

TECNOGLASS

Fourth Quarter and Full Year 2023 Earnings Conference Call

March 1, 2024 – TECNOGLASS INC.
(NYSE: TGLS)



www.tecnoglass.com

Disclaimer

FORWARD LOOKING STATEMENTS

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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TECNOGLASS

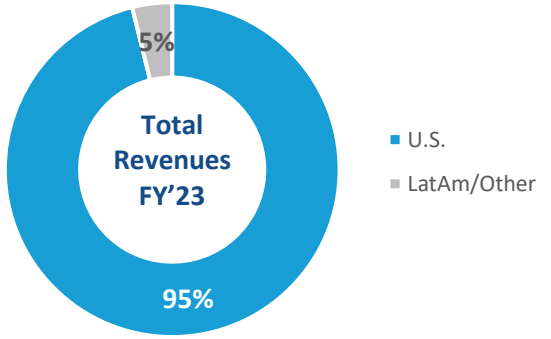
Highlights

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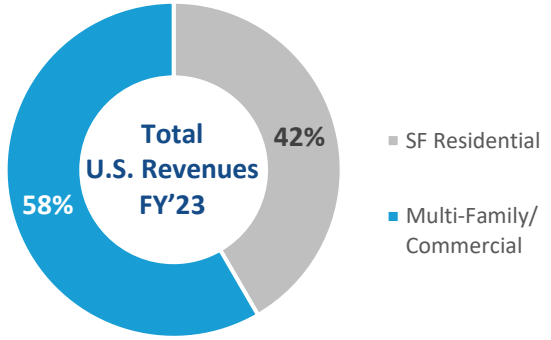
FY 2023 Key Takeaways

- Record FY'23 revenues, gross profit, operating income, Adj. EBITDA, and Adj. Net Income
- Total revenues of $833.3 mm, up 16.3% YoY
- Solid growth in multi-family and commercial activity, up 21.4% YoY to $497.9 mm as we execute on our growing backlog
- Continued growth in the single-family residential market, up 9.5% YoY to a record $335.4 mm, driven by growing dealer network, geographic expansion and innovative products
- Gross profit margin of 46.9% remained resilient despite unfavorable FX dynamics and higher mix of installation revenue
- Adj. EBITDA grew 14.5% YoY to a record $304.1 mm at a 36.5% margin
- Adjusted net income of $189.3 mm or Adj. EPS of $3.98, up 19.4% YoY
- Strong operating cash flow of $138.8 mm driven by higher profitability and enhanced working capital management, further strengthening financial flexibility to execute expected growth and produce free cash flow of $60.9 mm
- Continued deleveraging, with all time low net debt / LTM adj. EBITDA standing at 0.1x
- $23.5 mm in share repurchases, returning significant value to shareholders
- Record backlog of $870.1 mm, up ~20% YoY, representing a book-to-bill ratio of 1.2x
- Started production and shipment of vinyl products in December 2023, with sequential ramp-up in revenues expected throughout 2024

Sales by Geography FY'23



U.S. End Market Mix FY'23



FY'23 Revenues	**$833.3 mm**
FY'23 Adj EBITDA	**$304.1 mm**
FY'23 Operating Cash Flow	**$138.8 mm**
Backlog	**$870.1 mm**

Notes:

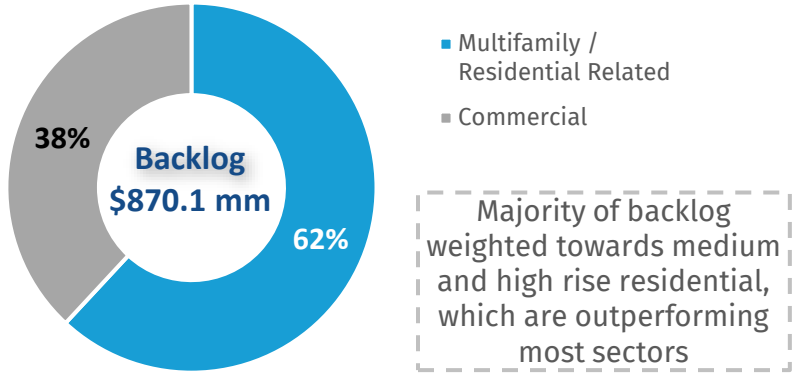
1. *Adjusted EBITDA, Adjusted Net Income and Adjusted EPS excludes non-recurring and non-cash expenses mainly associated with non-cash foreign exchange transaction gains or losses, non-recurring professional fees and other non-core items, and include the proportional contribution of the Company's joint venture with Saint-Gobain.*

U.S. Growth Driving Resilient Backlog

Backlog Overview

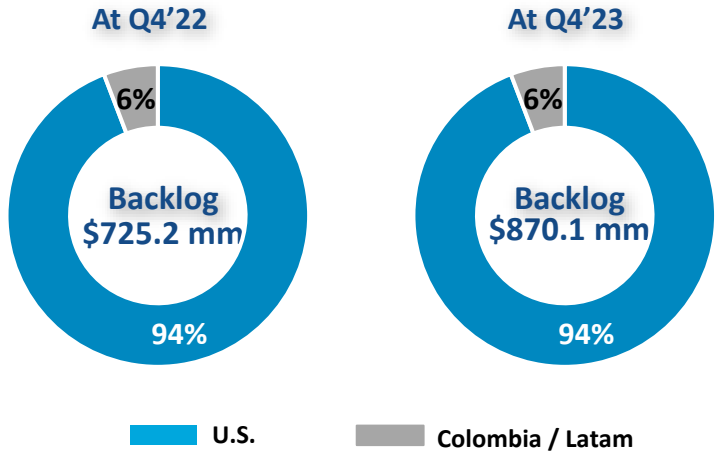
- Backlog expanded 20% YoY to a record $870.1 mm Project pipeline remains strong
- Favorable demographic trends in Florida and Southeast allow for continued strength despite macroeconomic uncertainty
- U.S. backlog of $814 mm, representing 94% of total backlog, led by market share gains, geographical diversification and strong activity in the Southeast U.S.
- While interest rates remain high, the majority of backlog is comprised of assets that we believe to have a lesser sensitivity to higher interest rates (high end condos, luxury lodging, etc.)
- 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 adding to early 2025 backlog

