	27
Balance at August 26, 2023		\$ 90,143	\$ 25,412	\$ 3,031	\$10,557	\$129,143						

Balance at November 25, 2023	Balance at November 25, 2023	\$	90,109	\$	25,360	\$	3,027	\$10,557	\$129,053
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(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 **second third** quarter of fiscal 2024, we did not identify any qualitative indicators of impairment at any of our reporting units, and therefore, no interim quantitative intangible impairment evaluation was performed.

Finite-lived ~~Definite-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)	(In thousands)	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation	Net	(In thousands)	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation	Net
August 26, 2023						November 25, 2023				
Definite-lived intangible assets:	Definite-lived intangible assets:					Definite-lived intangible assets:				
Customer relationships	Customer relationships	\$ 86,798	\$ (51,317)	\$ 138	\$ 35,619	Customer relationships	\$ 86,798	\$ (52,130)	\$ (15)	\$ 34,653
Other intangibles	Other intangibles	38,360	(35,641)	112	2,831	Other intangibles	38,360	(35,706)	25	2,679
Total	Total	125,158	(86,958)	250	38,450	Total	125,158	(87,836)	10	37,332
Indefinite-lived intangible assets:	Indefinite-lived intangible assets:					Indefinite-lived intangible assets:				
Trademarks	Trademarks	26,851	—	2	26,853	Trademarks	26,851	—	(9)	26,842
Total intangible assets	Total intangible assets	\$ 152,009	\$ (86,958)	\$ 252	\$ 65,303	Total intangible assets	\$ 152,009	\$ (87,836)	\$ 1	\$ 64,174
February 25, 2023						February 25, 2023				
Definite-lived intangible assets:	Definite-lived intangible assets:					Definite-lived intangible assets:				
Customer relationships	Customer relationships	\$ 89,495	\$ (49,404)	\$ (2,697)	\$ 37,394	Customer relationships	\$ 89,495	\$ (49,404)	\$ (2,697)	\$ 37,394

Other intangibles	Other intangibles	39,404	(35,229)	(1,045)	3,130	Other intangibles	39,404	(35,229)	(1,045)	3,130
Total	Total	128,899	(84,633)	(3,742)	40,524	Total	128,899	(84,633)	(3,742)	40,524
Indefinite-lived intangible assets:	Indefinite-lived intangible assets:					Indefinite-lived intangible assets:				
Trademarks	Trademarks	27,129	—	(278)	26,851	Trademarks	27,129	—	(278)	26,851
Total intangible assets	Total intangible assets	\$ 156,028	\$ (84,633)	\$ (4,020)	\$ 67,375	Total intangible assets	\$ 156,028	\$ (84,633)	\$ (4,020)	\$ 67,375

Amortization expense on definite-lived intangible assets was \$2.0 million \$3.0 million and \$2.1 million \$3.1 million for the six-month nine-month periods ended August 26, 2023 November 25, 2023 and August 27, 2022 November 26, 2022, respectively. Amortization expense of other identifiable intangible assets is included in selling, general and administrative expenses. At August 26, 2023 November 25, 2023, the estimated future amortization expense for definite-lived intangible assets was:

(In thousands)		Remainder of					(In thousands)	Remainder of				
		2024	2025	2026	2027	2028		2024	2025	2026	2027	2028
Estimated amortization expense	Estimated amortization expense	\$ 2,114	\$ 4,228	\$ 4,211	\$ 4,380	\$ 3,913	Estimated amortization expense	\$ 1,058	\$ 4,240	\$ 4,223	\$ 4,391	\$ 3,936

6. Debt

As of August 26, 2023 November 25, 2023, we had a committed revolving credit facility with Wells Fargo Bank, N.A. as administrative agent, and other lenders (U.S. credit facility) with maximum borrowings of up to \$385 million and a maturity date of August 5, 2027. Outstanding borrowings under the revolving credit facility were \$130.0 million \$85.0 million and \$156.0 million as of August 26, 2023 November 25, 2023 and February 25, 2023, respectively.

We also maintain two Canadian committed, revolving credit facilities with the Bank of Montreal totaling \$25.0 million USD (Canadian facilities). The Canadian 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 August 26, 2023 November 25, 2023 and February 25, 2023, outstanding borrowings under these Canadian facilities were \$3.7 million and \$1.8 million, respectively.

Our revolving credit facilities contain 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. Both ratios are computed quarterly, with EBITDA calculated on a rolling four-quarter basis. At August 26, 2023 November 25, 2023, we were in compliance with both financial covenants.

The U.S. revolving credit facility facilities also contains contain an acquisition holiday. 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.

Borrowings under the credit facilities 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) Agreements. For Base Rate borrowings, the margin ranges from 0.125% to 0.75%. For Term SOFR borrowings, the margin ranges from 1.135% 1.125% to 1.85% 1.75% and an incremental Term SOFR adjustment of 0.10%.

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

At August 26, 2023 November 25, 2023, we had a total of \$15.2 million \$15.0 million of ongoing letters of credit related to industrial revenue bonds, construction contracts and insurance collateral that expire in fiscal year 2025 and reduce borrowing capacity under the revolving credit facility. As of August 26, 2023 November 25, 2023, the amount available for revolving borrowings was \$239.8 million \$285.0 million and \$21.3 million under the Wells Fargo U.S. credit facility and Bank of Montreal credit Canadian facilities, respectively.

At August 26, 2023 November 25, 2023, debt included \$12.0 million of industrial revenue bonds that mature in fiscal years 2036 through 2043.

The fair value of our U.S. credit facility, Canadian credit facilities and industrial revenue bonds approximated carrying value at August 26, 2023 November 25, 2023, and would be classified as Level 2 within the fair value hierarchy described in Note 4, due to the variable interest rates on these instruments..

Interest payments under the U.S. and Canadian credit facilities were \$5.4 million \$7.5 million and \$2.8 million \$5.3 million for the six nine months ended August 26, 2023 November 25, 2023 and August 27, 2022 November 26, 2022, respectively.

7. 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 August 26, 2023 November 25, 2023, \$1.3 billion of these types of bonds were outstanding, of which \$452.4 million \$398.4 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.

