



## Tecnoglass Reports Third Quarter 2019 Results

Nov 6, 2019

**BARRANQUILLA, Colombia, Nov. 06, 2019 (GLOBE NEWSWIRE) -- Tecnoglass, Inc. (NASDAQ: TGLS) ("Tecnoglass" or the "Company")**, a leading manufacturer of architectural glass, windows, and associated aluminum products for the global commercial and residential construction industries, today reported financial results for the third quarter ended September 30, 2019.

### Third Quarter 2019 Highlights

- Total revenues increased 12% to \$108.5 million, with the U.S. representing 86% of revenues
- Net loss of \$1.3 million, or (\$0.03) per diluted share, including non-cash FX losses during the period
- Adjusted net income of \$8.3 million, or \$0.18 per diluted share
- Adjusted EBITDA<sup>1</sup> increased 5% to \$24.0 million
- Backlog expanded to a record \$532 million; up 5% year-over-year and 1.1% quarter-over-quarter
- Completed aluminum production capacity expansion; remaining high-return automation projects on track to be completed by the end of 2019
- Declares regular quarterly dividend of \$0.14 per share
- Raises full year 2019 outlook for total revenues and adjusted EBITDA<sup>1</sup>, representing year-over-year growth of 17% and 18% at mid-points of new respective ranges

José Manuel Daes, Chief Executive Officer of Tecnoglass, commented, "We delivered another quarter of record revenues and further cemented our position as a U.S. focused growth company, representing 86% our business. We achieved our 20<sup>th</sup> straight quarter of double-digit growth in the U.S., including residential sales up nearly 60% year-over-year. Colombia revenues up 21% year-over-year excluding FX was encouraging and better than expected. Through our expanding reputation for excellence and our extensive portfolio of innovative products, we are forming many new customer relationships and winning bids across a broader geographic footprint. With our record backlog, we are better positioned than ever to continue driving meaningful share gains, particularly in the U.S. We look forward to deliver another full year of double-digit growth in revenue and Adjusted EBITDA. Beyond 2019, our strong line up of projects paired with our highly efficient, low-cost operations gives us confidence in our ability to generate attractive returns for shareholders for years to come."

Christian Daes, Chief Operating Officer of Tecnoglass, stated, "Our strategic footprint, first-class product designs and commitment to operational excellence continue to produce industry-leading margins in our business. Our targeted automation initiatives at our production facilities are already in the testing stage and on track to be operational by year end, providing for additional efficiencies within our vertically-integrated operation, mainly on labor and waste reduction. On the product side, the success of our residential offerings continues to surpass our expectations, representing 17% of our trailing-twelve-month U.S. revenues. We are pleased with the trajectory of our business and look forward to executing on our multi-year project pipeline while carefully pursuing additional opportunities to grow our Company."

### Third Quarter 2019 Results

Total revenues for the third quarter of 2019 improved 11.8% to \$108.5 million compared to \$97.0 million in the prior year quarter. Excluding the impact of unfavorable foreign currency, total revenues increased 13.6% compared to the prior year quarter. U.S. revenues increased 12.9% to \$92.8 million compared to \$82.2 million in the prior year quarter, driven by stronger residential invoicing, healthy commercial construction activity growth, and market share gains. Colombia revenues of \$13.0 million increased 7.4% as reported and 21.2% excluding foreign currency, compared to the prior year quarter, primarily attributable to stronger project activity.

Gross profit increased 3.0% to \$35.7 million, representing a 33.0% gross margin compared to gross profit of \$34.7 million, representing a 35.8% gross margin in the prior year quarter. The lower gross margin was mainly attributable to an exceptionally favorable mix of higher margin manufacturing revenues during the prior year quarter. The third quarter 2019 had a more balanced mix of manufacturing and service revenue, producing a gross margin consistent with the Company's normalized level in the low-to-mid 30% range.

Operating expenses were \$20.2 million compared to \$19.4 million in the prior year quarter. As a percent of total revenues, operating expenses were 18.6% compared to 20.0% in the prior year quarter, primarily reflecting higher sales and lower costs for labor and freight. Excluding one-time items, operating expenses would have been 18.2% as a percent of total revenues compared to 19.7% in the prior year quarter. Operating income increased to \$15.6 million compared to \$15.3 million in the prior year quarter.

