

APOGEE ENTERPRISES, INC.  
Form 10-Q  
July 12, 2018

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

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF  
<sup>x</sup> 1934

For the quarterly period ended June 2, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF  
<sup>o</sup> 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 0-6365

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

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|                                                                   |                                         |
|-------------------------------------------------------------------|-----------------------------------------|
| Minnesota                                                         | 41-0919654                              |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>Identification No.) |

4400 West 78<sup>th</sup> Street – Suite 520, 55435  
Minneapolis, MN  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code: (952) 835-1874

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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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. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

☒ Yes ☐ 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 ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended ☐  
transition period for complying with any new or revised financial accounting standards provided pursuant to

Section 13(a) of the Exchange Act.

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

As of July 11, 2018, 28,271,461 shares of the registrant's common stock, par value \$0.33 1/3 per share, were outstanding.

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Table of Contents

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES

|                                                                                                      | Page |
|------------------------------------------------------------------------------------------------------|------|
| PART I <u>Financial Information</u>                                                                  |      |
| Item 1. <u>Financial Statements (Unaudited):</u>                                                     |      |
| <u>Consolidated Balance Sheets</u>                                                                   | 4    |
| <u>Consolidated Results of Operations</u>                                                            | 5    |
| <u>Consolidated Statements of Comprehensive Earnings</u>                                             | 6    |
| <u>Consolidated Statements of Cash Flows</u>                                                         | 7    |
| <u>Consolidated Statements of Shareholders' Equity</u>                                               | 8    |
| <u>Notes to Consolidated Financial Statements</u>                                                    | 9    |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 20   |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | 25   |
| Item 4. <u>Controls and Procedures</u>                                                               | 25   |
| PART II <u>Other Information</u>                                                                     |      |
| Item 1. <u>Legal Proceedings</u>                                                                     | 25   |
| Item 1A. <u>Risk Factors</u>                                                                         | 25   |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | 25   |
| Item 6. <u>Exhibits</u>                                                                              | 26   |
| <u>Signatures</u>                                                                                    | 27   |

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED BALANCE SHEETS

(unaudited)

In thousands, except stock data

|                                                                                                                                   | June 2, 2018 | March 3, 2018 |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|
| Assets                                                                                                                            |              |               |
| Current assets                                                                                                                    |              |               |
| Cash and cash equivalents                                                                                                         | \$21,620     | \$19,359      |
| Short-term available for sale securities                                                                                          | 2,394        | 423           |
| Receivables, net of allowance for doubtful accounts                                                                               | 185,543      | 211,852       |
| Inventories                                                                                                                       | 77,299       | 80,908        |
| Costs and earnings on contracts in excess of billings                                                                             | 39,365       | 4,120         |
| Refundable income taxes                                                                                                           | 2,356        | 2,040         |
| Other current assets                                                                                                              | 15,573       | 17,576        |
| Total current assets                                                                                                              | 344,150      | 336,278       |
| Property, plant and equipment, net                                                                                                | 304,350      | 304,063       |
| Available for sale securities                                                                                                     | 12,738       | 8,630         |
| Goodwill                                                                                                                          | 187,034      | 180,956       |
| Intangible assets                                                                                                                 | 161,964      | 167,349       |
| Other non-current assets                                                                                                          | 25,079       | 25,044        |
| Total assets                                                                                                                      | \$1,035,315  | \$1,022,320   |
| Liabilities and Shareholders' Equity                                                                                              |              |               |
| Current liabilities                                                                                                               |              |               |
| Accounts payable                                                                                                                  | \$72,050     | \$68,416      |
| Accrued payroll and related benefits                                                                                              | 29,076       | 36,646        |
| Accrued self-insurance reserves                                                                                                   | 5,047        | 10,933        |
| Billings on contracts in excess of costs and earnings                                                                             | 24,381       | 12,461        |
| Other current liabilities                                                                                                         | 74,269       | 79,696        |
| Total current liabilities                                                                                                         | 204,823      | 208,152       |
| Long-term debt                                                                                                                    | 214,540      | 215,860       |
| Long-term self-insurance reserves                                                                                                 | 18,720       | 16,307        |
| Other non-current liabilities                                                                                                     | 72,645       | 70,646        |
| Commitments and contingent liabilities (Note 8)                                                                                   |              |               |
| Shareholders' equity                                                                                                              |              |               |
| Common stock of \$0.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding 28,225,767 and 28,158,042 respectively | 9,409        | 9,386         |
| Additional paid-in capital                                                                                                        | 154,261      | 152,763       |
| Retained earnings                                                                                                                 | 386,518      | 373,259       |
| Common stock held in trust                                                                                                        | (831)        | (922)         |
| Deferred compensation obligations                                                                                                 | 831          | 922           |
| Accumulated other comprehensive loss                                                                                              | (25,601)     | (24,053)      |
| Total shareholders' equity                                                                                                        | 524,587      | 511,355       |
| Total liabilities and shareholders' equity                                                                                        | \$1,035,315  | \$1,022,320   |

See accompanying notes to consolidated financial statements.



Table of Contents

## CONSOLIDATED RESULTS OF OPERATIONS

(unaudited)

| In thousands, except per share data          | Three Months Ended |                 |
|----------------------------------------------|--------------------|-----------------|
|                                              | June 2,<br>2018    | June 3,<br>2017 |
| Net sales                                    | \$336,531          | \$272,307       |
| Cost of sales                                | 255,801            | 202,013         |
| Gross profit                                 | 80,730             | 70,294          |
| Selling, general and administrative expenses | 58,735             | 46,188          |
| Operating income                             | 21,995             | 24,106          |
| Interest income                              | 230                | 167             |
| Interest expense                             | 1,949              | 444             |
| Other (expense) income, net                  | (22 )              | 179             |
| Earnings before income taxes                 | 20,254             | 24,008          |
| Income tax expense                           | 4,881              | 7,904           |
| Net earnings                                 | \$15,373           | \$16,104        |
| Earnings per share - basic                   | \$0.55             | \$0.56          |
| Earnings per share - diluted                 | \$0.54             | \$0.56          |
| Weighted average basic shares outstanding    | 28,189             | 28,851          |
| Weighted average diluted shares outstanding  | 28,437             | 28,861          |

See accompanying notes to consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(unaudited)

|                                                                                             | Three Months |           |
|---------------------------------------------------------------------------------------------|--------------|-----------|
|                                                                                             | Ended        |           |
| In thousands                                                                                | June 2,      | June 3,   |
|                                                                                             | 2018         | 2017      |
| Net earnings                                                                                | \$ 15,373    | \$ 16,104 |
| Other comprehensive earnings:                                                               |              |           |
| Unrealized gain on marketable securities, net of \$2 and \$33 of tax expense, respectively  | 10           | 62        |
| Unrealized loss on foreign currency hedge, net of \$92 and \$0 of tax benefit, respectively | (304 )       | —         |
| Foreign currency translation adjustments                                                    | (517 )       | (718 )    |
| Other comprehensive earnings                                                                | (811 )       | (656 )    |
| Total comprehensive earnings                                                                | \$ 14,562    | \$ 15,448 |

See accompanying notes to consolidated financial statements.



