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Earnings Call

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Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to Interface, Inc.'s First Quarter 2026 Earnings Conference Call. [Operator Instructions] I will now hand the conference over to Christine Needles, Corporate Communications. Christine, please go ahead.

Christine Needles

Global Head of Corporate Communications

Good morning, and welcome to Interface's conference call regarding first quarter 2026 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 expressed 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. Interface delivered a strong start to 2026 with 7% year-over-year currency-neutral growth in net sales and 64% growth in adjusted earnings per diluted share in the quarter, ahead of our expectations. Growth was broad-based across all product categories and key market segments, reflecting consistent execution and continued momentum across the business.

Our One Interface strategy is working, and it continues to drive strong results. As we've discussed before, One Interface is a multiyear strategy focused on building strong global functions to support our world-class local selling teams, accelerating growth through enhanced commercial productivity, expanding margins through global supply chain management and simplifying operations and leading in design, performance and sustainability.

As part of the next phase of our strategy, we recently aligned our EMEA commercial organization under a single leader. This will drive greater consistency across Europe and build on the best thinking and results we've seen with our One Interface selling teams in the U.S. We also went live with our robotic solutions in Europe and Australia, which will further strengthen our manufacturing and supply chain operations.

These automation investments improve efficiency, reduce waste and enhance customer service levels, while positioning us for growth. From a product standpoint, we continue to invest in design and innovation that expands our reach across segments and price points.

In late February, we launched noravant, a groundbreaking rubber flooring innovation that opens new design possibilities in the resilient category. Noravant complements our existing nora rubber portfolio

and represents an incremental growth opportunity. We expect it to meaningfully expand our addressable market over time, particularly in health care, where our initial product, noravant timber is an excellent solution for patient rooms. Customer response has been very positive, and we expect it to begin contributing to growth in the fourth quarter of 2026 and build over time.

During the first quarter, we also introduced 2 new carpet tile collections, which are both aimed at driving incremental growth in the middle of the market. Crafted connections launched globally and bring sophisticated texture and pattern to more accessible price points. Open forums builds on our successful Open Air platform, extending the color palette to warmer tones that are in demand from our customers.

Our carpet tile billings were up double digits in the quarter, reflecting strong progress in the category. And in nora, we expanded norament kivo, enhancing its color range to include both vibrant accents and classic tones. K-12 education continues to be one of our fastest-growing segments for nora, and this expanded color range to fit the budgets of our education customers will continue to maximize our potential.

We remain confident in our ability to drive both the premium end of the market with design leadership and expand our addressable market with new offerings at more accessible price points and in our ability to expand margins, while gaining market share and giving our customers what they're looking for.

We also look forward to Clerkenwell Design Week in May and NeoCon in June, where we will showcase noravant, along with our latest global carpet tile and LVT collections and other new products. These events provide excellent opportunities to connect with our customers and industry partners and to demonstrate our design, performance and sustainability leadership.

Turning to sustainability. Sustainability remains core to who we are at Interface. In conjunction with Earth Day, we launched -- Good Design Never Ends, a new campaign that makes circularity actionable for our customers. By specifying our products, customers can make informed choices that support a circular model. We design our flooring for high performance and easy maintenance to extend its useful life. We also use innovative low-carbon inputs.

Globally, more than 50% of the materials in our products are recycled or bio-based, which is the highest in commercial flooring. This lowers the carbon footprint from the start and means less virgin raw material inputs over time. Circularity is critical to carbon reduction and its important pathway to achieve our science-based targets by 2030 and our carbon negative ambition by 2040.

Now let me turn to our first quarter results. We delivered 7% year-over-year currency-neutral net sales growth in the first quarter, ahead of our expectations. In the Americas, currency-neutral net sales increased 8% year-over-year, driven by our One Interface combined selling teams and strength across our key market segments.

In EAAA, currency-neutral net sales increased 4% in the first quarter despite a continued challenging macro environment. We are encouraged by the progress in the region, including improved commercial alignment and significant profitability improvement.