Net loss was \$1.3 million, or \$0.03 per diluted share in the third quarter of 2019 compared to net income of \$6.2 million, or a \$0.15 loss per diluted share in the prior year quarter, including non-cash foreign currency transaction losses in both periods related to the re-measurement of USD denominated assets and liabilities against the Colombian Peso as functional currency. Adjusted net income<sup>1</sup> was \$8.3 million, or \$0.18 per diluted share compared to adjusted net income of \$9.3 million, or \$0.23 per diluted share in the prior year quarter. Adjusted net income<sup>1</sup>, as reconciled in the table below, excludes the impact of non-cash foreign exchange transaction gains or losses and other non-core items, along with the tax impact of adjustments at statutory rates, to better reflect core financial performance.

Adjusted EBITDA<sup>1</sup>, as reconciled in the table below, increased 5% to \$24.0 million, or 22.1% of sales compared to \$22.8 million, or 23.5% of sales, in the prior year quarter. Adjusted EBITDA in the third quarter 2019 included \$1.2 million in contribution from the Company's joint venture with Saint-

Gobain.

## High-Return Initiatives

In July 2019 the Company completed its previously announced aluminum production capacity expansion in response to strong customer demand for aluminum products. The Company's other high-return investments to automate key operations at several glass and aluminum facilities are already in the testing phase and on track to be operational by the end of 2019. As of September 30, 2019, the Company has deployed approximately 80% of its total anticipated \$20 million capital investment on growth and efficiency initiatives.

## Dividend

The Company declared a regular quarterly dividend of \$0.14 per share for the third quarter of 2019, which will be paid on December 20, 2019 to shareholders of record as of the close of business on November 29, 2019.

The dividend will be paid in cash or ordinary shares, to be chosen at the option of holders of ordinary shares during an election period beginning December 2, 2019 and lasting until 5:00 P.M. Eastern Time on December 13, 2019. The value of the ordinary shares to be used to calculate the number of shares to be issued with respect to that portion of the dividend payable in ordinary shares shall be the average of the closing price of the Company's ordinary shares on NASDAQ during the period from December 2, 2019 through December 13, 2019. If no choice is made during this election period, the dividend for this election period will be paid in ordinary shares of the Company.

## Full Year 2019 Outlook

For the full year 2019, the Company has increased its outlook for revenues to grow to a range of \$430 to \$440 million, based on its solid first nine-month performance, a favorable growth environment in its construction end markets and additional anticipated market share gains in the U.S. The Company has also raised its Adjusted EBITDA outlook to a range of \$93 million to \$97 million, representing growth of 17.6% at the midpoint year-over-year, driven by higher revenues.

## Conference Call

Management will host a conference call on Wednesday, November 6, 2019 at 9:00 a.m. eastern time (9:00 a.m. Bogota, Colombia time) to review the Company's results. The conference call will be broadcast live over the Internet. Additionally, a slide presentation will accompany the conference call. To listen to the call and view the slides, please visit the Investor Relations section of Tecnoglass' website at [www.tecnoglass.com](http://www.tecnoglass.com). Please go to the website at least 15 minutes early to register, download and install any necessary audio software. To participate by telephone, please dial:

- (877) 705-6003 (*Domestic*)
- (201) 493-6725 (*International*)

If you are unable to listen live, a replay of the conference call will be archived on the website. You may also access the conference call playback by dialing (844) 512-2921 (*Domestic*) or (412) 317-6671 (*International*) and entering pass code: 13695184.

## About Tecnoglass

Tecnoglass Inc. is a leading manufacturer of architectural glass, windows, and associated aluminum products for the global commercial and residential construction industries. Tecnoglass is the leading architectural glass transformation company in Colombia and the second largest glass fabricator serving the United States. Headquartered in Barranquilla, Colombia, the Company operates out of a 2.7 million square foot vertically-integrated, state-of-the-art manufacturing complex that provides easy access to North, Central and South America, the Caribbean, and the Pacific. Tecnoglass supplies over 1000 customers in North, Central and South America, with the United States accounting for over 80% of revenues. Tecnoglass' tailored, high-end products are found on some of the world's most distinctive properties, including the El Dorado Airport (Bogota), 50 United Nations Plaza (New York), Trump Plaza (Panama), Icon Bay (Miami), and Salesforce Tower (San Francisco).

## Forward Looking Statements

This press release 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 and changes in assumptions or otherwise, except as required by law.

<sup>1</sup>Adjusted net income and Adjusted EBITDA in both periods are reconciled in the table below.

