

APOGEE ENTERPRISES, INC.  
Form 10-Q  
July 09, 2015

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 1934

For the quarterly period ended May 30, 2015

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

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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 incorporation or organization) | (I.R.S. Employer Identification No.) |

|                                                                   |            |
|-------------------------------------------------------------------|------------|
| 4400 West 78 <sup>th</sup> Street – Suite 520,<br>Minneapolis, MN | 55435      |
| (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 Web site, 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                   |                          |
|-------------------------|-------------------------------------|-------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
|-------------------------|-------------------------------------|-------------------|--------------------------|

|                       |                          |                                               |                           |                          |
|-----------------------|--------------------------|-----------------------------------------------|---------------------------|--------------------------|
| Non-accelerated filer | <input type="checkbox"/> | (Do not check if a smaller reporting company) | Smaller reporting company | <input type="checkbox"/> |
|-----------------------|--------------------------|-----------------------------------------------|---------------------------|--------------------------|

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 8, 2015, 29,234,140 shares of the registrant's common stock, par value \$0.33 1/3 per share, were outstanding.

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APOGEE ENTERPRISES, INC. AND SUBSIDIARIES

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED BALANCE SHEETS

(unaudited)

| (In thousands, except per share data)                                                                                              | May 30,<br>2015 | February 28,<br>2015 |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|
| Assets                                                                                                                             |                 |                      |
| Current assets                                                                                                                     |                 |                      |
| Cash and cash equivalents                                                                                                          | \$28,204        | \$52,185             |
| Short-term available for sale securities                                                                                           | 35,279          | 327                  |
| Receivables, net of allowance for doubtful accounts                                                                                | 160,304         | 171,623              |
| Inventories                                                                                                                        | 62,490          | 61,408               |
| Refundable income taxes                                                                                                            | 3,390           | 5,115                |
| Deferred tax assets                                                                                                                | 370             | 1,359                |
| Other current assets                                                                                                               | 7,707           | 6,958                |
| Total current assets                                                                                                               | 297,744         | 298,975              |
| Property, plant and equipment, net                                                                                                 | 192,374         | 193,540              |
| Available for sale securities                                                                                                      | 9,703           | 10,655               |
| Goodwill                                                                                                                           | 75,563          | 75,857               |
| Intangible assets                                                                                                                  | 22,419          | 23,280               |
| Other non-current assets                                                                                                           | 10,080          | 9,750                |
| Total assets                                                                                                                       | \$607,883       | \$612,057            |
| Liabilities and Shareholders' Equity                                                                                               |                 |                      |
| Current liabilities                                                                                                                |                 |                      |
| Accounts payable                                                                                                                   | \$52,792        | \$56,516             |
| Accrued payroll and related benefits                                                                                               | 24,323          | 36,620               |
| Accrued self-insurance reserves                                                                                                    | 6,202           | 8,058                |
| Other current liabilities                                                                                                          | 23,201          | 25,557               |
| Billings in excess of costs and earnings on uncompleted contracts                                                                  | 29,424          | 22,233               |
| Current portion long-term debt                                                                                                     | 37              | 44                   |
| Total current liabilities                                                                                                          | 135,979         | 149,028              |
| Long-term debt                                                                                                                     | 21,727          | 20,587               |
| Unrecognized tax benefits                                                                                                          | 4,499           | 4,477                |
| Long-term self-insurance reserves                                                                                                  | 7,346           | 6,185                |
| Deferred tax liabilities                                                                                                           | 10,073          | 10,652               |
| Other non-current liabilities                                                                                                      | 37,355          | 38,652               |
| Commitments and contingent liabilities (Note 12)                                                                                   |                 |                      |
| Shareholders' equity                                                                                                               |                 |                      |
| Common stock of \$0.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding 29,227,904 and 29,049,531, respectively | 9,743           | 9,683                |
| Additional paid-in capital                                                                                                         | 144,229         | 138,575              |
| Retained earnings                                                                                                                  | 262,327         | 256,538              |
| Common stock held in trust                                                                                                         | (810)           | ) (801 )             |
| Deferred compensation obligations                                                                                                  | 810             | 801                  |
| Accumulated other comprehensive loss                                                                                               | (25,395)        | ) (22,320 )          |
| Total shareholders' equity                                                                                                         | 390,904         | 382,476              |
| Total liabilities and shareholders' equity                                                                                         | \$607,883       | \$612,057            |

See accompanying notes to consolidated financial statements.

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CONSOLIDATED RESULTS OF OPERATIONS

(unaudited)

| (In thousands, except per share data)        | Three Months Ended |                 |
|----------------------------------------------|--------------------|-----------------|
|                                              | May 30,<br>2015    | May 31,<br>2014 |
| Net sales                                    | \$239,962          | \$210,883       |
| Cost of sales                                | 184,374            | 169,445         |
| Gross profit                                 | 55,588             | 41,438          |
| Selling, general and administrative expenses | 37,364             | 33,621          |
| Operating income                             | 18,224             | 7,817           |
| Interest income                              | 237                | 249             |
| Interest expense                             | 167                | 193             |
| Other income, net                            | 48                 | 1,283           |
| Earnings before income taxes                 | 18,342             | 9,156           |
| Income tax expense                           | 6,216              | 3,054           |
| Net earnings                                 | \$12,126           | \$6,102         |
|                                              |                    |                 |
| Earnings per share - basic                   | \$0.42             | \$0.21          |
| Earnings per share - diluted                 | \$0.41             | \$0.21          |
| Weighted average basic shares outstanding    | 29,044             | 28,777          |
| Weighted average diluted shares outstanding  | 29,479             | 29,385          |

See accompanying notes to consolidated financial statements.

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## CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(unaudited)

| (In thousands)                                                                                                | Three Months Ended |                 |   |
|---------------------------------------------------------------------------------------------------------------|--------------------|-----------------|---|
|                                                                                                               | May 30,<br>2015    | May 31,<br>2014 |   |
| Net earnings                                                                                                  | \$12,126           | \$6,102         |   |
| Other comprehensive earnings (loss):                                                                          |                    |                 |   |
| Unrealized (loss) gain on marketable securities, net of \$(33) and \$45 of tax (benefit)expense, respectively | (64                | ) 82            |   |
| Unrealized loss on foreign currency hedge, net of \$0 and \$36 of tax benefit, respectively                   | —                  | (62             | ) |
| Foreign currency translation adjustments                                                                      | (3,011             | ) 2,150         |   |
| Other comprehensive loss                                                                                      | (3,075             | ) 2,170         |   |
| Total comprehensive earnings                                                                                  | \$9,051            | \$8,272         |   |

See accompanying notes to consolidated financial statements.

