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Earnings Call

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Presentation

Operator

Thank you for standing by. My name is Bailey, and I will be your conference operator today. At this time, I would like to welcome everyone to the Second Quarter 2024 Interface, Inc. Earnings Conference Call. [Operator Instructions]

I would now like to turn the call over to Christine Needles, Corporate Communications. You may begin.

Christine Needles
Global Head of Corporate Communications

Good morning, and welcome to Interface's Conference Call regarding second quarter 2024 results, hosted by Laurel Hurd, CEO; and Bruce Hausmann, CFO. During today's conference call, any management comments regarding Interface's business, which are not historical information, are forward-looking statements within the meaning of federal securities laws.

Forward-looking statements include statements regarding the intent, belief or current expectations of our management team as well as the assumptions on which such statements are based. Any forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties that could cause actual results to differ materially from any such statements, including risks and uncertainties described in our most recent annual report on Form 10-K filed with the SEC.

The company assumes no responsibility to update forward-looking statements. Management's remarks during this call also refer to certain non-GAAP measures. Reconciliations of the non-GAAP measures to the most comparable GAAP measures and explanations for their use are contained in the company's earnings release and Form 8-K furnished with the SEC today.

Lastly, this call is being recorded and broadcasted for Interface. It contains copyrighted material and may not be rerecorded or rebroadcasted without Interface's express permission. Your participation on the call confirms your consent to the company's taping and broadcasting of it. After our prepared remarks, we will open up the call for questions.

Now I will turn the call over to Laurel Hurd, CEO.

Laurel M. Hurd
President, CEO & Director

Thank you, Christine, and good morning, everyone. To begin our call, I want to thank the entire Interface team for achieving another very strong quarter. The team continues to be committed to our One Interface strategy and combined with strong commercial execution and operational discipline, we delivered excellent performance in the second quarter as currency neutral net sales increased 6% year-over-year and adjusted gross profit margin increased 183 basis points to 35.7%.

Our One Interface strategy is working and yielding tangible results. As a reminder One Interface is a multiyear effort focused on resetting our operating model to leverage the power of our entire company to accelerate growth and improve profit. We are building strong global functions to support our world-class local selling team, expanding margins through global supply chain management and improved productivity and accelerating new products and designs to drive incremental growth.

We delivered a very strong second quarter, with year-over-year currency-neutral net sales growth of 6% and significantly expanded profitability. Billings were up across all product categories, including carpet, LVT and rubber. Much of this growth was fueled by our strength in the Americas.

You may recall that earlier this year, we transitioned to combined Nora and Interface selling team in the U.S. as part of our One Interface strategy. This unified selling approach aligns incentives and maximizes coverage to win business together, and we continue to see tremendous results.

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In the Americas, currency-neutral net sales grew 7% year-over-year in Q2 and orders were up 15% year-over-year. Although we are still in the early stages of this integrated sales approach, we are encouraged by the initial results, particularly given Nora's longer selling cycle that can often span several quarters.

In EAAA, we saw currency-neutral net sales increased by 4%, driven by growth in EMEA and Asia, partially offset by lower sales in Australia. And while our business in China is relatively small at about 3% of consolidated net sales, we are starting to see signs of growth after a slow post-COVID recovery.

We recently visited our local operations in China, where we have the opportunity to tour our manufacturing facility and our showroom and spend time with the local team and our customers on the ground. I was very impressed by the team's energy and engagement for winning business and growing sales in the region. I also got to see firsthand our recently installed Nora product in a large Shanghai Museum, highlighting Nora's premium quality that can withstand high foot traffic with beautiful design, providing the premium experience that our customers depend on with our products and brand.

Our market segmentation focus continues to fuel growth and performance as well. Education continues to be a prominent segment for Interface. We're differentiated in education because of our reputation for sustainability, high-quality coring, overall product performance and the breadth of our services and support.

In both K-12 and Higher Ed, our products stand up to the wear and fair of high-traffic areas and provide design aesthetics for positive learning environment for students and teachers. Q2 is a seasonally strong quarter for education and global billings were up 13% year-over-year, on top of a 7% year-over-year increase in the prior year period.

Momentum continues in education, driven by our expanded open air collection, which has a compelling price point and was designed to run efficiently through our plants to meet margin requirements. Building on the success of our open air collection, we are expanding our LVT offering to include more designs at accessible price points, allowing us to connect with customer needs while driving increased sales. For example, we have added 3-millimeter options to some of our top-selling wood grain designs in addition to existing 4.5-millimeter offering.