## Investor Relations:

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**Consolidated Balance Sheets**  
(In thousands, except share and per share data)  
(Unaudited)

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 41,739	\$ 33,040
Investments	2,273	1,163
Trade accounts receivable, net	112,687	92,791
Due from related parties	8,388	8,239
Inventories	82,140	91,849
Contract assets – current portion	43,384	46,018
Other current assets	24,906	20,299
<b>Total current assets</b>	<b>\$ 315,517</b>	<b>\$ 293,399</b>
<b>Long term assets:</b>		
Property, plant and equipment, net	\$ 146,581	\$ 149,199
Deferred income taxes	7,339	4,770
Contract assets – non-current	9,104	6,986
Intangible assets	7,135	9,006
Goodwill	23,561	23,561
Long term investments	45,273	-
Other long term assets	3,079	2,853
<b>Total long term assets</b>	<b>242,072</b>	<b>196,375</b>
<b>Total assets</b>	<b>\$ 557,589</b>	<b>\$ 489,774</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt and current portion of long-term debt	\$ 16,168	\$ 21,606
Trade accounts payable and accrued expenses	67,210	65,510
Accrued interest expense	3,184	7,567
Due to related parties	5,099	1,500
Dividends payable	1,615	736
Contract liability – current portion	12,750	16,789
Due to equity partners	10,900	-
Other current liabilities	13,973	8,887
<b>Total current liabilities</b>	<b>\$ 130,899</b>	<b>\$ 122,595</b>
<b>Long term liabilities:</b>		
Deferred income taxes	\$ 542	\$ 2,706
Long term payable associated to GM&P acquisition	8,500	8,500
Long term liabilities from related parties	617	600
Contract liability – non-current	177	1,436
Long term debt	247,776	220,709
<b>Total long term liabilities</b>	<b>257,612</b>	<b>233,951</b>
<b>Total liabilities</b>	<b>\$ 388,511</b>	<b>\$ 356,546</b>
<b>SHAREHOLDERS' EQUITY</b>		
Preferred shares, \$0.0001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding at September 30, 2019 and December 31, 2018 respectively	\$ -	\$ -
Ordinary shares, \$0.0001 par value, 100,000,000 shares authorized, 45,519,472 and 38,092,996 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	4	4
Legal Reserves	1,367	1,367
Additional paid-in capital	208,250	157,604
Retained earnings	5,319	10,439
Accumulated other comprehensive (loss)	(46,765 )	(37,058 )
<b>Shareholders' equity attributable to controlling interest</b>	<b>168,175</b>	<b>132,356</b>
<b>Shareholders' equity attributable to non-controlling interest</b>	<b>903</b>	<b>872</b>
<b>Total shareholders' equity</b>	<b>169,078</b>	<b>133,228</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 557,589</b>	<b>\$ 489,774</b>

**Tecnoglass Inc. and Subsidiaries**  
**Consolidated Statements of Operations and Comprehensive Income**  
(In thousands, except share and per share data)  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Operating revenues:				
External customers	\$ 106,741	\$ 95,325	\$ 323,808	\$ 269,317
Related parties	1,729	1,667	5,713	3,804
Total operating revenues	108,470	96,992	329,521	273,121
Cost of sales	72,729	62,299	223,051	187,038
<b>Gross profit</b>	<b>35,741</b>	<b>34,693</b>	<b>106,470</b>	<b>86,083</b>
Operating expenses:				
Selling expense	(11,334 )	(10,922 )	(32,115 )	(28,626 )
General and administrative expense	(8,855 )	(8,504 )	(26,303 )	(24,578 )
Total operating expenses	(20,189 )	(19,426 )	(58,418 )	(53,204 )
<b>Operating income</b>	<b>15,552</b>	<b>15,267</b>	<b>48,052</b>	<b>32,879</b>
Non-operating income	450	780	1,078	2,588
Equity method income	295	-	273	-
Foreign currency transactions (losses) gains	(12,006 )	(2,494 )	(9,921 )	(828 )
Interest expense and deferred cost of financing	(5,876 )	(5,140 )	(17,220 )	(15,551 )
(Loss) Income before taxes	(1,585 )	8,413	22,262	19,088
Income tax provision	266	(2,261 )	(8,590 )	(6,187 )
<b>Net (loss) income</b>	<b>\$ (1,319 )</b>	<b>\$ 6,152</b>	<b>\$ 13,672</b>	<b>\$ 12,901</b>
Loss (Income) attributable to non-controlling interest	144	145	(30 )	429
<b>(Loss) Income attributable to parent</b>	<b>\$ (1,175 )</b>	<b>\$ 6,297</b>	<b>\$ 13,642</b>	<b>\$ 13,330</b>
Comprehensive income:				
Net income (loss)	\$ (1,319 )	\$ 6,152	\$ 13,672	\$ 12,901
Foreign currency translation adjustments	(8,484 )	(1,998 )	(8,766 )	564
Change in fair value derivative contracts	(941 )	-	(941 )	-
<b>Total comprehensive income (loss)</b>	<b>\$ (10,744 )</b>	<b>\$ 4,154</b>	<b>\$ 3,965</b>	<b>\$ 13,465</b>
Comprehensive (income) loss attributable to non-controlling interest	144	145	(30 )	429
<b>Total comprehensive income (loss) attributable to parent</b>	<b>\$ (10,600 )</b>	<b>\$ 4,299</b>	<b>\$ 3,935</b>	<b>\$ 13,894</b>
Basic income (loss) per share	\$ (0.03 )	\$ 0.15	\$ 0.31	\$ 0.33
Diluted income (loss) per share	\$ (0.03 )	\$ 0.15	\$ 0.31	\$ 0.32
Basic weighted average common shares outstanding	45,519,472	40,294,762	43,793,163	39,301,161
Diluted weighted average common shares outstanding	46,112,707	40,887,997	44,386,398	39,894,396