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

| (In thousands)                                                                      | Three Months Ended |                 |
|-------------------------------------------------------------------------------------|--------------------|-----------------|
|                                                                                     | May 30,<br>2015    | May 31,<br>2014 |
| Operating Activities                                                                |                    |                 |
| Net earnings                                                                        | \$12,126           | \$6,102         |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                    |                 |
| Depreciation and amortization                                                       | 7,741              | 6,766           |
| Stock-based compensation                                                            | 1,040              | 1,250           |
| Deferred income taxes                                                               | 358                | (501)           |
| Excess tax benefits from stock-based compensation                                   | (3,619)            | (1,589)         |
| Gain on disposal of assets                                                          | (102)              | (453)           |
| Other, net                                                                          | 39                 | 12              |
| Changes in operating assets and liabilities:                                        |                    |                 |
| Receivables                                                                         | 10,820             | 586             |
| Inventories                                                                         | (1,240)            | (2,268)         |
| Accounts payable and accrued expenses                                               | (18,129)           | (11,677)        |
| Billings in excess of costs and earnings on uncompleted contracts                   | 7,191              | 985             |
| Refundable and accrued income taxes                                                 | 5,361              | 2,825           |
| Other, net                                                                          | (731)              | (842)           |
| Net cash provided by operating activities                                           | 20,855             | 1,196           |
| Investing Activities                                                                |                    |                 |
| Capital expenditures                                                                | (8,753)            | (8,738)         |
| Proceeds from sales of property, plant and equipment                                | 1                  | 201             |
| Sales of restricted investments                                                     | —                  | 798             |
| Purchases of marketable securities                                                  | (35,787)           | (484)           |
| Sales/maturities of marketable securities                                           | 1,696              | 868             |
| Investments in corporate-owned life insurance policies                              | (823)              | —               |
| Net cash used in investing activities                                               | (43,666)           | (7,355)         |
| Financing Activities                                                                |                    |                 |
| Proceeds from issuance of debt                                                      | 1,199              | —               |
| Payments on debt                                                                    | (10)               | (12)            |
| Shares withheld for taxes, net of stock issued to employees                         | (2,028)            | (3,164)         |
| Excess tax benefits from stock-based compensation                                   | 3,619              | 1,589           |
| Repurchase and retirement of common stock                                           | —                  | (863)           |
| Dividends paid                                                                      | (3,215)            | (3,078)         |
| Net cash used in financing activities                                               | (435)              | (5,528)         |
| Decrease in cash and cash equivalents                                               | (23,246)           | (11,687)        |
| Effect of exchange rates on cash                                                    | (735)              | 315             |
| Cash and cash equivalents at beginning of year                                      | 52,185             | 28,465          |
| Cash and cash equivalents at end of period                                          | \$28,204           | \$17,093        |
| Noncash Activity                                                                    |                    |                 |
| Capital expenditures in accounts payable                                            | \$1,363            | \$921           |

See accompanying notes to consolidated financial statements.



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## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited)

| (In thousands, except per share data)                              | Common Shares Outstanding | Common Stock | Additional Paid-In Capital | Retained Earnings | Common Stock Held in Trust | Deferred Compensation Obligation | Accumulated Other Comprehensive (Loss) Income |
|--------------------------------------------------------------------|---------------------------|--------------|----------------------------|-------------------|----------------------------|----------------------------------|-----------------------------------------------|
| Bal. at Feb 28, 2015                                               | 29,050                    | \$9,683      | \$138,575                  | \$256,538         | \$(801 )                   | \$ 801                           | \$ (22,320 )                                  |
| Net earnings                                                       | —                         | —            | —                          | 12,126            | —                          | —                                | —                                             |
| Unrealized loss on marketable securities, net of \$33 tax benefit  | —                         | —            | —                          | —                 | —                          | —                                | (64 )                                         |
| Foreign currency translation adjustments                           | —                         | —            | —                          | —                 | —                          | —                                | (3,011 )                                      |
| Issuance of stock, net of cancellations                            | 83                        | 28           | (13 )                      | —                 | (9 )                       | 9                                | —                                             |
| Stock-based compensation                                           | —                         | —            | 1,040                      | —                 | —                          | —                                | —                                             |
| Tax benefit associated with stock plans                            | —                         | —            | 3,658                      | —                 | —                          | —                                | —                                             |
| Exercise of stock options                                          | 160                       | 53           | 1,285                      | —                 | —                          | —                                | —                                             |
| Other share retirements                                            | (65 )                     | (21 )        | (316 )                     | (3,122 )          | —                          | —                                | —                                             |
| Cash dividends                                                     | —                         | —            | —                          | (3,215 )          | —                          | —                                | —                                             |
| Bal. at May 30, 2015                                               | 29,228                    | \$9,743      | \$144,229                  | \$262,327         | \$(810 )                   | \$ 810                           | \$ (25,395 )                                  |
| Bal. at Mar 1, 2014                                                | 28,958                    | \$9,653      | \$130,570                  | \$228,841         | \$(791 )                   | \$ 791                           | \$ (12,960 )                                  |
| Net earnings                                                       | —                         | —            | —                          | 6,102             | —                          | —                                | —                                             |
| Unrealized gain on marketable securities, net of \$45 tax expense  | —                         | —            | —                          | —                 | —                          | —                                | 82                                            |
| Unrealized loss on foreign currency hedge, net of \$36 tax benefit | —                         | —            | —                          | —                 | —                          | —                                | (62 )                                         |
| Foreign currency translation adjustments                           | —                         | —            | —                          | —                 | —                          | —                                | 2,150                                         |
| Issuance of stock, net of cancellations                            | 262                       | 87           | (67 )                      | —                 | 3                          | (3 )                             | —                                             |
| Stock-based compensation                                           | —                         | —            | 1,250                      | —                 | —                          | —                                | —                                             |
| Tax benefit associated with stock plans                            | —                         | —            | 1,604                      | —                 | —                          | —                                | —                                             |
| Exercise of stock options                                          | 17                        | 5            | 159                        | —                 | —                          | —                                | —                                             |
| Share repurchases                                                  | (28 )                     | (9 )         | (128 )                     | (726 )            | —                          | —                                | —                                             |
| Other share retirements                                            | (106 )                    | (35 )        | (29 )                      | (3,284 )          | —                          | —                                | —                                             |
| Cash dividends                                                     | —                         | —            | —                          | (3,078 )          | —                          | —                                | —                                             |
| Bal. at May 31, 2014                                               | 29,103                    | \$9,701      | \$133,359                  | \$227,855         | \$(788 )                   | \$ 788                           | \$ (10,790 )                                  |

See accompanying notes to consolidated financial statements.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

## 1. Basis of Presentation

The consolidated financial statements of Apogee Enterprises, Inc. (we, us, our or the Company) have been prepared in accordance with accounting principles generally accepted in the United States. The information included in this Form 10-Q should be read in conjunction with the Company's Form 10-K for the year ended February 28, 2015. 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 May 30, 2015 are not necessarily indicative of the results to be expected for the full year.

