

TECNOGLASS

Third Quarter 2023 Earnings Conference Call

November 6, 2023 – TECNOGLASS INC.

(NYSE: TGLS)



www.tecnoglass.com

Disclaimer

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This presentation includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding future financial performance, future growth and future acquisitions. These statements are based on Tecnoglass' current expectations or beliefs and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements herein due to changes in economic, business, competitive and/or regulatory factors, and other risks and uncertainties affecting the operation of Tecnoglass' business. These risks, uncertainties and contingencies are indicated from time to time in Tecnoglass' filings with the Securities and Exchange Commission. The information set forth herein should be read in light of such risks. Further, investors should keep in mind that Tecnoglass' financial results in any particular period may not be indicative of future results. Tecnoglass is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.

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Certain of the financial information contained herein is unaudited and does not conform to SEC Regulation S-X. Furthermore, it includes EBITDA (earnings before interest, taxes, depreciation and amortization) which is a non-GAAP financial measure as defined by Regulation G promulgated by the SEC under the Securities Act of 1933, as amended. Accordingly, such information may be materially different when presented in Tecnoglass' filings with the Securities and Exchange Commission. Tecnoglass believes that the presentation of this non-GAAP financial measure provides information that is useful to investors as it indicates more clearly the ability of Tecnoglass to meet capital expenditures and working capital requirements and otherwise meet its obligations as they become due. EBITDA was derived by taking earnings before interest, taxes, depreciation and amortization as adjusted for certain one-time non-recurring items and exclusions.

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Summary & Highlights

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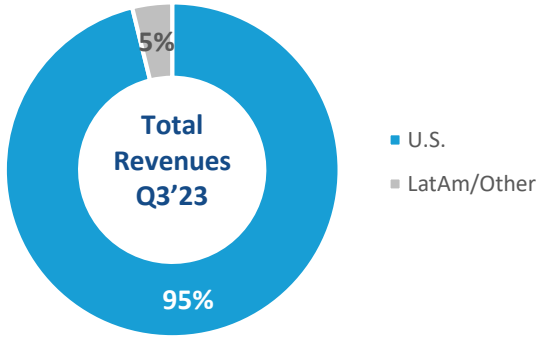
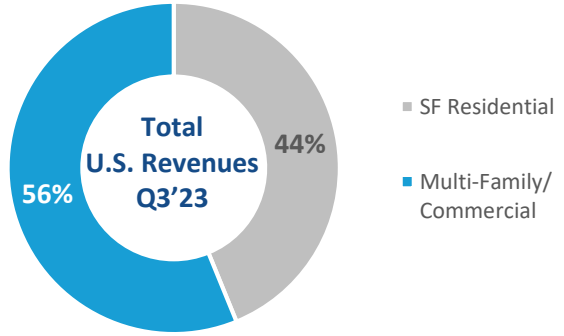
Q3 2023 Key Takeaways

- Record Q3'23 all-organic revenue increased 4.4% to $210.7 mm
- Solid growth in the multi-family and commercial activity, up 6.0% year-over-year to $122.9 mm as we continue to execute on our growing backlog
- Single-family revenues up 2.4% to an all time high $87.8 mm, through growth in dealer network, geographic expansion and innovative products
- Record operating cashflow of $51.3 mm driven by higher profitability YoY and enhanced working capital management; producing free cash flow of $27.0 mm for the quarter
- Q3'23 gross profit margin of 43.0% included a 660 bps non-cash negative FX impact on inventory purchases and unfavorable FX on COP denominated costs and expenses
- SG&A as a percent of revenues improved 340 bps to 14.0% YoY
- Adj. EBITDA of $71.3 mm, or 33.8% of revenues
- Adjusted net income of $46.6 mm, or EPS of $0.98
- Record backlog up ~20% YoY to $836 mm, fueled by growing project pipeline
- Executed $20 mm in share repurchases to date, returning significant cash to shareholders
- Entered into vinyl window category, more than doubling addressable market
- Relocated global headquarters to Miami, FL, aligning with over 95% of revenues sourced from U.S.

Sales by Geography Q3'23



U.S. End Market Mix Q3'23



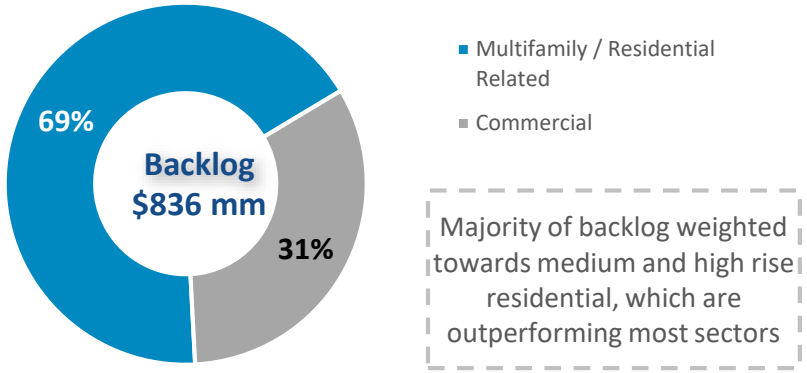
Record Q3'23 Revenues	**$210.7 mm**
Q3'23 Operating Cashflow	**$51.3 mm**
Record Backlog	**$836 mm**