Backlog as of Q4'23 by End Market



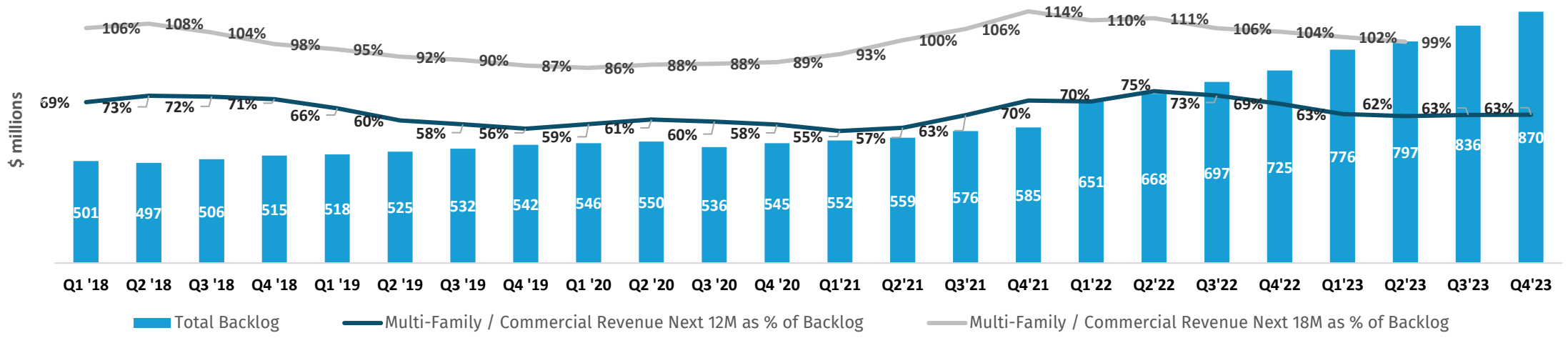
Majority of backlog weighted towards medium and high rise residential, which are outperforming most sectors

Geographic Mix



Demonstrated History of Converting Backlog to Revenue Supports Double Digit Growth Expectation in 2024

Backlog to Revenue Conversion



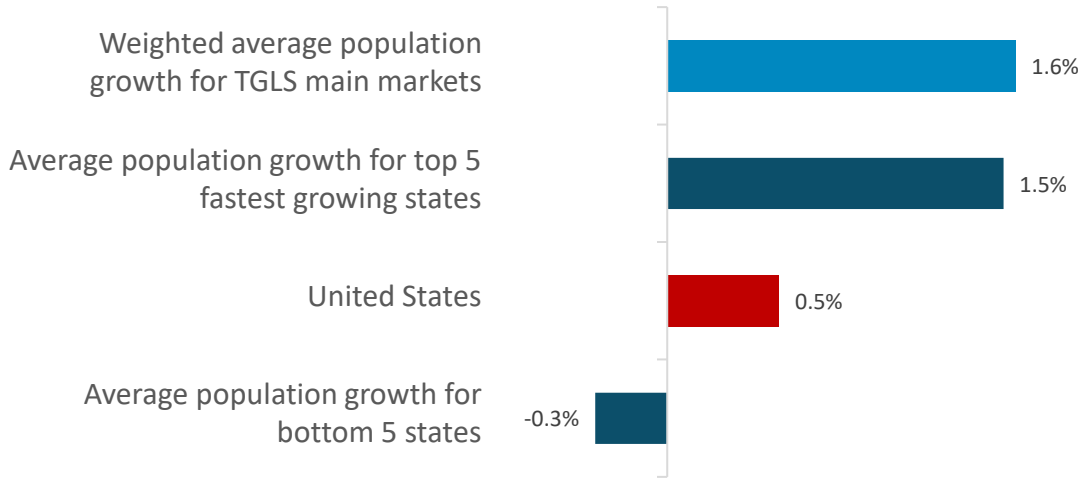
Note: Excludes Single-family Residential

- Historically, ~65% of multi-family and commercial revenue in backlog rolls off within 12 months and ~99% of the backlog rolls off within 18 months. This dynamic provides strong backing to support double digit revenue growth in 2024
- Book-to-bill ratio of 1.2x in Q4'23 with strong bidding activity signaling attractive project opportunities in the near future and adding to a solid book-to-bill ratio above 1.1x for the past 12 consecutive quarters
- Virtually no project cancellations historically given late-stage installation of windows into largely completed buildings, though tighter lending standards or other delays may lead to lags in invoicing materializing into revenues over a longer time period
- Single-family residential not reflected in backlog and provides additional growth avenues through showroom expansions and recent vinyl window market entry

