



Investor & Analyst Day

June 29, 2016



Safe Harbor Statement

Note on Forward Looking Statements: Statements that use the words “estimated,” “expect,” “could,” “should,” “believe,” “will,” “might,” or similar words reflecting future expectations or beliefs are forward-looking statements. The forward-looking statements include, but are not limited to, future operating results of Quanex, the future financial condition of Quanex, future uses of cash and other expenditures, expenses and tax rates, expectations relating to the Company’s industry, and Quanex’s future growth, including any guidance referenced in this presentation. Guidance is a forward-looking estimate of performance and may not be indicative of actual results. The statements and guidance set forth in this release are based on current expectations. Actual results or events may differ materially from this release. Factors that could impact future results may include, without limitation, the effect of both domestic and global economic conditions, the impact of competitive products and pricing, the availability and cost of raw materials, and customer demand. For a more complete discussion of factors that may affect the Company’s future performance, please refer to the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2015, under the sections entitled “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors,” and in Quanex’s other documents filed with the Securities and Exchange Commission from time to time. Any forward-looking statements in this presentation are made as of the date hereof, and Quanex Building Products Corporation undertakes no obligation to update or revise any forward-looking statements to reflect new information or events.

Note on Non-GAAP Financial Measures: EBITDA (defined as net income or loss before interest, taxes, depreciation and amortization and other, net, as described in the Company’s filings with the Securities and Exchange Commission) is a non-GAAP financial measure that Quanex’s management uses to measure its operational performance and assist with financial decision-making. Adjusted EBITDA is EBITDA as further adjusted to exclude non-recurring items such as transaction expenses and purchase price accounting inventory step-ups. Divisional EBITDA is EBITDA excluding discontinued operations, corporate costs and ERP related expenses. The Company believes these non-GAAP measures provide a consistent basis for comparison between periods, and will assist investors in understanding our financial performance when comparing our results to other investment opportunities. While the Company considers EBITDA, Adjusted EBITDA and Divisional EBITDA to be important measures of operating performance, it does not intend for this information to be considered in isolation or as a substitute for net income or other measures prepared in accordance with US GAAP. Due to the high variability and difficulty in predicting certain items that affect GAAP net income, information reconciling forward-looking EBITDA, Adjusted EBITDA and Divisional EBITDA as presented to GAAP financial measures is unavailable to Quanex without unreasonable effort. Net debt/LTM Pro Forma Adjusted EBITDA as of 4.30.16. LTM Pro Forma Adjusted EBITDA is a non-GAAP measure that assumes the acquisitions of HL Plastics and Woodcraft Industries occurred at a date prior to the actual date of acquisition and thus includes pro forma adjustments to calculate the trailing twelve months of EBITDA including the HL Plastics and Woodcraft Industries acquisitions. These adjustment items are not historical in nature and therefore cannot be reconciled to a comparable GAAP measure.



Agenda

- I. Welcome
- II. Transformation
- III. Financial Overview
- IV. Product Lines
- V. Closing Remarks
- VI. Q&A