U.S. Growth Driving Resilient Backlog

Backlog Overview

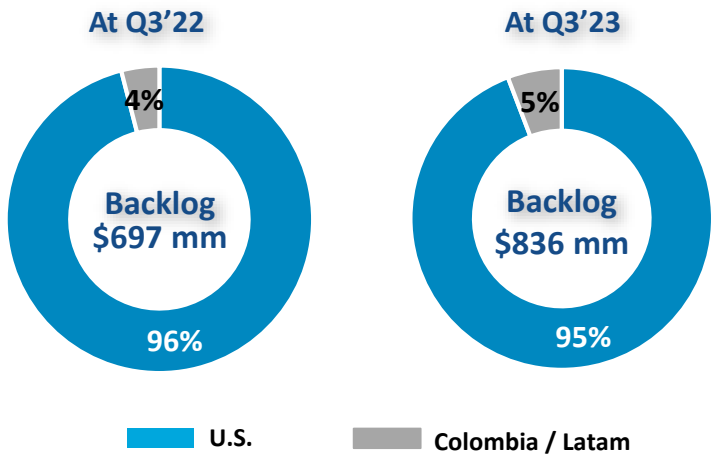
- Backlog expanded 20% YoY to a record $836 mm
- Track record of successfully delivering high profile projects and maintaining consistent lead times has earned us an increasing number of opportunities across the U.S.
- Backlog growth led by increased market share, geographical diversification and strong activity in the Southeast U.S., our strongest region, currently outperforming most of the country
- While interest rates remain high, secular and demographic trends continue to fuel backlog growth, including "pent-up" activity from projects formerly on hold during the pandemic.
- Solid single-family residential growth trajectory not fully captured in backlog given shorter term "spot" duration of projects
- Strong "book to build" continues, paving the way for continued double digit growth during 2024 and now building early 2025 invoicing

Backlog as of Q3'23 by End Market

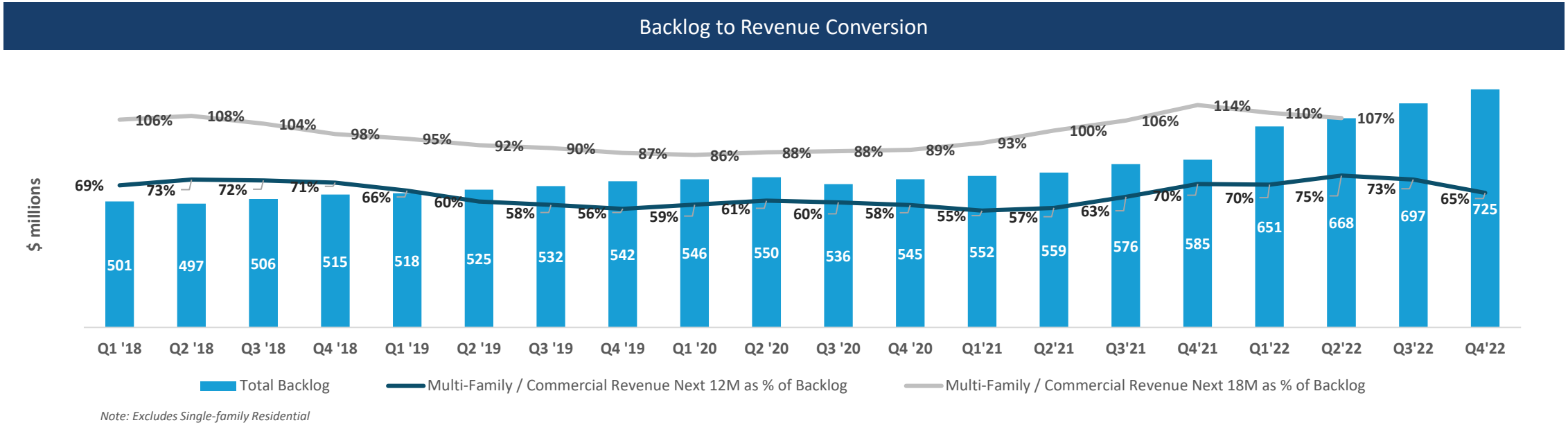


Majority of backlog weighted towards medium and high rise residential, which are outperforming most sectors

Geographic Mix



Demonstrated History of Converting Backlog to Revenue Provides Strong Visibility for the Following 18 Months