Favorable Demographics in Key Regions Despite Macro Headwinds

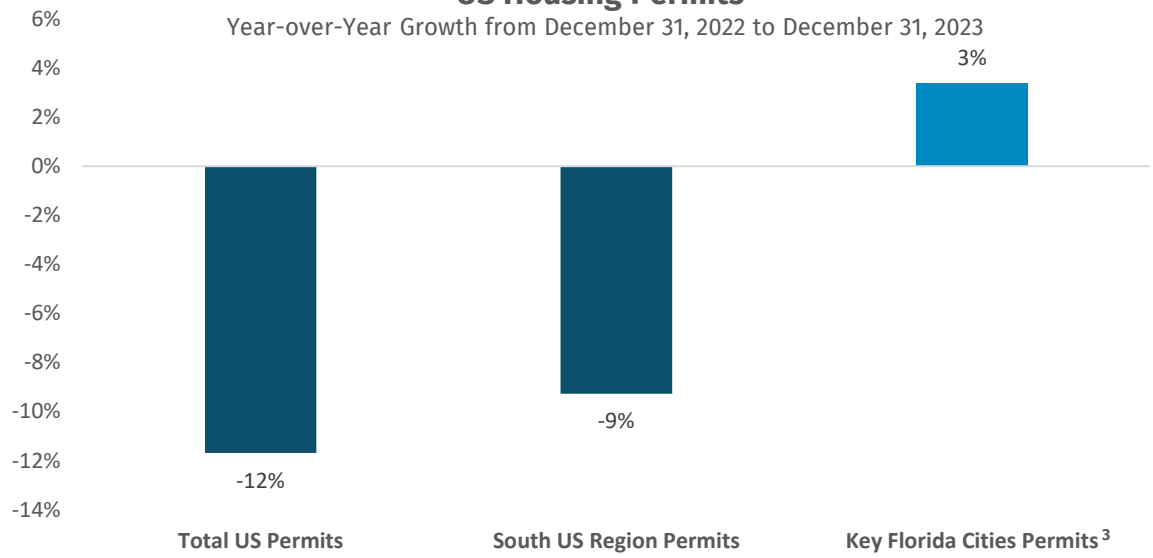
2023 Population Growth: TGLS Markets Favorably Positioned[1]

Year-over-Year Percent Change from July 1, 2022 to July 1, 2023



US Housing Permits[2]

Year-over-Year Growth from December 31, 2022 to December 31, 2023



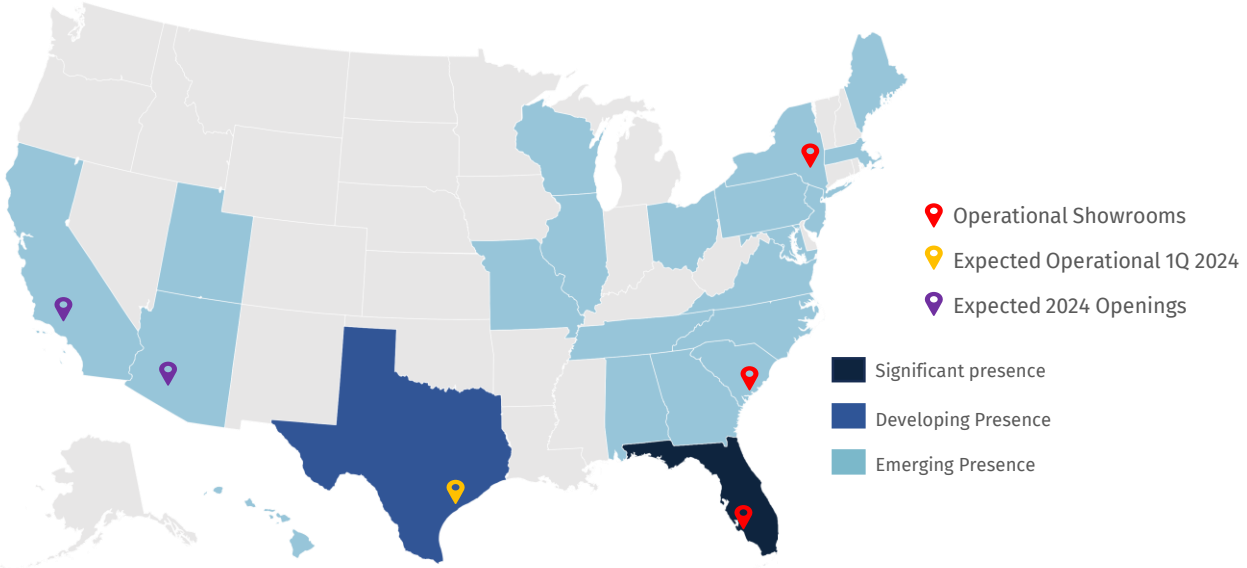
- Favorable demographic trends in states such as Florida, South Carolina, Texas and North Carolina, where we have a strong presence, contribute to continued strength
- The weighted average population growth in TGLS key markets was 1.6% in 2023, surpassing the national growth rate of 0.5% and the top-5 fastest growing states
- Despite overall decline in the South US, permits in TGLS's key Florida cities increased by 3% in 2023 based on favorable demographics
- Single-family housing starts have picked up notably in the South. Florida single-family housing permits have shown an increase in the past few years

Notes:

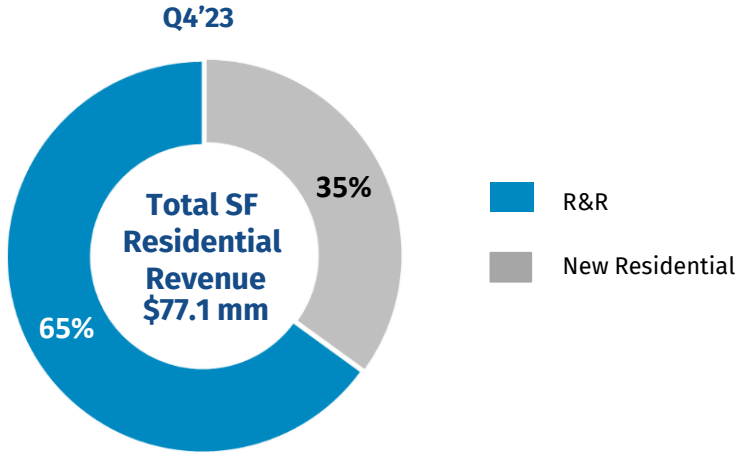
1. *U.S.* Census Bureau and Wells Fargo Economics
2. US Census Bureau
3. BPS - Permits by MSA (census.gov)