In connection with preparing the unaudited consolidated financial statements for the three months ended May 30, 2015, we have evaluated subsequent events for potential recognition and disclosure through the date of this filing and determined there were no items to recognize or disclose.

## 2. New Accounting Standards

In May 2014, the FASB issued a standard on revenue from contracts with customers. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for annual reporting periods beginning after December 15, 2016, our fiscal 2018. We are currently evaluating the impact that this standard will have on our financial statements.

We do not expect that any other recently issued accounting pronouncements will have a significant effect on our financial statements.

## 3. Share-Based Compensation

Total share-based compensation expense included in the results of operations was \$1.0 million and \$1.3 million for the three-month periods ended May 30, 2015 and May 31, 2014, respectively.

## Stock Options and SARs

There were no options or SARs issued in the first three months of either fiscal 2016 or 2015. The following table summarizes the award transactions for the three months ended May 30, 2015:

|                                             | Options/SARs Outstanding |                                       | Weighted<br>Average<br>Remaining<br>Contractual<br>Life | Aggregate<br>Intrinsic<br>Value |
|---------------------------------------------|--------------------------|---------------------------------------|---------------------------------------------------------|---------------------------------|
|                                             | Number of<br>Shares      | Weighted<br>Average<br>Exercise Price |                                                         |                                 |
| Outstanding at February 28, 2015            | 624,095                  | \$ 11.92                              |                                                         |                                 |
| Awards exercised                            | (165,394)                | ) 9.74                                |                                                         |                                 |
| Awards canceled                             | —                        | —                                     |                                                         |                                 |
| Outstanding and exercisable at May 30, 2015 | 458,701                  | \$ 12.70                              | 4.8 Years                                               | \$ 18,820,316                   |

Cash proceeds from the exercise of stock options were \$1.3 million and \$0.2 million for the three months ended May 30, 2015 and May 31, 2014, respectively. The aggregate intrinsic value of securities (the amount by which the stock price on the date of exercise exceeded the stock price of the award on the date of grant) exercised was \$5.7 million during the three months ended May 30, 2015 and \$0.4 million during the prior-year period.

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## Nonvested Shares and Share Units

The following table summarizes the nonvested share award transactions, including nonvested share units, for the three months ended May 30, 2015:

|                                | Nonvested Shares and Units       |                                                 |
|--------------------------------|----------------------------------|-------------------------------------------------|
|                                | Number of<br>Shares and<br>Units | Weighted<br>Average<br>Grant Date<br>Fair Value |
| Nonvested at February 28, 2015 | 400,708                          | \$23.49                                         |
| Granted                        | 89,178                           | 53.43                                           |
| Vested                         | (167,765)                        | ) 22.67                                         |
| Canceled                       | (1,950)                          | ) 28.98                                         |
| Nonvested at May 30, 2015      | 320,171                          | \$32.23                                         |

At May 30, 2015, there was \$8.8 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 24 months. The total fair value of shares vested during the three-months ended May 30, 2015 was \$8.6 million.

## 4. Earnings per Share

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

| (In thousands, except per share data)                                                               | Three Months Ended |                 |
|-----------------------------------------------------------------------------------------------------|--------------------|-----------------|
|                                                                                                     | May 30,<br>2015    | May 31,<br>2014 |
| Basic earnings per share – weighted average common shares outstanding                               | 29,044             | 28,777          |
| Weighted average effect of nonvested share grants and assumed exercise of stock options             | 435                | 608             |
| Diluted earnings per share – weighted average common shares and potential common shares outstanding | 29,479             | 29,385          |
| Earnings per share – basic                                                                          | \$0.42             | \$0.21          |
| Earnings per share – diluted                                                                        | 0.41               | 0.21            |

There were no anti-dilutive stock options excluded from the calculation of earnings per share for any of the periods presented as the average market price exceeded the exercise price of options outstanding.

## 5. Inventories

| (In thousands)                                                    | May 30,<br>2015 | February 28,<br>2015 |
|-------------------------------------------------------------------|-----------------|----------------------|
| Raw materials                                                     | \$21,582        | \$19,761             |
| Work-in-process                                                   | 13,576          | 14,385               |
| Finished goods                                                    | 24,199          | 23,076               |
| Costs and earnings in excess of billings on uncompleted contracts | 3,133           | 4,186                |
| Total inventories                                                 | \$62,490        | \$61,408             |

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## 6. Marketable Securities

Marketable securities available for sale at May 30, 2015 and February 28, 2015, were as follows:

| (In thousands)                      | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair Value |
|-------------------------------------|-------------------|------------------------------|-------------------------------|-------------------------|
| May 30, 2015                        |                   |                              |                               |                         |
| Mutual fund                         | \$30,011          | \$—                          | \$(13                         | ) \$29,998              |
| Municipal bonds                     | \$10,060          | \$71                         | \$(147                        | ) \$9,984               |
| Commercial paper                    | \$5,000           | \$—                          | \$—                           | \$5,000                 |
| Total available for sale securities | \$45,071          | \$71                         | \$(160                        | ) \$44,982              |
| February 28, 2015                   |                   |                              |                               |                         |
| Municipal bonds                     | \$10,973          | \$127                        | \$(118                        | ) \$10,982              |
| Total available for sale securities | \$10,973          | \$127                        | \$(118                        | ) \$10,982              |

As of May 30, 2015, available for sale securities with a fair value of \$1.1 million have been in a continuous unrealized loss position for more than 12 months with unrealized losses of \$0.1 million.

During the quarter, the Company invested in a mutual fund holding government short-term securities and commercial paper as a means of deploying excess cash generated from operations while preserving liquidity.

The Company's wholly-owned insurance subsidiary, Prism Assurance, Ltd. (Prism), holds our municipal bonds. Prism insures a portion of the Company's workers' compensation, general liability 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 bonds, for the purpose of providing collateral for Prism's obligations under the reinsurance agreement.