Transformation

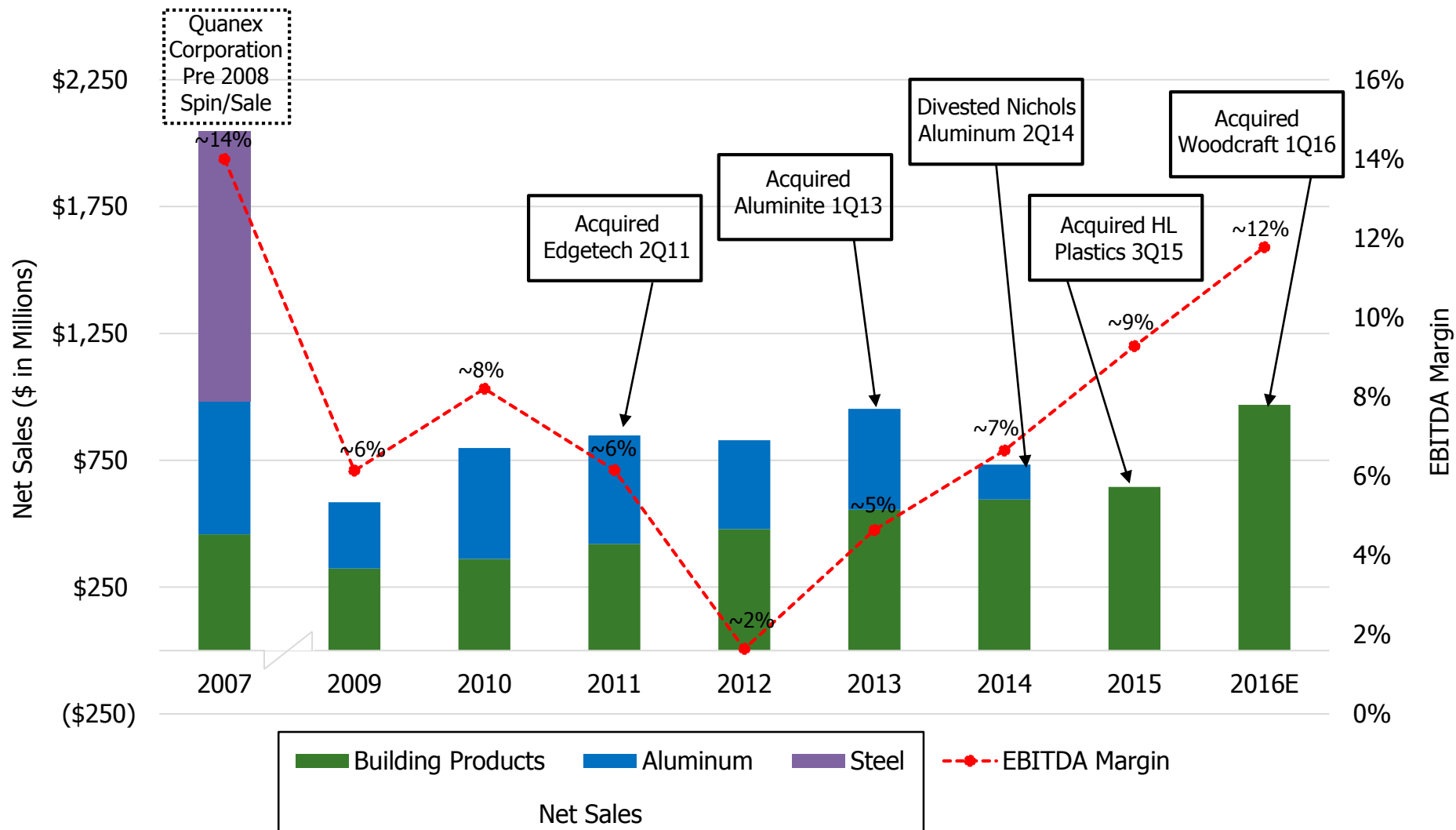
Bill Griffiths

Chairman, President & CEO



Evolution of the “NEW” Quanex

Significant Improvement in Profitability – “Pure Play” Building Products Manufacturer





Priorities

Future Performance Driven by a Focus on Key Priorities

Top Line Growth ⁽¹⁾

- Base Case: market growth of ~5-6% per year
- Upside Case: ~7-8% growth per year assuming increased outsourcing and executing on cross selling initiatives

~15% EBITDA Margins & ROIC >12%

- Continue to invest in automation
- Continuous improvement initiatives

Focus on Cash Flow & ROIC

- Near-term debt pay down to ~2.0x leverage ratio
- Bolt-on acquisitions

Transformational Acquisition

- Transition from small cap to mid cap company
- Data implies >1.0x multiple expansion

(1) Excluding foreign exchange impact.