Table of Contents

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

| In thousands                                                                        | Three Months<br>Ended |                 |
|-------------------------------------------------------------------------------------|-----------------------|-----------------|
|                                                                                     | June 2,<br>2018       | June 3,<br>2017 |
| Operating Activities                                                                |                       |                 |
| Net earnings                                                                        | \$15,373              | \$16,104        |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                       |                 |
| Depreciation and amortization                                                       | 14,050                | 11,423          |
| Share-based compensation                                                            | 1,514                 | 1,403           |
| Deferred income taxes                                                               | 4,094                 | 2,540           |
| Other, net                                                                          | (440)                 | (1,223)         |
| Changes in operating assets and liabilities:                                        |                       |                 |
| Receivables                                                                         | 26,183                | 5,125           |
| Inventories                                                                         | 6,578                 | (8,093)         |
| Costs and earnings on contracts in excess of billings                               | (35,258)              | 381             |
| Accounts payable and accrued expenses                                               | (19,715)              | (30,736)        |
| Billings on contracts in excess of costs and earnings                               | 11,933                | 5,109           |
| Refundable and accrued income taxes                                                 | 301                   | 4,867           |
| Other, net                                                                          | 730                   | (988)           |
| Net cash provided by operating activities                                           | 25,343                | 5,912           |
| Investing Activities                                                                |                       |                 |
| Capital expenditures                                                                | (9,327)               | (11,430)        |
| Proceeds from sales of property, plant and equipment                                | 706                   | —               |
| Purchases of marketable securities                                                  | (8,619)               | (1,535)         |
| Sales/maturities of marketable securities                                           | 2,495                 | 3,220           |
| Other, net                                                                          | (1,485)               | 1,742           |
| Net cash used in investing activities                                               | (16,230)              | (8,003)         |
| Financing Activities                                                                |                       |                 |
| Borrowings on line of credit                                                        | 90,000                | 37,000          |
| Payments on line of credit                                                          | (92,000)              | (31,000)        |
| Shares withheld for taxes, net of stock issued to employees                         | (1,433)               | (1,596)         |
| Dividends paid                                                                      | (4,410)               | (4,002)         |
| Other                                                                               | 712                   | —               |
| Net cash (used in) provided by financing activities                                 | (7,131)               | 402             |
| Increase (decrease) in cash and cash equivalents                                    | 1,982                 | (1,689)         |
| Effect of exchange rates on cash                                                    | 279                   | 47              |
| Cash, cash equivalents and restricted cash at beginning of year                     | 19,359                | 27,297          |
| Cash, cash equivalents and restricted cash at end of period                         | \$21,620              | \$25,655        |
| Noncash Activity                                                                    |                       |                 |
| Capital expenditures in accounts payable                                            | \$2,162               | \$4,201         |

See accompanying notes to consolidated financial statements.

Table of Contents

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited)

| In thousands                                                       | Common<br>Shares<br>Outstanding | Common<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Common<br>Stock<br>Held in<br>Trust | Deferred<br>Compensation<br>Obligation | Accumulated<br>Other<br>Comprehensive<br>(Loss)<br>Income |
|--------------------------------------------------------------------|---------------------------------|-----------------|----------------------------------|----------------------|-------------------------------------|----------------------------------------|-----------------------------------------------------------|
| Balance at March 3, 2018                                           | 28,158                          | \$9,386         | \$152,763                        | \$373,259            | \$ (922 )                           | \$ 922                                 | \$ (24,053 )                                              |
| Cumulative effect adjustment (see Note 1)                          | —                               | —               | —                                | 2,999                | —                                   | —                                      | —                                                         |
| Reclassification of tax effects (see Note 1)                       | —                               | —               | —                                | 737                  | —                                   | —                                      | (737 )                                                    |
| Net earnings                                                       | —                               | —               | —                                | 15,373               | —                                   | —                                      | —                                                         |
| Unrealized gain on marketable securities, net of \$2 tax expense   | —                               | —               | —                                | —                    | —                                   | —                                      | 10                                                        |
| Unrealized loss on foreign currency hedge, net of \$92 tax benefit | —                               | —               | —                                | —                    | —                                   | —                                      | (304 )                                                    |
| Foreign currency translation adjustments                           | —                               | —               | —                                | —                    | —                                   | —                                      | (517 )                                                    |
| Issuance of stock, net of cancellations                            | 90                              | 30              | 35                               | —                    | 91                                  | (91 )                                  | —                                                         |
| Share-based compensation                                           | —                               | —               | 1,514                            | —                    | —                                   | —                                      | —                                                         |
| Exercise of stock options                                          | 19                              | 6               | 177                              | —                    | —                                   | —                                      | —                                                         |
| Other share retirements                                            | (41 )                           | (13 )           | (228 )                           | (1,440 )             | —                                   | —                                      | —                                                         |
| Cash dividends                                                     | —                               | —               | —                                | (4,410 )             | —                                   | —                                      | —                                                         |
| Balance at June 2, 2018                                            | 28,226                          | \$9,409         | \$154,261                        | \$386,518            | \$ (831 )                           | \$ 831                                 | \$ (25,601 )                                              |
| Balance at March 4, 2017                                           | 28,680                          | \$9,560         | \$150,111                        | \$341,996            | \$ (875 )                           | \$ 875                                 | \$ (31,090 )                                              |
| Net earnings                                                       | —                               | —               | —                                | 16,104               | —                                   | —                                      | —                                                         |
| Unrealized gain on marketable securities, net of \$33 tax expense  | —                               | —               | —                                | —                    | —                                   | —                                      | 62                                                        |
| Foreign currency translation adjustments                           | —                               | —               | —                                | —                    | —                                   | —                                      | (718 )                                                    |
| Issuance of stock, net of cancellations                            | 52                              | 17              | 39                               | —                    | (11 )                               | 11                                     | —                                                         |
| Share-based compensation                                           | —                               | —               | 1,403                            | —                    | —                                   | —                                      | —                                                         |
| Exercise of stock options                                          | 100                             | 33              | 800                              | —                    | —                                   | —                                      | —                                                         |
| Other share retirements                                            | (44 )                           | (14 )           | (246 )                           | (2,226 )             | —                                   | —                                      | —                                                         |
| Cash dividends                                                     | —                               | —               | —                                | (4,002 )             | —                                   | —                                      | —                                                         |
| Balance at June 3, 2017                                            | 28,788                          | \$9,596         | \$152,107                        | \$351,872            | \$ (886 )                           | \$ 886                                 | \$ (31,746 )                                              |

See accompanying notes to consolidated financial statements.

Table of Contents

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 March 3, 2018. We use the same accounting policies in preparing quarterly and annual financial statements. All adjustments necessary for a fair presentation of quarterly operating results are reflected herein and are of a normal, recurring nature. The results of operations for the three-month period ended June 2, 2018 are not necessarily indicative of the results to be expected for the full year.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the consolidated results of operations.

Significant accounting policies update

Our significant accounting policies are included in Note 1 "Summary of Significant Accounting Policies and Related Data" of our Annual Report on Form 10-K for the year ended March 3, 2018. On March 4, 2018, we adopted ASC 606, Revenue from Contracts with Customers, and as a result, made updates to our significant accounting policy for revenue recognition.

We generate revenue from the design, engineering and fabrication of architectural glass, curtainwall, window, storefront and entrance systems, and from installing those products on commercial buildings. We also manufacture value-added glass and acrylic products. Due to the diverse nature of our operations and various types of contracts with customers, we have businesses that recognize revenue over time and businesses that recognize revenue at a point in time.

In the current period, approximately 46 percent of our total revenue is recognized at the time products are shipped from our manufacturing facilities, which is when control is transferred to our customer, consistent with past practices. These businesses do not generate contract-related assets or liabilities. Variable consideration associated with these contracts and orders, generally related to early pay discounts or volume rebates, is not considered significant.

We also have three businesses which operate under long-term, fixed-price contracts, representing approximately 34 percent of our total revenue in the current period. This includes one business which changed revenue recognition practices due to the adoption of the new guidance, moving from recognizing revenue at shipment to an over-time method of revenue recognition. The contracts for these businesses have a single, bundled performance obligation, as these businesses generally provide interrelated products and services and integrate these products and services into a combined output specified by the customer. The customer obtains control of this combined output, generally integrated window systems or installed window and curtainwall systems, over time. We measure progress on these contracts following an input method by comparing total costs incurred to-date to the total estimated costs for the contract, and record that proportion of the total contract price as revenue in the period. Contract costs include materials, labor and other direct costs related to contract performance. We believe this method of recognizing revenue is consistent with our progress in satisfying our contract obligations.

Due to the nature of the work required under these long-term contracts, the estimation of total revenue and costs incurred throughout a project is subject to many variables and requires significant judgment. It is common for these contracts to contain potential bonuses or penalties which are generally awarded or charged upon certain project

milestones or cost or timing targets, and can be based on customer discretion. We estimate variable consideration at the most likely amount to which we expect to be entitled. We include estimated amounts in the transaction price to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on our assessments of anticipated performance and all information (historical, current and forecasted) that is reasonably available to us.

Long-term contracts are often modified to account for changes in contract specifications and requirements of work to be performed. We consider contract modifications to exist when the modification, generally through a change order, either creates new or changes existing enforceable rights and obligations, and we evaluate these types of modifications to determine whether they may be considered distinct performance obligations. In many cases, these contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are therefore accounted for as part of the existing contract. The effect of a contract modification on the transaction price and our measure of progress is recognized as an adjustment to revenue, generally on a cumulative catch-up basis.

Table of Contents

Typically, under these fixed-price contracts, we bill our customers following an agreed-upon schedule based on work performed. Because the progress billings do not generally correspond to our measurement of revenue on a contract, we generate contract assets when we have recognized revenue in excess of the amount billed to the customer. We generate contract liabilities when we have billed the customer in excess of revenue recognized on a contract.