Single-Family Residential Business Expanding

Geographic Exposure



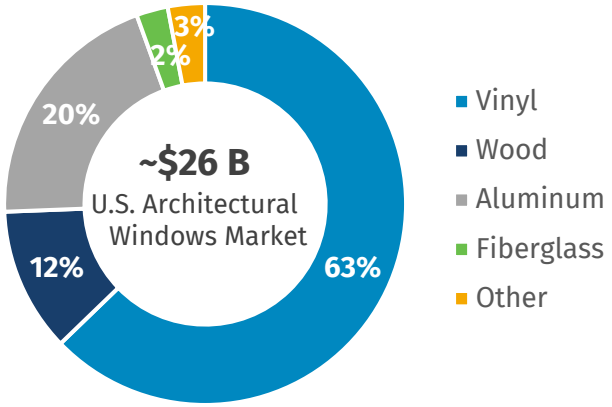
End Market Exposure



- Q4 2023 and full year 2023 single-family residential revenue of $77 mm and $335 mm respectively; both periods accounting for 42% of U.S. revenues, compared to 3% in 2017
- Market share upside to single-family revenues exists through multiple 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 in the first quarter of 2024)
  - Recent vinyl market entry provides significant runway for revenue growth and product diversification
- Favorable demographic trends 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 ~$300 mm in annual revenues once production lines 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 3 full vinyl window production lines with ability to serve the US and LatAm
- Began shipping vinyl windows in December 2024
- TGLS vinyl sales & marketing primarily focused on North Florida, Alabama, South Carolina, North Carolina & Georgia. Expansion in the northeast U.S. supported by existing NYC showroom
- Early quotes and sampling carried out through 30-40 legacy dealers in central and northern Florida which already carried both aluminum & vinyl products. New distributors signed in northern Florida in 2024
- Showrooms already displaying legacy aluminum window lines plus new vinyl designs
- Cadence of orders expected to start ramping up after Q2'24, once clients have sampled and tested these products

Notes:

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

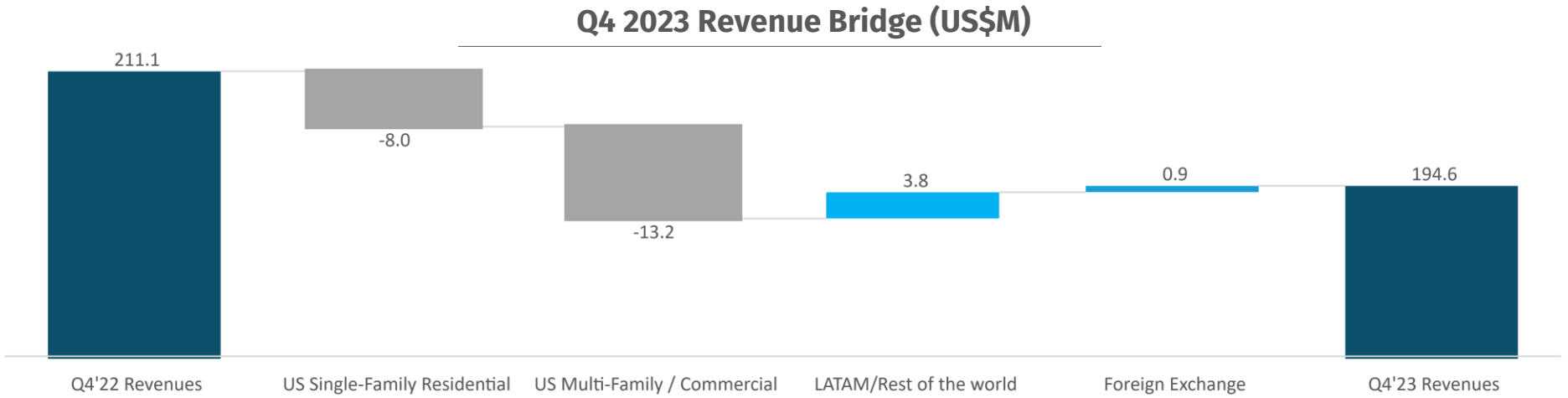


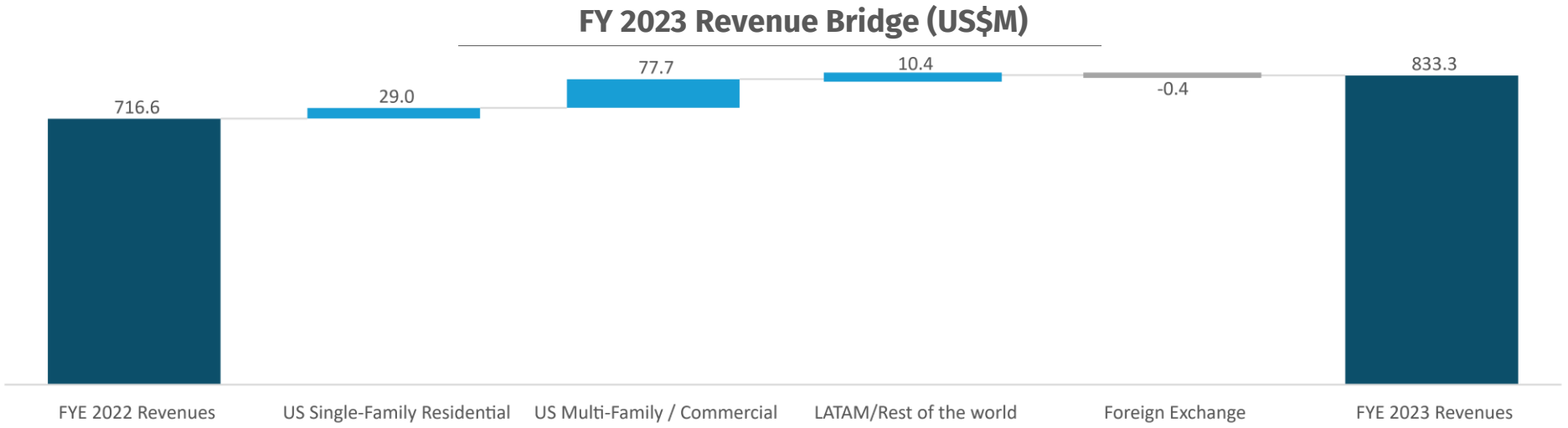
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Financial Update