Financial Overview

Brent Korb

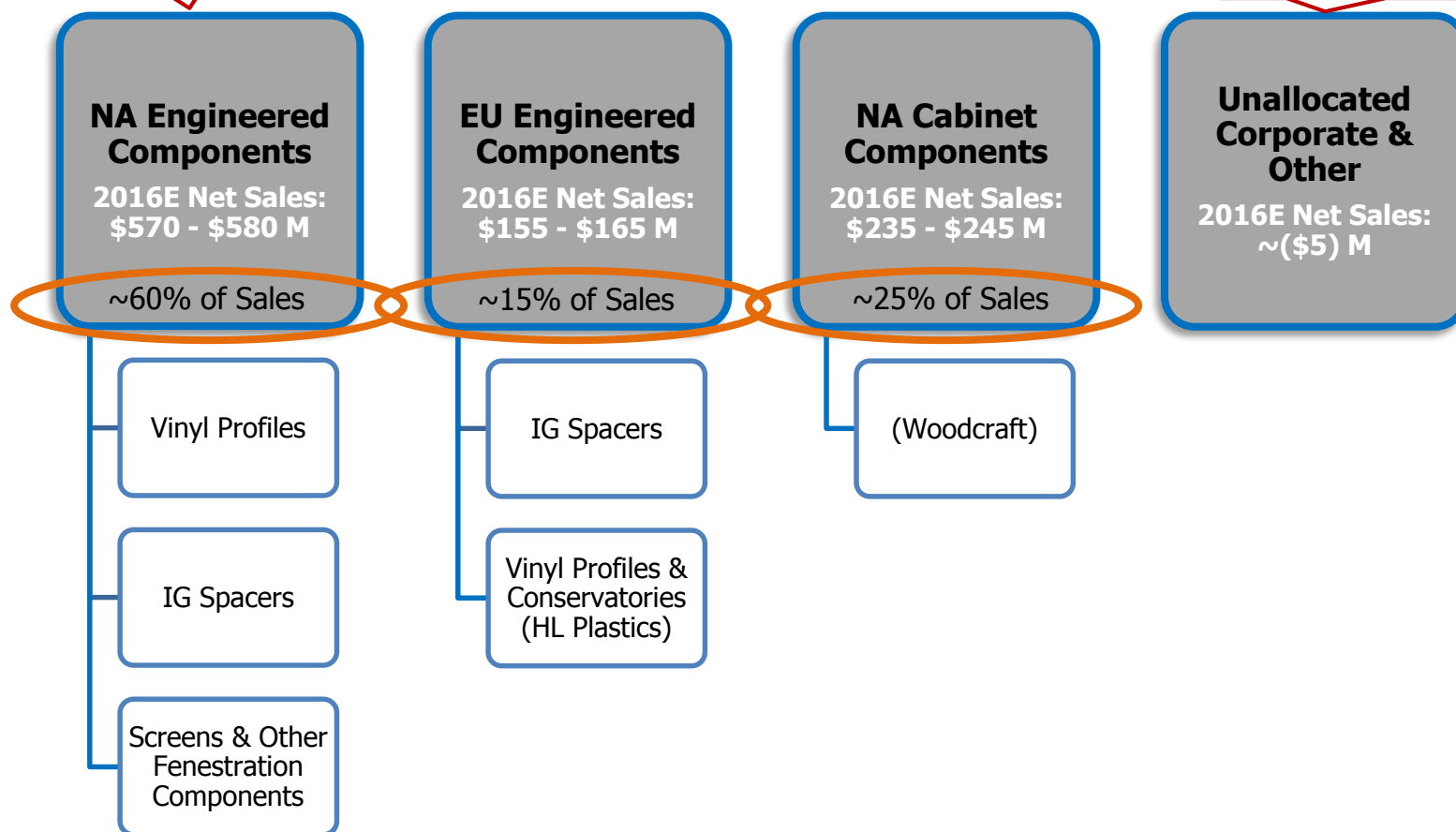
SVP, Finance & CFO



Product Lines by Segment

Legacy Quanex Less European
IG Spacers Business

Stock-Based Comp, Transaction
Costs, Interest Exp., Taxes &
Inter-Segment Elims ✓



Note: A portion of corporate costs are now being allocated to better reflect the true costs of each reporting segment.