Finally, we have one business, making up approximately 20 percent of our total revenue in the current period, that recognizes revenue following an over-time output method based upon units produced. The customer is considered to have control over the products at the time of production, as the products are highly customized with no alternative use, and we have an enforceable right to payment for performance completed over the production period. We believe this over-time output method of recognizing revenue reasonably depicts the fulfillment of our performance obligations under our contracts. Previously, this business recognized revenue at the time of shipment. Billings still occur upon shipment. Therefore, contract assets are generated for the unbilled amounts on contracts when production is complete. Variable consideration associated with these orders, generally related to early pay discounts, is not considered significant.

As outlined within the new accounting guidance, we elected several practical expedients in our transition to ASC 606: We have made an accounting policy election to account for shipping and handling activities that occur after control of the related goods transfers to the customer as fulfillment activities, instead of assessing such activities as performance obligations.

We have made an accounting policy election to exclude from the transaction price all sales taxes related to revenue producing transactions collected from the customer for a government authority.

We generally expense incremental costs of obtaining a contract when incurred because the amortization period would be less than one year. These costs primarily relate to sales commissions and are included in selling, general and administrative expenses.

We have not adjusted contract price for a significant financing component, as we expect the period between when our goods and services are transferred to the customer and when the customer pays for those goods and services to be less than a year.

#### Adoption of new accounting standards

We adopted the new guidance in ASC 606 using the modified retrospective transition method applied to those contracts which were not complete as of March 4, 2018. Prior period amounts were not adjusted and therefore continue to be reported in accordance with the accounting guidance and our accounting policies in effect for those periods.

Representing the cumulative effect of adopting ASC 606, we recorded a \$3.0 million increase to the opening balance of retained earnings as of March 4, 2018. For the quarter ending June 2, 2018, the application of the new accounting guidance had the following impact on our consolidated financial statements:

| In thousands                                 | As reported | Balances without adoption of ASC 606 |
|----------------------------------------------|-------------|--------------------------------------|
| Consolidated results of operations           |             |                                      |
| Net sales                                    | \$336,531   | \$327,251                            |
| Cost of sales                                | 255,801     | 248,657                              |
| Gross profit                                 | 80,730      | 78,594                               |
| Selling, general and administrative expenses | 58,735      | 58,386                               |
| Operating income                             | \$21,995    | \$20,208                             |

|                                                       |          |          |
|-------------------------------------------------------|----------|----------|
| Income tax expense                                    | \$4,881  | \$4,451  |
| Net earnings                                          | 15,373   | 14,016   |
| Consolidated balance sheet                            |          |          |
| Inventories                                           | \$77,299 | \$86,655 |
| Costs and earnings on contracts in excess of billings | 39,365   | 15,265   |
| Billings on contracts in excess of costs and earnings | 24,381   | 24,124   |
| Other current liabilities                             | 74,269   | 73,297   |
| Retained earnings                                     | 386,518  | 384,876  |

## Table of Contents

The changes above are primarily a result of the transition of certain of our businesses from recognizing revenue at the time of shipment to over-time methods of revenue recognition.

We also adopted ASU 2016-15, Statement of Cash Flows, and ASU 2016-18, Restricted Cash, this quarter. Both standards provide guidance for presentation of certain topics within the statement of cash flows, including presenting restricted cash within cash and cash equivalents, and they have been applied retrospectively for comparability across all periods. The adoption of these standards did not have a significant impact on our consolidated statements of cash flows.

Finally, we elected to early adopt ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, in the current quarter. This standard permits a company to reclassify the disproportionate income tax effects of the 2017 Tax Cuts and Jobs Act on items within accumulated other comprehensive income ("AOCI") to retained earnings. The FASB refers to these amounts as "stranded tax effects." As a result of this adoption, we reclassified income tax effects of \$0.7 million resulting from tax reform from AOCI to retained earnings following a portfolio approach. These stranded tax effects are derived from the deferred tax balances on our pension obligations as a result of the lower U.S. federal corporate tax rate.

### Accounting standards not yet adopted

In February 2016, the FASB issued ASU 2016-02, Leases, which provides for comprehensive changes to lease accounting. The new standard requires that a lessee recognize a lease obligation liability and a right-to-use asset for virtually all leases of property, plant and equipment, subsequently amortized over the lease term. The new standard is effective for fiscal years beginning after December 15, 2018, our fiscal year 2020. The adoption of this standard will result in reflecting assets and liabilities for the value of our leased property and equipment on our consolidated balance sheet, but we do not currently expect this guidance to have a significant impact on our consolidated results of operations. In January 2018, the FASB issued a proposed accounting standard update to the guidance that would allow an entity the option to adopt the guidance on a modified retrospective basis. Under the modified retrospective approach, an entity would recognize a cumulative effect adjustment of initially applying the guidance to the opening balance of retained earnings in the period of adoption. We are monitoring the status of the proposal. We have started the process of gathering and analyzing our lease contracts and are in the process of evaluating changes to our business processes, systems and controls needed to support recognition and disclosure under this new standard.

### Subsequent events

We have evaluated subsequent events for potential recognition and disclosure through the date of this filing and determined that there were no subsequent events that required recognition or disclosure in the consolidated financial statements.

## 2. Acquisitions

### EFCO

On June 12, 2017, we acquired 100 percent of the stock of EFCO Corporation, a privately held U.S. manufacturer of architectural aluminum window, curtainwall, storefront and entrance systems for commercial construction projects, for \$192 million in cash. The acquisition was funded through our committed revolving credit facility, with \$7.5 million of the purchase price payable in equal installments over the subsequent three years. EFCO's results of operations have been included in our consolidated financial statements and within the Architectural Framing Systems segment since the date of acquisition. Those results include \$65.3 million of sales and break-even operating income in the current period.

The assets and liabilities of EFCO were recorded in our consolidated balance sheet as of the acquisition date, at their respective fair values. Fair value is estimated based on one or a combination of income, cost and/or market approaches, as determined based on the nature of the asset or liability, and the level of inputs available. With respect to assets and liabilities, the determination of fair value requires management to make subjective judgments as to projections of future operating performance, the appropriate discount rate to apply, long-term growth rates, etc. (i.e. - unobservable inputs classified as Level 3 inputs under the fair value hierarchy described in Note 5), which affect the amounts recorded in the purchase price allocation. The excess of the consideration transferred over the fair value of the identifiable assets, net of liabilities, is recorded as goodwill, which is indicative of the expected continued growth and development of EFCO. The purchase price allocation that follows is based on these estimated fair values of assets acquired and liabilities assumed, which was finalized in the current quarter:



Table of Contents

In thousands

|                                           |            |
|-------------------------------------------|------------|
| Net working capital                       | \$ 1,422   |
| Property, plant and equipment             | 44,641     |
| Goodwill                                  | 90,429     |
| Other intangible assets                   | 71,500     |
| Less: Long-term liabilities acquired, net | 17,643     |
| Net assets acquired                       | \$ 190,349 |

Other intangible assets reflect the following:

| In thousands           | Estimated<br>fair value | Estimated useful life (in years) |
|------------------------|-------------------------|----------------------------------|
| Customer relationships | \$ 34,800               | 16                               |
| Tradenname             | 32,400                  | Indefinite                       |
| Backlog                | 4,300                   | 1.5                              |
|                        | \$ 71,500               |                                  |

The following table sets forth certain unaudited pro forma consolidated data for the combined company for the first quarter of fiscal 2019 and 2018, as if the EFCO acquisition had been consummated pursuant to its same terms at the beginning of the fiscal year preceding the acquisition date.

| In thousands, except per share data | Three Months<br>Ended |                 |
|-------------------------------------|-----------------------|-----------------|
|                                     | June 2,<br>2018       | June 3,<br>2017 |
| Net sales                           | \$336,531             | \$341,686       |
| Net earnings                        | 16,090                | 17,445          |
| Earnings per share                  |                       |                 |
| Basic                               | 0.57                  | 0.62            |
| Diluted                             | 0.57                  | 0.61            |

We have provided this unaudited pro forma information for comparative purposes only. This information does not necessarily reflect what the combined results of operations actually would have been had the acquisitions occurred at the beginning of fiscal year 2017. The information does not reflect the effect of any synergies or integration costs that will result from the acquisition.