Turning to our market segments. Our diversification strategy continues to drive growth and strength in the business. Corporate office had a strong start to 2026, where we continue to take share. Global billings were up 16% with broad-based growth globally. We're continuing to see return to office and renovation activity and flight to quality in Class A space, where our brand, design leadership and product portfolio are well positioned.

In addition, our expanded product offering across a broader range of price points is helping us capture new opportunities and further strengthen our market position. In health care, global billings were up 11%, driven by our One Interface combined selling teams and favorable long-term demand trends. Our broad differentiated product portfolio continues to position us well to capture an increasing share of market opportunities as demonstrated by our nora rubber billings, which were up 15%.

We also believe the launch of noravant will meaningfully expand our opportunity in health care over time, where design, durability and performance requirements align well with the product value proposition. Education billings were up 1% in the first quarter. We view this more modest growth rate as a matter

of timing as we remain well positioned across both K-12 and higher education going into the education buying season, supported by our design leadership in low-carbon, high-performing products.

This market segment continues to benefit from supportive macro drivers, including renovation work, modernization initiatives and new build opportunities in some geographies. And our broad range of price points helps Interface win projects across all budgets.

Turning to orders. Consolidated currency-neutral orders increased 8% year-over-year in the first quarter of 2026. Orders in the Americas grew 6%, while EAAA increased 11%, driven by strength across all regions. Backlog was strong at the end of the quarter, up 18% year-to-date, reinforcing our confidence that our strategy is working and positioning us well for the quarters ahead.

Before I turn the call over to Bruce, I want to briefly address the situation in the Middle East. We are closely monitoring developments and assessing the potential impacts on our people and our business. The safety and well-being of our employees and their families remain our top priority, and we continue to support them as needed.

The Middle East represents approximately 1% of our net sales. At this time, we expect these events to drive a low single-digit increase in input costs across our global business. Importantly, we have plans in place to offset this impact through incremental pricing and productivity actions, and this is reflected in our guidance. This remains a dynamic environment, and we will continue to monitor the situation and respond as needed to manage costs, support growth and serve our customers.

With that, I'll turn it over to Bruce.

Bruce A. Hausmann
VP & CFO

Well, thank you, Laurel, and good morning, everyone. All comparisons provided are year-over-year versus the first quarter of 2025, unless otherwise noted. And as a reminder, fiscal year 2026 is a 53-week year for Interface with the extra week occurring in the first quarter of 2026. First quarter net sales were \$331 million, up 11.3% as reported and 6.8% on a currency-neutral basis.

First quarter currency-neutral net sales were up 8.4% in the Americas and up 4.3% in EAAA. First quarter adjusted gross profit margin was 38.3%, up 55 basis points on a favorable pricing and product mix plus manufacturing efficiencies. First quarter adjusted SG&A expenses were \$94 million compared to \$86.8 million.

As a percentage of net sales, first quarter adjusted SG&A expenses improved 78 basis points to 28.4%, reflecting our continued focus on leveraging SG&A and driving SG&A-related efficiencies. First quarter adjusted operating income was \$32.7 million, up 28.6% compared to \$25.5 million. First quarter adjusted net income was \$23.9 million compared to \$14.6 million. First quarter adjusted EBITDA was \$46.8 million compared to \$37 million. And first quarter adjusted EPS was \$0.41, up 64% compared to \$0.25.

With these results in mind, I'll turn to capital allocation. As previously discussed, our capital allocation strategy is balanced and disciplined. First, we prioritize investing in the business in areas like innovation and productivity to drive growth, margin expansion and operational efficiencies. Second, we focus on managing leverage through a disciplined use of debt. Third, we continue to evaluate potential M&A opportunities that align with our strategy and that can accelerate growth and margins.

And lastly, and importantly, we remain committed to returning excess cash to shareholders through a combination of dividends and disciplined share repurchases. To recap our progress against these objectives in the first quarter, we generated \$13.5 million of cash from operating activities. Capital expenditures were \$10.3 million as we continue to invest in the business and we repurchased \$12 million of Interface common stock.

