SYSCO CORP
Form 10-Q
May 06, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 2014

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

Commission File Number 1-6544

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Sysco Corporation

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of incorporation or organization) | 74-1648137<br>(IRS employer identification number) |
| 1390 Enclave Parkway<br>Houston, Texas<br>(Address of principal executive offices) | 77077-2099<br>(Zip Code) |

Registrant's Telephone Number, Including Area Code:

(281) 584-1390

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 | | Accelerated Filer |
| Non-accelerated Filer | (Do not check if a smaller reporting company) | Smaller Reporting Company |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

584,569,243 shares of common stock were outstanding as of April 26, 2014.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Sysco Corporation and its Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

(In thousands, except for share data)

| | Mar. 29, 2014 (unaudited) | Jun. 29, 2013 | Mar. 30, 2013 (unaudited) |
|---|---|---|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 341,090 | $ 412,285 | $ 331,520 |
| Accounts and notes receivable, less allowances of $80,254, $47,345, and $82,895 | 3,510,518 | 3,183,114 | 3,396,850 |
| Inventories | 2,527,900 | 2,396,188 | 2,413,190 |
| Deferred income taxes | 121,033 | 136,211 | 132,480 |
| Prepaid expenses and other current assets | 74,827 | 61,925 | 68,575 |
| Prepaid income taxes | 64,107 | 17,704 | 32,967 |
| Total current assets | 6,639,475 | 6,207,427 | 6,375,582 |
| Plant and equipment at cost, less depreciation | 3,956,209 | 3,978,071 | 3,938,277 |
| Other assets | | | |
| Goodwill | 1,937,075 | 1,884,235 | 1,802,433 |
| Intangibles, less amortization | 181,036 | 205,719 | 150,779 |
| Restricted cash | 157,870 | 145,328 | 145,270 |
| Other assets | 266,599 | 243,167 | 244,869 |
| Total other assets | 2,542,580 | 2,478,449 | 2,343,351 |
| Total assets | $ 13,138,264 | $ 12,663,947 | $ 12,657,210 |
| | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Notes payable | $ 71,510 | $ 41,632 | $ 32,045 |
| Accounts payable | 2,726,427 | 2,428,215 | 2,432,309 |
| Accrued expenses | 1,141,625 | 1,072,134 | 983,758 |
| Current maturities of long-term debt | 4,454 | 207,301 | 208,792 |
| Total current liabilities | 3,944,016 | 3,749,282 | 3,656,904 |
| Other liabilities | | | |
| Long-term debt | 2,986,163 | 2,639,986 | 2,557,314 |
| Deferred income taxes | 195,876 | 266,222 | 116,960 |
| Other long-term liabilities | 780,834 | 816,647 | 1,173,671 |
| Total other liabilities | 3,962,873 | 3,722,855 | 3,847,945 |
| Commitments and contingencies | | | |
| Shareholders' equity | | | |
| Preferred stock, par value $1 per share | | | |
| Authorized 1,500,000 shares, issued none | - | - | - |
| Common stock, par value $1 per share | 765,175 | 765,175 | 765,175 |
| Authorized 2,000,000,000 shares, issued | | | |

| | | | |
|---|---|---|---|
| 765,174,900 shares | | | |
| Paid-in capital | 1,119,784 | 1,059,624 | 1,029,443 |
| Retained earnings | 8,687,098 | 8,512,786 | 8,394,426 |
| Accumulated other comprehensive loss | (516,922) | (446,937) | (620,720) |
| Treasury stock at cost, 181,231,920, 179,068,430 and 171,925,048 shares | (4,823,760) | (4,698,838) | (4,415,963) |
| Total shareholders' equity | 5,231,375 | 5,191,810 | 5,152,361 |
| Total liabilities and shareholders' equity | $ 13,138,264 | $ 12,663,947 | $ 12,657,210 |

Note: The June 29, 2013 balance sheet has been derived from the audited financial statements at that date.