In corporate office, billings were up 4% year-over-year. Based on industry trends, we believe we are gaining global market share. We continue to see an increase in overall tenant activity as well as companies moving to Class A space, where we have a strong right to win with our premium products and design and sustainability leadership.

Our commercial organization leverages their deep relationships with architects and design firms to provide our integrated and broad selection of carpet tile and LVT offerings to meet the needs of the A&D community and the projects they're working on as companies continue to return to office and in some cases, relocate their space, that's great for our business. The one thing they are all looking for is flexibility as how they use their space continues to evolve and our modular flooring system is the answer.

Turning to orders. Consolidated currency-neutral orders were up 8%, driven by strong win rates in the Americas with orders up 15%. Currency-neutral orders in each EAAA were down 1% year-over-year on a softer environment in Europe and a strong comp in Australia, partially offset by growth in Asia. As we enter Q3, our backlog is strong, up 33% year-to-date. Our focus has been on commercial productivity, the success of our customers and aligning our sales team with the fastest-growing geographic markets and segments, beginning with the U.S.

Our selling teams are doing a great job collaborating and winning business, which is evident in our order growth across all product categories in the quarter. We are also thrilled by increased order activity for our Nora products in the Americas, which gives us confidence that our strategy is working.

Turning to manufacturing and supply chain. You might recall that last year, we appointed our first Global Chief Supply Chain Officer to lead efforts that optimize our supply chain globally and help us unlock productivity to generate gross profit margin expansion. We have now realigned our supply chain organization to emphasize globally aligned productivity, continuous improvement in technology-enabled solutions, all in support of our One interface strategy.

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For example, as we've mentioned on prior calls, the supply chain team is leading efforts to invest in new automation and robotic solutions in our manufacturing plants. These robotic solutions will help us drive improved margins and operational efficiency that will be implemented over the next 18 to 24 months. They help to automate some of the most labor-intensive parts of our carpet tile manufacturing processes in the U.S., which is better for our workforce in these hard-to-fill positions and better for our profitability as we can manufacture carpet more efficiently.

While we are in the initial stages of implementation, we are encouraged by early results, which are yielding more efficient labor costs and less raw material waste. Simplifying complexity is also a fundamental aspect of our One Interface strategy. We continue to reduce complexity in our processes and functional areas across the enterprise.

This includes simplifying how we provide our industry-leading products and services to our customers. For example, we are reducing complexity in our LVT product line by driving a narrow and deep product assortment strategy that focuses on our best-selling products such as our wood grain design, while prioritizing our customers' needs.

Rationalizing [SKUs] effectively simplifies our LVT product offering, enabling us to go deep in the more desired products like our most popular 4.5-millimeter design and expanding into new products like our new 3-millimeter option. Our One Interface strategy also enables consistent faster launches of marketing campaigns and new global product offerings. This global approach unifies our internal resources while enhancing the overall customer experience. Our global customers can now experience Interface the same way everywhere they see us, including at major trade events and design fares.

Earlier this year, we introduced our new brand attitude made for more around the world at the same time globally. During the second quarter, we launched our latest global carpet tile collection, Etched & Threaded, and LVT collection, Earthen Forms, on the same day with the same message everywhere around the world. We believe Etched & Threaded is going to be a very strong performing collection, especially in corporate office.

This is some of David Oakey's best work with high-end designs that customers will want to specify to help soften their spaces.

In the second quarter, we brought all of these amazing design developments to life at 2 important customer events. In May at Clerkenwell Design Week in London, showroom traffic was up and we connected with top customers who came to our showrooms to see our new global products and learn from our sustainability and design experts.

And in June, at NeoCon and Chicago design days, our showroom was buzzing with very promising lead generation activities coming out of the event. Traffic was back to pre-COVID levels and customers came with projects in hand, and our new global collections were well received.

We also infused the showrooms design with our Made for More brand messaging and highlighted our third-party verified sustainability differentiation with a focus on low carbon design.

Before Bruce covers the financials, I want to share a couple of important accolades in the last quarter. Interface continues to be recognized globally for the great work we do and the more sustainable ways we do it. I'm proud to report that Interface was selected as one of America's best midsized companies in 2024 by Time magazine. Separately, we will once again recognized as a sustainability leader in Globescan's annual survey of sustainability experts.

In GlobeScan's annual survey, we were the fifth most cited corporate leader, along with brands like Patagonia and IKEA. These recognitions bolster our brand and drive differentiation and growth as we prioritize our customers, employees, shareholders and the environment as a purpose-driven organization.