	Six Months Ended			Nine Months Ended		
(In thousands)	(In thousands)	August 26, 2023	August 27, 2022	(In thousands)	November 25, 2023	November 26, 2022
Balance at beginning of period	Balance at beginning of period	\$ 17,893	\$ 13,923	Balance at beginning of period	\$ 17,893	\$ 13,923
Additional accruals	Additional accruals	8,887	6,918	Additional accruals	12,743	11,201
Claims paid	Claims paid	(4,440)	(4,201)	Claims paid	(7,644)	(7,755)
Balance at end of period	Balance at end of period	\$ 22,340	\$ 16,640	Balance at end of period	\$ 22,992	\$ 17,369

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 in certain parts 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 August 26, 2023 November 25, 2023, we had \$15.2 million \$15.0 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 \$30.4 million \$45.0 million as of August 26, 2023 November 25, 2023.

New Markets Tax Credit (NMTC) transactions

We have two outstanding NMTC arrangements which help to support operational expansion. Proceeds received from investors on these transactions are included within 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 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 second quarter ended August 26, 2023, of fiscal 2024, one NMTC transaction was settled as expected and as a result, a \$4.7 million benefit was recorded in other (income) expense, net.

The table below provides a summary of estimated benefits related to our outstanding NMTC transactions (in thousands):

Inception date	Termination date	Deferred Benefit	Deferred costs	Net benefit
May 2022 ⁽¹⁾	August 2025	\$ 6,052	\$ 1,604	\$ 4,448
September 2018	September 2025	\$ 3,198	\$ 1,031	\$ 2,167
Total		\$ 9,250	\$ 2,635	\$ 6,615

(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.

8. 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. award unless the date of the award is on a day the Nasdaq Global Selectmarket is not open for trading, then the exercise price shall equal the fair market value on the most recent preceding date when such market is open. 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 six-months nine-months ended August 26, 2023 November 25, 2023, along with the weighted average grant date fair value:

Awards	Awards	Weighted Average		Awards	Weighted Average	
		Number of Awards	Exercise Price		Number of Awards	Exercise Price
Restricted stock awards and restricted stock units ⁽¹⁾	Restricted stock awards and restricted stock units ⁽¹⁾	180,450	\$ 42.80	Restricted stock awards and restricted stock units ⁽¹⁾	195,013	\$ 43.16
Performance share units ("PSUs") ⁽²⁾	Performance share units ("PSUs") ⁽²⁾	48,483	\$ 43.59	Performance share units ("PSUs") ⁽²⁾	48,483	\$ 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 \$4.5 million \$6.6 million for the six-month nine-month period ended August 26, 2023 November 25, 2023, and \$3.4 million \$6.0 million for the six-month nine-month period ended August 27, 2022 November 26, 2022.

At August 26, 2023 November 25, 2023, there was \$11.0 million \$11.6 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 22 21 months. The total fair value of shares vested during the six nine months ended August 26, 2023 November 25, 2023 was \$5.5 million \$5.8 million.

9. Income Taxes

We file income tax returns in the U.S. federal jurisdiction, various U.S. state and local jurisdictions, Canada, Brazil and other international jurisdictions. We are 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. We are not currently under U.S. federal examination for years subsequent to fiscal year 2019, and there is very limited audit examination activity of our income tax returns in U.S. state jurisdictions or international jurisdictions.

The total liability for unrecognized tax benefits was \$5.3 million at August 26, 2023 November 25, 2023 and at February 25, 2023, respectively. Penalties and interest related to unrecognized tax benefits are recorded in income tax expense.

10. Earnings per Share

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

	Three Months Ended		Six Months Ended			Three Months Ended		Nine Months Ended	
	August 26, 2023	August 27, 2022	August 26, 2023	August 27, 2022		November 25, 2023	November 26, 2022	November 25, 2023	November 26, 2022
(In thousands)	(In thousands)				(In thousands)				

Basic earnings per share – weighted average common shares outstanding	Basic earnings per share – weighted average common shares outstanding	21,708	21,860	21,813	22,129	Basic earnings per share – weighted average common shares outstanding	21,819	21,870	21,889	22,043
Weighted average effect of nonvested share grants and assumed exercise of stock options	Weighted average effect of nonvested share grants and assumed exercise of stock options	254	385	292	434	Weighted average effect of nonvested share grants and assumed exercise of stock options	194	408	204	413
Diluted earnings per share – weighted average common shares and potential common shares outstanding	Diluted earnings per share – weighted average common shares and potential common shares outstanding	21,962	22,245	22,105	22,563	Diluted earnings per share – weighted average common shares and potential common shares outstanding	22,013	22,278	22,093	22,456
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)	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)	51	120	73	120	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)	37	109	56	109

11. 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 Glass** segment coats and fabricates, high-performance glass used in custom window and wall systems on commercial 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 **Large-Scale Optical (LSO)** segment manufactures high-performance glass and acrylic products for custom framing, museum, and technical glass markets.

(In thousands)	(In thousands)	Three Months Ended		Six Months Ended		(In thousands)	Three Months Ended		Nine Months Ended	
		August 26, 2023	August 27, 2022	August 26, 2023	August 27, 2022		November 25, 2023	November 26, 2022	November 25, 2023	November 26, 2022
Segment net sales	Segment net sales					Segment net sales				
Architectural Framing Systems	Architectural Framing Systems	\$ 158,801	\$ 172,867	\$ 322,963	\$ 336,159	Architectural Framing Systems	\$ 139,585	\$ 165,013	\$ 462,548	\$ 501,172

Architectural Glass	Architectural Glass	94,096	77,352	191,298	153,617	Architectural Glass	90,964	81,541	282,262	235,158
Architectural Services	Architectural Services	88,064	106,732	177,482	210,120	Architectural Services	94,662	102,031	272,144	312,151
Large-Scale Optical	Large-Scale Optical	23,645	25,166	46,101	50,328	Large-Scale Optical	26,009	26,660	72,110	76,988
Intersegment eliminations	Intersegment eliminations	(10,931)	(10,008)	(22,456)	(21,480)	Intersegment eliminations	(11,506)	(7,398)	(33,962)	(28,878)
Net sales	Net sales	<u>\$ 353,675</u>	<u>\$ 372,109</u>	<u>\$ 715,388</u>	<u>\$ 728,744</u>	Net sales	<u>\$ 339,714</u>	<u>\$ 367,847</u>	<u>\$ 1,055,102</u>	<u>\$ 1,096,591</u>
Segment operating income (loss)	Segment operating income (loss)					Segment operating income (loss)				
Architectural Framing Systems	Architectural Framing Systems	\$ 21,060	\$ 20,512	\$ 41,005	\$ 44,177	Architectural Framing Systems	\$ 16,981	\$ 22,089	\$ 57,986	\$ 66,266
Architectural Glass	Architectural Glass	17,434	6,457	33,955	11,626	Architectural Glass	15,164	7,461	49,119	19,087
Architectural Services	Architectural Services	3,519	5,490	2,923	8,417	Architectural Services	5,288	6,032	8,211	14,449
Large-Scale Optical	Large-Scale Optical	4,663	5,991	10,188	12,489	Large-Scale Optical	7,100	7,109	17,288	19,598
Corporate and other*	Corporate and other*	(6,123)	(6,378)	(13,751)	(11,421)	Corporate and other*	(6,886)	(7,930)	(20,637)	(19,351)
Operating income	Operating income	<u>\$ 40,553</u>	<u>\$ 32,072</u>	<u>\$ 74,320</u>	<u>\$ 65,288</u>	Operating income	<u>\$ 37,647</u>	<u>\$ 34,761</u>	<u>\$ 111,967</u>	<u>\$ 100,049</u>