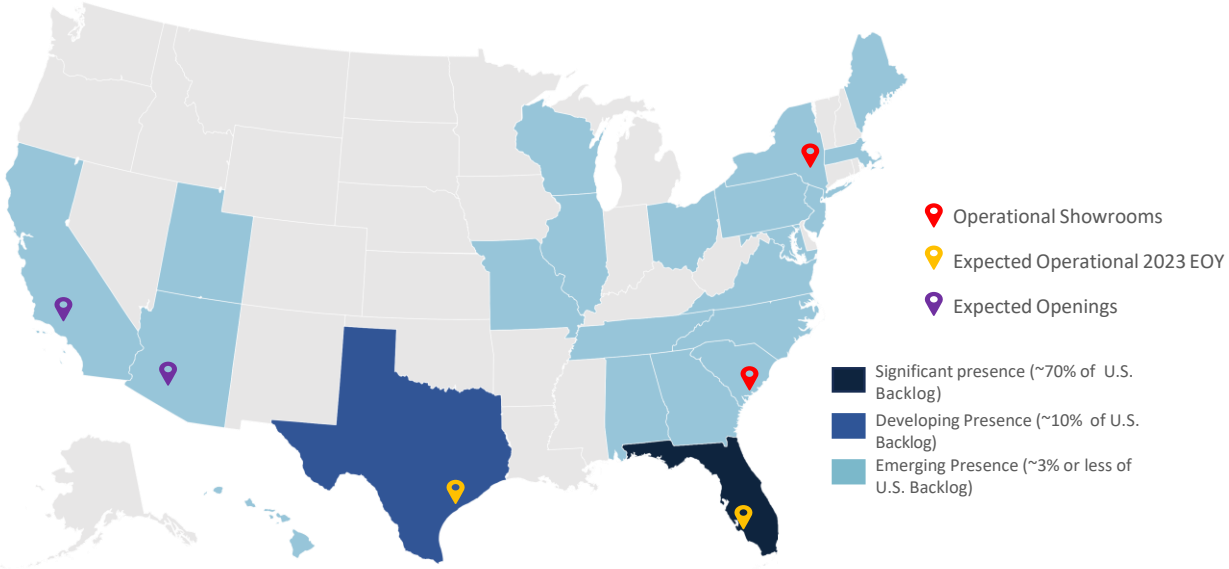


Note: Excludes Single-family Residential

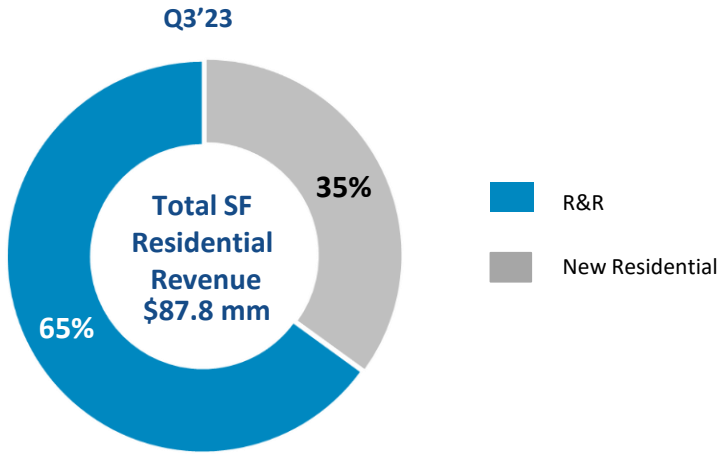
- Historically, ~65% of multi-family / commercial revenue in backlog rolls off within 12 months and ~98% of the backlog rolls off within 18 months
- Book-to-bill ratio of 1.3x in Q3'23 with strong bidding activity signaling attractive project opportunities in the near future, furthering momentum and helping maintain a book-to-bill ratio above 1.1x for the past 11 consecutive quarters
- Virtually no project cancellations historically given late-stage installation of windows into largely completed buildings
- Single family residential not reflected in backlog and provides additional growth avenues through showroom expansions and recent vinyl window market entry

Single-Family Residential Business Expanding

Geographic Exposure



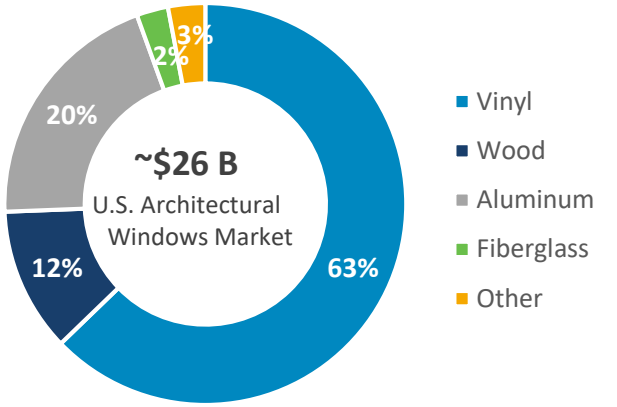
End Market Exposure



- Q3'23 single-family residential sales up 2.4% YoY to a record $87.8 mm; accounting for 44% of U.S. revenues, compared to 3% in 2017
- Market share upside to single-family revenues exists through different avenues:
  - Organic growth through a widening dealer base enabled by short lead times (5-6 weeks) and new product introductions
  - Geographic expansion throughout Florida and additional showrooms in other markets (NYC and Charleston, SC now operational and Houston expected to be operational by year end)
  - Recent vinyl market entry mostly residential and provides significant runway for revenue growth and product diversification
- Favorable demographics support secular trend of population migration into southern states
- Balanced end market exposure with ~65% of single-family residential revenues tied to R&R demand

Recent Strategic Entry into Vinyl Windows More than Doubles Addressable Market

Significant Addressable Market Potential[1]



Current vinyl window operating capacity represents an estimated $300 million in annual revenues over time

- More than doubles addressable market with an opportunity to add ~$300mm in annual revenues once production lines are fully ramped up
- Further strengthens geographic expansion, given vinyl's adaptability for various weather conditions and efficient thermal performance to address increased demand for energy efficiency
- Attractive synergies given that 1) many existing dealer customers already sell both aluminum and vinyl windows and 2) ability to leverage manufacturing expertise and vertically integrated operations

Operational Update

- Completed installation of 2 full lines, with a third one expected to be completed within the next couple of weeks
- Production has commenced for first orders to be delivered in Q4'23
- New sales representative focusing on North Florida, Alabama, South Carolina, North Carolina & Georgia
- Showrooms to carry existing aluminum products plus new vinyl lines
- Additional customers have started requesting samples and placing orders for early 2024

Notes:

1. External sources include IBISWorld, Fenestration and Glazing Industry Alliance (FGIA), Insight Partners and Arizton Advisory and Intelligence



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Financial Update

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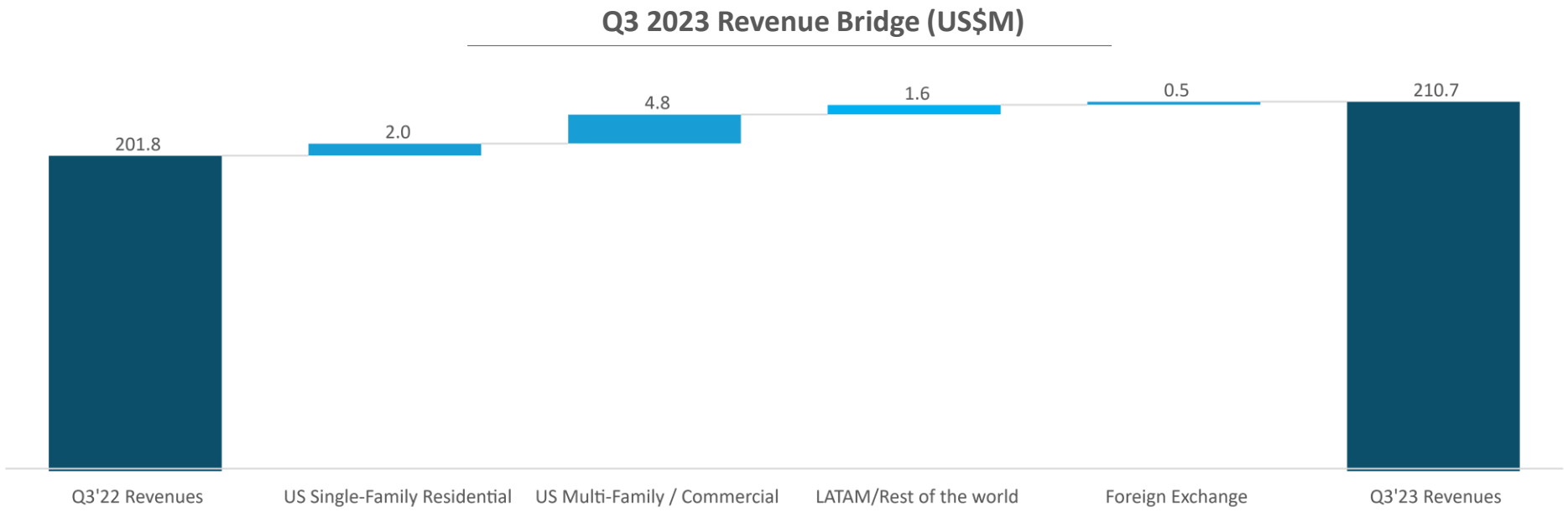
Revenue Bridge Q3 2023 vs. 2022