The Company tests for other-than-temporary losses on a quarterly basis and considers the unrealized losses indicated above to be temporary in nature. The Company intends to hold the investments until it can recover the full principal amount, and has the ability to do so based on other sources of liquidity. The Company expects such recoveries to occur prior to the contractual maturities.

The amortized cost and estimated fair values of investments at May 30, 2015, 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 Fair<br>Value |
|---------------------------------------|-------------------|-------------------------|
| Due within one year                   | \$5,277           | \$5,281                 |
| Due after one year through five years | 2,816             | 2,816                   |
| Due after five years through 10 years | 5,717             | 5,749                   |
| Due after 10 years through 15 years   | 1,250             | 1,138                   |
| Total                                 | \$15,060          | \$14,984                |

Gross realized gains and losses were not significant during the first three-months of fiscal 2016 or fiscal 2015.

## 7. 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). The Company does not have any Level 3 assets or liabilities.

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Financial assets measured at fair value on a recurring basis as of May 30, 2015 and February 28, 2015, are summarized below:

| (In thousands)              | Quoted Prices in<br>Active Markets<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Total Fair<br>Value |
|-----------------------------|-------------------------------------------------|--------------------------------------------|---------------------|
| May 30, 2015                |                                                 |                                            |                     |
| Cash equivalents            |                                                 |                                            |                     |
| Money market funds          | \$ 18,363                                       | \$—                                        | \$18,363            |
| Short-term securities       |                                                 |                                            |                     |
| Mutual funds                | \$ 29,998                                       | \$—                                        | \$29,998            |
| Commercial paper            | \$ —                                            | \$5,000                                    | \$5,000             |
| Municipal bonds             | \$ —                                            | \$281                                      | \$281               |
| Total short-term securities | 29,998                                          | 5,281                                      | 35,279              |
| Long-term securities        |                                                 |                                            |                     |
| Mutual funds                | \$ 271                                          | \$—                                        | \$271               |
| Municipal bonds             | \$ —                                            | \$9,703                                    | \$9,703             |
| Total long-term securities  | \$ 271                                          | \$9,703                                    | \$9,974             |
| Total assets at fair value  | \$ 48,632                                       | \$14,984                                   | \$63,616            |
| February 28, 2015           |                                                 |                                            |                     |
| Cash equivalents            |                                                 |                                            |                     |
| Money market funds          | \$ 34,386                                       | \$—                                        | \$34,386            |
| Short-term securities       |                                                 |                                            |                     |
| Municipal bonds             | \$ —                                            | \$327                                      | \$327               |
| Long-term securities        |                                                 |                                            |                     |
| Mutual funds                | \$ 305                                          |                                            | \$305               |
| Municipal bonds             | \$ —                                            | \$10,655                                   | \$10,655            |
| Total assets at fair value  | \$ 34,691                                       | \$10,982                                   | \$45,673            |

The following methods were used to estimate the fair value of each class of financial instrument:

#### Cash equivalents

Cash equivalents consisted of highly liquid investments with an original maturity of three months or less. Money market funds were measured at fair value based on quoted prices in active markets.

#### Short- and long-term securities

Mutual funds were measured at fair value based on quoted prices in active markets. A portion of our mutual funds are considered a long-term funding source for the deferred compensation plan and are included in other non-current assets in the consolidated balance sheet.

Commercial paper was measured using inputs based upon quoted prices for similar instruments in active markets.

Municipal bonds were carried 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.

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## 8. Goodwill and Other Identifiable Intangible Assets

The carrying amount of goodwill attributable to each business segment is below:

| (In thousands)               | Architectural<br>Glass | Architectural<br>Services | Architectural<br>Framing<br>Systems | Large-Scale<br>Optical | Total    |
|------------------------------|------------------------|---------------------------|-------------------------------------|------------------------|----------|
| Balance at March 1, 2014     | \$26,628               | \$1,120                   | \$39,716                            | \$10,557               | \$78,021 |
| Foreign currency translation | (273)                  | ) —                       | (1,891)                             | ) —                    | (2,164)  |
| Balance at February 28, 2015 | 26,355                 | 1,120                     | 37,825                              | 10,557                 | 75,857   |
| Foreign currency translation | (358)                  | ) —                       | 64                                  | —                      | (294)    |
| Balance at May 30, 2015      | \$25,997               | \$1,120                   | \$37,889                            | \$10,557               | \$75,563 |

The following tables provide the gross carrying amount of other intangible assets and related accumulated amortization:

| (In thousands)                         | May 30, 2015<br>Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Foreign<br>Currency<br>Translation | Net        |
|----------------------------------------|---------------------------------------------|-----------------------------|------------------------------------|------------|
| Definite-lived intangible assets:      |                                             |                             |                                    |            |
| Debt issue costs                       | \$3,677                                     | \$(2,610)                   | ) \$—                              | \$1,067    |
| Non-compete agreements                 | 6,633                                       | (6,342)                     | ) (11)                             | ) 280      |
| Customer relationships                 | 24,174                                      | (12,003)                    | ) (224)                            | ) 11,947   |
| Trademarks and other intangibles       | 8,063                                       | (2,975)                     | ) (220)                            | ) 4,868    |
| Total definite-lived intangible assets | \$42,547                                    | \$(23,930)                  | ) \$(455)                          | ) \$18,162 |
| Indefinite-lived intangible assets:    |                                             |                             |                                    |            |
| Trademarks                             | 4,239                                       | —                           | 18                                 | 4,257      |
| Total intangible assets                | \$46,786                                    | \$(23,930)                  | ) \$(437)                          | ) \$22,419 |

| (In thousands)                         | February 28, 2015<br>Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Foreign<br>Currency<br>Translation | Net        |
|----------------------------------------|--------------------------------------------------|-----------------------------|------------------------------------|------------|
| Definite-lived intangible assets:      |                                                  |                             |                                    |            |
| Debt issue costs                       | \$3,668                                          | \$(2,560)                   | ) \$—                              | \$1,108    |
| Non-compete agreements                 | 6,690                                            | (6,364)                     | ) (10)                             | ) 316      |
| Customer relationships                 | 25,677                                           | (11,932)                    | ) (1,315)                          | ) 12,430   |
| Trademarks and other intangibles       | 8,275                                            | (2,920)                     | ) (168)                            | ) 5,187    |
| Total definite-lived intangible assets | \$44,310                                         | \$(23,776)                  | ) \$(1,493)                        | ) \$19,041 |
| Indefinite-lived intangible assets:    |                                                  |                             |                                    |            |
| Trademarks                             | 4,768                                            | —                           | (529)                              | ) 4,239    |
| Total intangible assets                | \$49,078                                         | \$(23,776)                  | ) \$(2,022)                        | ) \$23,280 |