Guidance

FX Exposure
£: £90M Sales
€: €28M Sales

Pre Brexit
5-6% Y/Y Pro Forma Growth
After FX Adjustment
£ @ 1.45 / € @ 1.13

Guidance Impact
£ @ 1.32 / € @ 1.10
(\$12M) Sales

GAAP to Non-GAAP Reconciliation

	Fiscal 2015	Fiscal 2016E		Mid-Cycle ⁽¹⁾	
		Estimates Before Adjustments	1H16 Adjustments	Adjusted Guidance	
	As Reported				
	\$645.5	\$965 - \$975	-	\$965 - \$975	\$1,300 - \$1,400
%	\$59.9	\$110 - \$114	\$7	\$117 - \$121	\$185 - \$210
	\$35.2	\$53	-	\$53	
	\$24.7	\$57 - \$61	\$7	\$64 - \$68	
	(\$1.0)	(\$23)	-	(\$23)	
	(\$0.5)	(\$2)	\$2	-	
	\$23.2	\$32 - \$36	\$9	\$41 - \$45	
	(\$7.5)	(\$11) - (\$12)	(\$3)	(\$14) - (\$15)	
	\$15.6	\$21 - \$24	\$6	\$27 - \$30	
	\$0.46	\$0.61 - \$0.70		\$0.78 - \$0.87	

(1) Mid-cycle defined as the point in time when U.S. housing starts recover to ~1.5 million per year and U.S. windows shipments recover to ~65 million units per year.

(2) EBITDA adjustments in 1H16 are for transaction costs and purchase price accounting inventory step-up impact from acquisitions.

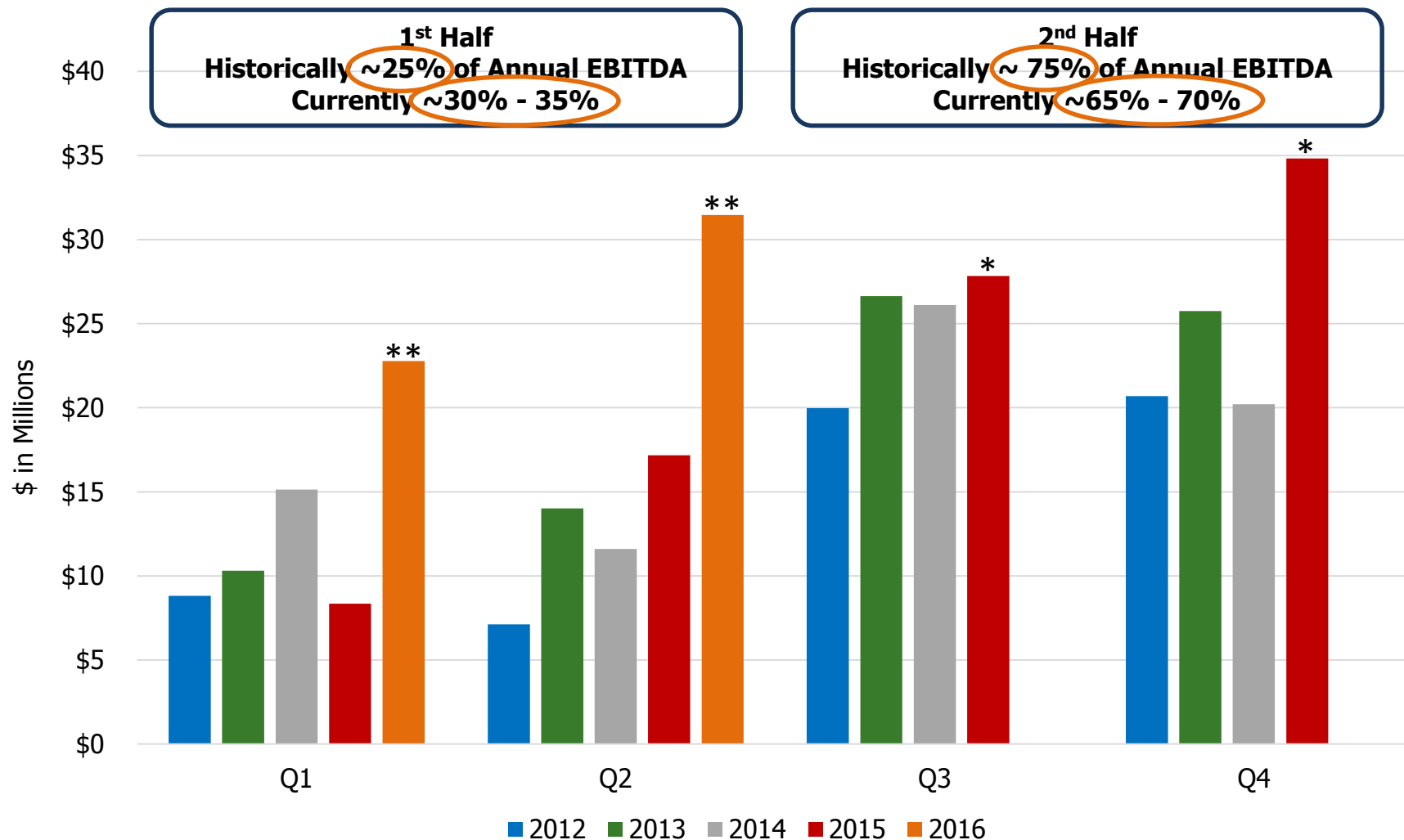
(3) Other, net adjustments relate to foreign currency transaction gains (losses).