Turning to our outlook. We entered the second quarter with a healthy backlog and order momentum amidst a dynamic macro environment. And with that backdrop in mind, we are raising our full year guidance and anticipate the following: for the second quarter of fiscal 2026, net sales of \$385 million to

\$395 million, adjusted gross profit margin of approximately 39.9% of net sales, adjusted SG&A expenses of approximately \$100 million, adjusted interest and other expenses of approximately \$4 million, an adjusted effective income tax rate of approximately 28% and fully diluted weighted average share count of approximately 59 million shares.

And for the full fiscal year of 2026, net sales of \$1.45 billion to \$1.48 billion, adjusted gross profit margin of approximately 38.8% to 39% of net sales, adjusted SG&A expenses of approximately 26.2% to 26.4% of net sales; adjusted interest and other expenses of approximately \$14 million to \$16 million, an adjusted effective income tax rate of approximately 26% and capital expenditures of approximately \$60 million.

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

Laurel M. Hurd

President, CEO & Director

Thank you, Bruce. Interface delivered a strong start to 2026, and we are encouraged by the continued momentum as we move through the year. While the external environment remains dynamic, we are well positioned with a strong balance sheet, a diversified portfolio and a global team that is more connected than ever. I'd like to thank the entire Interface team for their disciplined execution, commitment and passion for serving our customers each and every day.

And with that, I'll open it up to questions. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Brian Biros with TRG.

Brian Biros

Thompson Research Group, LLC

I want to talk about the One Interface strategy again here a bit more. It's not new anymore, but it's probably still early days across some of the initiatives there. I mean it feels like it's really paying off already. And you had some proof in that last year, Q1 already, some of the growth numbers you just cited for office, healthcare, it's obviously well above market growth. So I mean maybe just remind us what is left to implement and kind of what is still not running at the full potential yet.

Laurel M. Hurd

President, CEO & Director

Yes. Thanks, Brian. It is -- I'm really proud of the team's execution on the One Interface strategy, and we are seeing that really pay dividends. If I think about the U.S. teams, they were the first to start this initiative. And it's really still early days.

So these selling organization across the U.S., and they've just done an incredible job selling as one team market by market. But we're opening up new opportunities every day. The more that these teams work together across the Nora portfolio and the interface portfolio, we're finding more places that Nora can really help serve our customers and our interface customers are often opening the door for us there.

So it feels like early days. We're learning from each other, learning from our customers where we continue to amplify that growth. And as you said, the Nora growth, up 15% in the quarter is really incredible. And then as we also said, we've just announced our European business will be under one leader. And that's really different across country by country. It's really different where we're in different phases of our penetration across the product portfolio.

Germany, for example, is really advanced. That's nora's home market. and we have strong business in both Interface and nora there. But like U.K., there's a ton of opportunity. So we feel like we're really getting started in Europe and across the globe, taking some of the key learnings that will play out a little bit differently as we go. But there's just a ton of meaningful opportunity still in the U.S. and then as we move across the globe.

Bruce A. Hausmann

VP & CFO

And Brian, on the growth, in addition to the growth points that Laurel made, we continue to advance on the cost efficiency side, which is fantastic to see our supply chain organization now is working globally as one organization and really delivering results. And we continue to invest in our supply chain organization and in the machinery that's driving efficiencies around manufacturing.

So I think that, that's really what's driven by -- there's sort of 3 key things I think about for this quarter, strong Q1 results solid momentum going into Q2. And it's apparent on our P&L that our strategy is working, and we continue to outperform the industry. And I think that has a lot to do with the One Interface strategy.

Brian Biros

Thompson Research Group, LLC

Good to hear. Carpet tile, you guys quoted was up double digits for the quarter, and that's pretty surprising and good to hear. Can you put some more context behind that? I mean, is that a large order? Is that timing? Just how to think about that rate for the rest of the year being interesting.