See Notes to Consolidated Financial Statements

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Sysco Corporation and its Consolidated Subsidiaries

CONSOLIDATED RESULTS OF OPERATIONS (Unaudited)

(In thousands, except for share and per share data)

| | 13-Week Period Ended | | 39-Week Period Ended | |
|---|---|---|---|---|
| | Mar. 29, 2014 | Mar. 30, 2013 | Mar. 29, 2014 | Mar. 30, 2013 |
| Sales | $ 11,277,484 | $ 10,926,371 | $ 34,229,720 | $ 32,810,177 |
| Cost of sales | 9,282,743 | 8,983,889 | 28,204,541 | 26,885,790 |
| Gross profit | 1,994,741 | 1,942,482 | 6,025,179 | 5,924,387 |
| Operating expenses | 1,662,116 | 1,605,280 | 4,862,579 | 4,725,752 |
| Operating income | 332,625 | 337,202 | 1,162,600 | 1,198,635 |
| Interest expense | 32,224 | 34,215 | 92,536 | 97,325 |
| Other expense (income), net | 3,718 | (3,410) | (5,027) | (7,640) |
| Earnings before income taxes | 296,683 | 306,397 | 1,075,091 | 1,108,950 |
| Income taxes | 115,746 | 104,980 | 397,729 | 399,566 |
| Net earnings | $ 180,937 | $ 201,417 | $ 677,362 | $ 709,384 |
| | | | | |
| Net earnings: | | | | |
| Basic earnings per share | $ 0.31 | $ 0.34 | $ 1.16 | $ 1.21 |
| Diluted earnings per share | 0.31 | 0.34 | 1.15 | 1.20 |
| | | | | |
| Average shares outstanding | 585,885,137 | 589,149,731 | 585,802,651 | 588,222,833 |
| Diluted shares outstanding | 590,470,283 | 592,903,799 | 589,834,321 | 591,054,506 |
| | | | | |
| Dividends declared per common share | $ 0.29 | $ 0.28 | $ 0.86 | $ 0.83 |

See Notes to Consolidated Financial Statements

Sysco Corporation and its Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In thousands)

| | 13-Week Period Ended | | 39-Week Period Ended | |
|---|---|---|---|---|
| | Mar. 29, 2014 | Mar. 30, 2013 | Mar. 29, 2014 | Mar. 30, 2013 |
| Net earnings | $ 180,937 | $ 201,417 | $ 677,362 | $ 709,384 |
| Other comprehensive (loss) income: | | | | |
| Foreign currency translation adjustment | (35,397) | (27,886) | (43,537) | (497) |
| Items presented net of tax: | | | | |
| Amortization of cash flow hedges | 97 | 96 | 289 | 289 |
| Change in fair value of cash flow hedges | (39,439) | - | (39,439) | - |
| Amortization of prior service cost | 1,742 | 1,925 | 5,227 | 9,386 |
| Amortization of actuarial loss (gain), net | 2,492 | 10,832 | 7,475 | 33,776 |
| Amortization of transition obligation | - | 22 | - | 66 |
| Prior service cost arising in current year | - | - | - | (24,828) |
| Actuarial gain (loss), net arising in current year | - | - | - | 23,954 |
| Total other comprehensive (loss) income | (70,505) | (15,011) | (69,985) | 42,146 |
| Comprehensive income | $ 110,432 | $ 186,406 | $ 607,377 | $ 751,530 |

See Notes to Consolidated Financial Statements

Sysco Corporation and its Consolidated Subsidiaries

CONSOLIDATED CASH FLOWS (Unaudited)

(In thousands)