*Corporate and other includes certain corporate expenses that are not allocated at a segment level.

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.

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.

Non-GAAP Measures

We have included in this report measures of financial performance that are not defined by GAAP. We believe that these measures provide useful information to investors, and include these measures in other communications to investors. For each of these non-GAAP financial measures, we are providing a reconciliation of the differences between the non-GAAP measure and the most directly comparable GAAP measure, an explanation of why we believe the non-GAAP measure provides useful information to investors, and any additional material purposes for which our management or Board of Directors uses the non-GAAP measure. These non-GAAP measures should be viewed in addition to, and not in lieu of, the comparable GAAP measure. Adjusted net earnings and adjusted earnings per diluted share (adjusted diluted EPS) are supplemental non-GAAP financial measures provided by the Company to assess performance on a more comparable basis from period-to-period by excluding amounts that management does not consider part of core operating results. Management uses these non-GAAP

measures to evaluate the Company's historical and prospective financial performance, measure operational profitability on a consistent basis, as a factor in determining executive compensation, and to provide enhanced transparency to the investment community.

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).

The three key elements of our enterprise strategy are discussed below:

1. **Become the economic leader in our target markets.** We will **attempt to** 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 **strive to** 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 plan to** 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 working to shift** 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 System**" or **AMS**" **AMS**". **This will be supported by We plan to support this through** a robust talent management program and a commitment to strong governance to ensure compliance and drive sustainable performance.

We have made significant progress toward executing our enterprise strategy and underlying financial targets. 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.

Results of Operations

The following tables provide various components of operations as year over year U.S. dollar and percentage change, as well as a percentage of net sales.

(in thousands, except percentages)	(in thousands, except percentages)	Three Months Ended				% of Net Sales		(in thousands, except percentages)	Three Months Ended				% of Net Sales	
		August 26, 2023	August 27, 2022	\$ Change	% Change	August 26, 2023	August 27, 2022		November 25, 2023	November 26, 2022	\$ Change	% Change	November 25, 2023	November 26, 2022
Net sales	Net sales	\$ 353,675	\$ 372,109	\$ (18,434)	(5.0) %	100.0 %	100.0 %	Net sales	\$ 339,714	\$ 367,847	\$ (28,133)	(7.6) %	100.0 %	100.0 %
Cost of sales	Cost of sales	258,304	287,173	(28,869)	(10.1)	73.0	77.2	Cost of sales	249,409	281,239	(31,830)	(11.3)	73.4	76.5
Gross profit	Gross profit	95,371	84,936	10,435	12.3	27.0	22.8	Gross profit	90,305	86,608	3,697	4.3	26.6	23.5
Selling, general and administrative expenses	Selling, general and administrative expenses	54,818	52,864	1,954	3.7	15.5	14.2	Selling, general and administrative expenses	52,658	51,847	811	1.6	15.5	14.1
Operating income	Operating income	40,553	32,072	8,481	26.4	11.5	8.6	Operating income	37,647	34,761	2,886	8.3	11.1	9.4
Interest expense, net	Interest expense, net	2,230	1,698	532	31.3	0.6	0.5	Interest expense, net	1,454	2,590	(1,136)	(43.9)	0.4	0.7
Other (income) expense, net	Other (income) expense, net	(4,900)	173	(5,073)	N/M	(1.4)	—	Other (income) expense, net	—	—	—	—	—	—
Other expense, net	Other expense, net	—	—	—	—	—	—	Other expense, net	890	552	338	61.2	0.3	0.2
Earnings before income taxes	Earnings before income taxes	43,223	30,201	13,022	43.1	12.2	8.1	Earnings before income taxes	35,303	31,619	3,684	11.7	10.4	8.6
Income tax expense (benefit)	Income tax expense (benefit)	9,896	(7,188)	17,084	N/M	2.8	(1.9)	Income tax expense (benefit)	—	—	—	—	—	—

Income tax expense								Income tax expense							
									8,329	7,854	475	6.0	2.5	2.1	
Net earnings	Net earnings	\$ 33,327	\$ 37,389	\$ (4,062)	(10.9) %	9.4 %	10.0 %	Net earnings	\$ 26,974	\$ 23,765	\$ 3,209	13.5 %	7.9 %	6.5 %	
Effective tax rate	Effective tax rate					22.9 %	(23.8) %	Effective tax rate	23.6 %	24.8 %					