Laurel M. Hurd

President, CEO & Director

Yes. So carpet tile being up double digits, certainly exciting to see. Some of that, I think, goes hand in hand. We said corporate office up 16% in the quarter. So we sell carpet tile in a lot of places, but certainly, corporate office is a key part of that. So I think there are a couple of reasons for that. One is we've done a lot of work across carpet tile to expand our addressable market through more accessible price points. And we've done that in a really disciplined way to make sure that we're happy with the margin structure, that it's incremental business to us, and it's really been playing out well.

So the combination of our expanded product offering in accessible price points, really maintaining that design leadership with high-style, high-design products at the premium end. And then we look at the trends in corporate and that really feels good. People are going back to work. There's a flight to quality, a lot of renovation activity, and that plays really well for Interface.

Brian Biros

Thompson Research Group, LLC

And then last one for me, maybe just on the CapEx, I think stepped up a little bit for the year. Maybe just talk about kind of what drove that decision to accelerate some of that spend and kind of what that effort is going towards.

Bruce A. Hausmann

VP & CFO

Great question, Brian. This ties right into our capital allocation strategy where our #1 priority is investing in the business. And we're seeing nice returns, as you can see on our P&L and on our balance sheet around the investments that we've made.

I don't know if you look at our ROIC or ROIC was 19% last 12 months. And so we just want to continue investing around product innovation and around efficiency initiatives. And so that incremental 5% that is going into -- that we compared to last guide is going into those 2 areas.

Operator

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

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Congrats on the beat and raise. Very impressive first quarter with growth across all product categories and key markets.

Laurel M. Hurd

President, CEO & Director

Thank you.

Bruce A. Hausmann

VP & CFO

Thank you.

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Thank you. Given this is a 53-week year with the extra week coming here in the first quarter, I wonder if you can quantify that extra week's impact on net sales and earnings, whether that's adjusted EBITDA or earnings per share, however you want to characterize it?

Bruce A. Hausmann

VP & CFO

Great question. The extra week was baked into our guide, and there's noise in our year-over-year comps in Q1. It is really difficult to quantify the exact impact of the extra week with any sort of certainty. I think the important thing, Alex, is that the trends are looking good. The underlying growth rate of the business is around 3% to 5%.

And as you pointed out, we have really broad-based growth geographically and from a market segmentation standpoint. Lastly, I'll just add with the orders up 8% year-over-year, backlog up 18%, it gives us confidence in delivering to our guide, which again is a 3% to 5% growth for the rest of the year.

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Awesome. You did, though, on the last conference call, say the net impact for the full year of the 53 weeks is plus \$10 million to \$15 million, and that takes into account some dates of the holidays in this coming holiday season. So I assume there's a put and a take in that \$10 million to \$15 million estimate.

Bruce A. Hausmann

VP & CFO

Yes, really good memory. So if you think about Q4, not to get too complicated in the weeks, but this year in Q4, we'll have 2 holiday weeks versus last year, we only had 1 holiday week. So -- and again, it's baked into our guide that there might be a little bit of drag on the growth rate in Q4. But again, that's all baked into our outlook.

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Good. Helpful. And then -- you said global billings were up 16% in the quarter. It's obviously taking market share, and that's an acceleration from the fourth quarter when it was flat. Health care, similar growth rate to the fourth quarter, up 11%. And then you mentioned education. I'm sorry, I might have missed it, but -- and I know it's an off-season quarter, so to speak, for education. But what was the growth in billings in Q1 on education?

Laurel M. Hurd

President, CEO & Director

Yes. Education was up 1% in Q1. And as you said, it's really -- we're heading into education season right now. So Q2 and early Q3 are when the bulk of our billings come for education, and we feel really confident in our continued momentum there. So a little bit of timing in Q1, but no change to the long-term outlook.

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Great. And any other commentary on other segments? I know that it drops off pretty quickly from there, but what's going on in retail, for example?