**3. Revenue, Receivables and Contract Assets and Liabilities****Revenue**

The following table disaggregates total revenue by timing of recognition (see Note 13 for disclosure of revenue by segment):

In thousands

|                        |            |
|------------------------|------------|
| Recognized at shipment | \$ 156,867 |
| Recognized over time   | 179,664    |
| Total                  | \$ 336,531 |

**Receivables**

Trade and construction accounts receivable consist of amounts billed and due from customers. The amounts due are stated at their estimated net realizable value. We maintain an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. This allowance is based on an assessment of customer creditworthiness, historical payment experience and the age of outstanding receivables. 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.

Table of Contents

|                                       |            |            |
|---------------------------------------|------------|------------|
| In thousands                          | 2019       | 2018       |
| Trade accounts                        | \$ 143,572 | \$ 157,562 |
| Construction contracts                | 15,436     | 26,545     |
| Construction contracts - retainage    | 27,924     | 26,388     |
| Other receivables                     | —          | 2,887      |
| Total receivables                     | 186,932    | 213,382    |
| Less: allowance for doubtful accounts | (1,389 )   | (1,530 )   |
| Net receivables                       | \$ 185,543 | \$ 211,852 |

## 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. Contract liabilities consist of billings in excess of costs and earnings and other deferred revenue on contracts. Retainage is classified within receivables and deferred revenue is classified within other current liabilities on our consolidated balance sheets.

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

|                      |                 |                     |
|----------------------|-----------------|---------------------|
| In thousands         | June 2,<br>2018 | March<br>3,<br>2018 |
| Contract assets      | 67,289          | 30,508              |
| Contract liabilities | 31,462          | 20,120              |

The increase in contract assets was due to additional businesses recognizing revenue in advance of billings, as a result of changing accounting policies for revenue recognition upon adoption of ASC 606. The increase in contract liabilities was due to timing of project activity within our businesses that operate under long-term contracts.

In the first quarter of fiscal 2019, we recognized revenue of \$9.1 million related to contract liabilities at March 4, 2018 and revenue of \$2.3 million related to performance obligations satisfied in previous periods due to changes in contract estimates.

Some of our contracts have an expected duration of longer than a year, with performance obligations extending over that timeframe. Generally these contracts are in our businesses with long-term contracts which recognize revenue over time. As of June 2, 2018, the transaction price associated with unsatisfied performance obligations is approximately \$714.4 million. The performance obligations are expected to be satisfied, and the corresponding revenue to be recognized, over the following estimated time periods:

|                  |            |
|------------------|------------|
| In thousands     |            |
| Within one year  | \$ 448,500 |
| Within two years | 232,000    |
| Beyond           | 33,850     |
| Total            | \$ 714,350 |

## 4. Supplemental Balance Sheet Information

## Inventories

|              |                 |                  |
|--------------|-----------------|------------------|
| In thousands | June 2,<br>2018 | March 3,<br>2018 |
|--------------|-----------------|------------------|

|                   |          |          |
|-------------------|----------|----------|
| Raw materials     | \$36,934 | \$35,049 |
| Work-in-process   | 19,032   | 17,406   |
| Finished goods    | 21,333   | 28,453   |
| Total inventories | \$77,299 | \$80,908 |

Table of Contents

## Other current liabilities

| In thousands                    | June 2,<br>2018 | March 3,<br>2018 |
|---------------------------------|-----------------|------------------|
| Warranties                      | 17,908          | 18,110           |
| Acquired contract liabilities   | 25,599          | 26,422           |
| Taxes, other than income taxes  | 5,614           | 5,342            |
| Deferred revenue                | 7,081           | 7,659            |
| Other                           | 18,067          | 22,163           |
| Total other current liabilities | \$ 74,269       | \$ 79,696        |

## Other non-current liabilities

| In thousands                                             | June 2,<br>2018 | March 3,<br>2018 |
|----------------------------------------------------------|-----------------|------------------|
| Deferred benefit from New Market Tax Credit transactions | \$ 16,708       | \$ 16,708        |
| Retirement plan obligations                              | 9,635           | 8,997            |
| Deferred compensation plan                               | 11,646          | 10,730           |
| Other                                                    | 34,656          | 34,211           |
| Total other non-current liabilities                      | \$ 72,645       | \$ 70,646        |

## 5. Financial Instruments

## Marketable securities

We hold the following available-for-sale marketable securities, made up of municipal and corporate bonds:

| In thousands  | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value |
|---------------|-------------------|------------------------------|-------------------------------|----------------------------|
| June 2, 2018  | 15,250            | 8                            | (126 )                        | 15,132                     |
| March 3, 2018 | 9,183             | 8                            | (138 )                        | 9,053                      |

We have a wholly-owned insurance subsidiary, Prism Assurance, Ltd. (Prism), which holds these municipal and corporate bonds. 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, which are generally high-quality municipal and corporate bonds, for the purpose of providing collateral for Prism's obligations under the reinsurance agreements.

The amortized cost and estimated fair values of municipal bonds at June 2, 2018, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities, as borrowers may have the right to call or prepay obligations with or without penalty.

| In thousands                          | Amortized<br>Cost | Estimated<br>Fair<br>Value |
|---------------------------------------|-------------------|----------------------------|
| Due within one year                   | \$ 2,394          | \$ 2,394                   |
| Due after one year through five years | 7,039             | 6,980                      |
| Due after five years through 10 years | 4,563             | 4,512                      |
| Due after 10 years through 15 years   | 240               | 240                        |
| Due beyond 15 years                   | 1,014             | 1,006                      |
| Total                                 | \$ 15,250         | \$ 15,132                  |

## 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.

Table of Contents

| In thousands                  | Quoted Prices in<br>Active Markets<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Total Fair<br>Value |
|-------------------------------|-------------------------------------------------|--------------------------------------------|---------------------|
| June 2, 2018                  |                                                 |                                            |                     |
| Cash equivalents              |                                                 |                                            |                     |
| Money market funds            | \$ 2,179                                        | \$ —                                       | \$ 2,179            |
| Short-term securities         |                                                 |                                            |                     |
| Mutual funds                  | 2,273                                           | —                                          | 2,273               |
| Municipal and corporate bonds | —                                               | 121                                        | 121                 |
| Total short-term securities   | 2,273                                           | 121                                        | 2,394               |
| Long-term securities          |                                                 |                                            |                     |
| Municipal and corporate bonds | —                                               | 12,738                                     | 12,738              |
| Total assets at fair value    | \$ 4,452                                        | \$ 12,859                                  | \$ 17,311           |
| March 3, 2018                 |                                                 |                                            |                     |
| Cash equivalents              |                                                 |                                            |                     |
| Money market funds            | \$ 2,901                                        | \$ —                                       | \$ 2,901            |
| Commercial paper              | —                                               | 400                                        | 400                 |
| Total cash equivalents        | 2,901                                           | 400                                        | 3,301               |
| Short-term securities         |                                                 |                                            |                     |
| Municipal and corporate bonds | —                                               | 423                                        | 423                 |
| Long-term securities          |                                                 |                                            |                     |
| Municipal and corporate bonds | —                                               | 8,630                                      | 8,630               |
| Total assets at fair value    | \$ 2,901                                        | \$ 9,453                                   | \$ 12,354           |

## Cash equivalents

Fair value of money market funds was determined based on quoted prices for identical assets in active markets. Commercial paper was measured at fair value using inputs based on quoted prices for similar securities in active markets.

## Short- and long-term securities

Mutual funds were measured at fair value based on quoted prices for identical assets in active markets. Municipal and corporate bonds were measured at fair value based on market prices from recent trades of similar securities and are classified as short-term or long-term based on maturity date.

## Foreign currency instruments

We periodically enter into forward purchase foreign currency contracts, generally with an original maturity date of less than one year, to hedge foreign currency exchange rate risk. As of June 2, 2018, we held foreign exchange forward contracts with a U.S. dollar notional value of \$23.4 million, with the objective of reducing the exposure to fluctuations in the Canadian dollar and the Euro. The fair value of these contracts was a net liability of \$0.2 million as of June 2, 2018. These forward contracts are measured at fair value using unobservable market inputs, such as quotations on forward foreign exchange points and foreign currency exchange rates, and would be classified as Level 2 within the fair value hierarchy above.