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Revenue Bridge 2023 vs. 2022



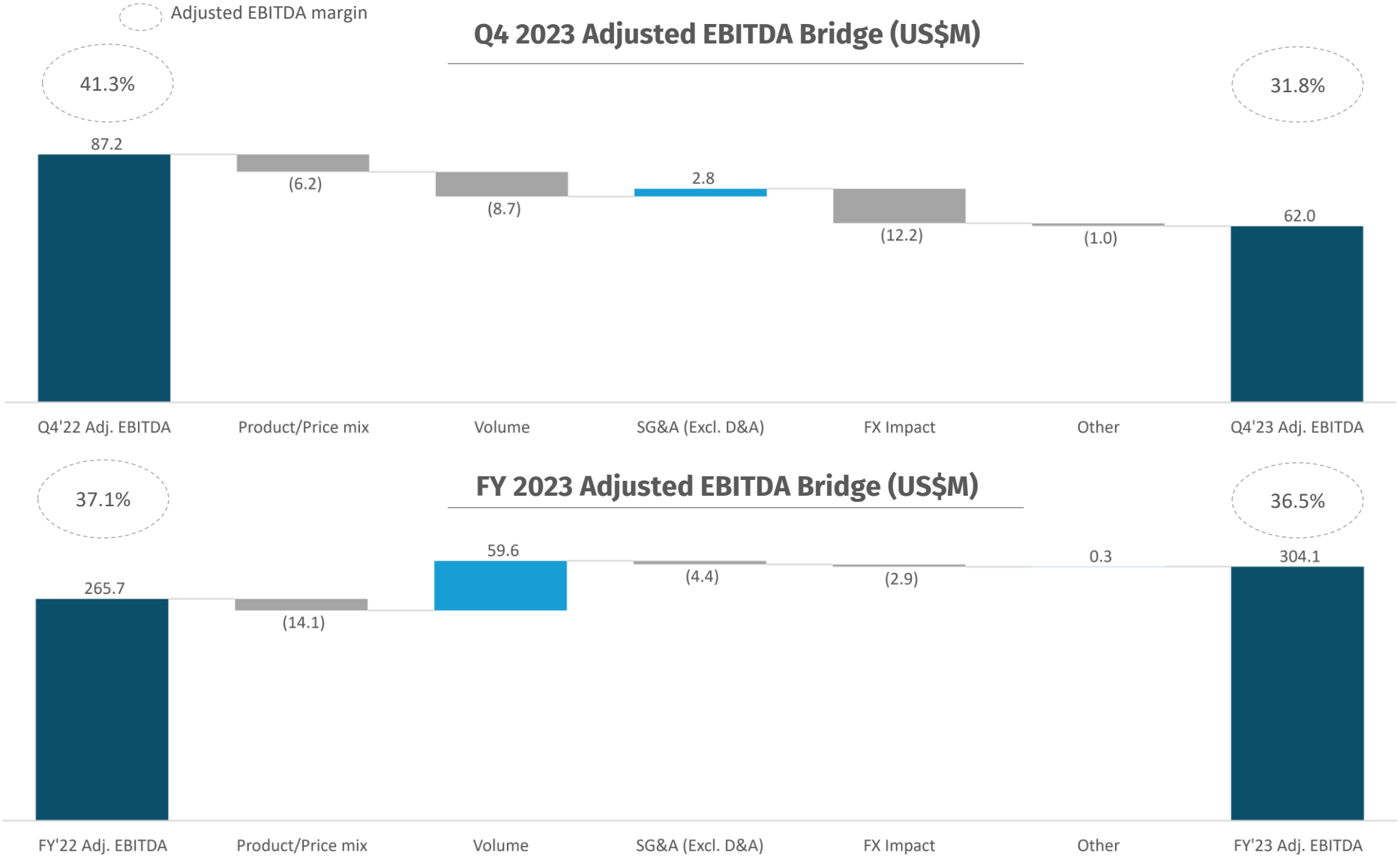


TGLS LTM revenue mix from U.S. +95%, compared to average of 84% for U.S.-based building product peers[1]

Notes:

1. *Peer average includes AMWD, APOG, AWI, AYI, AZEK, DOOR, FBIN, JBI, JELD, MBC, NX, PGTI, ROCK, SSD, and TILE as of latest annual SEC filings; Sourced from FactSet*