Laurel M. Hurd

President, CEO & Director

So yes, it does drop off. I mean our 3 biggest segments, as you said, are corporate, education and healthcare. We had some nice growth in retail, a little bit of growth in retail in the quarter. Our government business was up a little bit, puts and takes here and there, but the big ones we've covered.

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Great. And then the -- I think we talked about this last quarter, but -- and we anticipated a significantly lower tax rate year-over-year. Was that related to stock-based compensation, Bruce?

Bruce A. Hausmann

VP & CFO

Well, that was in Q1 that we had that. That's why our tax rate was low in Q1 is that our vesting happens for our employees in Q1. And so it's -- again, it's very technical, but it's a discrete item. You take the deduction in the quarter that the vesting happens. However, I'm sure you noticed in our guide that our full year estimate is around 26%. So...

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Okay. Great. And then last question, I think, for me. I mean, 2 more. Backlog up 18%. Can you offer some color there, either by Americas versus EAAA or by market segment? What's driving that? I realize it's broad-based, but there should -- there's likely certain areas that stand out in terms of that up plus 18%...

Laurel M. Hurd

President, CEO & Director

I was going to say what you said, which is, honestly, it's really broad-based. Like we look across market segment, product category and region, and we're seeing really good backlog support. So it's pretty diverse and really healthy, up 18%. So nothing really to call out specifically there.

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Okay. And then this is truly my last question. It is about tariffs. What did you pay in tariffs in 2025? For example, what did you pay in Q1 of 2026 because these tariffs didn't come into play until Q2 of '25? And then related, is there a tariff refund possibility for Interface?

Bruce A. Hausmann

VP & CFO

Yes. Great question. The tariff costs are all blended in our COGS. I think you might remember what we talked about previously is about 15% to 20% of our COGS are subject to tariffs. And of course, those rates are bouncing around a lot. There's nothing assumed in our guide around the tariff refund. It's a really dynamic situation, and we'll keep you posted as that area evolves.

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

But Interface was the one paying the tax, right? It was about import agent paying the tax. Yes. So theoretically, if it's out there, you could be eligible for it.

Bruce A. Hausmann

VP & CFO

Yes. I mean that's -- I'm telling you it's already know, that's how tariffs work is that the importer of record pays those tariffs. So, yes.

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Yes. I'll wait and see how that unfolds. Again congrats on the quarter.

Laurel M. Hurd

President, CEO & Director

Thanks, Alex.

Operator

Your next question comes from the line of David MacGregor with Longbow Research.

David Sutherland MacGregor

Longbow Research LLC

Congratulations on the quarter, strong quarter and excellent EBITDA. Yes, really strong. I guess I want to -- a few questions here, but maybe just start by talking about cadence within the quarter.

And I mean, the office furniture guys are talking about having seen a very slow January and February and then March kind of picked up and yet underlying design and quote activity remained consistent throughout that period, which really implied people were kind of like just maybe tapping the brakes on purchase orders until the whole sort of dynamics from the Middle East kind of settled out a little bit, at least. Did you see a similar pattern like that in your business? And maybe just comment around what you saw in terms of patterns timing-wise.

Laurel M. Hurd

President, CEO & Director

Yes. We actually -- we've been watching it like a hawk, obviously, like everybody, and tracking it really closely. We haven't seen any real variation like you're talking about. It's been really pretty steady. And again, steady and broad-based. So we've been watching it to see any tap of the brakes or pausing out there. We haven't seen any significant delays or anything like that, that would indicate that. And April looks good, too. So it sort of feels like really just steady growth.

David Sutherland MacGregor

Longbow Research LLC

Okay. And on the spec writing front, fairly consistent level of activity.

Laurel M. Hurd

President, CEO & Director

Yes, really good activity. There's a lot -- and as we talked a little bit about corporate office, there's a lot of activity, the return to work, we're definitely feeling continued strength in healthcare, and then we're excited for the education season. So it feels -- it honestly, it feels we're watching it like crazy because it's a dynamic environment, but it feels really good out there.