Lastly, we launched our 2023 impact report last week, highlighting our ESG progress. It's available on our Investor Relations website.

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In sum, our second quarter was fantastic, and we entered the second half of 2024 with a strong order book, robust momentum, design leadership, a vigilant focus on operational excellence and most of all, an acute focus on bolstering our brand and delivering for our customers every day.

With that, I'll turn it over to Bruce to go through the financials. Bruce?

Bruce A. Hausmann
VP & CFO

Well, thank you, Laurel, and good morning, everyone. Second quarter net sales totaled $346.6 million, an increase of 5% versus the second quarter of 2023, and Second quarter FX-neutral net sales in the Americas were up 7% year-over-year, driven primarily by strength in the education market segment.

In EAAA, net sales were up 3% year-over-year. On an FX-neutral basis, EMEA was up 5% and Asia was up 12%, partially offset by Australia, that was down 6% year-over-year. Second quarter adjusted gross profit margin was 35.7%, an increase of 183 basis points on higher volume, higher selling prices and lower raw material input costs.

Adjusted SG&A expenses were $84.3 million or 24.3% of net sales in the second quarter compared to $83.9 million or 25.5% of net sales in the second quarter last year. Second quarter adjusted operating income was $39.6 million, up 42% versus adjusted operating income of $27.9 million in the second quarter last year. The increase was driven by higher net sales and higher gross profit margins in the quarter.

Second quarter adjusted EPS was $0.40 versus $0.25 in the second quarter last year. Second quarter's adjusted EBITDA was $50.5 million this year versus $39.8 million in the second quarter last year. We generated $21.5 million of cash from operating activities in the second quarter, and liquidity was strong at quarter end totaling $385 million, which consisted of $94 million of cash and $291 million of revolver capacity.

In line with our capital allocation strategy, we have paid down $29.6 million of debt year-to-date, resulting in net debt or total debt minus cash on hand of $293.4 million at the end of the second quarter. The last 12 months of adjusted EBITDA totaled $185.1 million, and our net leverage ratio was 1.6x calculated as net debt divided by adjusted EBITDA.

Capital expenditures were $9.6 million in the second quarter of 2024 compared to $5.6 million in 2023.

Turning to our outlook. With strong orders and a strong backlog, Interface is increasing its full year net sales estimate. We continue to expect a year-over-year increase in adjusted gross profit margins this fiscal year.

And we are anticipating the following: for the third quarter of fiscal 2024, net sales of $330 million to $340 million. Adjusted gross profit margin of approximately 36%. Adjusted SG&A expenses of approximately $86 million. Adjusted interest and other expenses of approximately $7 million and fully diluted weighted leverage share count of approximately 58.7 million shares.

And for the full fiscal year of 2024, net sales of $1.3 billion to $1.32 billion, adjusted gross profit margin of approximately 36%, adjusted SG&A expenses of approximately $342 million, adjusted interest and other expenses of approximately $27 million and adjusted effective tax rate for the full year of approximately 27.5%, fully diluted weighted average share count of approximately 58.7 million shares and capital expenditures of approximately $42 million.

With that, I'll turn the call back to Laurel for concluding remarks.

Laurel M. Hurd
President, CEO & Director

Thank you, Bruce. I want to thank the entire Interface team for delivering a strong second quarter and a strong first half of 2024. Despite the dynamic global markets, we continue to see positive trends in our

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business. I'm encouraged by the progress we are making with our One Interface strategy combined with continued commercial execution and operational discipline.

We remain focused on delivering against our growth priorities, and we're amplifying our efforts against high-growth segments like education and health care, while gaining share in corporate office. We are also leveraging our selling system as a competitive advantage and aligning to our biggest opportunities. We're focused on delivering innovative designs and differentiated low-carbon products to build on our strength in the premium specified market, while we continue to offer the right product mix and expanded selection to meet our customers' needs.
With that, I'll open it up to questions. Operator?

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Question and Answer

Operator

We will now move into our Q&A session. Your first question comes from the line of Kathryn Thomas with Thompson Research Group.

Kathryn Ingram Thompson
Thompson Research Group, LLC

The first is on the top line. It did better than expected, slightly above the higher end of your guide. And I guess this backdrop, one of your peers who's already reported earnings cited slowing momentum in the nonresident market. And clearly, this is your primary focus. Could you discuss a little bit more color in terms of separating fundamentals versus some of the Interface-specific initiatives that are driving top line in the quarter.