Amortization expense on the definite-lived intangible assets was \$0.4 million and \$0.5 million for the three-month periods ended May 30, 2015 and May 31, 2014, respectively. The amortization expense associated with the 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 May 30, 2015, the estimated future amortization expense for definite-lived intangible assets is as follows:

| (In thousands) | Remainder<br>of Fiscal<br>2015 | Fiscal<br>2016 | Fiscal<br>2017 | Fiscal<br>2018 | Fiscal<br>2019 |
|----------------|--------------------------------|----------------|----------------|----------------|----------------|
|----------------|--------------------------------|----------------|----------------|----------------|----------------|



|                                |         |         |         |         |         |
|--------------------------------|---------|---------|---------|---------|---------|
| Estimated amortization expense | \$1,306 | \$1,594 | \$1,563 | \$1,513 | \$1,439 |
|--------------------------------|---------|---------|---------|---------|---------|

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## 9. Debt

Debt at May 30, 2015 consists of \$20.4 million of industrial revenue bonds, \$1.2 million on the Canadian revolving credit facility and \$0.2 million of other debt. The industrial revenue bonds mature in fiscal years 2021 through 2043, borrowings under our U.S. revolving facility mature in fiscal 2020 and the other debt matures in fiscal years 2016 through 2021. The fair value of the industrial revenue bonds and revolving credit facility borrowings approximates carrying value at May 30, 2015, due to the variable interest rates on these instruments. The bonds are classified as Level 2 within the fair value hierarchy described in Note 7.

The Company maintains a \$125.0 million committed revolving credit facility that expires in December 2019. No borrowings were outstanding under the facility as of May 30, 2015 or February 28, 2015.

This credit facility requires the Company to maintain a debt-to-EBITDA ratio of not more than 3.00. This ratio is computed quarterly, with EBITDA computed on a rolling four-quarter basis. The Company's ratio was 0.21 at May 30, 2015. The credit facility also requires the Company to maintain a minimum level of net worth, as defined in the credit facility, based on certain quarterly financial calculations. The minimum required net worth computed in accordance with the credit facility at May 30, 2015 was \$329.1 million, whereas the Company's net worth as defined in the credit facility was \$390.9 million. If the Company is not in compliance with either of these covenants, the lenders may terminate the commitment and/or declare any loan then outstanding to be immediately due and payable. At May 30, 2015, the Company was in compliance with the financial covenants of the credit facility.

We also maintain a Canadian dollar 4.0 million revolving demand facility available to our Canadian operation. Borrowings under the facility are made available at the sole discretion of the lender and are payable on demand, with interest at rates specified in the credit agreement. The Company classifies any outstanding balances under this demand facility as long-term debt, as outstanding amounts can be refinanced through our committed revolving credit facility. As of May 30, 2015, \$1.2 million was outstanding under this facility. No borrowings were outstanding under this facility as of February 28, 2015.

Interest payments were \$0.1 million for each of the three months ended May 30, 2015 and May 31, 2014, and primarily relate to fees associated with our revolving credit facility.

## 10. Employee Benefit Plans

## Pension Plans

The Company sponsors an unfunded Officers' Supplemental Executive Retirement Plan for the benefit of certain executives and a defined-benefit pension plan, the Tubelite, Inc. Hourly Employees' Pension Plan. Components of net periodic benefit cost are as follows:

| (In thousands)                        | Three Months Ended |                 |
|---------------------------------------|--------------------|-----------------|
|                                       | May 30,<br>2015    | May 31,<br>2014 |
| Interest cost                         | \$142              | \$138           |
| Expected return on assets             | (34)               | (43)            |
| Amortization of unrecognized net loss | 62                 | 44              |
| Net periodic benefit cost             | \$170              | \$139           |

## 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 2012, or U.S. state and local income tax examinations for years prior to fiscal 2009. The Company is not currently under U.S. federal examination for years subsequent to fiscal year 2011, and there is very limited audit activity of the Company's income tax returns in U.S. state jurisdictions or international jurisdictions.

The total liability for unrecognized tax benefits was approximately \$5.0 million at both May 30, 2015 and February 28, 2015. The Company records the impact of penalties and interest related to unrecognized tax benefits in income tax expense, which is consistent with past practices. 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.

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## 12. Commitments and Contingent Liabilities

Operating lease commitments. As of May 30, 2015, the Company was obligated under non-cancelable operating leases for buildings and equipment. Certain leases provide for increased rentals 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>2015 | Fiscal<br>2016 | Fiscal<br>2017 | Fiscal<br>2018 | Fiscal<br>2019 | Thereafter | Total    |
|------------------------|--------------------------------|----------------|----------------|----------------|----------------|------------|----------|
| Total minimum payments | \$7,058                        | \$7,588        | \$6,773        | \$6,007        | \$4,680        | \$3,671    | \$35,777 |

Bond commitments. In the ordinary course of business, predominantly in the Company's Architectural Services business, the Company is required to provide surety or performance bonds that commit payments to its customers for any non-performance by the Company. At May 30, 2015, \$89.2 million of the Company's backlog was bonded by performance bonds with a face value of \$290.8 million. Performance bonds do not have stated expiration dates, as the Company is released from the bonds upon completion of the contract. The Company has never been required to make any payments related to these performance bonds with respect to any of its current portfolio of businesses.

Warranties. The Company accrues for warranty and claim costs as a percentage of sales based on historical trends and for specific sales credits as they become known and estimable. Actual warranty and 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, shifts in product mix and any significant changes in sales volume. The Company's warranty and claim accruals are detailed below.

| (In thousands)                 | Three Months Ended |                 |
|--------------------------------|--------------------|-----------------|
|                                | May 30,<br>2015    | May 31,<br>2014 |
| Balance at beginning of period | \$11,275           | \$11,978        |
| Additional accruals            | 1,926              | 1,060           |
| Claims paid                    | (1,173)            | (891)           |
| Balance at end of period       | \$12,028           | \$12,147        |

Letters of credit. At May 30, 2015, the Company had ongoing letters of credit related to its construction contracts and certain industrial revenue bonds. The total value of letters of credit under which the Company was obligated as of May 30, 2015 was approximately \$23.5 million, all of which have been issued under the credit facility. The Company's total availability under its \$125.0 million credit facility is reduced by borrowings under the facility and also by letters of credit issued under the facility.

Purchase obligations. The Company has purchase obligations for raw material commitments and capital expenditures. As of May 30, 2015, these obligations totaled \$131.4 million.