**Tecnoglass Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	Nine months ended September 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 13,672	\$ 12,901

Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for bad debts	1,046	(231 )
Provision for obsolete inventory	-	26
Depreciation and amortization	17,189	17,483
Deferred income taxes	(5,140 )	1,233
Director stock compensation	-	213
Equity method income	(273 )	-
Deferred cost of financing	1,213	1,078
Other non-cash adjustments	41	(100 )
<b>Changes in operating assets and liabilities:</b>		
Trade accounts receivables	(30,040 )	(10,551 )
Inventories	3,939	(17,025 )
Prepaid expenses	(3,013 )	(509 )
Other assets	(5,081 )	(3,834 )
Trade accounts payable and accrued expenses	16,535	4,677
Accrued interest expense	(4,396 )	(4,368 )
Taxes payable	3,645	(6,361 )
Labor liabilities	626	934
Contract assets and liabilities	(5,139 )	(5,480 )
Related parties	2,724	440
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 7,548</b>	<b>\$ (9,474 )</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	858	1,093
Acquisition of businesses	(34,100 )	(6,000 )
Purchase of investments	(1,172 )	(828 )
Acquisition of property and equipment	(19,887 )	(7,195 )
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>\$ (54,301 )</b>	<b>\$ (12,930 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from debt	70,880	16,272
Cash dividend	(3,714 )	(2,044 )
Proceeds from equity offering	36,478	-
Repayments of debt	(47,168 )	(5,288 )
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>\$ 56,476</b>	<b>\$ 8,940</b>
Effect of exchange rate changes on cash and cash equivalents	\$ (1,024 )	\$ 492
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>8,699</b>	<b>(12,972 )</b>
CASH - Beginning of period	33,040	40,923
CASH - End of period	\$ 41,739	\$ 27,951
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for:		
Interest	\$ 19,206	\$ 9,516
Income Tax	\$ 11,090	\$ 6,984
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Assets acquired under credit or debt	\$ 1,667	\$ 1,249
Gain in extinguishment of GM&P payment settlement	\$ -	\$ 3,606

**Revenues by Region**  
(Amounts in thousands)  
(Unaudited)

	Three months ended			Nine months ended		
	September 30, 2019	2018	% Change	September 30, 2019	2018	% Change
<b>Revenues by Region</b>						
United States	92,848	82,223	12.9 %	284,208	215,068	32.1 %
Colombia	13,037	12,138	7.4 %	38,190	49,519	-22.9 %
Other Countries	2,586	2,631	(1.7 %)	7,123	8,534	(16.5 %)
<b>Total Revenues by Region</b>	<b>108,470</b>	<b>96,992</b>	<b>11.8 %</b>	<b>329,521</b>	<b>273,121</b>	<b>20.7 %</b>

**Reconciliation of Non-GAAP Performance Measures to GAAP Performance Measures**  
(In thousands)  
(Unaudited)

The Company believes that total revenues with foreign currency held neutral non-GAAP performance measures, which management uses in managing and evaluating the Company's business, may provide users of the Company's financial information with additional meaningful bases for comparing the Company's current results and results in a prior period, as these measures reflect factors that are unique to one period relative to the comparable period. However, these non-GAAP performance measures should be viewed in addition to, and not as an alternative for, the Company's reported results under accounting principles generally accepted in the United States.