Laurel M. Hurd
President, CEO & Director

Yes. Thanks, Kathryn. Look, I'd say we're really pleased with the progress that we're seeing in our top line, and we do have really positive momentum. We talked about the strength in the Americas, the order book up 15% in the quarter is really, really strong. And if I break it down, our education business, as we said, up 13% in the quarter, on top of 7% in the prior year.

We're continuing to see momentum in that category. Both in K-12, which there's a lot of business out there, there's still government funding there. We're also seeing there's regional migration happening across the country. That means new schools are being built. So we're seeing a lot of tailwinds in that category. It's an important business for us. And then you take on top of that our execution, then I think our teams are really winning business there and the One Interface strategy, go-to-market strategy is working.

Our product assortment is working. So really strong, I think from an education perspective, we're seeing the same kind of strength in Higher Ed. There were a lot of projects that were on hold through COVID. And again, we're seeing our low carbon offerings really winning in that space.

So we feel really good about education. It's a growth market for us. There are tailwinds in that segment and we're gaining share. Corporate office, we were up 4% globally in corporate office, and we believe that's a space we're really gaining share. If we think about the momentum in that category, which has been challenging in that segment, but we are seeing a flight to quality, and we're seeing our customers care more about carbon than they ever have before.

So those are areas that we're really winning. So overall, I think the market, look, it's dynamic for sure, dynamic around the world, and I feel really good that our execution is driving great results.

Bruce A. Hausmann
VP & CFO

And Laurel, I would just add to that. One really nice metric in the quarter is that across all of our product lines, our price and volume was up. So -- and I think it's just -- it's a good example of our selling organization really controlling the controllable and focusing on both metrics, how important they are. We need volume and we need price, and we're seeing that across all product categories, which is fantastic.

Kathryn Ingram Thompson
Thompson Research Group, LLC

Okay. Great. And then the follow-up is on gross margins. Again, a little bit ahead of expectations, but it's in fairness when I look at what we had modeled last quarter. Essentially, it came in line. So it implies that something was better in this quarter than what you previously expected. What are some of the things that helped to drive that upside with margins [into the] quarter?

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Bruce A. Hausmann
VP & CFO

Great question, Kathryn. So just stepping back for a moment, about 60% of our gross margin expansion was driven by input cost deflation and productivity and about 40% was driven by price. So that got us to the 183 basis points of year-over-year improvement. I think price continues to hold strong, which is fantastic.

And then our productivity initiatives are kicking in, which is great. And I think that speaks again to the -- leveraging the global supply chain that Laurel mentioned in our prepared remarks, it was about a year ago that we hired our leader of global supply chain, and we're really seeing our supply chain organization worked together globally to drive global productivity in our manufacturing environment and in our purchasing environments around our raw material costs.

Operator

Your next question comes from the line of Alex Paris with Barrington Research.

Alexander Peter Paris
Barrington Research Associates, Inc., Research Division

Congratulations on the strong quarter and strong first half. Just wanted to follow up on a couple of things on the market segment side. Hearty congratulations on corporate office and the continuing strength in education. I was wondering about the next couple of market segments, we typically talk about health care. That's probably the next largest market segment, how did it do in the quarter? And then maybe a comment on retail, which has been challenged by project delays in recent quarters.

Laurel M. Hurd
President, CEO & Director

Yes, that's a great question. I'll start with retail. And we didn't mention it in the prepared remarks, but we talked about it last quarter. We had a tough retail business last year when we had significant project delays, as you mentioned. And those are really coming back in the back half. So the good news is, as we said before, we haven't lost that business. It was really delayed and those stores need to be remodeled, and we're seeing that kick in. We've got orders in hand for that for the back half.

So that does pressure gross profit a little bit in the back half, which from a mix perspective, still a really good business and great volume, but that will come back pretty heartily in the back half.

And in health care, it's a great question. It's a really important segment for Interface. And if we think about the move to the One Interface selling team, if you remember what we did with that, not only did we combine the selling organization to a team selling approach in the U.S. in the -- in January. We also added about 20% feet on the street to our Nora sellers and Nora is really important in the health care market. So we're really -- with the aging population and all of the growth that we see in the health care segment, we're fueling up to drive that growth on a continual basis here going forward.

Alexander Peter Paris
Barrington Research Associates, Inc., Research Division

How were global billings in the health care segment?

Laurel M. Hurd
President, CEO & Director

Global billings in the health...

Bruce A. Hausmann
VP & CFO

They were down slightly in the quarter, Alex.