Litigation. The Company is a party to various legal proceedings incidental to its normal operating activities. In particular, like others in the construction supply and services industry, the Company'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.

## 13. Segment Information

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

• 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 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

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entrances of commercial, institutional and high-end multi-family residential buildings. The Company has aggregated four operating segments into the Architectural Framing Systems reporting segment based upon their similar products, customers, distribution methods, production processes and economic characteristics.

The LSO segment manufactures value-added glass and acrylic products for the custom picture framing and fine art markets.

| (In thousands)                          | Three Months Ended |                 |
|-----------------------------------------|--------------------|-----------------|
|                                         | May 30,<br>2015    | May 31,<br>2014 |
| Net Sales from operations               |                    |                 |
| Architectural Glass                     | \$101,175          | \$79,634        |
| Architectural Services                  | 55,652             | 51,616          |
| Architectural Framing Systems           | 71,900             | 64,222          |
| Large-Scale Optical                     | 20,219             | 20,061          |
| Intersegment eliminations               | (8,984)            | (4,650)         |
| Net sales                               | \$239,962          | \$210,883       |
| Operating Income (Loss) from operations |                    |                 |
| Architectural Glass                     | \$8,283            | \$2,800         |
| Architectural Services                  | 942                | 184             |
| Architectural Framing Systems           | 5,261              | 1,931           |
| Large-Scale Optical                     | 4,870              | 3,964           |
| Corporate and other                     | (1,132)            | (1,062)         |
| Operating income                        | \$18,224           | \$7,817         |

Due to the varying combinations and integration of individual window, storefront and curtainwall systems, the Company has determined that 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 February 28, 2015. 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 February 28, 2015.

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.

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## Overview

We are a leader in certain technologies and distinctive solutions for enclosing commercial buildings and framing art. The Company's four reportable segments are: Architectural Glass, Architectural Services, Architectural Framing Systems and Large-Scale Optical (LSO).

Our Architectural Glass segment consists of Viracon, a fabricator of 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 consists of Harmon, one of the largest U.S. full-service building glass installation companies, which 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 Architectural Framing Systems segment companies design, engineer, fabricate and finish 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. This segment includes Wausau Window and Wall Systems, a manufacturer of standard and custom aluminum window systems and curtainwall for the North American commercial construction and historical renovation markets; Tubelite, a fabricator of aluminum storefront, entrance and curtainwall products for the U.S. commercial construction industry; Alumicor, a fabricator of aluminum storefront, entrance, curtainwall and window products for the Canadian commercial construction industry; and Linetec, a paint and anodize finisher of architectural aluminum and PVC shutters for U.S. markets.

Our LSO segment consists of Tru Vue, a manufacturer of value-added glass and acrylic products for the custom picture framing and fine art markets.

The following selected financial data should be read in conjunction with the Company's Form 10-K for the year ended February 28, 2015 and the consolidated financial statements, including the notes to consolidated financial statements, included therein.

## Highlights of First Quarter Fiscal 2016 Compared to First Quarter Fiscal 2015

## Net sales

Consolidated net sales increased 13.8 percent, or \$29.1 million, for the first quarter ended May 30, 2015 compared to the prior year period, with growth occurring in all operating segments. Sales growth in the Architectural Glass segment contributed approximately 8 percentage points of the increase due to increased volume and improved pricing and mix; growth in the Architectural Framing Systems segment accounted for approximately 4 percentage points of the increase driven mainly by increased volume in the U.S. businesses; and the remaining increase came from increased volume in the Architectural Services segment.

The relationship between various components of operations, stated as a percent of net sales, is illustrated below for the three-month periods of the current and prior fiscal years:

| (Percent of net sales)                       | Three Months Ended |                 |   |
|----------------------------------------------|--------------------|-----------------|---|
|                                              | May 30,<br>2015    | May 31,<br>2014 |   |
| Net sales                                    | 100.0              | % 100.0         | % |
| Cost of sales                                | 76.8               | 80.4            |   |
| Gross profit                                 | 23.2               | 19.6            |   |
| Selling, general and administrative expenses | 15.6               | 15.9            |   |
| Operating income                             | 7.6                | 3.7             |   |
| Interest income                              | 0.1                | 0.1             |   |
| Interest expense                             | 0.1                | 0.1             |   |
| Other income, net                            | —                  | 0.6             |   |



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|                              |      |        |   |
|------------------------------|------|--------|---|
| Earnings before income taxes | 7.6  | 4.3    |   |
| Income tax expense           | 2.7  | 1.4    |   |
| Net earnings                 | 4.9  | % 2.9  | % |
| Effective tax rate           | 33.9 | % 33.4 | % |

Gross profit

Gross profit as a percent of sales increased to 23.2 percent for the quarter ended May 30, 2015 from 19.6 percent in the prior year mainly due to the impact of leveraging volume growth and improved pricing across all three Architectural segments, improved product mix and productivity, and reduced healthcare costs.

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

SG&A expenses for the first quarter increased \$3.7 million to \$37.4 million, but decreased as a percentage of net sales to 15.6 percent compared to 15.9 percent in the prior year. The increase in SG&A expense is due to increases in incentive compensation on improved results, sales commissions from higher sales volumes and business development expenses.

## Other income, net

Other income was insignificant in the first quarter of fiscal 2016 compared to income of \$1.3 million in the prior-year period. The prior year income was due to the receipt of the final distribution for a European business that was discontinued over 15 years ago.

## Income tax expense

Our effective tax rate in the first quarter of fiscal 2016 was 33.9 percent, compared to 33.4 percent in the same period last year as a result of timing of resolution of uncertain tax positions.

## Segment Analysis

## Architectural Glass

| (In thousands)   | Three Months Ended |              |          |   |
|------------------|--------------------|--------------|----------|---|
|                  | May 30, 2015       | May 31, 2014 | % Change |   |
| Net sales        | \$101,175          | \$79,634     | 27.1     | % |
| Operating income | 8,283              | 2,800        | 195.8    | % |
| Operating margin | 8.2                | % 3.5        | %        |   |

First quarter Architectural Glass net sales of \$101.2 million increased 27.1 percent over prior year net sales due to improving U.S. market conditions driving increased volume and improved pricing and mix.

Operating income grew to \$8.3 million in the first quarter, with an operating margin of 8.2 percent. The improvement in profitability over the prior year was driven by operating leverage from increased volume and improved pricing and productivity in the U.S., partially offset by weaker performance in our glass fabrication business in Brazil due to the challenging local economic conditions.