(in thousands, except percentages)	(in thousands, except percentages)	Six Months Ended				% of Net Sales		(in thousands, except percentages)	Nine Months Ended				% of Net Sales	
		August 26, 2023	August 27, 2022	\$ Change	% Change	August 26, 2023	August 27, 2022		November 25, 2023	November 26, 2022	\$ Change	% Change	November 25, 2023	November 26, 2022
Net sales	Net sales	\$ 715,388	\$ 728,744	\$ (13,356)	(1.8) %	100.0 %	100.0 %	Net sales	\$ 1,055,102	\$ 1,096,591	\$(41,489)	(3.8) %	100.0 %	100.0 %
Cost of sales	Cost of sales	527,031	558,191	(31,160)	(5.6)	73.7	76.6	Cost of sales	776,440	839,430	(62,990)	(7.5)	73.6	76.5
Gross profit	Gross profit	188,357	170,553	17,804	10.4	26.3	23.4	Gross profit	278,662	257,161	21,501	8.4	26.4	23.5
Selling, general and administrative expenses	Selling, general and administrative expenses	114,037	105,265	8,772	8.3	15.9	14.4	Selling, general and administrative expenses	166,695	157,112	9,583	6.1	15.8	14.3
Operating income	Operating income	74,320	65,288	9,032	13.8	10.4	9.0	Operating income	111,967	100,049	11,918	11.9	10.6	9.1
Interest expense, net	Interest expense, net	4,266	2,904	1,362	46.9	0.6	0.4	Interest expense, net	5,720	5,494	226	4.1	0.5	0.5
Other (income) expense, net	Other (income) expense, net	(4,612)	1,483	(6,095)	N/M	(0.6)	0.2	Other (income) expense, net	(3,722)	2,035	(5,757)	N/M	(0.4)	0.2
Earnings before income taxes	Earnings before income taxes	74,666	60,901	13,765	22.6	10.4	8.4	Earnings before income taxes	109,969	92,520	17,449	18.9	10.4	8.4
Income tax expense	Income tax expense	17,763	781	16,982	2,174.4	2.5	0.1	Income tax expense	26,092	8,635	17,457	202.2	2.5	0.8
Net earnings	Net earnings	\$ 56,903	\$ 60,120	\$ (3,217)	(5.4) %	8.0 %	8.2 %	Net earnings	\$ 83,877	\$ 83,885	\$ (8)	— %	7.9 %	7.6 %
Effective tax rate	Effective tax rate					23.8 %	1.3 %	Effective tax rate	23.7 %	9.3 %				

Comparison of **Second Third** Quarter Fiscal 2024 to **Second Third** Quarter Fiscal 2023

- Consolidated net sales decreased **5.0%** 7.6%, or **\$18.4 million** \$28.1 million, to **\$353.7 million** \$339.7 million, primarily reflecting lower volumes, partially offset by improved mix and pricing.
- Gross profit increased 4.3%, or \$3.7 million, and gross margin increased to 26.6%, compared to 23.5%. The improvement in gross margin was primarily driven by higher pricing, improved product mix, lower short-term incentive compensation expense, and lower insurance-related expense, partially offset by the impact of lower volume and a less favorable mix of projects in Architectural Services.
- Selling, general and administrative expenses increased \$0.8 million to 15.5% of net sales, compared to 14.1%, primarily due to higher salaries and benefits costs, partially offset by lower short-term incentive compensation expense.
- Operating income grew 8.3% to \$37.6 million, and operating margin increased 170 basis points to 11.1%, primarily driven by improved segment operating margin in Architectural Glass as well as the Architectural Glass segment comprising a higher mix of the consolidated results, partially offset by lower segment operating margin in Architectural Framing Systems.
- Interest expense, net was \$1.5 million, compared to \$2.6 million, reflecting a lower average debt level, partially offset by higher average interest rates.

- Income tax expense was \$8.3 million, compared to \$7.9 million.

Comparison of First Nine Months of Fiscal 2024 to First Nine Months of Fiscal 2023

- Consolidated net sales decreased 3.8%, or \$41.5 million, to \$1.1 billion, primarily reflecting lower volumes in Architectural Framing Systems, and Architectural Services and Large-Scale Optical, partially offset by strong growth improved mix in the Architectural Glass and Architectural Framing Systems segments, as well as improved pricing in the Architectural Glass segment.
- Gross profit increased 12.3% 8.4%, or \$10.4 million \$21.5 million, and to 26.4% of net sales, compared to 23.5%. The gross margin increased to 27.0% compared to 22.8%. The improvement in gross margin was primarily driven by higher gross margins in both Architectural Glass, due to increased pricing and mix, as well as lower short-term incentive compensation expense, primarily in Architectural Framing and Architectural Framing Systems Services, and the increased mix of Architectural Glass in the consolidated results. lower insurance-related expense. This was partially offset by the impact of lower margins volume and a less favorable mix of projects in the Large-Scale Optical segment. Architectural Services.
- Selling, general and administrative expenses increased \$2.0 million \$9.6 million to 15.5% 15.8% of net sales, compared to 14.2% 14.3%. The increase in expenses was primarily due to increased compensation-related expenses salaries and higher benefits and consulting costs. costs, partially offset by lower short-term incentive compensation expense.
- Operating income grew 26.4% 11.9% to \$40.6 million \$112.0 million, and operating margin increased 290 150 basis points to 11.5% 10.6%, primarily driven by improved operating margin in Architectural Glass as well as the Architectural Glass segment comprising a higher mix of the consolidated results.
- Interest expense, net was \$2.2 million \$5.7 million, compared to \$1.7 million \$5.5 million, reflecting a higher average interest rate, partially offset by a lower average debt level.
- Other (income) expense, net included a \$4.7 million pre-tax gain related to finalization of a New Markets Tax Credit transaction realized during the second quarter of fiscal 2024.
- Income tax expense was \$9.9 million \$26.1 million, compared to a tax benefit of \$7.2 million \$8.6 million. The prior year period included a \$13.7 million tax deduction for a worthless stock loss and related discrete tax benefits.

Comparison of First Six Months of Fiscal 2024 to First Six Months of Fiscal 2023

- Consolidated net sales decreased 1.8%, or \$13.4 million to \$715.4 million, primarily reflecting lower volumes in Architectural Framing Systems and Architectural Services, partially offset by improved pricing, mix and volumes in the Architectural Glass segment.
- Gross profit increased 10.4%, or \$17.8 million, to 26.3% of net sales compared to 23.4%. The gross margin improvement was driven primarily by higher margins in the Architectural Glass segment and the increased mix of that segment in consolidated results. This was partially offset by lower margins in the Architectural Services and Large Scale Optical segments.
- Selling, general and administrative expenses increased \$8.8 million to 15.9% of net sales compared to 14.4%. The increase in expenses was primarily due to increased compensation-related expenses, commissions and higher consulting costs.
- Operating income grew 13.8% to \$74.3 million, and operating margin increased 140 basis points to 10.4%, primarily driven by improved operating margin in Architectural Glass as well as the Architectural Glass segment comprising a higher mix of the consolidated results.
- Interest expense, net was \$4.3 million compared to \$2.9 million, reflecting a higher average interest rate, partially offset by a lower average debt level.
- Other (income) expense, net included a \$4.7 million pre-tax gain related to finalization of a New Markets Tax Credit transaction realized during the second quarter of fiscal 2024.
- Income tax expense was \$17.8 million, compared to tax expense of \$0.8 million. The prior year period included a \$13.7 million tax deduction for a worthless stock loss and related discrete tax benefits.