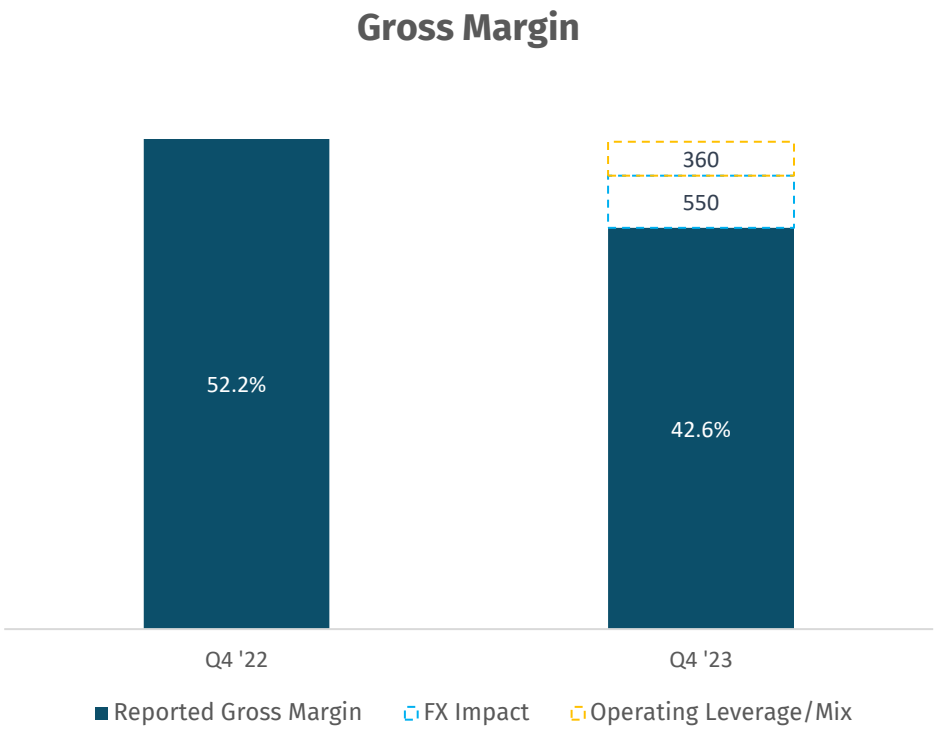
Adjusted EBITDA(1) Bridge 2023 vs. 2022



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 Q4'23 vs. Q4'22



- Approximately half of the unfavorable effect in gross margins YoY was attributed to a much stronger Peso during the Q4 2023 vs. the comparable period in 2022. The Currency appreciated approximately 15% YoY but has remained stable in the last 6 months
- Gross margin also impacted by a higher mix of installation revenue as the commercial business expands. Also impacted by less operating leverage on lower revenues YoY
- FX rates relatively stable since beginning of 2024 and projected to stay within a stable range by most economists
- Generally, every 5% movement in the COP/USD exchange rate carries an approximate 150 bps movement in operating margins related to the costs and expenses denominated in COP versus USD revenues

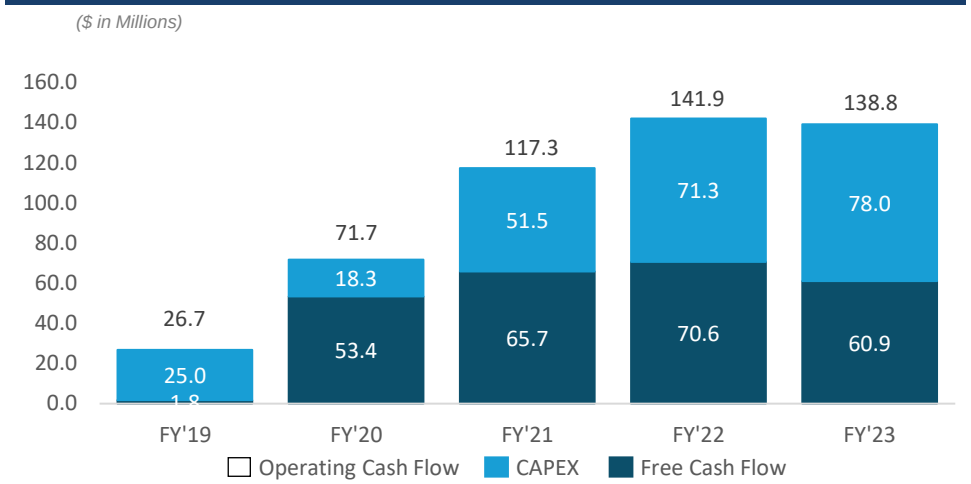
Notes:

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*

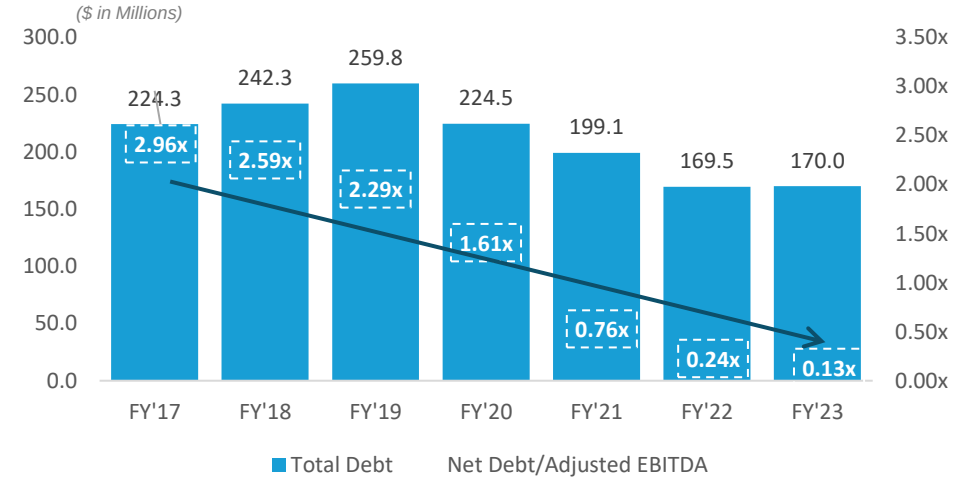
Strong Cash Flow & Balance Sheet

- Strong cash conversion of Adj. EBITDA[1] driving $138.8 mm of cash flow from operations in 2023
- Exceptional free cash flow expected to continue through 2024, helped by expected decrease in capex to approximately $45 mm
- Liquidity[2] of ~$300 mm, including cash of $129.5 mm and $170 mm of availability under revolver facility
- Continued deleveraging, with all time low net debt / LTM Adj. EBITDA[1] at 0.1x 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
- In January 2024 paid down $15 mm of debt outstanding