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2019	2018	% Change	2019	2018	% Change
Total Revenues with Foreign Currency Held Neutral	110,144	96,992	13.6 %	334,197	273,121	22.4 %
Impact of changes in foreign currency	(1,674 )	-		(4,675 )	-	
<b>Total Revenues, As Reported</b>	<b>108,470</b>	<b>96,992</b>	<b>11.8 %</b>	<b>329,521</b>	<b>273,121</b>	<b>20.7 %</b>

Currency impacts on total revenues for the current quarter have been derived by translating current quarter revenues at the prevailing average foreign currency rates during the prior year quarter, as applicable.

**Reconciliation of Adjusted EBITDA and Adjusted net (loss) income to net (loss) income**  
(In thousands, except share and per share data)  
(Unaudited)

Adjusted EBITDA and adjusted net (loss) income are not measures of financial performance under generally accepted accounting principles ("GAAP"). Management believes Adjusted EBITDA and adjusted net (loss) income, in addition to operating profit, net (loss) 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 and adjusted net (loss) 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.

Reconciliations of the non-GAAP measures used in this press release are included in the tables attached to this press release, to the extent available without unreasonable effort. 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.

A reconciliation of Adjusted net (loss) income and Adjusted EBITDA to the most directly comparable GAAP measure in accordance with SEC Regulation G follows, with amounts in thousands:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
<b>Net (loss) income</b>	<b>(1,319 )</b>	<b>6,152</b>	<b>13,672</b>	<b>12,901</b>
Less: Income (loss) attributable to non-controlling interest	144	145	(30 )	429
<b>(Loss) Income attributable to parent</b>	<b>(1,175 )</b>	<b>6,297</b>	<b>13,642</b>	<b>13,330</b>
Interest expense and deferred cost of financing	5,876	5,140	17,220	15,551
Income tax (benefit) provision	(266 )	2,261	8,590	6,187
Depreciation & amortization	5,631	6,025	17,189	17,483
Foreign currency transactions losses (gains)	12,006	2,494	9,921	828
Non-Recurring expenses (extinguishment of debt, bond issuance costs, provision for bad debt, acquisition related costs and other)	963	495	2,388	5,703
Director Stock compensation and provision for obsolete inventory	-	71	-	213
Gain on change in fair value of earnout shares liabilities	-	-	-	-
Gain on change in fair value of warrant liability	-	-	-	-
Add: VA EBITDA adjustments	929	-	1,902	-
<b>Adjusted EBITDA</b>	<b>23,964</b>	<b>22,783</b>	<b>70,852</b>	<b>59,295</b>

  

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
<b>Net (loss) income</b>	<b>(1,319 )</b>	<b>6,152</b>	<b>13,672</b>	<b>12,901</b>
Less: Income (loss) attributable to non-controlling interest	144	145	(30 )	429
<b>(Loss) Income attributable to parent</b>	<b>(1,175 )</b>	<b>6,297</b>	<b>13,642</b>	<b>13,330</b>

Foreign currency transactions losses (gains)	12,006	2,494	9,921	828
Deferred cost of financing	405	372	1,213	1,078
Non-Recurring expenses (extinguishment of debt, bond issuance costs, provision for bad debt, acquisition related costs and other)	963	495	2,388	5,703
Tax impact of adjustments at statutory rate	(4,436 )	(321 )	(4,571 )	1,181
Add: VA Net Income adjustments	490	-	763	-
<b>Adjusted net (loss) income</b>	<b>8,253</b>	<b>9,337</b>	<b>23,356</b>	<b>22,120</b>
Basic income (loss) per share	(0.03 )	0.15	0.31	0.33
Diluted income (loss) per share	(0.03 )	0.15	0.31	0.32
Diluted Adjusted net income (loss) per share	0.18	0.23	0.53	0.55
Diluted Weighted Average Common Shares Outstanding in thousands	46,113	40,888	44,386	39,894
Basic weighted average common shares outstanding in thousands	45,519	40,294	43,793	39,301



Source: Tecnoglass Inc.