Table of Contents

## 6. Goodwill and Other Identifiable Intangible Assets

The carrying amount of goodwill attributable to each reporting segment was:

| In thousands                                 | Architectural<br>Framing<br>Systems | Architectural<br>Glass | Architectural<br>Services | Large-Scale<br>Optical | Total     |
|----------------------------------------------|-------------------------------------|------------------------|---------------------------|------------------------|-----------|
| Balance at March 4, 2017                     | \$ 63,701                           | \$ 25,956              | \$ 1,120                  | \$ 10,557              | \$101,334 |
| Goodwill acquired                            | 84,162                              | —                      | —                         | —                      | 84,162    |
| Goodwill adjustments for purchase accounting | (5,859 )                            | —                      | —                         | —                      | (5,859 )  |
| Foreign currency translation                 | 1,304                               | 15                     | —                         | —                      | 1,319     |
| Balance at March 3, 2018                     | 143,308                             | 25,971                 | 1,120                     | 10,557                 | 180,956   |
| Goodwill adjustments for purchase accounting | 6,267                               | —                      | —                         | —                      | 6,267     |
| Foreign currency translation                 | (193 )                              | 4                      | —                         | —                      | (189 )    |
| Balance at June 2, 2018                      | \$ 149,382                          | \$ 25,975              | \$ 1,120                  | \$ 10,557              | \$187,034 |

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

| In thousands                           | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Foreign<br>Currency<br>Translation | Net       |
|----------------------------------------|-----------------------------|-----------------------------|------------------------------------|-----------|
| June 2, 2018                           |                             |                             |                                    |           |
| Definite-lived intangible assets:      |                             |                             |                                    |           |
| Customer relationships                 | \$122,816                   | \$ (21,997 )                | \$ (386 )                          | \$100,433 |
| Debt issue costs                       | 4,516                       | (3,326 )                    | —                                  | 1,190     |
| Other intangibles                      | 37,181                      | (25,731 )                   | (98 )                              | 11,352    |
| Total definite-lived intangible assets | 164,513                     | (51,054 )                   | (484 )                             | 112,975   |
| Indefinite-lived intangible assets:    |                             |                             |                                    |           |
| Trademarks                             | 49,077                      | —                           | (88 )                              | 48,989    |
| Total intangible assets                | \$213,590                   | \$ (51,054 )                | \$ (572 )                          | \$161,964 |
| March 3, 2018                          |                             |                             |                                    |           |
| Definite-lived intangible assets:      |                             |                             |                                    |           |
| Customer relationships                 | \$122,816                   | \$ (20,277 )                | \$ (56 )                           | \$102,483 |
| Debt issue costs                       | 4,516                       | (3,248 )                    | —                                  | 1,268     |
| Other intangibles                      | 37,181                      | (22,631 )                   | (30 )                              | 14,520    |
| Total definite-lived intangible assets | 164,513                     | (46,156 )                   | (86 )                              | 118,271   |
| Indefinite-lived intangible assets:    |                             |                             |                                    |           |
| Trademarks                             | 48,461                      | —                           | 617                                | 49,078    |
| Total intangible assets                | \$212,974                   | \$ (46,156 )                | \$ 531                             | \$167,349 |

Amortization expense on definite-lived intangible assets was \$4.8 million and \$3.4 million for the three-month periods ended June 2, 2018 and June 3, 2017, respectively. The amortization expense associated with debt issue costs is included in interest expense while the remainder is in selling, general and administrative expenses in the consolidated results of operations. At June 2, 2018, the estimated future amortization expense for definite-lived intangible assets was:

| In thousands                   | Remainder<br>of Fiscal<br>2019 | Fiscal<br>2020 | Fiscal<br>2021 | Fiscal<br>2022 | Fiscal<br>2023 |
|--------------------------------|--------------------------------|----------------|----------------|----------------|----------------|
| Estimated amortization expense | \$ 8,190                       | \$8,177        | \$8,171        | \$8,014        | \$7,626        |



## 7. Debt

We maintain a committed revolving credit facility with maximum borrowings of up to \$335.0 million, maturing in November 2021. Outstanding borrowings under our committed revolving credit facility were \$193.0 million, as of June 2, 2018, and \$195.0 million, as of March 3, 2018. Under this facility, we are subject to two financial covenants that require us to stay below a maximum debt-to-EBITDA ratio and maintain a minimum ratio of interest expense-to-EBITDA. Both ratios are computed quarterly, with

Table of Contents

EBITDA calculated on a rolling four-quarter basis. At June 2, 2018, we were in compliance with both financial covenants. Additionally, at June 2, 2018, we had a total of \$23.5 million of ongoing letters of credit related to industrial revenue bonds and construction contracts that expire in fiscal 2019 and reduce availability of funds under our committed credit facility.

At June 2, 2018, our debt also included \$20.4 million of industrial revenue bonds that mature in fiscal years 2021 through 2043 and \$0.4 million of long-term debt in Canada. The fair value of the industrial revenue bonds approximated carrying value at June 2, 2018, due to the variable interest rates on these instruments. All debt would be classified as Level 2 within the fair value hierarchy described in Note 5.

We also maintain two Canadian revolving demand credit facilities totaling \$12.0 million Canadian dollars. As of June 2, 2018, \$0.7 million was outstanding under these facilities, and no borrowings were outstanding as of March 3, 2018. Borrowings under these facilities are made available at the sole discretion of the lenders and are payable on demand. The Company classifies any outstanding balances under these demand facilities as long-term debt, as outstanding amounts can be refinanced through our committed revolving credit facility.

Interest payments were \$1.8 million and \$0.5 million for the three months ended June 2, 2018 and June 3, 2017, respectively.

#### 8. Commitments and Contingent Liabilities

Operating lease commitments. As of June 2, 2018, the Company was obligated under non-cancelable operating leases for buildings and equipment. Certain leases provide for increased rental payments based upon increases in real estate taxes or operating costs. Future minimum rental payments under non-cancelable operating leases are:

| In thousands           | Remainder<br>of Fiscal<br>2019 | Fiscal<br>2020 | Fiscal<br>2021 | Fiscal<br>2022 | Fiscal<br>2023 | Thereafter | Total     |
|------------------------|--------------------------------|----------------|----------------|----------------|----------------|------------|-----------|
| Total minimum payments | \$ 11,290                      | \$ 13,021      | \$ 9,847       | \$ 7,663       | \$ 6,771       | \$ 17,389  | \$ 65,981 |

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 June 2, 2018, \$238.7 million of our backlog was bonded by performance bonds with a face value of \$535.0 million. Performance bonds do not have stated expiration dates, as we are generally released from the bonds upon completion of the contract. We have never been required to make any payments related to these performance bonds with respect to any of our current portfolio of businesses.

Warranties. 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 the warranty accrual in any given period include the following: changes in manufacturing quality, changes in product mix and any significant changes in sales volume. A warranty rollforward follows:

|                                | Three Months<br>Ended |                 |
|--------------------------------|-----------------------|-----------------|
| In thousands                   | June 2,<br>2018       | June 3,<br>2017 |
| Balance at beginning of period | \$22,517              | \$21,933        |
| Additional accruals            | 1,062                 | 1,240           |
| Claims paid                    | (1,193 )              | (973 )          |
| Balance at end of period       | \$22,386              | \$22,200        |

Letters of credit. At June 2, 2018, we had \$23.5 million of ongoing letters of credit, all of which have been issued under our committed revolving credit facility, as discussed in Note 7.

Purchase obligations. Purchase obligations for raw material commitments and capital expenditures totaled \$186.4 million as of June 2, 2018.

Litigation. We are a party to various legal proceedings incidental to our normal operating activities. In particular, like others in the construction supply and services industry, our businesses are routinely involved in various disputes and claims arising out of construction projects, sometimes involving significant monetary damages or product replacement. We are also subject to litigation arising out of general liability, employment practices, workers' compensation and automobile claims. Although it is very difficult

Table of Contents

to accurately predict the outcome of such proceedings, facts currently available indicate that no such claims will result in losses that would have a material adverse effect on our results of operations, cash flows or financial condition.

### 9. Share-Based Compensation

Total share-based compensation expense included in the results of operations was \$1.5 million for the three-month period ended June 2, 2018 and \$1.4 million for the three-month period ended June 3, 2017.

#### Stock options and SARs

Stock option and SAR activity for the current three-month period is summarized as follows:

| Stock options and SARs                      | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---------------------------------------------|------------------|---------------------------------|---------------------------------------------|---------------------------|
| Outstanding at March 3, 2018                | 129,901          | \$ 11.10                        |                                             |                           |
| Awards exercised                            | (29,560 )        | 20.43                           |                                             |                           |
| Outstanding and exercisable at June 2, 2018 | 100,341          | 8.34                            | 3.2 years                                   | \$ 3,570,133              |

Cash proceeds from the exercise of stock options were \$0.2 million and \$0.8 million for the three months ended June 2, 2018 and June 3, 2017, respectively. The aggregate intrinsic value of securities exercised (the amount by which the stock price on the date of exercise exceeded the stock price of the award on the date of grant) was \$0.6 million during the three months ended June 2, 2018 and \$4.8 million during the prior-year period.