Strong Cash Flow Generation



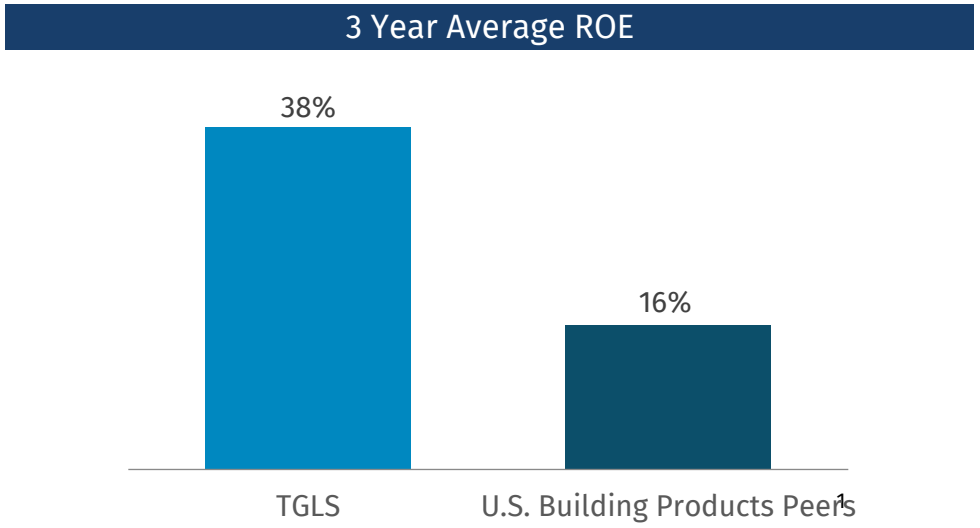
Solid Net Leverage and Balance Sheet

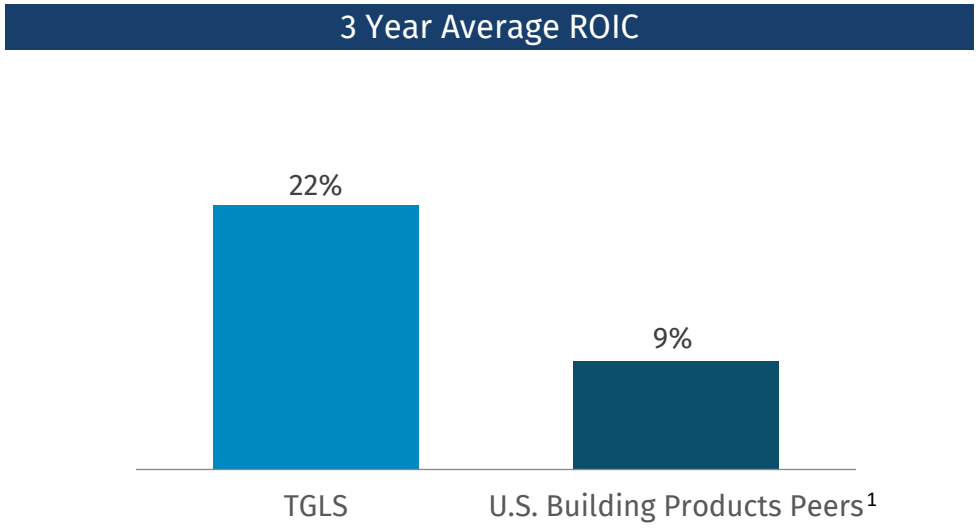


Notes:

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 December 31, 2023 giving effect to the $350 mm senior secured facility*

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, FBIN, JBI, JELD, MBC, NX, PGTI, ROCK, SSD, and TILE for the three year period from Q4 2020 to Q4 2023.