David Sutherland MacGregor

Longbow Research LLC

Right. And within corporate office, how much of that is sort of tenant improvement with people renewing leases versus people just doing a refresh on the back to the office kind of dynamic?

Laurel M. Hurd

President, CEO & Director

It's probably a mix. We would say, as you know, about 80% of our business is renovation work, and that's a combination of what you talked about versus new builds. So it's mostly that. But I think a lot of it is as people are encouraging folks to come back to work. They're refreshing their spaces and everybody is trying to get in Class A space. So there's just a ton of activity that suits us really well.

David Sutherland MacGregor

Longbow Research LLC

Great. And that back to the office dynamic, what inning do you think we're in there?

Laurel M. Hurd

President, CEO & Director

It's -- I would say it's accelerating. It sort of started slow and some key companies mandating it. It's definitely accelerating. So we're seeing more and more -- just as you are, more and more announcements of return to work. And some of those put a time frame out right by August or by Q3 or that sort of thing, giving their employees some notice. But man it's accelerating everywhere...

Bruce A. Hausmann

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VP & CFO

More days being tacked on. So if it was 2 days before, now it's 4 or 5.

Laurel M. Hurd

President, CEO & Director

So they need more space.

David Sutherland MacGregor

Longbow Research LLC

Right. A lot of refresh. Okay. Interesting dynamics there. I guess if you could talk about the -- you mentioned mix as a strength in the organic growth, price mix and manufacturing efficiencies. Can you just talk about carpet tile versus LVT versus nora? And I know there's a lot of new product that's rolling out in nora and maybe in carpet tile as well. Just how that mix dynamic played out and the extent to which you maybe think the line extensions drove that?

Laurel M. Hurd

President, CEO & Director

So we think about mix a lot. And if I start at the highest level, we look at country mix and our U.S. business is our most profitable business. So what we do to grow the U.S. business is great and why we've been so focused on it. And then we go to product categories. And as you know, our nora business, especially in the U.S., all of our product categories are good margins, but Nora is especially strong.

So we love and another reason why we've been really focused on accelerating that growth here in the U.S. So that certainly helps us. And then carpet tile has been really strong for us. A lot of the work that the organizations, the supply chain organization has been doing on manufacturing efficiencies have helped certainly. But improving our volumes in our facilities is fantastic.

The initiatives that we have on the approachable price points, so kind of line extensions, as you would say, in carpet tile has been really exciting for our growth, but also for our profitability. We've been really disciplined. The teams, both across supply chain and design have done a really beautiful job designing products that are right for our customers that we feel great about the margins and certainly, the volume helps with our fixed overhead leverage. So it's a win-win in that environment. We've been really disciplined tracking it like crazy, but it's been a nice way for us to continue to expand our growth and margins.

David Sutherland MacGregor

Longbow Research LLC

Great. Yes, tremendous success there. I wanted to ask you about the sustainability dynamic of your value proposition because tile has always been -- Interface has always been sort of perceived as the sustainability leader. This goes all the way back to Ray Anderson.

Yes. And I'm just wondering in this kind of an environment where energy prices are spiking and so pretty much everything in a piece of carbon comes out of a barrel of oil at some point or another. Are you seeing some kind of competitive advantage off of that or more a greater realization? I'm not asking the question very crisply here, but...

Laurel M. Hurd

President, CEO & Director

No, I gets it.

David Sutherland MacGregor

Longbow Research LLC

You know what I'm saying is you're getting an advantage out of this and other competitors are still producing from virgin elements and you've got a recycled bag and recycled yarn product. I mean all of this

should presumably give you some kind of an advantage. And I'm just wondering the extent to which you may be realizing that.

Laurel M. Hurd

President, CEO & Director

Yes. It's a really good question. And over 50% of our inputs are recycled to bio-based materials. So that really helps us on the cost side, right? It's not that it's not tied to oil, but it's certainly mitigated because it's recycled content. So it helps on the cost side.