#### Nonvested shares and share units

Nonvested share activity for the current three-month period is summarized as follows:

| Nonvested shares and units | Number of Shares and Units | Weighted Average Grant Date Fair Value |
|----------------------------|----------------------------|----------------------------------------|
| Nonvested at March 3, 2018 | 266,180                    | \$ 49.22                               |
| Granted                    | 88,103                     | 42.02                                  |
| Vested                     | (101,121 )                 | 45.97                                  |
| Canceled                   | (1,500 )                   | 41.44                                  |
| Nonvested at June 2, 2018  | 251,662                    | 47.99                                  |

At June 2, 2018, there was \$9.0 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 23 months. The total fair value of shares vested during the three months ended June 2, 2018 was \$4.2 million.

### 10. Employee Benefit Plans

The Company sponsors two frozen defined-benefit pension plans: an unfunded Officers' Supplemental Executive Retirement Plan and the Tubelite Inc. Hourly Employees' Pension Plan. Components of net periodic benefit cost were:

|               | Three Months Ended |              |
|---------------|--------------------|--------------|
| In thousands  | June 2, 2018       | June 3, 2017 |
| Interest cost | \$ 127             | \$ 133       |

|                                       |       |       |
|---------------------------------------|-------|-------|
| Expected return on assets             | (10 ) | (10 ) |
| Amortization of unrecognized net loss | 57    | 57    |
| Net periodic benefit cost             | \$174 | \$180 |

## 11. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions, Canada, Brazil and other international jurisdictions. The Company is no longer subject to U.S. federal tax examinations for years prior to fiscal 2015, or state and local income tax examinations for years prior to fiscal 2011. The Company is not currently under U.S. federal examination for years subsequent to fiscal year 2014, and there is very limited audit activity of the Company's income tax returns in U.S. state jurisdictions or international jurisdictions.

Table of Contents

The total liability for unrecognized tax benefits at June 2, 2018 and March 3, 2018 was approximately \$5.3 million and \$5.1 million, respectively. Penalties and interest related to unrecognized tax benefits are recorded in income tax expense. The total liability for unrecognized tax benefits is expected to decrease by approximately \$0.6 million during the next 12 months due to lapsing of statutes.

The Tax Cuts and Jobs Act (the Act) was enacted in December 2017. Among other provisions, the Act created a new tax on certain foreign sourced earnings under the Global Intangible Low-Taxed Income (“GILTI”) provision. Companies are allowed to make an accounting policy election of either treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred or factoring such amounts into the measurement of deferred taxes. We have completed our analysis of the GILTI provisions and are making an accounting policy election to recognize the tax expense on future U.S. inclusions of GILTI income, if any, as a current period expense when incurred.

## 12. Earnings per Share

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

| In thousands                                                                                                                                                        | Three Months Ended |              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------|
|                                                                                                                                                                     | June 2, 2018       | June 3, 2017 |
| Basic earnings per share – weighted average common shares outstanding                                                                                               | 28,189             | 28,851       |
| Weighted average effect of nonvested share grants and assumed exercise of stock options                                                                             | 248                | 10           |
| Diluted earnings per share – weighted average common shares and potential common shares outstanding                                                                 | 28,437             | 28,861       |
| 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) | 147                | —            |

## 13. Segment Information

The Company has four reporting segments: Architectural Framing Systems, Architectural Glass, Architectural Services and Large-Scale Optical (LSO).

The Architectural Framing Systems segment designs, engineers, fabricates and finishes the aluminum frames used in customized aluminum and glass window, curtainwall, storefront and entrance systems comprising the outside skin and entrances of commercial, institutional and high-end multi-family residential buildings. The Company has aggregated six operating segments into this reporting segment based on their similar products, customers, distribution methods, production processes and economic characteristics.

The Architectural Glass segment fabricates coated, high-performance glass used in customized window and wall systems comprising the outside skin of commercial, institutional and high-end multi-family residential buildings.

The Architectural Services segment designs, engineers, fabricates and installs the walls of glass, windows and other curtainwall products making up the outside skin of commercial and institutional buildings.

The LSO segment manufactures value-added glass and acrylic products primarily for framing and display applications.

Table of Contents

| In thousands                            | Three Months Ended |                 |
|-----------------------------------------|--------------------|-----------------|
|                                         | June 2,<br>2018    | June 3,<br>2017 |
| Net sales from operations               |                    |                 |
| Architectural Framing Systems           | \$ 179,037         | \$ 110,492      |
| Architectural Glass                     | 76,925             | 97,735          |
| Architectural Services                  | 70,727             | 50,150          |
| Large-Scale Optical                     | 20,761             | 18,603          |
| Intersegment eliminations               | (10,919 )          | (4,673 )        |
| Net sales                               | \$ 336,531         | \$ 272,307      |
| Operating income (loss) from operations |                    |                 |
| Architectural Framing Systems           | \$ 12,339          | \$ 11,964       |
| Architectural Glass                     | 1,579              | 9,322           |
| Architectural Services                  | 5,155              | 782             |
| Large-Scale Optical                     | 4,981              | 4,050           |
| Corporate and other                     | (2,059 )           | (2,012 )        |
| Operating income                        | \$ 21,995          | \$ 24,106       |

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 discussion 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" 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 of the Company's near-term results, based on current information available pertaining to the Company, including the risk factors noted under Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2018. 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. These uncertainties and other risk factors include, but are not limited to, the risks and uncertainties set forth under Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2018.

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

## Overview

We are a world leader in certain technologies involving the design and development of value-added glass and metal products and services for enclosing commercial buildings and framing and displays. Our four reporting segments are: Architectural Framing Systems, Architectural Glass, Architectural Services and Large-Scale Optical (LSO).

The following selected financial data should be read in conjunction with the Company's Form 10-K for the year ended March 3, 2018 and the consolidated financial statements, including the notes to consolidated financial statements, included therein.



Table of Contents

## Highlights of First Quarter of Fiscal 2019 Compared to First Quarter of Fiscal 2018

## Net sales

Consolidated net sales increased 23.6 percent, or \$64.2 million, for the first quarter ended June 2, 2018 compared to the prior year period, due to the addition of EFCO, acquired in June 2017, within the Architectural Framing Systems segment, and strong sales within the Architectural Services segment, partially offset by a timing-related sales decline in the Architectural Glass segment. Approximately 3.4 percent of the increase in net sales in the current year compared to the prior year was due to the change in revenue recognition policies as a result of the adoption of ASC 606, as described in Note 1 to the Consolidated Financial Statements.

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

|                                              | Three Months Ended |              |
|----------------------------------------------|--------------------|--------------|
|                                              | June 2, 2018       | June 3, 2017 |
| Net sales                                    | 100.0 %            | 100.0 %      |
| Cost of sales                                | 76.0               | 74.2         |
| Gross profit                                 | 24.0               | 25.8         |
| Selling, general and administrative expenses | 17.5               | 17.0         |
| Operating income                             | 6.5                | 8.8          |
| Interest and other (expense) income, net     | (0.5 )             | —            |
| Earnings before income taxes                 | 6.0                | 8.8          |
| Income tax expense                           | 1.5                | 2.9          |
| Net earnings                                 | 4.5 %              | 5.9 %        |
| Effective tax rate                           | 24.1 %             | 32.9 %       |

## Gross profit

Gross profit as a percent of sales was 24.0 percent for the three-month period ended June 2, 2018, compared to 25.8 percent for the three-month period ended June 3, 2017. Gross profit as a percent of sales declined from the prior-year primarily due to the inclusion of the lower gross margin EFCO business and reduced volume leverage in the Architectural Glass segment.

## Selling, general and administrative (SG&amp;A) expenses

SG&A expenses as a percent of sales increased to 17.5 percent in the three-month period ended June 2, 2018, compared to 17.0 percent in the prior year three-month period, primarily due to increased selling costs from the inclusion of EFCO.

## Income tax expense

The effective tax rate in the first quarter of fiscal 2018 was 24.1 percent, compared to 32.9 percent in the same period last year, primarily driven by the provisions of the Tax Cuts and Jobs Act, enacted in December 2017.