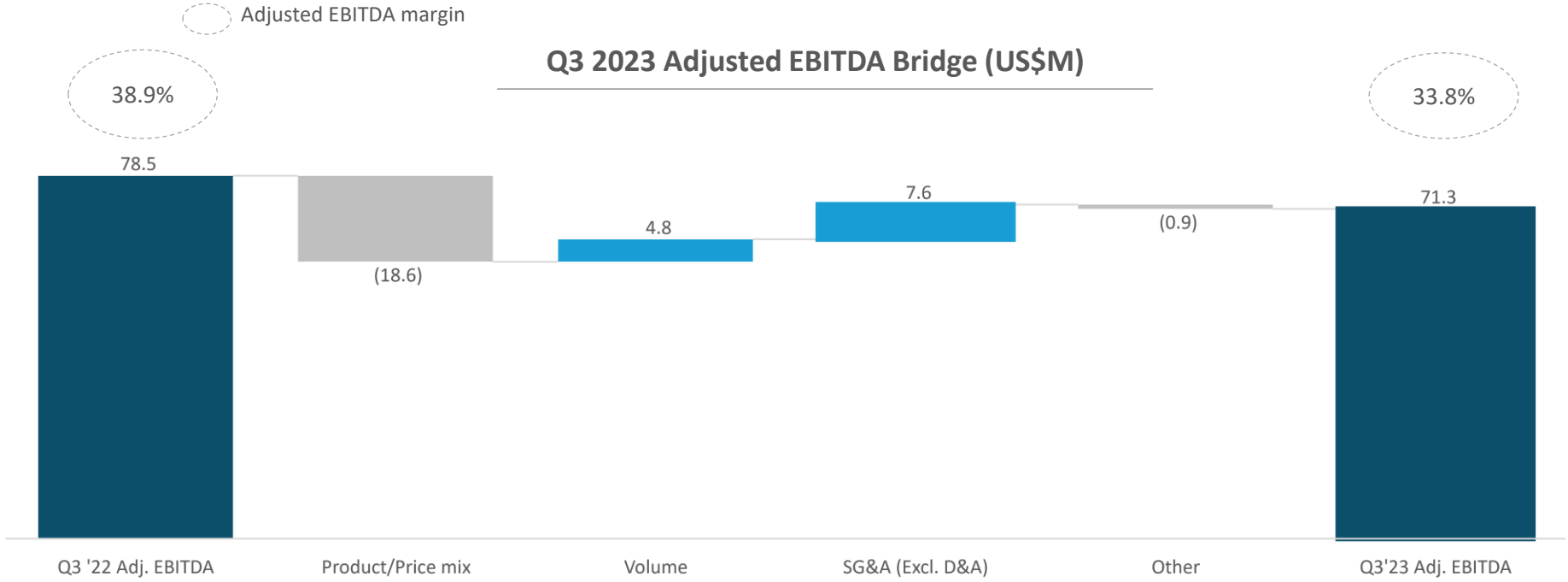
- All organic revenue growth of 4.4% to $210.7 mm in Q3’23 driven by market share gains in single family and multi-family / commercial revenues
- Single-family residential revenues increased $2.0 mm, or 2.4%, to $87.8 mm in Q3’23 on market share gains and the continued positive demographic trends of in-migration into the in the Company’s key regions
- Solid growth in the multi-family and commercial revenues, up 6.0% year-over-year to $122.9 mm through continued execution of expanding backlog

TGLS LTM revenue mix from U.S. +95%; higher than average of 77% for U.S.-based building product peers(1)

Notes:

1. Peer average includes APOG, AWI, DOOR, FBHS, JELD, MAS, MHK, OC, PGTI, ROCK, SSD, TILE, WMS, as of latest annual SEC filings; Sourced from FactSet

Adjusted EBITDA Bridge Q3 2023 vs. 2022[1]