And then certainly, from a value perspective, our customers love buying our products because of our low carbon footprint, and they help their carbon goals is the built environment is such a big portion of most companies' carbon impact. So it helps us on the demand side and selling our product to customers who care about sustainability and then on the cost side as well.

Bruce A. Hausmann

VP & CFO

I would just add on to that. It really amplifies the value proposition of who we are and highlights the purpose and value behind our brand. So it's interesting all this -- we hope that all this Middle East conflict stuff gets resolved soon, but the silver lining is that it really highlights some of the value of the company.

David Sutherland MacGregor

Longbow Research LLC

Yes. I want to ask you about manufacturing efficiencies because this is sort of the gift that keeps on giving under one interface, I guess, and all the new products that are rolling out and everything that you're doing. What -- from a magnitude standpoint, I'm trying to get a sense of how this contributes going forward.

Do we see manufacturing efficiencies with the investments in automation and everything that you're doing contributing in a larger manner to the gross margin progression? Or do you feel like the biggest pieces of this have been realized, it will continue to contribute, but maybe in a diminishing marginal pattern?

Laurel M. Hurd

President, CEO & Director

I would say the team is doing an incredible job and the power of the team working together across the globe is they find new ideas every day. And so when we think we've got our robotic solutions that we put in play as an example, we've now taken that -- just taken that live in our European and our Australia operations. So that's sort of yet to pay off.

And then there are more and more efficiencies that we're finding whether it relates to robotics for packaging and for cutting. So the team has made so much progress there, which I'm so proud of, but I think there's a lot more room to go.

David Sutherland MacGregor

Longbow Research LLC

A lot more to go. Interesting. I guess I have to ask about the balance sheet when you got 0.6 leverage. I mean, just a tremendous amount of progress made here over the past few years. Obviously, provides you with a lot more optionality. Bruce, you walked through sort of the priorities of capital allocation. But it seems like you've got the latitude at this point to do a little bit of everything or a lot of everything as the case may be.

How do we think about sort of the acquisition opportunity here right now, notwithstanding the need to reinvest in the business and the desire to repurchase stock, but isolating M&A and just talking about how you're thinking about that opportunity, if you've got a funnel, how that funnel may be developing, where you see white space, where you see the need to maybe supplement the existing model? Just talk about that strategically, if you would.

Laurel M. Hurd

President, CEO & Director

Yes. I'll talk about it maybe at a higher level, which is -- and we say sort of you heard us say this before, M&A is not required to achieve our goals. But as you said, our balance sheet is in great shape. And we feel good about our strategy and execution and have clarity around where we think we can continue to grow and what opportunities that means for us.

So I'll tell you, we'll be rigorous and disciplined, and it's got to align with our strategy, which I think we're clear about and then accelerate our growth and our margins. So we're working in that space and excited about what it may mean for us for the future, but also super heads down on our current execution of our organic plan.

David Sutherland MacGregor

Longbow Research LLC

Great. Do you perceive within kind of the existing lines where you've got the carpet tile and the LVT and the nora, could you add a fourth category? Or would you be looking to kind of supplement what you've got?

Laurel M. Hurd

President, CEO & Director

We could. I think we put it through the lens of our customer first and really see what is it that they need, how can we continue to help serve them. As I think about our noravant expansion, that really came through the lens of the customer and looking at our hospital and healthcare systems and seeing that they were looking for a product that had the benefits of rubber, but the look of a wood grain, a warmer look for their patient rooms.

And so the team did incredible work to launch that breakthrough new products. That's an example of how we're thinking about it, whether it's an innovation we develop ourselves or an inorganic opportunity, it's really how can we continue to help our customers.

Operator

Your next question comes from the line of Reuben Garner with the Benchmark Company.

John Joseph Gerard McGlade

The Benchmark Company, LLC, Research Division

This is John McGlade on for Reuben. Just congratulations on the impressive quarter. Great way to end the week.

Laurel M. Hurd

President, CEO & Director

Thanks, John.