## Segment Analysis

## Architectural Framing Systems

|                  | Three Months Ended |              |          |
|------------------|--------------------|--------------|----------|
| In thousands     | June 2, 2018       | June 3, 2017 | % Change |
| Net sales        | \$179,037          | \$110,492    | 62.0 %   |
| Operating income | 12,339             | 11,964       | 3.1 %    |
| Operating margin | 6.9 %              | 10.8 %       |          |

Architectural Framing Systems net sales increased \$68.5 million, or 62.0 percent, for the three-month period ended June 2, 2018 compared to the prior year period. The addition of the net sales of EFCO provided the large majority of the increase, with additional growth driven by geographic expansion and new product sales by businesses existing prior to recent acquisitions. This growth was partially offset by a year-over-year decline in Canadian curtainwall sales, due to timing of project activity.

Operating margin declined 390 basis points for the current quarter compared to the same period in the prior year, resulting from the inclusion of EFCO at lower operating margins and reduced operating leverage on lower Canadian curtainwall sales, partially offset by operating improvements in our businesses existing prior to recent acquisitions.

Table of Contents

Backlog in this segment, as of June 2, 2018, was approximately \$400 million, compared to approximately \$378 million at fiscal 2018 year-end.

## Architectural Glass

|                  | Three Months Ended |                 |             |
|------------------|--------------------|-----------------|-------------|
|                  | June 2,<br>2018    | June 3,<br>2017 | %<br>Change |
| In thousands     |                    |                 |             |
| Net sales        | \$76,925           | \$97,735        | (21.3)%     |
| Operating income | 1,579              | 9,322           | (83.1)%     |
| Operating margin | 2.1 %              | 9.5 %           |             |

Net sales declined \$20.8 million, or 21.3 percent, from the the prior year period, due to changes in the timing of customer orders. Operating margin declined 740 basis points for the three-month period of the current year, compared to the prior year, due to lower volumes.

## Architectural Services

|                  | Three Months Ended |                 |             |
|------------------|--------------------|-----------------|-------------|
|                  | June 2,<br>2018    | June 3,<br>2017 | %<br>Change |
| In thousands     |                    |                 |             |
| Net sales        | \$70,727           | \$50,150        | 41.0 %      |
| Operating income | 5,155              | 782             | 559.2 %     |
| Operating margin | 7.3 %              | 1.6 %           |             |

Architectural Services net sales increased \$20.6 million, or 41.0 percent, over the prior year, primarily due to year-on-year timing of project activity. Operating margin increased 570 basis points for the three-month period of the current year compared to the prior year, due to volume leverage and strong operating performance.

As of June 2, 2018, backlog in this segment grew to approximately \$439 million, compared to approximately \$426 million at fiscal 2018 year-end.

## Large-Scale Optical (LSO)

|                  | Three Months Ended |                 |             |
|------------------|--------------------|-----------------|-------------|
|                  | June 2,<br>2018    | June 3,<br>2017 | %<br>Change |
| In thousands     |                    |                 |             |
| Net sales        | \$20,761           | \$18,603        | 11.6 %      |
| Operating income | 4,981              | 4,050           | 23.0 %      |
| Operating margin | 24.0 %             | 21.8 %          |             |

LSO net sales increased \$2.2 million, or 11.6 percent, for the three-month period ended June 2, 2018, over the prior year, as a result of strong core picture framing demand, product mix and growth in new markets. Operating margin increased 220 basis points for the three-month period of the current year compared to the prior year, driven by volume leverage and favorable product mix.



Table of Contents

## Liquidity and Capital Resources

| Selected cash flow data                        | Three Months Ended |              |
|------------------------------------------------|--------------------|--------------|
|                                                | June 2, 2018       | June 3, 2017 |
| In thousands                                   |                    |              |
| Operating Activities                           |                    |              |
| Net cash provided by operating activities      | \$25,343           | \$5,912      |
| Investing Activities                           |                    |              |
| Capital expenditures                           | (9,327 )           | (11,430)     |
| Net sales (purchases) of marketable securities | (6,124 )           | 1,685        |
| Financing Activities                           |                    |              |
| Proceeds from issuance of debt                 | 90,000             | 37,000       |
| Payments on debt                               | (92,000 )          | (31,000)     |
| Dividends paid                                 | (4,410 )           | (4,002 )     |

Operating Activities. Cash provided by operating activities was \$25.3 million for the first three months of fiscal 2019, increasing \$19.4 million compared to the prior-year period, as a result of timing of working capital payments.

Investing Activities. Net cash used in investing activities was \$16.2 million the first three months of fiscal 2019, primarily due to capital expenditures and net purchases of marketable securities, while in the first three months of the prior year, net cash used by investing activities of \$8.0 million was driven by capital expenditures. We estimate fiscal 2019 capital expenditures to be \$60 to \$65 million, as we continue to primarily invest in productivity and capacity to capture new geographic and market segments.

We continue to review our portfolio of businesses and their assets in comparison to our internal strategic and performance objectives. As part of this review, we may take actions to adjust capacity, pursue geographic expansion, further invest in, fully divest or sell parts of our current businesses and/or acquire other businesses.

Financing Activities. At June 2, 2018, we had outstanding borrowings under our credit facility of \$193 million. As defined within our amended committed revolving credit facility, we are required to comply with two financial covenants. These financial covenants require us to stay below a maximum leverage ratio and to maintain a minimum interest coverage ratio. At June 2, 2018, we were in compliance with both financial covenants.

We paid dividends totaling \$4.4 million (\$0.1575 per share) in the first three months of fiscal 2019. We did not repurchase shares under our authorized share repurchase program during the first three months of fiscal 2019 or fiscal 2018. We have repurchased a total of 4,009,932 shares, at a cost of \$106.0 million, since the fiscal 2004 inception of this program. We currently have remaining authority to repurchase an additional 1,240,068 shares under this program.

Other Financing Activities. The following summarizes our significant contractual obligations that impact our liquidity as of June 2, 2018:

| In thousands                    | Payments Due by Fiscal Period |             |             |             |             |            |           |
|---------------------------------|-------------------------------|-------------|-------------|-------------|-------------|------------|-----------|
|                                 | Remainder of Fiscal 2019      | Fiscal 2020 | Fiscal 2021 | Fiscal 2022 | Fiscal 2023 | Thereafter | Total     |
| Long-term debt obligations      | \$121                         | \$121       | \$5,521     | \$195,835   | \$1,063     | \$12,000   | \$214,661 |
| Operating leases (undiscounted) | 11,290                        | 13,021      | 9,847       | 7,663       | 6,771       | 17,389     | 65,981    |
| Purchase obligations            | 133,636                       | 50,265      | 1,230       | 1,230       | —           | —          | 186,361   |
| Total cash obligations          | \$145,047                     | \$63,407    | \$16,598    | \$204,728   | \$7,834     | \$29,389   | \$467,003 |

We acquire the use of certain assets through operating leases, such as warehouses, vehicles, forklifts, office equipment, hardware, software and some manufacturing equipment. While many of these operating leases have termination penalties, we consider the risk related to termination penalties to be minimal.

Purchase obligations in the table above relate to raw material commitments and capital expenditures.

We expect to make contributions of \$1.0 million to our defined-benefit pension plans in fiscal 2019, which will equal or exceed our minimum funding requirements.

Table of Contents

As of June 2, 2018, we had reserves of \$5.3 million and \$1.3 million for unrecognized tax benefits and environmental liabilities, respectively. We currently expect approximately \$0.6 million of the unrecognized tax benefits to lapse during the next 12 months. We are unable to reasonably estimate in which future periods the remaining unrecognized tax benefits and environmental liabilities will ultimately be settled.

At June 2, 2018, we had a total of \$23.5 million of ongoing letters of credit related to industrial revenue bonds and construction contracts that expire in fiscal 2019 and reduce availability of funds under our committed credit facility.

In addition to the above standby letters of credit, 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 by us. At June 2, 2018, \$238.7 million of our backlog was bonded by performance bonds with a face value of \$535.0 million. Performance bonds do not have stated expiration dates, as we are generally released from the bonds upon completion of the contract. We have never been required to make any payments related to these performance bonds with respect to any of our current portfolio of businesses.

Due to our ability to generate strong cash from operations and borrowing capability under our committed revolving credit facility, we believe that our sources of liquidity will continue to be adequate to fund our working capital requirements, planned capital expenditures and dividend payments for at least the next 12 months.