Segment Analysis

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

(In thousands, except percentages)	Three Months Ended			Six Months Ended			(In thousands, except percentages)	Three Months Ended			Nine Months En	
	August 26,	August 27,	%	August 26,	August 27,	%		November 25,	November 26,	%	November 25,	Novembe
	2023	2022	Change	2023	2022	Change		2023	2022	Change	2023	2022

Segment net sales	Segment net sales							Segment net sales						
Architectural Framing Systems	Architectural Framing Systems	\$158,801	\$172,867	(8.1)%	\$322,963	\$336,159	(3.9)%	Architectural Framing Systems	\$139,585	\$165,013	(15.4)%	\$ 462,548	\$ 501,111	(7.8)%
Architectural Glass	Architectural Glass	94,096	77,352	21.6	191,298	153,617	24.5	Architectural Glass	90,964	81,541	11.6	282,262	235,111	20.0
Architectural Services	Architectural Services	88,064	106,732	(17.5)	177,482	210,120	(15.5)	Architectural Services	94,662	102,031	(7.2)	272,144	312,111	(12.8)
Large-Scale Optical	Large-Scale Optical	23,645	25,166	(6.0)	46,101	50,328	(8.4)	Large-Scale Optical	26,009	26,660	(2.4)	72,110	76,944	(6.3)
Intersegment eliminations	Intersegment eliminations	(10,931)	(10,008)	9.2	(22,456)	(21,480)	4.5	Intersegment eliminations	(11,506)	(7,398)	55.5	(33,962)	(28,811)	17.7
Net sales	Net sales	<u>\$353,675</u>	<u>\$372,109</u>	(5.0)%	<u>\$715,388</u>	<u>\$728,744</u>	(1.8)%	Net sales	<u>\$339,714</u>	<u>\$367,847</u>	(7.6)%	<u>\$1,055,102</u>	<u>\$1,096,544</u>	(3.7)%
Segment operating income (loss)	Segment operating income (loss)							Segment operating income (loss)						
Architectural Framing Systems	Architectural Framing Systems	\$ 21,060	\$ 20,512	2.7 %	\$ 41,005	\$ 44,177	(7.2)%	Architectural Framing Systems	\$ 16,981	\$ 22,089	(23.1)%	\$ 57,986	\$ 66,200	(12.4)%
Architectural Glass	Architectural Glass	17,434	6,457	170.0	33,955	11,626	192.1	Architectural Glass	15,164	7,461	103.2	49,119	19,000	156.4
Architectural Services	Architectural Services	3,519	5,490	(35.9)	2,923	8,417	(65.3)	Architectural Services	5,288	6,032	(12.3)	8,211	14,400	(43.1)
Large-Scale Optical	Large-Scale Optical	4,663	5,991	(22.2)	10,188	12,489	(18.4)	Large-Scale Optical	7,100	7,109	(0.1)	17,288	19,500	(11.3)
Corporate and other*	Corporate and other*	(6,123)	(6,378)	(4.0)	(13,751)	(11,421)	20.4	Corporate and other*	(6,886)	(7,930)	(13.2)	(20,637)	(19,350)	6.7
Operating income	Operating income	<u>\$ 40,553</u>	<u>\$ 32,072</u>	26.4 %	<u>\$ 74,320</u>	<u>\$ 65,288</u>	13.8 %	Operating income	<u>\$ 37,647</u>	<u>\$ 34,761</u>	8.3 %	<u>\$ 111,967</u>	<u>\$ 100,000</u>	11.9 %
Segment operating margin	Segment operating margin							Segment operating margin						
Architectural Framing Systems	Architectural Framing Systems	13.3 %	11.9 %		12.7 %	13.1 %		Architectural Framing Systems	12.2 %	13.4 %		12.5 %	13.1 %	
Architectural Glass	Architectural Glass	18.5	8.3		17.7	7.6		Architectural Glass	16.7	9.1		17.4	8.0	
Architectural Services	Architectural Services	4.0	5.1		1.6	4.0		Architectural Services	5.6	5.9		3.0	4.0	
Large-Scale Optical	Large-Scale Optical	19.7	23.8		22.1	24.8		Large-Scale Optical	27.3	26.7		24.0	25.0	
Corporate and other	Corporate and other	N/M	N/M		N/M	N/M		Corporate and other	N/M	N/M		N/M	N/M	
Operating income	Operating income		8.6 %		10.4 %	9.0 %		Operating income	11.1 %	9.4 %		10.6 %	9.0 %	

N/M Indicates calculation not meaningful.

Architectural Framing Systems

Comparison of **Second Third** Quarter Fiscal 2024 to **Second Third** Quarter Fiscal 2023

- Net sales **decreased \$14.1 million** were **\$139.6 million**, or **8.1%** compared to **\$165.0 million**, primarily reflecting lower volume due to slowing demand in our short-cycle business, partially offset by a more favorable sales mix.
- Operating income **increased to \$21.1 million** was **\$17.0 million**, or **13.3%** **12.2%** of net sales, compared to **\$20.5 million** **\$22.1 million**, or **11.9%** **13.4%** of net sales. The **operating margin improvement** sales, primarily reflecting the impact of lower volume. This result was **primarily driven** partially offset by improved sales mix, improved productivity, and cost efficiencies, partially offset by the impact of lower volume. short-term incentive compensation-related expenses.

Comparison of First ~~Six~~ ~~Nine~~ Months of Fiscal 2024 to First ~~Six~~ ~~Nine~~ Months of Fiscal 2023

- Net sales ~~decreased \$13.2 million~~ were \$462.5 million, or ~~3.9%~~ compared to \$501.2 million, primarily reflecting lower volume, partially offset by more favorable sales mix and improved pricing.
- Operating income ~~decreased to \$41.0 million~~ was \$58.0 million, or ~~12.7%~~ ~~12.5%~~ of net sales, compared to ~~\$44.2 million~~ ~~\$66.3 million~~, or ~~13.1%~~ ~~13.2%~~ of net sales. The ~~operating margin decline was sales~~, primarily driven by the impact of lower volume, as well as the unfavorable comparative impact of timing of inventory flows and aluminum prices in the prior year period. These items were volume. This result was partially offset by improved sales mix ~~favorable pricing~~ and ~~cost efficiencies~~. ~~lower short-term incentive compensation-related expenses~~.