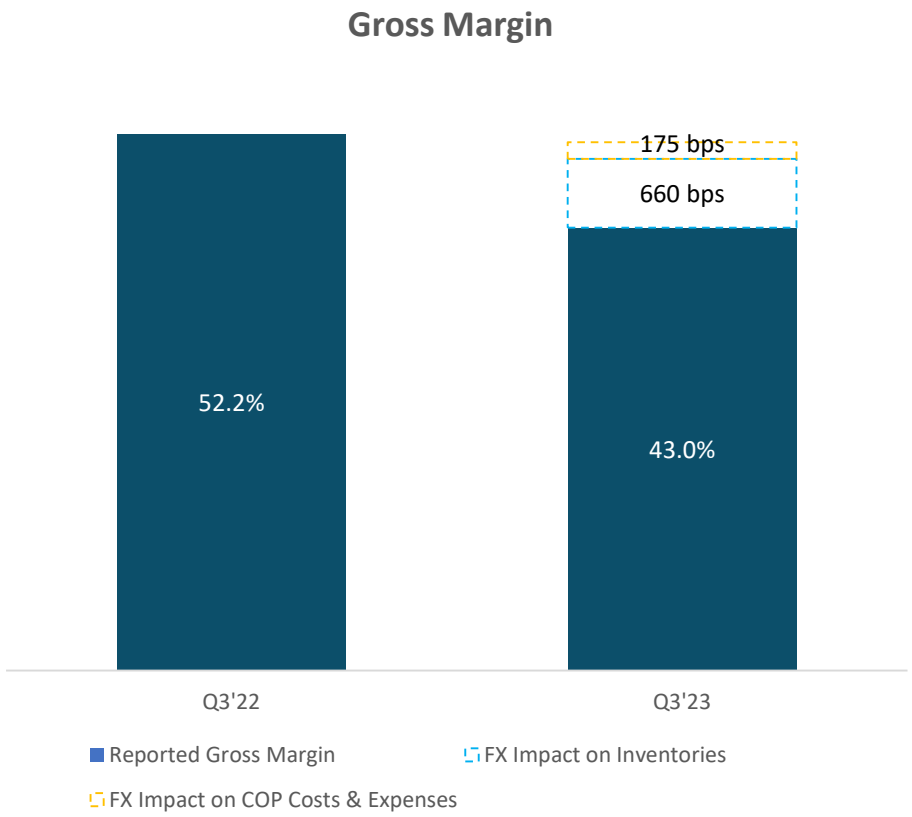


- Third quarter year-over-year impacts:
  - Negative non-cash FX impact of 660 bps as inventories purchased during Q2 at weaker Colombian Peso (COP) ran through P&L during Q3 at steeply higher COP
  - Unfavorable FX dynamic impacted ~25% of costs and expenses denominated in COP, resulting in an additional 150-200 bps impact
  - Revenue mix included more installation and stand-alone product sales compared to prior year and sequentially
  - Strong management of SG&A, improving by 340 basis points to 14% of sales mainly owing to leverage and lower transportation costs

Notes:

1. *Adjusted EBITDA excludes non-recurring and non-cash expenses mainly associated with our bond issuance and respective extinguishment of former debt, withholding taxes associated with payments to bondholders, acquisition related costs and other non-recurring items*

FX Impact on Gross Margins Q3 2023 vs. Q3 2022



- Excluding the non-cash impact of unfavorable FX on inventories (660bps) and the FX impact on COP denominated costs and expenses (150-200pbs) gross margin was more in line versus the comparable 2022 period
- Majority of the impacted inventory has been worked down and FX rates have partially reversed course since quarter end
- Expect less accounting variability in results through the remainder of the year given recent FX stability
- Generally, every 5% movement in the COP/USD correlation carries an approximate 125-150bps movement in operating margins related to the costs and expenses denominated in COP versus USD revenues
- Quarterly gross margin also impacted by a higher mix of installation revenue as the commercial segment expands

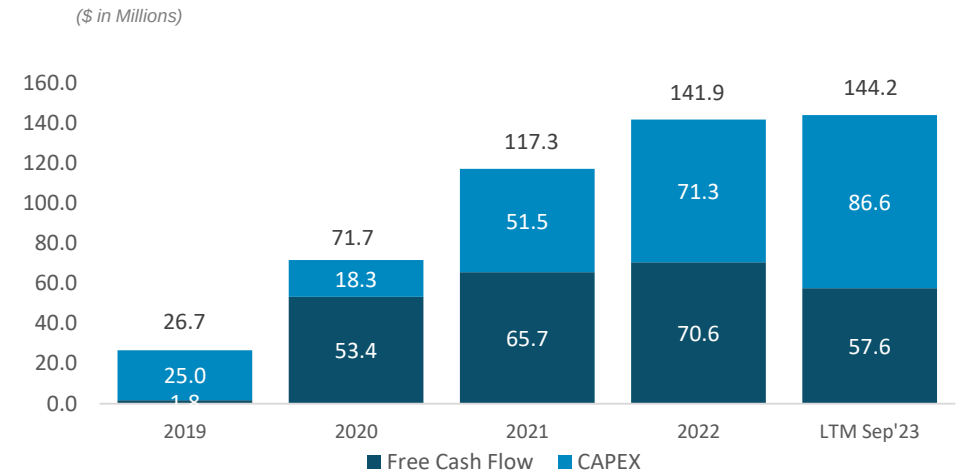
Notes:

1. *Adjusted EBITDA excludes non-recurring and non-cash expenses mainly associated with our bond issuance and respective extinguishment of former debt, withholding taxes associated with payments to bondholders, acquisition related costs and other non-recurring items*

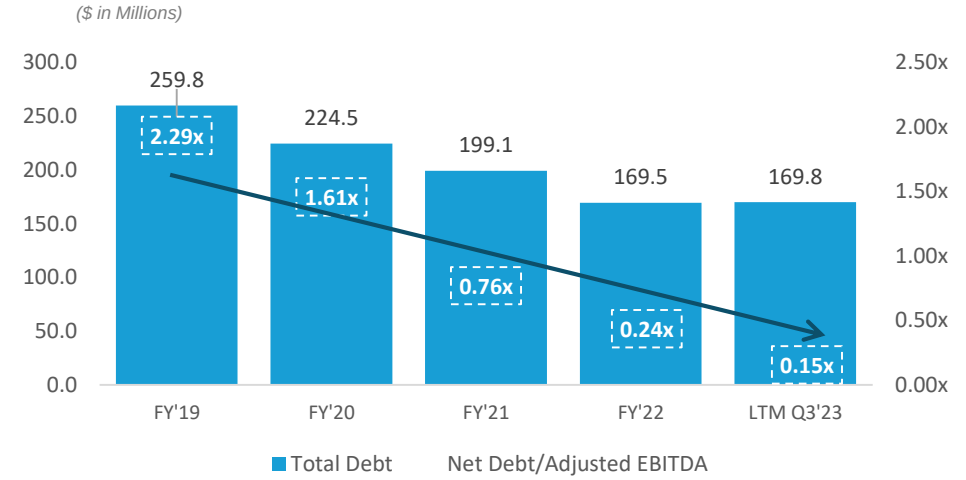
Strong Cash Flow & Balance Sheet

- Strong cash conversion of adj. EBITDA[(1)] driving $51.3 mm of cash flow from operations in Q3'23
- Strong free cashflow expected to continue through year end given anticipated step down in Capex
- Liquidity of ~$289 mm[(2)], including cash of $119.0 mm and $170 mm availability under revolvers
- Low net debt / LTM Adj. EBITDA[(1)] at 0.2x with no significant debt maturities until the end of 2026
- Interest rate at lowest tier under debt agreement at SOFR + 1.50% and hedged through maturity at low rates, mitigating interest rate fluctuations
- Significant financial flexibility to execute growth, invest in business and return cash to shareholders