## Non-GAAP measures

We analyze non-GAAP measures for adjusted net earnings, adjusted earnings per diluted common share and adjusted operating income. These measures are used by management to evaluate the Company's financial performance on a more consistent basis and improve comparability of results from period to period, because they exclude certain amounts that management does not consider to be part of the Company's core operating results. Examples of items excluded to arrive at these adjusted measures may include the impact of acquisition-related costs, amortization of short-lived acquired intangibles associated with backlog and non-recurring restructuring costs. These non-GAAP measures should be viewed in addition to, and not as an alternative to, the reported financial results of the Company prepared in accordance with GAAP. The non-GAAP measures presented below may differ from similar measures used by other companies.

The following table reconciles net earnings to adjusted net earnings and earnings per diluted common share to adjusted earnings per diluted common share.

| In thousands, except per share data                   | Three Months Ended |                 |             |
|-------------------------------------------------------|--------------------|-----------------|-------------|
|                                                       | June 2,<br>2018    | June 3,<br>2017 | %<br>Change |
| Net earnings                                          | \$15,373           | \$16,104        | (5 )%       |
| Amortization of short-lived acquired intangibles      | 2,870              | 2,054           | 40 %        |
| Acquisition-related costs                             | —                  | 680             | (100 )%     |
| Income tax impact on above adjustments <sup>(1)</sup> | (692 )             | (899 )          | (23 )%      |
| Adjusted net earnings                                 | \$17,551           | \$17,939        | (2 )%       |
| <br>Earnings per diluted common share                 | <br>\$0.54         | <br>\$0.56      | <br>(4 )%   |
| Amortization of short-lived acquired intangibles      | 0.10               | \$0.07          | 43 %        |
| Acquisition-related costs                             | —                  | \$0.02          | (100 )%     |
| Income tax impact on above adjustments <sup>(1)</sup> | (0.02 )            | (0.03 )         | (33 )%      |
| Adjusted earnings per diluted common share            | \$0.62             | \$0.62          | — %         |

<sup>(1)</sup> Income tax impact on adjustments was calculated using our effective income tax rates of 24.1% for the quarter ended June 2, 2018 and of 32.9% for the quarter ended June 3, 2017.

The following table reconciles operating income (loss) to adjusted operating income (loss).

24

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Table of Contents

| In thousands                                     | Framing Systems Segment |                  |   | Corporate               |                  |                  | Consolidated     |                  |  |
|--------------------------------------------------|-------------------------|------------------|---|-------------------------|------------------|------------------|------------------|------------------|--|
|                                                  | Operating income        | Operating margin |   | Operating income (loss) | Operating income | Operating margin | Operating income | Operating margin |  |
| Three Months Ended June 2, 2018                  |                         |                  |   |                         |                  |                  |                  |                  |  |
| Operating income (loss)                          | \$12,339                | 6.9              | % | \$(2,059)               | \$21,995         | 6.5              | %                |                  |  |
| Amortization of short-lived acquired intangibles | 2,870                   | 1.6              |   | —                       | 2,870            | 0.9              |                  |                  |  |
| Adjusted operating income (loss)                 | \$15,209                | 8.5              | % | \$(2,059)               | \$24,865         | 7.4              | %                |                  |  |
| Three Months Ended June 3, 2017                  |                         |                  |   |                         |                  |                  |                  |                  |  |
| Operating income (loss)                          | \$11,964                | 10.8             | % | \$(2,012)               | \$24,106         | 8.9              | %                |                  |  |
| Amortization of short-lived acquired intangibles | 2,054                   | 1.9              | % | —                       | 2,054            | 0.8              | %                |                  |  |
| Acquisition-related costs                        | —                       | —                | % | 680                     | 680              | 0.2              | %                |                  |  |
| Adjusted operating income (loss)                 | \$14,018                | 12.7             | % | \$(1,332)               | \$26,840         | 9.9              | %                |                  |  |

**Outlook**

The following statements are based on our current expectations for full-year fiscal 2019 results. These statements are forward-looking, and actual results may differ materially. We are currently expecting:

Revenue growth of approximately 10 percent over fiscal 2018.

Operating margin of 8.9 percent to 9.4 percent.

Earnings per diluted share of \$3.35 to \$3.55.

Adjusted operating margin of 9.2 to 9.7 percent and adjusted earnings per diluted share of \$3.48 to \$3.68<sup>(1)</sup>.

Capital expenditures of \$60 to \$65 million.

<sup>(1)</sup>Adjusted operating margin and adjusted earnings per diluted share exclude the impact of amortization of short-lived acquired intangible assets associated with the acquired backlog of Sotawall and EFCO of \$3.8 million (after tax, \$0.13 per diluted share). These non-GAAP measures are used by management to evaluate the Company's historical and prospective financial performance, measure operational profitability on a more consistent basis, and provide enhanced transparency to the investment community. These non-GAAP measures should be viewed in addition to, and not as an alternative to, the financial results of the company prepared in accordance with GAAP.

**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 March 3, 2018.

**Critical Accounting Policies**

Refer to an update to our critical accounting policies included within Item 1, Notes to the Consolidated Financial Statements (Note 1). No other changes have occurred to the critical accounting policies set forth in our Annual Report on Form 10-K for the fiscal year ended March 3, 2018.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

No material changes have occurred to the disclosures of quantitative and qualitative market risk set forth in our Annual Report on Form 10-K for the fiscal year ended March 3, 2018.

**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.

Changes in internal controls: There was no change in the Company's internal control over financial reporting that b) occurred during the fiscal quarter ended June 2, 2018, 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 has been 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's construction supply and services businesses are routinely involved in various disputes and claims arising out of construction projects, sometimes involving significant monetary damages or product replacement. The Company is also subject to litigation arising out of employment practices, workers compensation, general liability and automobile claims. Although it is very difficult to accurately predict the outcome of such proceedings, facts currently available indicate that no such claims 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 March 3, 2018.

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

The following table provides information with respect to purchases made by the Company of its own stock during the first quarter of fiscal 2019:

| Period                          | Total Number of Shares Purchased (a) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b) | Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (b) |
|---------------------------------|--------------------------------------|------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| March 4, 2018 to March 31, 2018 | —                                    | \$ —                         | —                                                                                    | 1,240,068                                                                          |
| April 1, 2018 to April 28, 2018 | 2,714                                | 41.68                        | —                                                                                    | 1,240,068                                                                          |
| April 29, 2018 to June 2, 2018  | 38,150                               | 41.11                        | —                                                                                    | 1,240,068                                                                          |
| Total                           | 40,864                               | \$ 41.27                     | —                                                                                    | 1,240,068                                                                          |

The shares in this column represent the total number of shares that were surrendered to us by plan participants to (a) satisfy stock-for-stock option exercises or withholding tax obligations related to share-based compensation. We did not purchase any shares pursuant to our publicly announced repurchase program during the fiscal quarter.

(b)

In fiscal 2004, the Board of Directors authorized the repurchase of 1,500,000 shares of Company stock, announced on April 10, 2003. Subsequently, the Board of Directors increased the authorization by 750,000 shares, announced on January 24, 2008; and by 1,000,000 shares on each of the announcement dates of October 8, 2008, January 13, 2016 and January 9, 2018. The repurchase program does not have an expiration date.

Table of Contents

Item 6. Exhibits

3.1 Amended and Restated Bylaws of Apogee Enterprises, Inc. Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on July 3, 2018.

10.1 Form of CEO Cash-Based Performance Award Agreement under the Apogee Enterprises, Inc. 2009 Stock Incentive Plan, as amended and restated (2011). Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on July 3, 2018.

10.2 Fourth Amendment to the Apogee Enterprises, Inc. 2011 Deferred Compensation Plan, dated June 28, 2018. Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on July 3, 2018.

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 June 2, 2018 are furnished herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets as of June 2, 2018 and March 3, 2018, (ii) the Consolidated Results of Operations for the three months ended June 2, 2018 and June 3, 2017, (iii) the Consolidated Statements of Comprehensive Earnings for the three months ended June 2, 2018 and June 3, 2017, (iv) the Consolidated Statements of Cash Flows for the three months ended June 2, 2018 and June 3, 2017, (v) the Consolidated Statements of Shareholders' Equity for the three months ended June 2, 2018 and June 3, 2017, and (vi) Notes to Consolidated Financial Statements.

Table of Contents

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: July 12, 2018 By: /s/ Joseph F. Puishys  
Joseph F. Puishys  
President and Chief  
Executive Officer  
(Principal Executive Officer)

Date: July 12, 2018 By: /s/ James S. Porter  
James S. Porter  
Executive Vice President and  
Chief Financial Officer (Principal Financial and  
Accounting Officer)