Architectural Glass

Comparison of ~~Second~~ ~~Third~~ Quarter Fiscal 2024 to ~~Second~~ ~~Third~~ Quarter Fiscal 2023

- Net sales increased ~~\$16.7 million~~ ~~\$9.4 million~~, or ~~21.6%~~ ~~11.6%~~, primarily driven by improved ~~pricing mix~~ and ~~mix~~, ~~pricing~~, reflecting the strategic shift to emphasize premium, high performance products, ~~as well as higher~~ partially offset by lower volume.
- Operating income increased to ~~\$17.4 million~~ ~~\$15.2 million~~, or ~~18.5%~~ ~~16.7%~~ of net sales, compared to ~~\$6.5 million~~ ~~\$7.5 million~~, or ~~8.3%~~ ~~9.1%~~ of net sales. The ~~higher~~ operating margin improvement was primarily driven by the impact of improved ~~pricing mix~~ and ~~mix~~, as well as higher volume, ~~pricing~~, partially offset by ~~the impact of lower volume and~~ cost inflation.

Comparison of First ~~Six~~ ~~Nine~~ Months of Fiscal 2024 to First ~~Six~~ ~~Nine~~ Months of Fiscal 2023

- Net sales increased ~~\$37.7 million~~ ~~\$47.1 million~~, or ~~24.5%~~ ~~20.0%~~, driven by improved pricing, a more favorable sales mix, and higher volume, reflecting the segment's strategic shift to emphasize premium, high-performance products.
- Operating income increased to ~~\$34.0 million~~ ~~\$49.1 million~~, or ~~17.7%~~ ~~17.4%~~ of net sales, compared to ~~\$11.6 million~~ ~~\$19.1 million~~, or ~~7.6%~~ ~~8.1%~~ of net sales. The operating margin improvement was primarily driven by ~~the improved pricing and mix~~, ~~and the impact of higher volume~~, partially offset by cost inflation.

Architectural Services

Comparison of ~~Second~~ ~~Third~~ Quarter Fiscal 2024 to ~~Second~~ ~~Third~~ Quarter Fiscal 2023

- Net sales ~~decreased \$18.7 million~~ were \$94.7 million, compared to \$102.0 million, primarily reflecting a less favorable mix of projects in the quarter.
- Operating income was \$5.3 million, or ~~17.5%~~ ~~5.6%~~ of net sales, compared to \$6.0 million, or ~~5.9%~~ of net sales. The change in operating margin was primarily driven by a less favorable mix of projects, partially offset by lower short-term incentive compensation expense.

Comparison of First Nine Months of Fiscal 2024 to First Nine Months of Fiscal 2023

- Net sales were \$272.1 million, compared to \$312.2 million, primarily reflecting lower project volume due to a higher mix of projects in earlier stages of ~~completion~~. ~~completion~~ and a less favorable mix of projects.
- Operating income was ~~\$3.5 million~~ ~~\$8.2 million~~, or ~~4.0%~~ ~~3.0%~~ of net sales, compared to ~~\$5.5 million~~ ~~\$14.4 million~~, or ~~5.1%~~ ~~4.6%~~ of net sales. The decline in operating margin was primarily driven by ~~the impact of lower project volume~~.

Comparison of First Six Months of Fiscal 2024 to First Six Months of Fiscal 2023

- Net sales decreased \$32.6 million, or ~~15.5%~~, primarily reflecting lower project volume due to a higher mix of projects in earlier stages of ~~completion~~.
- Operating income was \$2.9 million, or ~~1.6%~~ ~~completion~~ and a less favorable mix of net sales, compared to \$8.4 million, or ~~4.0%~~ of net sales. The decline in operating margin was primarily due to the impact of ~~project~~, partially offset by lower ~~project volume~~. ~~short-term incentive compensation expense~~.

Large-Scale Optical (LSO)

Comparison of ~~Second~~ ~~Third~~ Quarter Fiscal 2024 to ~~Second~~ ~~Third~~ Quarter Fiscal 2023

- LSO net sales ~~decreased \$1.5 million~~ were \$26.0 million, or ~~6.0%~~ compared to \$26.7 million, primarily reflecting lower volume ~~driven by customer inventory destocking, from slower retail demand~~, partially offset by a more favorable ~~mix~~. ~~mix and pricing~~.
- Operating income was ~~\$4.7 million~~ ~~\$7.1 million~~, or ~~19.7%~~ with operating margin improving to 27.3% of net sales, compared to ~~\$6.0 million~~ ~~26.7%~~ due to favorable mix and pricing.

Comparison of First Nine Months of Fiscal 2024 to First Nine Months of Fiscal 2023

- LSO net sales were \$72.1 million, compared to \$77.0 million, primarily reflecting lower volume due to customer destocking and slower demand in the retail markets, partially offset by a more favorable mix and pricing.

- Operating income was \$17.3 million, or 23.8% 24.0% of net sales. The decline in operating margin was sales, compared to \$19.6 million, or 25.5% of net sales, primarily driven by the impact of lower volume, partially offset by improved price more favorable mix and mix, pricing.

Corporate and other

Comparison of Third Quarter Fiscal 2024 to Third Quarter Fiscal 2023

- Corporate and other expense was \$6.9 million, compared to \$7.9 million, primarily reflecting lower insurance-related costs.

Comparison of First Six Nine Months of Fiscal 2024 to First Six Nine Months of Fiscal 2023

- LSO net sales decreased \$4.2 million, or 8.4%, primarily reflecting lower volume due to customer inventory destocking, partially offset by a more favorable mix.
- Operating income was \$10.2 million, or 22.1% of net sales, compared to \$12.5 million, or 24.8% of net sales. The decline in operating margin was primarily driven by the impact of lower volume, partially offset by improved price and mix.

Corporate and other

Comparison of Second Quarter Fiscal 2024 to Second Quarter Fiscal 2023

- Our corporate and other expense was \$6.1 million \$20.6 million, compared to \$6.4 million.

Comparison of First Six Months of Fiscal 2024 to First Six Months of Fiscal 2023

- Our corporate and other expense increased to \$13.8 million, compared to \$11.4 million, \$19.4 million primarily due to an increase in compensation expense and higher consulting costs, partially offset by lower insurance-related costs.