Strong Cash Flow Generation



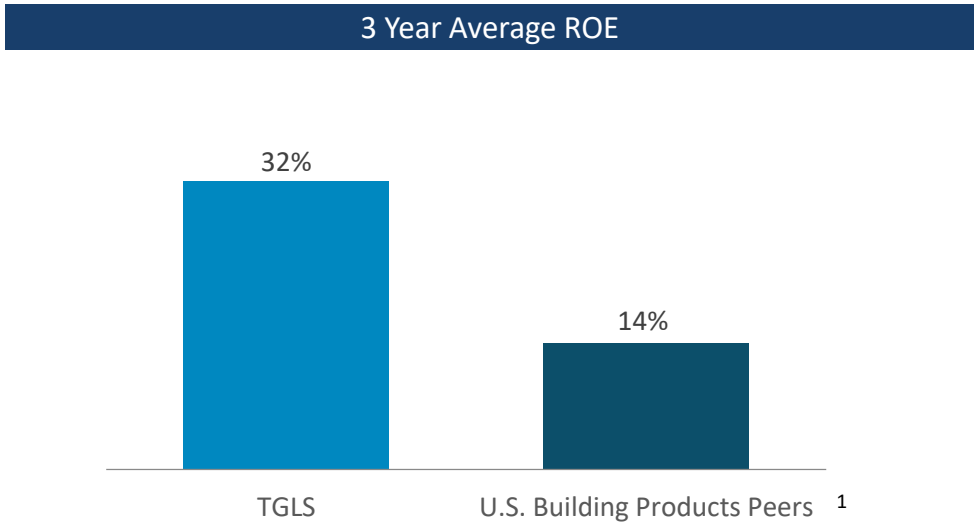
Solid Net Leverage and Balance Sheet

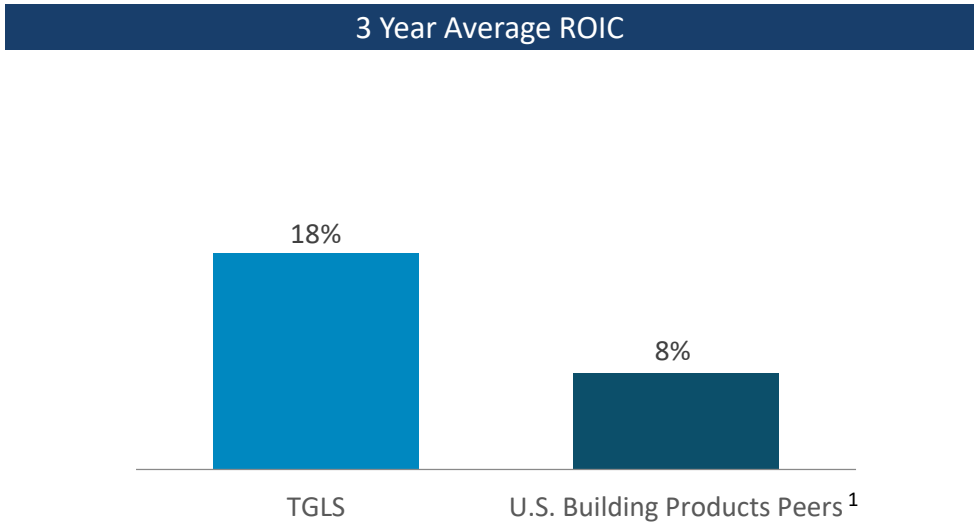


Notes:

1. *Adjusted EBITDA excludes non-recurring and non-cash expenses mainly associated with our bond issuance and respective extinguishment of former debt, acquisition related costs and other non-recurring items*
2. *On a pro forma basis as of September 30, 2022 giving effect to the addition of the new $350 mm senior secured facility and pay down of previous facilities*
3. *Calculated based on current nominal amount of financial debt and assuming a SOFR + 1.50% interest rate based on projected leverage profile*

Track Record of Strong Returns Above Peers





Stronger profitability and significant improvement in working capital driving strong returns

Notes:

1. U.S. Building Products Peers include AMWD, APOG, AWI, AYI, AZEK, DOOR, JBI, JELD, NX, PGTI, ROCK, SSD, and TILE for the three year period from Q2 2020 to Q2 2023.



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Philadelphia, Pennsylvania

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OUTLOOK UPDATE

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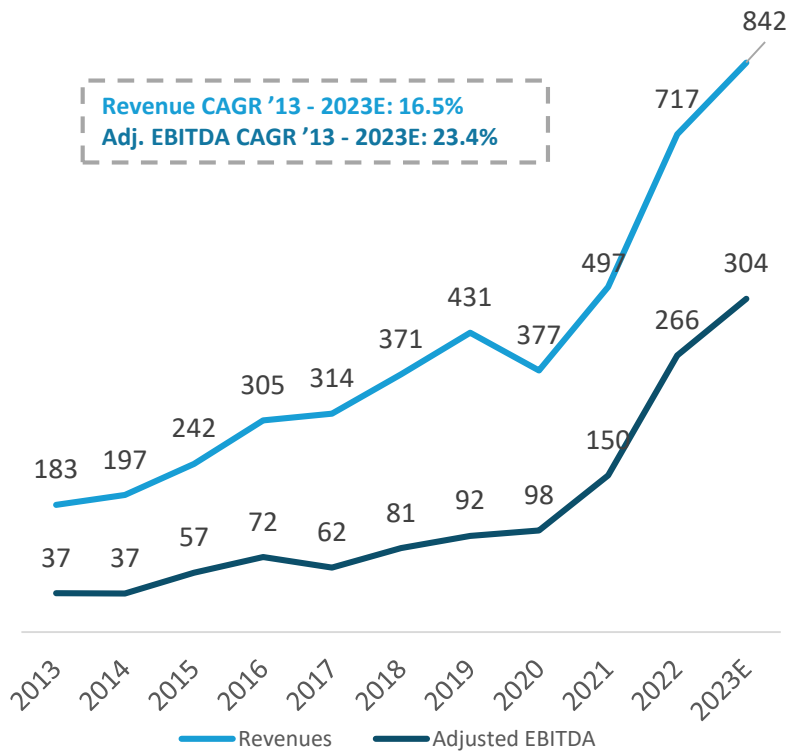
Evolution of Revenue & Adjusted EBITDA