## Architectural Services

| (In thousands)   | Three Months Ended |              |          |   |
|------------------|--------------------|--------------|----------|---|
|                  | May 30, 2015       | May 31, 2014 | % Change |   |
| Net sales        | \$55,652           | \$51,616     | 7.8      | % |
| Operating income | 942                | 184          | 412.0    | % |
| Operating margin | 1.7                | % 0.4        | %        |   |

Architectural Services net sales of \$55.7 million for the first quarter were up 7.8 percent over the prior year, with an operating margin of 1.7 percent in the current period compared to 0.4% in the same period last year. Both sales and operating margin growth were attributable to increased volume of project activity and improving project margins as we focus on project selection.

## Architectural Framing Systems

| (In thousands)   | Three Months Ended |              |          |   |
|------------------|--------------------|--------------|----------|---|
|                  | May 30, 2015       | May 31, 2014 | % Change |   |
| Net sales        | \$71,900           | \$64,222     | 12.0     | % |
| Operating income | 5,261              | 1,931        | 172.4    | % |
| Operating margin | 7.3                | % 3.0        | %        |   |

First quarter Architectural Framing Systems net sales of \$71.9 million increased 12.0 percent over prior year net sales due to volume growth across all U.S. businesses and improved pricing.

Operating income grew to \$5.3 million in the first quarter, with an operating margin of 7.3 percent. The improvement in operating results was due to operating leverage on volume growth and improved pricing.

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## Large-Scale Optical (LSO)

| (In thousands)   | Three Months Ended |              | %<br>Change |   |
|------------------|--------------------|--------------|-------------|---|
|                  | May 30, 2015       | May 31, 2014 |             |   |
| Net sales        | \$20,219           | \$20,061     | 0.8         | % |
| Operating income | 4,870              | 3,964        | 22.9        | % |
| Operating margin | 24.1               | % 19.8       | %           |   |

LSO net sales of \$20.2 million for the first quarter were up slightly from the prior year, while operating margin grew to 24.1 percent. The increase in operating margin was driven by an improved mix of higher value-added products and improved productivity.

## Backlog

Backlog represents the dollar amount of revenues we expect to recognize in the future from firm contracts or orders received. Backlog is not a term defined under generally accepted accounting principles and is not a measure of contract profitability. We view backlog as an important metric in evaluating the level of sales activity and short-term sales trends in our business. However, as backlog is only one indicator, and not an effective indicator of our ultimate profitability, we do not believe backlog should be used as the sole indicator of our future earnings.

We include a project within our backlog at the time a signed contract or a firm purchase order is received, generally as a result of a competitive bidding process. Backlog by reporting segment at May 30, 2015, February 28, 2015 and May 31, 2014 was as follows:

| (In thousands)                | May 30, 2015 | February 28, 2015 | May 31, 2014 |   |
|-------------------------------|--------------|-------------------|--------------|---|
| Architectural Glass           | \$94,152     | 137,432           | \$98,204     |   |
| Architectural Services        | 302,049      | 287,473           | 209,155      |   |
| Architectural Framing Systems | 80,844       | 77,666            | 85,646       |   |
| Large-Scale Optical           | 4,833        | 2,107             | 1,073        |   |
| Intersegment eliminations     | (11,044      | ) (13,886         | ) (8,966     | ) |
| Total Backlog                 | \$470,834    | \$490,792         | \$385,112    |   |

In our Architectural Glass segment, additional capacity and improved productivity have driven shorter lead times for customers, resulting in lower backlog. We expect approximately \$311 million, or 66 percent, of our May 30, 2015 total backlog to be recognized during the remainder of fiscal 2016 and approximately \$160 million, or 34 percent, to be recognized in fiscal 2017 and beyond.

## Liquidity and Capital Resources

| (Cash effect, in thousands)                    | Three Months Ended |              |   |
|------------------------------------------------|--------------------|--------------|---|
|                                                | May 30, 2015       | May 31, 2014 |   |
| Operating Activities                           |                    |              |   |
| Net cash provided by operating activities      | \$20,855           | \$1,196      |   |
| Investing Activities                           |                    |              |   |
| Capital expenditures                           | (8,753             | ) (8,738     | ) |
| Change in restricted investments, net          | —                  | 798          |   |
| Net sales (purchases) of marketable securities | (34,091            | ) 384        |   |
| Financing Activities                           |                    |              |   |
| Proceeds from issuance of debt                 | 1,199              | —            |   |
| Repurchase and retirement of common stock      | —                  | (863         | ) |
| Dividends paid                                 | (3,215             | ) (3,078     | ) |



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Operating activities. Cash provided by operating activities was \$20.9 million for the first three months of fiscal 2016, increasing \$19.7 million over the prior year due to reduced incremental investment in working capital combined with improved operating results.

Non-cash working capital (current assets, excluding cash and short-term available for sale securities and short-term restricted investments, less current liabilities, excluding current portion of long-term debt) was \$98.3 million at May 30, 2015. This compares to \$97.5 million at February 28, 2015 and \$91.6 million at May 31, 2014. The increase over year-end and the prior year is due to our investment in working capital to support sales growth.

Investing Activities. In the first three months of fiscal 2016, net cash used by investing activities was \$43.7 million, compared to \$7.4 million in the same period last year. Current year spending included capital investments of \$8.8 million and net purchases of short-term marketable securities of \$34.1 million.

We expect fiscal 2016 capital expenditures to be approximately \$45 to \$50 million to increase capacity, manufacturing productivity and product development capabilities, as well as for maintenance.

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 acquire other businesses, pursue geographic expansion, take actions to manage capacity, further invest in, fully divest and/or sell parts of our current businesses.

Financing Activities. We paid dividends totaling \$3.2 million (\$0.11 per share) for the three-months ended May 30, 2015. We maintain a \$125.0 million committed revolving credit facility as described in Note 9. No borrowings were outstanding under this facility as of May 30, 2015 and May 31, 2014.

During fiscal 2004, the Board of Directors authorized a share repurchase program of 1,500,000 shares of common stock. The Board of Directors increased this authorization by 750,000 shares in January 2008 and by 1,000,000 shares in October 2008. We did not purchase any shares under the program during the first three months of fiscal 2016. We repurchased 27,665 shares under the program during the first three months of fiscal 2015 for a total cost of \$0.9 million. We have purchased a total of 2,482,632 shares, at a total cost of \$36.5 million, since the inception of this program. We have remaining authority to repurchase 767,368 shares under this program, which has no expiration date.