Backlog

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 also have visibility into future business commitments beyond backlog, as projects awarded, verbal commitments and bidding activities are not included in backlog.

Architectural Framing Systems

As of August 26, 2023 November 25, 2023, segment backlog was approximately \$197 million \$183.9 million, compared to approximately \$221 million \$197.5 million at the end of the prior quarter, and to approximately \$286 million \$246.2 million at the end of the second third quarter of fiscal 2023. The reduction in backlog compared to both periods was primarily driven by a decline in our longer-cycle business, reflecting delays in award activity, and a continued strategic shift in this business toward projects that allow for more attractive margins.

Architectural Services

As of August 26, 2023 November 25, 2023, segment backlog was approximately \$674 million \$776.5 million, compared to approximately \$709 million \$674.4 million at the end of the prior quarter, and to approximately \$785 million \$740.9 million at the end of the second third quarter of fiscal 2023. The decline increase in backlog compared to the prior quarter was primarily driven by delays several large project awards in award activity, the current quarter.

Net earnings, diluted EPS, adjusted net earnings (non-GAAP), and adjusted diluted EPS (non-GAAP)

In order to provide a better understanding of the impact of certain items on our net earnings and diluted EPS, the tables that follow report the comparative impact of certain items on net earnings and diluted EPS for the periods presented below. Adjusted net earnings and adjusted diluted EPS are considered non-GAAP financial measures as contemplated by SEC Regulation G, Rule 100. G. For additional information regarding management's decision to present this non-GAAP financial information, see the introduction to this Item 2., "Management's Discussion and Analysis of Financial Condition and Results of Operations."

		Three Months Ended			Six Months Ended				Three Months Ended			Nine Months Ended		
		August 26,	August 27,		August 26,	August 27,	%		November	November	%	November	November	%
(In thousands)	(In thousands)	2023	2022	% change	2023	2022	change	(In thousands)	25, 2023	26, 2022	change	25, 2023	26, 2022	change
Net earnings	Net earnings	\$ 33,327	\$ 37,389	(10.9) %	\$ 56,903	\$ 60,120	(5.4) %	Net earnings	\$ 26,974	\$ 23,765	13.5 %	\$ 83,877	\$ 83,885	— %
NMTC settlement gain ⁽¹⁾	NMTC settlement gain ⁽¹⁾	(4,687)	—		(4,687)	—		NMTC settlement gain ⁽¹⁾	—	—		(4,687)	—	
Worthless stock deduction and related discrete tax benefits ⁽²⁾	Worthless stock deduction and related discrete tax benefits ⁽²⁾	—	(13,702)		—	(13,702)		Worthless stock deduction and related discrete tax benefits ⁽²⁾	—	—		—	(13,702)	

Income tax impact on above adjustments	Income tax impact on above adjustments	1,148	—		1,148	—		Income tax impact on above adjustments	—	—		1,148	—	
Adjusted net earnings	Adjusted net earnings	\$ 29,788	\$ 23,687	25.8 %	\$ 53,364	\$ 46,418	15.0 %	Adjusted net earnings	\$ 26,974	\$ 23,765	13.5 %	\$ 80,338	\$ 70,183	14.5 %
		Three Months Ended			Six Months Ended				Three Months Ended			Nine Months Ended		
		August 26, 2023	August 27, 2022	% change	August 26, 2023	August 27, 2022	% change		November 25, 2023	November 26, 2022	% change	November 25, 2023	November 26, 2022	% change
Diluted EPS	Diluted EPS	\$ 1.52	\$ 1.68	(9.5) %	\$ 2.57	\$ 2.66	(3.4) %	Diluted EPS	\$ 1.23	\$ 1.07	15.0 %	\$ 3.80	\$ 3.74	1.6 %
NMTC settlement gain ⁽¹⁾	NMTC settlement gain ⁽¹⁾	(0.21)			(0.21)	—		NMTC settlement gain ⁽¹⁾	—			(0.21)	—	
Worthless stock deduction and related discrete tax benefits ⁽²⁾	Worthless stock deduction and related discrete tax benefits ⁽²⁾	—	(0.62)		—	(0.61)		Worthless stock deduction and related discrete tax benefits ⁽²⁾	—	—		—	(0.61)	
Income tax impact on above adjustments	Income tax impact on above adjustments	0.05	—		0.05	—		Income tax impact on above adjustments	—	—		0.05	—	
Adjusted diluted EPS	Adjusted diluted EPS	\$ 1.36	\$ 1.06	28.3 %	\$ 2.41	\$ 2.06	17.0 %	Adjusted diluted EPS	\$ 1.23	\$ 1.07	15.0 %	\$ 3.64	\$ 3.13	16.3 %
Weighted average diluted shares outstanding	Weighted average diluted shares outstanding	21,962	22,245		22,105	22,563		Weighted average diluted shares outstanding	22,013	22,278		22,093	22,456	

(1) Realization of a New Market Tax Credit (NMTC) benefit during the second quarter of fiscal 2024, which was recorded in other (income) expense, net.

(2) Worthless stock deduction and related discrete income tax benefits from the impairment of the Sotawall business in fiscal 2023, which were recorded in income tax expense (benefit).

Comparison of Second Third Quarter Fiscal 2024 to Second Third Quarter Fiscal 2023

- Net earnings were \$33.3 million \$27.0 million, compared to \$37.4 million. \$23.8 million, driven by higher operating income, lower interest expense and a lower effective tax rate.
- Diluted EPS was \$1.52, \$1.23, compared to \$1.68, \$1.07, due to higher net earnings and lower weighted average diluted shares outstanding.
- Adjusted net earnings increased 25.8% 13.5% to \$29.8 million \$27.0 million, compared to \$23.7 million \$23.8 million. Adjusted diluted EPS increased 28.3% 15.0% to \$1.36, \$1.23, compared to \$1.06, \$1.07.

Comparison of First Six Nine Months of Fiscal 2024 to First Six Nine Months of Fiscal 2023

- Net earnings were \$56.9 million, compared to \$60.1 million. essentially flat at \$83.9 million for both periods driven by higher earnings before taxes, offset by a higher effective tax rate.
- Diluted EPS was \$2.57, \$3.80, compared to \$2.66, \$3.74, due to lower weighted average diluted shares outstanding.
- Adjusted net earnings increased 15.0% 14.5% to \$53.4 million \$80.3 million, compared to \$46.4 million \$70.2 million. Adjusted diluted EPS increased 17.0% 16.3% to \$2.41, \$3.64, compared to \$2.06, \$3.13.