Laurel M. Hurd

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President, CEO & Director

And you think about the Nora projects, those actually -- the health care projects are actually -- have a longer lead. So we get orders in and then those projects ship out over the next several quarters.

Bruce A. Hausmann
VP & CFO

Yes. I'll just add. It's interesting when you look at the health care data. I always have to caution myself about looking quarter-to-quarter. You really have to step back because it does come in, in waves, and longer selling cycles, bigger deals, bigger transactions. And so we tend to like to look at it from a broader perspective then versus just quarter-to-quarter.

Alexander Peter Paris
Barrington Research Associates, Inc., Research Division

Understood. And then just a follow-up on the gross margins. Really great outperformance in the quarter due to the higher volume and price as well as input cost deflation and your guidance for the full year of 36% that represents a slight increase versus your prior guidance.

Last time that they were this high, 36% was back in 2021. Can they keep going -- can they keep expanding? Do you have an intermediate-term target for gross margins and then lastly, and related, the input cost deflation. Has that run its course from a year-over-year comparison basis?

Laurel M. Hurd
President, CEO & Director

Alex, I'll take the first half of that, which is we do believe we have an ambition to get our gross margins back up over 38%. And that's what we're driving to relentlessly. A lot of our productivity initiatives will be kicking in over the next couple of years. All of the investments in automation that we're making and really reaping through the benefits of our global supply chain organization. We expect that to continue. So I feel like we're just getting started. We're making good progress, and there's a lot more to do.

And I'll let Bruce take the second part of that question.

Bruce A. Hausmann
VP & CFO

Yes. A lot of moving pieces, as you might imagine, in our input costs, Alex. The good news is that we're still seeing runway around deflation. So if you think about our purchases in Q2, they were down year-over-year. That will help us in the back half, and that will help us because when we purchase the stuff, obviously, it doesn't flow through to the P&L until the next 3 to 6 months. So that will be a lift for us.

And then on the flip side, to be fair, there are a few things that are up, namely freight is up for our cargo. But in general, we're really pleased with where our raw material costs are at and the trajectory of them. And we're -- again, it's a big focus of our supply chain organization to make certain that we're controlling the controllable. And then fortunately, we're benefiting from the natural deflation that's happening in some of those raws.

Operator

And your next question comes from David MacGregor with Longbow Research.

David Sutherland MacGregor
Longbow Research LLC

Congratulations on all the progress. It's very impressive, including this One Interface. We're getting a lot of traction here. So I know it's been a lot of work in the making. I wanted to start by just asking about -- we talked about price cost and volume leverage and the gross profit bridge, but I'm guessing as well, Nora factors pretty predominantly in that and combining that with the LVT go-to-market. And just what you've done there in terms of combining that sales effort is I'm guessing a meaningful contributor here.

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Can you just talk about that and what the potential is? What inning are we in, in terms of realizing the benefits of that consolidated sales effort? And then, I've got a couple of follow-ups.

Laurel M. Hurd
President, CEO & Director

Yes, I'll take that. And thanks, David. I'm really impressed with the progress that the selling organization is making. And in the U.S. their move to the One Interface selling teams was -- it was a bold move, and that team pulled it off starting January 1, the combined selling team hit the ground in a unified way after a test market last year. And the progress they're making is it's exciting. The order growth that we're seeing in the quarter is compelling. But you think about that and they're just getting going, right?

So you've got Nora sellers, some of them new to the field and then combining that with the Interface team, they're in their early stages of running joint sales calls and collaborating together on projects. And these projects, especially some of the health care projects, they take time, they are years in the making in some cases. So it's early innings. What I feel like is happening there. And again, the sales leadership team is just doing a fantastic job iterating every day to make progress.

Momentum is breeding momentum, and these teams want to win together. So some of it is just accountability to each other and driving that desire to win in the market that's fueling it. I think the real true benefits of the collaborative teams is still in front of us. So I'm encouraged by that.

Bruce A. Hausmann
VP & CFO

I'll just add, David, in my tenure, I'm just so impressed with our selling organization. When I think about a few headlines that I hear a lot, I hear about teamwork, how important that is; cross-selling, how important that is. And of course, pricing and volume, focusing on both and so there's a really large focus on mix, on volume and around teamwork and cross-selling as a team and making certain that we're pushing all of our levers across all of our product lines. It's great to see the momentum in the selling organization.