Other Financing Activities. The following summarizes our significant contractual obligations that impact our liquidity as of May 30, 2015:

| (In thousands)                     | Future Cash Payments Due by Fiscal Period |          |         |         |         |            | Total     |
|------------------------------------|-------------------------------------------|----------|---------|---------|---------|------------|-----------|
|                                    | 2016<br>Remaining                         | 2017     | 2018    | 2019    | 2020    | Thereafter |           |
| Continuing operations              |                                           |          |         |         |         |            |           |
| Industrial revenue bonds           | \$—                                       | \$—      | \$—     | \$—     | \$—     | \$20,400   | \$20,400  |
| Other debt obligations             | 37                                        | 36       | 36      | 36      | 36      | 1          | 182       |
| Operating leases<br>(undiscounted) | 7,058                                     | 7,588    | 6,773   | 6,007   | 4,680   | 3,671      | 35,777    |
| Purchase obligations               | 113,384                                   | 16,574   | 1,487   | —       | —       | —          | 131,445   |
| Total cash obligations             | \$120,479                                 | \$24,198 | \$8,296 | \$6,043 | \$4,716 | \$24,072   | \$187,804 |

From time to time, we acquire the use of certain assets, such as warehouses, automobiles, forklifts, vehicles, office equipment, hardware, software and some manufacturing equipment through operating leases. Many of these operating leases have termination penalties. However, because the assets are used in the conduct of our business operations, it is unlikely that any significant portion of these operating leases would be terminated prior to the normal expiration of

their lease terms. Therefore, we consider the risk related to termination penalties to be minimal.

We have purchase obligations for raw material commitments and capital expenditures. As of May 30, 2015, these obligations totaled \$131.4 million.

We expect to make contributions of \$1.0 million to our defined-benefit pension plans in fiscal 2016, which will equal or exceed our minimum funding requirements.

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As of May 30, 2015, we had \$5.0 million and \$1.8 million of unrecognized tax benefits and environmental liabilities, respectively. We 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 May 30, 2015, we had ongoing letters of credit related to industrial revenue bonds and construction contracts that that reduce availability of funds under our credit facility. The letters of credit by expiration period were as follows at May 30, 2015:

| (In thousands)            | Amount of Commitment Expiration Per Fiscal Period |          |      |      |      |            | Total    |
|---------------------------|---------------------------------------------------|----------|------|------|------|------------|----------|
|                           | 2016<br>Remaining                                 | 2017     | 2018 | 2019 | 2020 | Thereafter |          |
| Standby letters of credit | \$—                                               | \$20,982 | \$—  | \$—  | \$—  | \$2,500    | \$23,482 |

In addition to the above 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 May 30, 2015, \$89.2 million of our backlog was bonded by performance bonds with a face value of \$290.8 million. Performance bonds do not have stated expiration dates, as we are 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.

We have total cash and short-term available for sale securities of \$63.5 million, and \$101.5 million available under our committed credit facility at May 30, 2015. We believe that our sources of liquidity will continue to be adequate to fund our working capital requirements, planned capital expenditures and dividend payments.

**Outlook**

The following statements are based on our current expectations for full-year fiscal 2016 results. These statements are forward-looking, and actual results may differ materially.

- ▲We expect revenue growth of 10 to 15 percent over fiscal 2015.
- ▲We estimate gross margin to be approximately 24 percent.
- ▲We expect our effective tax rate to be approximately 34 percent.
- ▲We anticipate earnings per share of \$2.10 to \$2.25.
- ▲We expect capital expenditures in the range of \$45 to \$50 million.

**Related Party Transactions**

No material changes have occurred in the disclosure with respect to our related party transactions set forth in our Annual Report on Form 10-K for the fiscal year ended February 28, 2015.

**Critical Accounting Policies**

No material changes have occurred in the disclosure of our critical accounting policies set forth in our Annual Report on Form 10-K for the fiscal year ended February 28, 2015.

**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 February 28, 2015.

**Item 4. Controls and Procedures**



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 occurred during the fiscal quarter ended May 30, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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## 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 February 28, 2015.

## 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 2016:

| 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 |
|---------------------------------------|--------------------------------------|------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| March 1, 2015 through March 28, 2015  | 11,691                               | \$43.90                      | —                                                                                    | 767,368                                                                        |
| March 29, 2015 through April 25, 2015 | 11,453                               | 49.32                        | —                                                                                    | 767,368                                                                        |
| April 26, 2015 through May 30, 2015   | 39,099                               | 53.69                        | —                                                                                    | 767,368                                                                        |
| Total                                 | 62,243                               | \$50.30                      | —                                                                                    | 767,368                                                                        |

(a) The shares in this column represent shares that were surrendered to us by plan participants to satisfy stock-for-stock option exercises or withholding tax obligations related to stock-based compensation.

In April 2003, the Board of Directors authorized the repurchase of 1,500,000 shares of Company stock, which was announced on April 10, 2003. In January 2008, the Board of Directors increased the authorization by 750,000 (b) shares, which was announced on January 24, 2008. In October 2008, the Board of Directors increased the authorization by 1,000,000 shares, which was announced on October 8, 2008. The Company's repurchase program does not have an expiration date.

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Item 6. Exhibits

|      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1 | Form of CEO Evaluation-Based Retention Incentive Agreement under the Apogee Enterprises, Inc. 2012 Executive Management Incentive Plan. Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 6, 2015.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 10.2 | Restricted Stock Deferred Program under the Apogee Enterprises, Inc. 2009 Non-Employee Director Stock Incentive Plan, as Amended and Restated (2014) (2015 Statement). Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 30, 2015.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 10.3 | Form of Deferred Restricted Stock Unit Agreement. Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 30, 2015.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 24.1 | Power of Attorney                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 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 May 30, 2015 are furnished herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets as of May 30, 2015 and February 28, 2015, (ii) the Consolidated Results of Operations for the three months ended May 30, 2015 and May 31, 2014, (iii) the Consolidated Statements of Comprehensive Earnings for the three months ended May 30, 2015 and May 31, 2014, (iv) the Consolidated Statements of Cash Flows for the three months ended May 30, 2015 and May 31, 2014, (v) the Consolidated Statements of Shareholders' Equity for the three months ended May 30, 2015 and May 31, 2014, and (vi) Notes to Consolidated Financial Statements. |

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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 9, 2015

By: \*

Joseph F. Puishys  
President and Chief  
Executive Officer  
(Principal Executive Officer)

Date: July 9, 2015

By: /s/ James S. Porter  
James S. Porter  
Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

\* By: /s/ Patricia A. Beithon  
Patricia A. Beithon  
Attorney-in-Fact

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Exhibit Index to Form 10-Q for the Period Ended May 30, 2015

|      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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