Liquidity and Capital Resources

We rely on cash provided by operations for our 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 \$62.6 million \$129.3 million for the first six nine months of fiscal 2024, compared to \$2.6 million \$51.1 million of net cash used by operating activities in the prior year period, primarily reflecting improved driven by favorable working capital in changes compared to the current year period. prior year.

Investing Activities. Net cash used by investing activities was \$15.1 million \$26.3 million for the first six nine months of fiscal 2024, compared to \$4.7 million \$12.0 million in the prior year, driven primarily by higher increased capital expenditures primarily to fund strategic initiatives, investments.

Financing Activities. Net cash used by financing activities was \$50.1 million \$100.4 million for the first six nine months of fiscal 2024, compared to net cash provided used by financing activities of \$0.5 million \$51.6 million in the prior year period. The increase in cash used for financing activities was primarily driven by higher net debt payments in the current year period.

We paid dividends totaling \$10.5 million \$15.7 million (\$0.48 0.72 per share) in the first six nine months of fiscal 2024, compared to \$9.6 million \$14.4 million (\$0.44 0.66 per share) in the comparable prior year period. During the first six nine months of fiscal 2024, we repurchased 279,916 shares under our authorized share repurchase program, for a total cost of \$11.8 million. In the first six nine 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 11,276,517 shares, at a total cost of \$393.5 million. As of August 26, 2023 November 25, 2023, we had remaining authority to repurchase an additional 973,483 2,973,483 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 second third quarter of fiscal 2024, we had a committed revolving credit facility in the U.S. 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 August 26, 2023 November 25, 2023, we had outstanding borrowings under our committed, revolving credit facility of \$130.0 million \$85.0 million, and \$3.7 million outstanding under the Canadian committed, revolving credit facilities. 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 facilities contain 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. Both ratios are computed quarterly, with EBITDA calculated on a rolling four-quarter basis. At August 26, 2023 November 25, 2023, we were in compliance with both financial covenants (which are identical in both all three of our revolving credit facilities).

The U.S. revolving credit facility facilities also contains contain an acquisition holiday. 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.

Borrowings under the credit facilities 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) Agreements. For Base Rate borrowings, the margin ranges from 0.125% to 0.75%. For Term SOFR borrowings, the margin ranges from 1.135% 1.125% to 1.85% 1.75% and an incremental Term SOFR adjustment of 0.10%.

The U.S. 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 August 26, 2023 November 25, 2023, we had a total of \$15.2 million \$15.0 million of ongoing letters of credit related to industrial revenue bonds, construction contracts and insurance collateral that expire in fiscal years 2024 to 2032 year 2025 and reduce borrowing capacity under the U.S. revolving credit facility. As of August 26, 2023 November 25, 2023, the amount available for revolving borrowings under the Wells Fargo U.S credit facility was \$239.8 million \$285.0 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 \$48.1 million \$42.7 million at August 26, 2023 November 25, 2023, with \$6.6 million \$3.5 million payable during the remainder of fiscal 2024.

As of August 26, 2023 November 25, 2023, we had \$30.4 million \$45.0 million of open purchase obligations, of which payments totaling \$20.7 million \$12.2 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 August 26, 2023 November 25, 2023, we had reserves of \$5.3 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 **August 26, 2023** **November 25, 2023**, \$1.3 billion of these types of bonds were outstanding, of which **\$452.4 million** **\$398.4 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 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 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 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 **August 26, 2023** **November 25, 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 **second** **third** 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	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (b)
			(b)	Programs (b)
May 27, 2023 to June 24, 2023	146,417	\$ 41.28	144,945	988,538
June 25, 2023 to July 22, 2023	27,844	44.70	15,055	973,483
July 23, 2023 to August 26, 2023	—	—	—	973,483

Total	174,261	\$ 42.37	160,000	973,483
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Period	Total Number of Shares	Average Price	Total Number of Shares	Maximum Number of
	Purchased (a)	Paid per Share	Purchased as Part of Publicly Announced Plans or Programs (b)	Shares that May Yet Be Purchased under the Plans or Programs (b)
August 27, 2023 to September 23, 2023	122	\$ 48.40	—	973,483
September 24, 2023 to October 21, 2023	1,500	47.08	—	2,973,483
October 22, 2023 to November 25, 2023	—	—	—	2,973,483
Total	1,622	\$ 47.74	—	2,973,483

- (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. We did not purchase any shares pursuant to our publicly announce repurchase program during the fiscal quarter.
- (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, January 14, 2022 and January 14, 2022 October 6, 2023. The repurchase program does not have an expiration date.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements

During the three months ending August 26, 2023 November 25, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated any "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408(c) of Regulation S-K.

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).
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 August 26, 2023 November 25, 2023, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Balance Sheets as of August 26, 2023 November 25, 2023 and February 25, 2023, (ii) the Consolidated Results of Operations for the three- and six-months nine-months ended August 26, 2023 November 25, 2023 and August 27, 2022 November 26, 2022, (iii) the Consolidated Statements of Comprehensive Earnings for the three- and six-months nine-months ended August 26, 2023 November 25, 2023 and August 27, 2022 November 26, 2022, (iv) the Consolidated Statements of Cash Flows for the six-months nine-months ended August 26, 2023 November 25, 2023 and August 27, 2022 November 26, 2022, (v) the Consolidated Statements of Shareholders' Equity for the three- and six-months nine-months ended August 26, 2023 November 25, 2023 and August 27, 2022 November 26, 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: **October 4, 2023** January 3, 2024

By: /s/ Ty R. Silberhorn

Ty R. Silberhorn
President and Chief Executive Officer
(Principal Executive Officer)

Date: **October 4, 2023** January 3, 2024

By: /s/ Matthew J. Osberg

Matthew J. Osberg
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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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: **October 4, 2023** January 3, 2024

/s/ Ty R. Silberhorn

Ty R. Silberhorn
President and Chief Executive Officer

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: **October 4, 2023** January 3, 2024

/s/ Matthew J. Osberg

Matthew J. Osberg

Executive Vice President and Chief Financial Officer

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 **August 26, 2023** **November 25, 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

October 4, 2023 January 3, 2024

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 August 26, 2023 November 25, 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

October 4, 2023 January 3, 2024

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