| | 39-Week Period Ended | |
|---|---|---|
| | Mar. 29, 2014 | Mar. 30, 2013 |
| Cash flows from operating activities: | | |
| Net earnings | $ 677,362 | $ 709,384 |
| Adjustments to reconcile net earnings to cash provided by operating activities: | | |
| Share-based compensation expense | 60,869 | 56,749 |
| Depreciation and amortization | 409,072 | 379,998 |
| Deferred income taxes | (39,452) | (42,069) |
| Provision for losses on receivables | 20,887 | 29,068 |
| Other non-cash items | 4,810 | 1,577 |
| Additional investment in certain assets and liabilities, net of effect of businesses acquired: | | |
| (Increase) in receivables | (350,755) | (408,186) |
| (Increase) in inventories | (134,793) | (206,244) |
| (Increase) decrease in prepaid expenses and other current assets | (16,250) | 14,826 |
| Increase in accounts payable | 292,280 | 211,308 |
| Increase (decrease) in accrued expenses | 25,169 | (507) |
| (Decrease) in accrued income taxes | (41,691) | (54,139) |
| (Increase) in other assets | (12,671) | (528) |
| (Decrease) increase in other long-term liabilities | (40,582) | 70,005 |
| Excess tax benefits from share-based compensation arrangements | (6,191) | (1,834) |
| Net cash provided by operating activities | 848,064 | 759,408 |
| | | |
| Cash flows from investing activities: | | |
| Additions to plant and equipment | (387,451) | (373,048) |
| Proceeds from sales of plant and equipment | 23,695 | 12,115 |
| Acquisition of businesses, net of cash acquired | (40,462) | (210,036) |
| (Increase) in restricted cash | (12,542) | (18,042) |
| Net cash used for investing activities | (416,760) | (589,011) |
| | | |
| Cash flows from financing activities: | | |
| Bank and commercial paper borrowings (repayments), net | 345,596 | - |
| Other debt borrowings | 30,287 | 50,629 |
| Other debt repayments | (226,249) | (277,339) |
| Debt issuance costs | (21,794) | - |
| Proceeds from common stock reissued from treasury for share-based compensation awards | 193,992 | 497,688 |
| Treasury stock purchases | (332,381) | (321,042) |
| Dividends paid | (497,772) | (482,030) |
| Excess tax benefits from share-based compensation arrangements | 6,191 | 1,834 |
| Net cash used for financing activities | (502,130) | (530,260) |

| | | |
|---|---|---|
| Effect of exchange rates on cash | (369) | 2,516 |
| | | |
| Net (decrease) in cash and cash equivalents | (71,195) | (357,347) |
| Cash and cash equivalents at beginning of period | 412,285 | 688,867 |
| Cash and cash equivalents at end of period | $ 341,090 | $ 331,520 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | $ 116,179 | $ 121,740 |
| Income taxes | 480,729 | 501,499 |

See Notes to Consolidated Financial Statements

Sysco Corporation and its Consolidated Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Unless this Form 10-Q indicates otherwise or the context otherwise requires, the terms “we,” “our,” “us,” “Sysco,” or “the company” as used in this Form 10-Q refer to Sysco Corporation together with its consolidated subsidiaries and divisions.

## 1. BASIS OF PRESENTATION

The consolidated financial statements have been prepared by the company, without audit, with the exception of the June 29, 2013 consolidated balance sheet which was taken from the audited financial statements included in the company's Fiscal 2013 Annual Report on Form 10-K. The financial statements include consolidated balance sheets, consolidated results of operations, consolidated statements of comprehensive income and consolidated cash flows. In the opinion of management, all adjustments, which consist of normal recurring adjustments, necessary to present fairly the financial position, results of operations, comprehensive income and cash flows for all periods presented have been made.

Prior year amounts within the consolidated balance sheets have been reclassified to conform to the current year presentation as it relates to the presentation of certain accounts payable and accrued expenses. Prior year amounts within the consolidated results of operations have been reclassified to conform to the current year presentation as it relates to the classification of certain amounts within cost of sales and operating expenses. The impact of these reclassifications was immaterial to the prior year period.

These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the company's fiscal 2013 Annual Report on Form 10-K. Certain footnote disclosures included in annual financial statements prepared in accordance with generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to applicable rules and regulations for interim financial statements.

A review of the financial information herein has been made by Ernst & Young LLP, independent registered public accounting firm, in accordance with established professional standards and procedures for such a review. A Review Report of Independent Registered Public Accounting Firm has been issued by Ernst & Young LLP and is included as Exhibit 15.1 to this Form 10-Q.

2. CHANGES IN ACCOUNTING

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued ASU 2012-02, “Testing Indefinite-Lived Intangible Assets for Impairment.” This update amends ASC 350, “Intangibles—Goodwill and Other” to allow entities an option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. Under that option, an entity no longer would be required to calculate the fair value of the intangible asset unless the entity determines, based on that qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments in this update were effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption was permitted. The adoption of this update in the first quarter of fiscal 2014 did not result in a change to the company’s interim consideration of impairment of indefinite-lived intangible assets. Sysco does not believe this update will have an impact on its annual testing for impairment of indefinite-lived intangibles in the fourth quarter of fiscal 2014.

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued ASU 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.” This update amends ASC 220, “Comprehensive Income” to require an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net earnings if the amount is being reclassified in its entirety to net earnings. For other amounts that are not being reclassified in their entirety to net earnings, an entity is required to cross-reference other disclosures that provide additional detail about those amounts. The amendments in this update were effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2012. The additional disclosures required by this update are included in Note 9, “Comprehensive Income.”

3. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The accounting guidance includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

· Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets;
·

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability; and

In thousands
Quoted Prices in
Active Markets
(Level 1)

Other Observable Inputs (Level 2)

Total Fair Value
June 2, 2018

Cash equivalents

Money market funds
$
2,179

$
—

$
2,179

Short-term securities

Mutual funds
2,273

—

2,273

Municipal and corporate bonds

—

121

121

Total short-term securities
2,273

121

2,394

Long-term securities

Municipal and corporate bonds
—

12,738

12,738

Total assets at fair value
$
4,452

$
12,859

$
17,311

March 3, 2018

Cash equivalents

| | | | |
|---|---|---|---|
| Money market funds | $ 2,901 | $ — | $ 2,901 |
| Commercial paper | — | 400 | 400 |
| Total cash equivalents | 2,901 | 400 | 3,301 |
| Short-term securities | | | |
| Municipal and corporate bonds | — | 423 | 423 |
| Long-term securities | | | |

Municipal and corporate bonds
—

8,630

8,630

Total assets at fair value
$
2,901

$
9,453

$
12,354

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

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

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

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6. Goodwill and Other Identifiable Intangible Assets

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

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

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

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

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

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

7. Debt

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

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

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

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

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

8. Commitments and Contingent Liabilities

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

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

Bond commitments. In the ordinary course of business, predominantly in our Architectural Services and Architectural Framing Systems segments, we are required to provide surety or performance bonds that commit payments to our customers for any non-performance. At June 2, 2018, $238.7 million of our backlog was bonded by performance bonds with a face value of $535.0 million. Performance bonds do not have stated expiration dates, as we are generally released from the bonds upon completion of the contract. We have never been required to make any payments related to these performance bonds with respect to any of our current portfolio of businesses.

Warranties. We reserve estimated exposures on known claims, as well as on a portion of anticipated claims, for product warranty and rework cost, based on historical product liability claims as a ratio of sales. Claim costs are deducted from the accrual when paid. Factors that could have an impact on the warranty accrual in any given period include the following: changes in manufacturing quality, changes in product mix and any significant changes in sales volume. A warranty rollforward follows:

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

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

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

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

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

9. Share-Based Compensation

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

Stock options and SARs

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

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

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

Nonvested shares and share units

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

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

At June 2, 2018, there was $9.0 million of total unrecognized compensation cost related to nonvested share and nonvested share unit awards, which is expected to be recognized over a weighted average period of approximately 23 months. The total fair value of shares vested during the three months ended June 2, 2018 was $4.2 million.

10. Employee Benefit Plans

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

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

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

11. Income Taxes

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

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

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

12. Earnings per Share

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

| In thousands | Three Months Ended | |
|---|---|---|
| | June 2, 2018 | June 3, 2017 |
| Basic earnings per share – weighted average common shares outstanding | 28,189 | 28,851 |
| Weighted average effect of nonvested share grants and assumed exercise of stock options | 248 | 10 |
| Diluted earnings per share – weighted average common shares and potential common shares outstanding | 28,437 | 28,861 |
| Stock awards excluded from the calculation of earnings per share because the effect was anti-dilutive (award price greater than average market price of the shares) | 147 | — |

13. Segment Information

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

- The Architectural Framing Systems segment designs, engineers, fabricates and finishes the aluminum frames used in customized aluminum and glass window, curtainwall, storefront and entrance systems comprising the outside skin and entrances of commercial, institutional and high-end multi-family residential buildings. The Company has aggregated six operating segments into this reporting segment based on their similar products, customers, distribution methods, production processes and economic characteristics.
- The Architectural Glass segment fabricates coated, high-performance glass used in customized window and wall systems comprising the outside skin of commercial, institutional and high-end multi-family residential buildings.
- The Architectural Services segment designs, engineers, fabricates and installs the walls of glass, windows and other curtainwall products making up the outside skin of commercial and institutional buildings.
- The LSO segment manufactures value-added glass and acrylic products primarily for framing and display applications.