Revenue & Adj. EBITDA
Delivering Double-Digit Organic CAGR



Key Milestones

2013 Became public

2015 Investment in top-class manufacturing facility to produce high-spec insulated glass

2017 Entered into the single-family residential market in the U.S., now accounting for 43% of total U.S. sales

2019 Entered into JV agreement with Saint Gobain for secure float glass supply

Investments in automation began, $25 mm of Capex invested during 2019

2020 Automation investments became operational

COVID-19 Pandemic

2021 Introduction of Multimax products oriented towards production homebuilders

Sales reps in expanding geographies building relationships with targeted general contractors, developers, architects & glazers

2022 Opening of new showrooms in expanding geographies (NYC & Charleston now operational)

Revenue increase of 44% YoY at the higher end of guidance; gross margin up ~790 bps

2023 Installed capacity reaches approx. $1B

Record backlog of $836 mm, up ~20% YoY

Entered into vinyl windows market, more than doubling addressable market

Relocated Global Headquarters from Colombia to Miami, Florida

Completed 40% of the Buyback Program of $50 mm

2023 Double-Digit Growth Outlook

- Based on YTD results and the timing of orders through year end, we expect another record year of organic double digit revenue and Adjusted EBITDA growth
- Adjusting revenue outlook to 18% all-organic growth at the mid point, accounting for Q4 project delays into 2024
- Adjusted EBITDA outlook incorporates expectation for full year gross margin to be in the 47-49% range, accounting for Q3'23 unfavorable FX effects and a higher mix of installation revenue during Q4
- Anticipated strong cash flow from operations and free cash flow during the rest of the year given the completion of a majority of capex investments

Revenue
$835-$848 MM
+17-18.3% YoY

Adj. EBITDA
$300-$308 MM
+13-16% YoY



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APPENDIX

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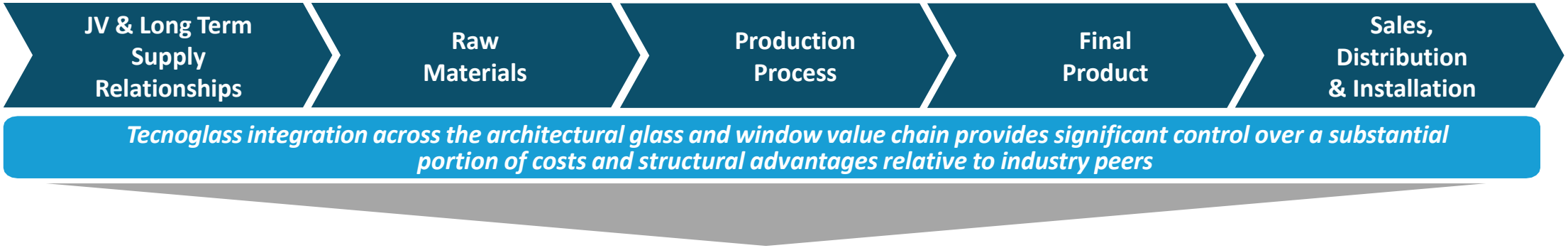
Vertically-Integrated & Well-Situated Operations Create Structural Advantages



Raw Materials

- ✓ Stable glass supply and costs resulting from JV with St. Gobain
- ✓ Majority of aluminum costs hedged through fixed price contracts

Labor

- ✓ Investments in automation initiatives and commitment to workforce providing production efficiency and low turnover
- ✓ While TGLS pays 15% above minimum wage, this is 7-10x below U.S. peers

Transportation

- ✓ U.S./Colombia trade imbalance mitigates marine transportation costs
- ✓ Connected supply chain keeps intercompany transport costs <5% of revenues

Energy

- ✓ 15% energy savings from prior investments in renewables (solar panels)
- ✓ Utilizing co-generation through on-site natural gas emissions

Structural advantages resulting in substantially shorter lead times than industry, unlocking opportunities for continued expansion and market share gains

ESG Strategy

Outstanding Achievements

Environmental

Leading Eco-Efficiency and Innovation

- National Carbon Neutrality Program
- +15,000 Solar Panels Installed Generating Over 32.443,19 MWh
- Waste Management and Utilization
- Container and Packaging Environmental Management Plan
- Automation and Innovation

Social

Enhancing Our Environment

- Employee Training and Education Programs
- Program for Prevention and Care of COVID-19
- Occupational Health and Safety
- Tecnoglass ESWindows Foundation
- Social Intervention Campaigns

Governance

Promoting Continuous, Ethical and Responsible Growth

- Ethics and Compliance Program
- Efficient Supply Chain Security Management
- Continuous Improvement of Our Products Through Our Quality Management System "QMS"
- Communication Strategies In-Line With the Company's Objectives and Specially Designed for Each Audience

ESG Strategy

Our Sustainability Strategy contains the Company's guidelines and value propositions to meet the expectations of our stakeholders

Environmental

Leading Eco-Efficiency and Innovation

- Encourage the energy efficiency of the operation and the products
- Prevent, mitigate and compensate environmental impacts of the business
- Promote the efficient use of materials and technologies, respectful with the environment
- Responsible management of the value chain and the product cycle
- Position an innovation and quality approach within all of the Company`s processes