John Joseph Gerard McGlade

The Benchmark Company, LLC, Research Division

So I know it's still early days, but I was hoping maybe you could dive into how the noravant reception has gone from the customers. Maybe any differences you're seeing in customers that are familiar with your existing product and then have that familiarity with the technical specs and requirements that they need for their facilities. Does that have any impact on maybe what the -- that selling cycle looks like early days?

Laurel M. Hurd

President, CEO & Director

Yes, it's a great question. I'd start by saying it's off to a really great start. Our sellers got the products in their hands early -- end of Feb, early March. So -- and it's -- they're showing it to their customers really

for the first time. The sample requests are really high, as you can imagine, as everyone is trying to really get an understanding for what this product can do. And it's building momentum as we expected.

And as you're suggesting, our current health care customers are the closest probably -- we sell Nora in a lot of places, obviously. But our healthcare customers, I think, are the closest in to understand the need. They understand the technical strength and properties of the current nora offering and how well it does in infectious areas and maintenance control and that sort of thing.

So I think they're the closest in on really understanding what this product category can do. There's a lot of interest in other categories as well and other end markets as well, but I think we'll see the quickest uptake in health care where they're most familiar with the technical requirements that you suggest.

John Joseph Gerard McGlade

The Benchmark Company, LLC, Research Division

Okay. That's great. I know you mentioned it earlier and you just kind of mentioned it again that you're finding other places that nora can kind of serve the market. In general, are those outside of healthcare and education? Or is that just kind of different subsegments within those end markets?

Laurel M. Hurd

President, CEO & Director

So I would say education has always been -- our team in Germany does an incredible job in education and has for years. And I would say that's an end market in the U.S. as our U.S. selling team has really amplified their focus on nora that we've really unlocked in education. So that's been a real -- that's one of the strongest growth drivers is education.

And then when we look beyond that, other areas like labs are continuing to grow industry. Transportation continues to be a strong end market. And there's a couple of different ways to think about that. One is on trains and subways and that sort of thing, which those are growing around the world, and nora is a great solution there. But then also in airports, nora has been a really strong product category for airports, and we're continue seeing that grow as well.

So healthcare and education are the biggest. Education is growing really, really well, especially in the U.S., and then we're really discovering additional opportunities for it, as I mentioned.

John Joseph Gerard McGlade

The Benchmark Company, LLC, Research Division

Okay. That's fantastic to hear. I guess also, I know you're still kind of monitoring the situation. But obviously, gross margin came in very strong for the quarter. And just kind of given all the macro changes that have happened since the last call, I know there was a comment earlier that there are some offsets that are available as costs change.

Can you kind of run us through what levers you have available to pull? Maybe any lags between that? Is it as simple as just a surcharge or a price increase? Or is there some additional dynamics there with how customers are able to take these orders and take these cost pass-throughs?

Laurel M. Hurd

President, CEO & Director

Yes, as you said, it's dynamic, and we're navigating through it. We have deployed some modest pricing across the globe. So it's not as a surcharge. We try to do it the best we can with new product launches and other ways that are easy for our customers to absorb. So I think pricing and then additional productivity will help us to offset it.

The other thing that we have in our toolkit that we -- it's newer for us, I guess, is this focus on approachable price point products. So in the past, if a customer -- our customers, if they're under cost pressure, we may not have had a solution for them or we might have had to take a really aggressive price on a more premium product, which would impact our margins.

And now our sellers have a great option to offer something at a more approachable price point when those costs are tough for our customers. So I think we've got a really good way to augment the situation by taking a little bit of price, making sure that we've got good offerings for our customers at all price points and then continuing to push the productivity lever.

Operator

There are no further questions at this time. I will now turn the call back to Laurel Hurd, President and Chief Executive Officer, for closing remarks.

Laurel M. Hurd

President, CEO & Director

Great. Well, I just want to say again, thanks to the entire Interface team for all the great work you do every day. So proud of this team, and thank you for everything you do to serve our customers. And thanks for everyone's time today listening to the call.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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