Laurel M. Hurd
President, CEO & Director

And I'll just add to that, too, just again, kudos to the team out there, and Bruce said this, but the fact that we're seeing growth in volume and price across all of our product categories. I think it's been a while since we've been able to say that. So it's a really encouraging sign.

David Sutherland MacGregor
Longbow Research LLC

It is. I wanted to ask you about SG&A and just -- you seem to have sort of got your arms around this [indiscernible] has been historically an issue for Interface, but it seemed to have stabilized here in the kind of that mid-80s number, at least on a quarterly basis. I guess the question is how much growth capacity do you think you have at this level of SG&A?

Laurel M. Hurd
President, CEO & Director

Yes. So that's the right question, right? The thing that we've been focused on is making sure that we're fueling the growth on the commercial side, anything that touches the customer. And we'll test and learn and we'll make sure we think it's going to work and then we'll go take a bet. It's touching the customer whether it's product and innovation or a selling organization, that's where we want to invest to fuel the growth.

And then we'll just be ruthless on anything that we think we can be efficient on and really try to drive those efficiencies. And Bruce has got great discipline built into the organization. And we talked about this trade-off all day long. So we're not going to hold back on initiatives that we think are going to drive growth, but we will be prioritized in those choices. We've been clear that the U.S. is our #1, our largest,

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most profitable market. We're going to test and learn there and drive that growth, and then we'll learn from that to continue to fuel it. So it's disciplined, but it's growth-minded.

David Sutherland MacGregor
Longbow Research LLC

I guess I also wanted to ask you about your comment that your win rates are up. And I'm guessing some of this is what you discussed with regard to your differentiation in the education offering. But -- and some of it is the One Interface sales initiative we just talked about it here as well. Some of this is probably the new product rollout that you've got. And I wonder if you could just talk about how you feel about the sustainability of that going forward and your ability to just continue growing above the market in -- maybe into 2025?

Laurel M. Hurd
President, CEO & Director

Yes. It's -- here's what I'd say. We can't control what the market is going to do, but we've sort of -- we're not going to think about that. We're really just focused on the fact that we've got opportunity to grow and we're going to continue to launch new products that our customers want, be relentless about making sure that we love the products that we launch and that our customers -- it's what our customers need. And then we think about education, like that market, we've just got so much traction there. And with these combined selling teams and the right product, and that end market has a lot of opportunity to continue to grow. We think that will fuel it.

Health care, we think, will be a long-term growth driver for us. And the corporate office, that's our place, but we're just going to go gain share. We've got all the ammunition to do it as customers move to more premium Class A spaces, our brand is perfect for that. They care more about carbon than they have before. Our products are perfect for that. So our mindset in corporate office is a share gain mindset and education and health care, we think will continue to fuel our growth.

David Sutherland MacGregor
Longbow Research LLC

Nice. Last couple of questions for me. Just on the backlog. Any perspective on the profitability and that, how much forward visibility that backlog gives you from a net gross margin standpoint...

Bruce A. Hausmann
VP & CFO

It's good business, David. It's a good profitable business. And all that's of course, built into our guide. I mean to be fair, there's a little more retail business that will -- that's mixing down a bit on our gross margin line. But good, strong, healthy business.

David Sutherland MacGregor
Longbow Research LLC

And the last question for me is just the balance sheet. I mean you've accomplished so much in terms of deleveraging. Just talk about kind of the optionality you see in the capital structure now, capital allocation and maybe share repurchase activity. Just talk about how you reinvest the cash.

Bruce A. Hausmann
VP & CFO

Yes. Great question, and it's great to be able to talk about the progress. We -- so here's where we're at with our debt structure. We have $90 million left to go on our term loan A. And you might remember that we pay a variable interest rate on that. So it's -- right now, we pay SOFR plus 1.25%. And -- and then we have about $300 million of fixed rate debt.

And at these interest rate levels, we think it's the right investment to continue paying down our term loan A. We're also investing in the business. In our prepared remarks, Laurel mentioned some of the

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robotic technology that we're investing in. We're also investing in some automation in our rubber plant in Germany.

And so this is a trade-off between investing in the business where there's the right return, continuing to pay down debt and building optionality on our balance sheet. And that's really our focus right now with where we're putting our next dollar of cash.

Operator

And there are no further questions at this time. I will hand the call back over to Laurel Hurd for closing remarks.

Laurel M. Hurd
President, CEO & Director

Thank you. And again, I just want to thank the entire Interface team for all of the great progress. It's exciting to see the momentum. And then thank you all for listening to the call.

Operator
This does conclude today's conference call. You may now disconnect.

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