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

Due to the varying combinations and integration of individual window, storefront and curtainwall systems, it is impractical to report product revenues generated by class of product, beyond the segment revenues currently reported.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking statements

This discussion contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect our current views with respect to future events and financial performance. The words "believe," "expect," "anticipate," "intend," "estimate," "forecast," "project," "should" and similar expressions are intend identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All forecasts and projections in this document are "forward-looking statements," and are based on management's current expectations or beliefs of the Company's near-term results, based on current information available pertaining to the Company, including the risk factors noted under Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2018. From time to time, we may also provide oral and written forward-looking statements in other materials we release to the public, such as press releases, presentations to securities analysts or investors, or other communications by the Company. Any or all of our forward-looking statements in this report and in any public statements we make could be materially different from actual results.

Accordingly, we wish to caution investors that any forward-looking statements made by or on behalf of the Company are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other risk factors include, but are not limited to, the risks and uncertainties set forth under Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2018.

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

Overview

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

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

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

Net sales

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

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

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

Gross profit

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

Selling, general and administrative (SG&A) expenses

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

Income tax expense

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

Segment Analysis

Architectural Framing Systems

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

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

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

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

Architectural Glass

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

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

Architectural Services

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

Architectural Services net sales increased $20.6 million, or 41.0 percent, over the prior year, primarily due to year-on-year timing of project activity. Operating margin increased 570 basis points for the three-month period of the current year compared to the prior year, due to volume leverage and strong operating performance.
As of June 2, 2018, backlog in this segment grew to approximately $439 million, compared to approximately $426 million at fiscal 2018 year-end.

Large-Scale Optical (LSO)

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

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

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Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-GAAP measures

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

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

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

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

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

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

Outlook

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

- Revenue growth of approximately 10 percent over fiscal 2018.
- Operating margin of 8.9 percent to 9.4 percent.
- Earnings per diluted share of $3.35 to $3.55.
- Adjusted operating margin of 9.2 to 9.7 percent and adjusted earnings per diluted share of $3.48 to $3.68[1].
- Capital expenditures of $60 to $65 million.

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

Related Party Transactions

No material changes have occurred in the disclosure with respect to our related party transactions set forth in our Annual Report on Form 10-K for the fiscal year ended March 3, 2018.

Critical Accounting Policies

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report (the Evaluation Date), we carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of

1934, as amended (the Exchange Act)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in applicable rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

b) Changes in internal controls: There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended June 2, 2018, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company has been a party to various legal proceedings incidental to its normal operating activities. In particular, like others in the construction supply and services industry, the Company's construction supply and services businesses are routinely involved in various disputes and claims arising out of construction projects, sometimes involving significant monetary damages or product replacement. The Company is also subject to litigation arising out of employment practices, workers compensation, general liability and automobile claims. Although it is very difficult to accurately predict the outcome of such proceedings, facts currently available indicate that no such claims will result in losses that would have a material adverse effect on the results of operations, cash flows or financial condition of the Company.

Item 1A. Risk Factors

There have been no material changes or additions to our risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended March 3, 2018.

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

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

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

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

(b)

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

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Item 6. Exhibits

| | |
|---|---|
| 3.1 | Amended and Restated Bylaws of Apogee Enterprises, Inc. Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on July 3, 2018. |
| 10.1 | Form of CEO Cash-Based Performance Award Agreement under the Apogee Enterprises, Inc. 2009 Stock Incentive Plan, as amended and restated (2011). Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on July 3, 2018. |
| 10.2 | Fourth Amendment to the Apogee Enterprises, Inc. 2011 Deferred Compensation Plan, dated June 28, 2018. Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on July 3, 2018. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following materials from Apogee Enterprises, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 2, 2018 are furnished herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets as of June 2, 2018 and March 3, 2018, (ii) the Consolidated Results of Operations for the three months ended June 2, 2018 and June 3, 2017, (iii) the Consolidated Statements of Comprehensive Earnings for the three months ended June 2, 2018 and June 3, 2017, (iv) the Consolidated Statements of Cash Flows for the three months ended June 2, 2018 and June 3, 2017, (v) the Consolidated Statements of Shareholders' Equity for the three months ended June 2, 2018 and June 3, 2017, and (vi) Notes to Consolidated Financial Statements. |

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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 12, 2018 | By: /s/ Joseph F. Puishys<br>Joseph F. Puishys<br>President and Chief Executive Officer<br>(Principal Executive Officer) |
| Date: July 12, 2018 | By: /s/ James S. Porter<br>James S. Porter<br>Executive Vice President and<br>Chief Financial Officer (Principal Financial and Accounting Officer) |