Social

Enhancing Our Environment

- Generate quality work opportunities
- Promote and adopt the best labor and Human Rights
- Build and develop a comprehensive teamwork with innovating mentality
- Achieve an accident-free labor environment, supported by culture of health and safety
- Generate value for the communities in the areas of influence

Governance

Promoting Continuous, Ethical and Responsible Growth

- Adapt our offer and operation to new markets
- Conduct our business with integrity, ethical and transparency
- Adopt best corporate governance practices that facilitate decision making and accountability
- Consolidate and protect our brand
- Strengthen risk management as strategic factor for the organization

Leading Eco-efficiency and Innovation

Over 85% of Tecnoglass' total revenues are considered Green Revenues, including low emissivity and impact-resistant glass and windows, contributing to reducing global emissions and mitigating climate change effects

68%

of our revenues are Impact Resistant (Hurricane), reflecting the increasing demand for resilient solutions in regions vulnerable to extreme weather events

65%

of our revenues are Energy Efficient, including IGUs and low emissivity glass, providing greener and more efficient cooling or heating energy usage

84%

of our Low-E products are equipped with double or more coatings, providing superior performance sought in sustainable building solutions

Non-GAAP Reconciliation[1]

Adjusted EBITDA and adjusted net (loss) income attributable to parent reconciliation

Figures in U.S. $k	Three months ended Sept 30,		Nine months ended Sept 30,	
	2023	2022	2023	2022
Net (loss) income	**46,095**	**46,922**	**147,032**	**101,288**
Less: Income (loss) attributable to non-controlling interest	(232)	(196)	(489)	(515)
(Loss) Income attributable to parent	**45,863**	**46,726**	**146,543**	**100,773**
Foreign currency transactions losses (gains)	(1,142)	450	(931)	856
Provision for bad debt	638	(7)	2,537	543
Non Recurring expenses (non-recurring profesional fees, capital market fees, other non-core ítems)	1,800	545	5,599	4,804
Joint Venture VA (Saint Gobain) adjustments	(234)	771	158	1,743
Tax impact of adjustments at statutory rate	(340)	(528)	(2,356)	(2,384)
Adjusted net (loss) income	**46,585**	**47,957**	**151,550**	**106,335**
Basic income (loss) per share	0.97	0.98	3.09	2.12
Diluted income (loss) per share	0.97	0.98	3.09	2.12
Diluted Adjusted net income (loss) per share	0.98	1.01	3.18	2.23
Diluted Weighted Average Common Shares Outstanding in thousands	**47,599**	**47,675**	**47,649**	**47,675**
Basic weighted average common shares outstanding in thousands	47,599	47,675	47,649	47,675
Diluted weighted average common shares outstanding in thousands	47,599	47,675	47,649	47,675

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2023	2022	2023	2022
Net (loss) income	**46,095**	**46,922**	**147,032**	**101,288**
Less: Income (loss) attributable to non-controlling interest	(232)	(196)	(489)	(515)
(Loss) Income attributable to parent	**45,863**	**46,726**	**146,543**	**100,773**
Interest expense and deferred cost of financing	2,325	2,249	6,919	5,432
Income tax (benefit) provision	15,447	22,966	63,366	48,216
Depreciation & amortization	5,927	4,627	15,841	15,089
Foreign currency transactions losses (gains)	(1,142)	450	(931)	856
Provision for bad debt	638	(7)	2,537	543
Non Recurring expenses (non-recurring profesional fees, capital market fees, other non-core ítems)	1,800	545	5,599	4,804
Joint Venture VA (Saint Gobain) EBITDA adjustments	436	948	2,264	2,709
Adjusted EBITDA	**71,294**	**78,504**	**242,138**	**178,422**

Notes:

1. Adjusted EBITDA, Adjusted EBIT and Adjusted Net Income are not measures of financial performance under generally accepted accounting principles ("GAAP"). Management believes Adjusted EBITDA, Adjusted EBIT and Adjusted Net Income, in addition to operating profit, net income and other GAAP measures, is useful to investors to evaluate the Company's results because it excludes certain items that are not directly related to the Company's core operating performance. Investors should recognize that Adjusted EBITDA, Adjusted EBIT and Adjusted Net Income might not be comparable to similarly-titled measures of other companies. These measures should be considered in addition to, and not as a substitute for or superior to, any measure of performance prepared in accordance with GAAP. Because GAAP financial measures on a forward-looking basis are not accessible, and reconciling information is not available without unreasonable effort, we have not provided reconciliations for forward-looking non-GAAP measures.

Non-GAAP Reconciliation[1]

Net Debt, Leverage and Total Investment Reconciliations

Figures in U.S. $k	As of September 30,	
	2022	2023
Short Term Debt and Current Portion of Long Term Debt	434	3,127
Long Term Debt	168,255	166,699
Gross Debt	**168,689**	**169,826**
Cash at the end of the period	84,434	118,973
Net Debt	**84,255**	**50,853**
LTM Adjusted EBITDA	220,600	329,381
Net Debt / LTM Adjusted EBITDA	**0.38x**	**0.15x**

Notes:

1. *Total Investment and Free Cash Flow are not financial measures under generally accepted accounting principles ("GAAP"). Management believes this measurements are useful to investors to evaluate the Company's performance. Total Investment includes Capex or cash acquisition of property and equipment, assets acquired under capital lease and assets acquired with debt. Free Cash Flow is calculated as cash (used in) provided by operating activities (-) Capex or cash acquisition of property and equipment. Free Cash Flow do not include assets acquired under capital lease or debt. Investors should recognize Total Investment and Free Cash Flow might not be comparable to similarly-titled measures of other companies. These measures should be considered in addition to, and not as a substitute for or superior to, any measure prepared in accordance with GAAP. Because GAAP financial measures on a forward-looking basis are not accessible, and reconciling information is not available without unreasonable effort, we have not provided reconciliations for forward-looking non-GAAP measures.*