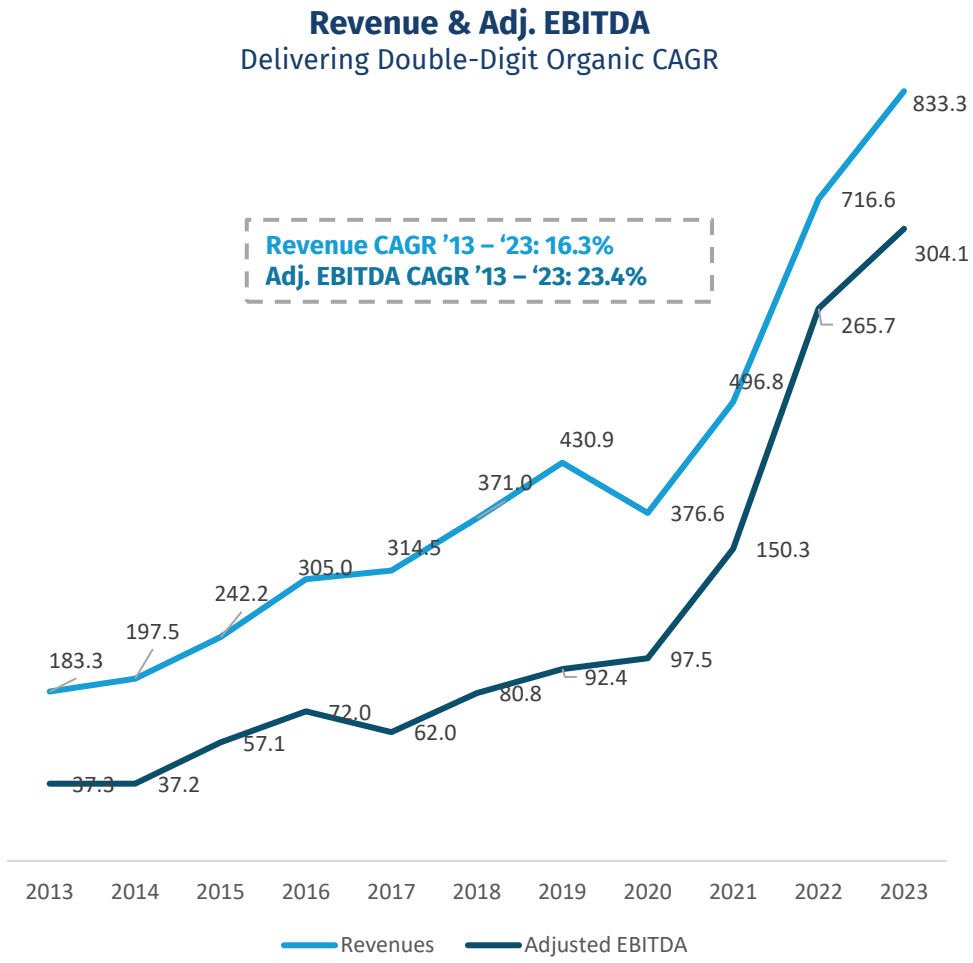
205 Race Street
Philadelphia, Pennsylvania

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OUTLOOK UPDATE

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Evolution of Revenue & Adjusted EBITDA



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. $1 B

Record backlog of $870.1 mm, up ~20% YoY

Entered into vinyl windows market, more than doubling addressable market

Relocated Global Headquarters from Colombia to Miami, Florida

Completed nearly half of $50 mm Buyback Program

2024 Outlook

- Expect double-digit revenue growth for full year 2024
  - Supported by record backlog, new vinyl initiative, showroom openings and geographical expansion
- Q1'24 revenue expected to be the seasonal low quarter and increase sequentially thereafter
  - Based on the timing of projects, scheduled maintenance in January and the expected ramp up period for vinyl products
- Full year 2024 gross margin expected to be in the mid 40% range
  - Accounts for a higher mix of installation revenue and assumes continued stable FX rates for 2024, resulting in an unfavorable year-over-year comparison based on a COP$4,325 avg for 2023
- Expect higher YoY free cash flow during full year 2024
  - Completed the majority of capital expenditures related to facility automation, expansion and vinyl-related investments in 2023





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*



3Eleven 601 Hudson Yards
New York City, New York

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APPENDIX

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Vertically-Integrated & Well-Situated Operations Create Structural Advantages



Tecnoglass integration across the architectural glass and window value chain provides significant control over a substantial portion of costs and structural advantages relative to industry peers

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 Dec 31,		Twelve months ended Dec 31,	
	2023	2022	2023	2022
Net (loss) income	**36,478**	**55,124**	**183,510**	**156,412**
Less: Income (loss) attributable to non-controlling interest	(139)	(153)	(628)	(669)
(Loss) Income attributable to parent	**36,339**	**54,971**	**182,882**	**155,743**
Foreign currency transactions losses (gains)	245	(2,869)	(686)	(2,013)
Provision for bad debt	272	102	2,809	645
Non Recurring expenses (non-recurring profesional fees, capital market fees, other non-core ítems)	894	408	6,494	5,212
Joint Venture VA (Saint Gobain) adjustments	644	(1,691)	802	52
Tax impact of adjustments at statutory rate	(658)	1,215	(3,014)	(1,169)
Adjusted net (loss) income	**37,737**	**52,136**	**189,287**	**158,470**
Basic income (loss) per share	0.77	1.15	3.85	3.27
Diluted income (loss) per share	0.77	1.15	3.85	3.27
Diluted Adjusted net income (loss) per share	0.80	1.09	3.98	3.32
Diluted Weighted Average Common Shares Outstanding in thousands	**47,093**	**47,675**	**47,509**	**47,675**
Basic weighted average common shares outstanding in thousands	47,093	47,675	47,509	47,675
Diluted weighted average common shares outstanding in thousands	47,093	47,675	47,509	47,675

	Three months ended Dec 31,		Twelve months ended Dec 31,	
	2023	2022	2023	2022
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(Loss) Income attributable to parent	**36,339**	**54,971**	**182,882**	**155,743**
Interest expense and deferred cost of financing	2,259	2,724	9,178	8,156
Income tax (benefit) provision	14,539	26,542	77,905	74,758
Depreciation & amortization	6,034	4,597	21,875	19,686
Foreign currency transactions losses (gains)	245	(2,869)	(686)	(2,013)
Provision for bad debt	272	102	2,809	645
Non Recurring expenses (non-recurring profesional fees, capital market fees, other non-core ítems)	893	408	6,493	5,212
Joint Venture VA (Saint Gobain) EBITDA adjustments	1,397	768	3,661	3,477
Adjusted EBITDA	**61,978**	**87,243**	**304,117**	**265,664**

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 December 31,	
	2022	2023
Short Term Debt and Current Portion of Long Term Debt	504	7,002
Long Term Debt	168,980	163,004
Gross Debt	**169,484**	**170,006**
Cash at the end of the period	103,671	129,508
Net Debt	**65,813**	**40,498**
LTM Adjusted EBITDA	265,664	304,117
Net Debt / LTM Adjusted EBITDA	**0.25x**	**0.13x**

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.*