	2015	2016	Mid-Cycle
EBITDA Margin	9%	12%	15%



Seasonality

Fiscal 2H Historically Stronger – Recent Acquisitions Improve Seasonality



Note: Divisional EBITDA only, excludes Nichols, corporate costs and ERP-related expenses; see Appendix for a reconciliation of historical Divisional EBITDA to its most comparable GAAP measure.

*Includes the impact of HL Plastics acquisition from the date of acquisition.

**Includes the impact of HL Plastics and Woodcraft acquisitions from the dates of acquisitions.



Healthy Balance Sheet

Capitalization (\$ Millions)	NX 4.30.16
Cash & Cash Equivalents	\$29.0
Senior Secured Term Loan B Facility due 2022	309.2
Senior Secured ABL Revolving Credit Facility due 2020 ⁽¹⁾	-
Capital Leases and Other	5.9
Total Debt	\$315.1
<i>Net Debt</i>	<i>\$286.1</i>
Stockholders' Equity	390.0
Total Capitalization	\$705.1
Borrowing Base	88.7
Less: Borrowings Against \$100 Million ABL Facility	-
Plus: Cash	29.0
Total Liquidity	\$117.7
Net Debt/LTM PF Adj. EBITDA ⁽²⁾	2.6x

No near-term debt maturities

Targeting debt reduction of ~\$50 million per year

Ample capacity on ABL revolver - BB expected to grow w/ seasonality of business

✓
Expect 2.0-2.5x leverage ratio by year-end 2016

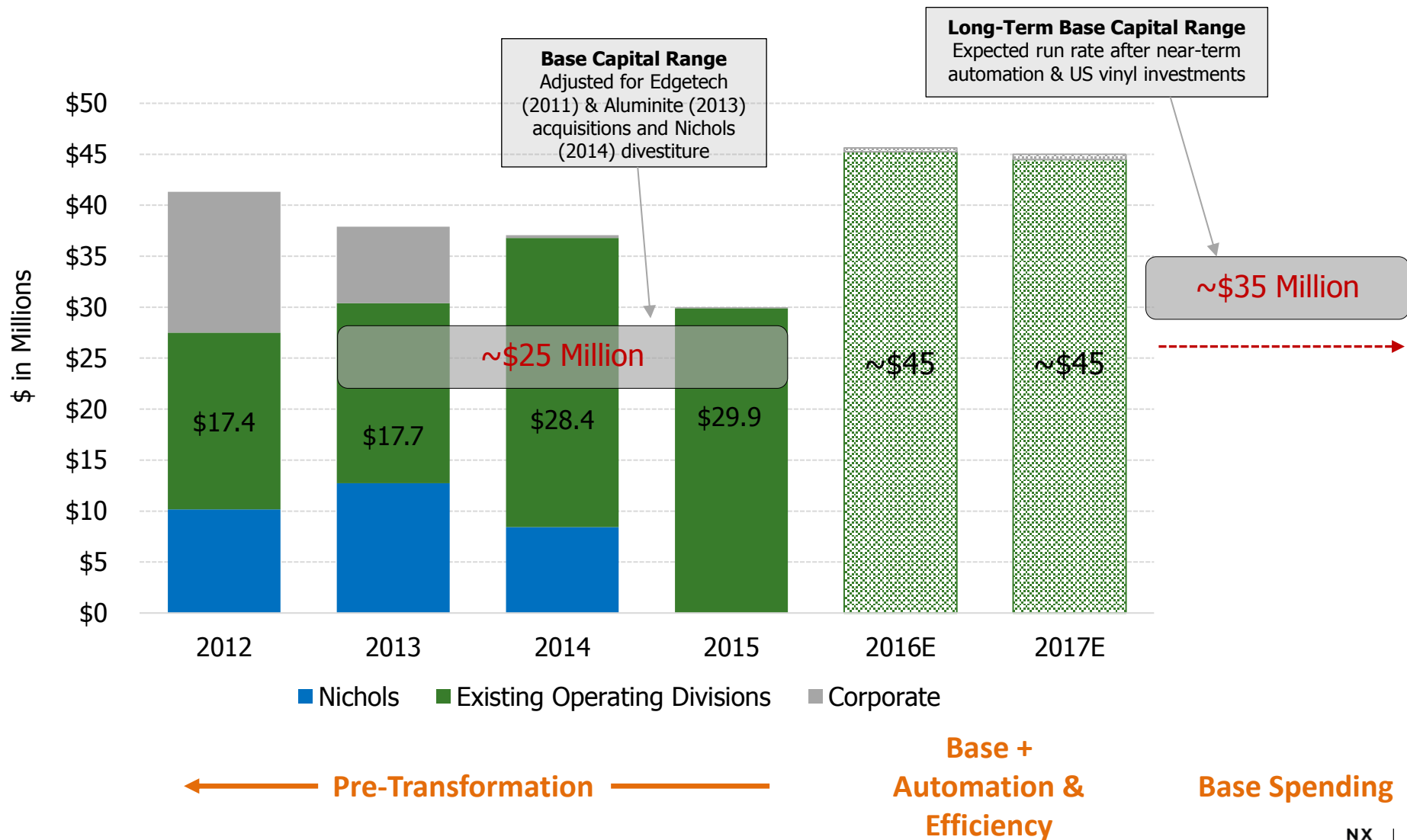
(1) Excludes \$5.9 million in outstanding letters of credit.

(2) Net debt/LTM Pro Forma Adjusted EBITDA as of 4.30.16. LTM Pro Forma Adjusted EBITDA is a non-GAAP measure that assumes the acquisitions of HL Plastics and Woodcraft Industries occurred at a date prior to the actual date of acquisition and thus includes pro forma adjustments to calculate the trailing twelve months of EBITDA including the HL Plastics and Woodcraft Industries acquisitions. These adjustment items are not historical in nature and therefore cannot be reconciled to a comparable GAAP measure.



Capex Analysis

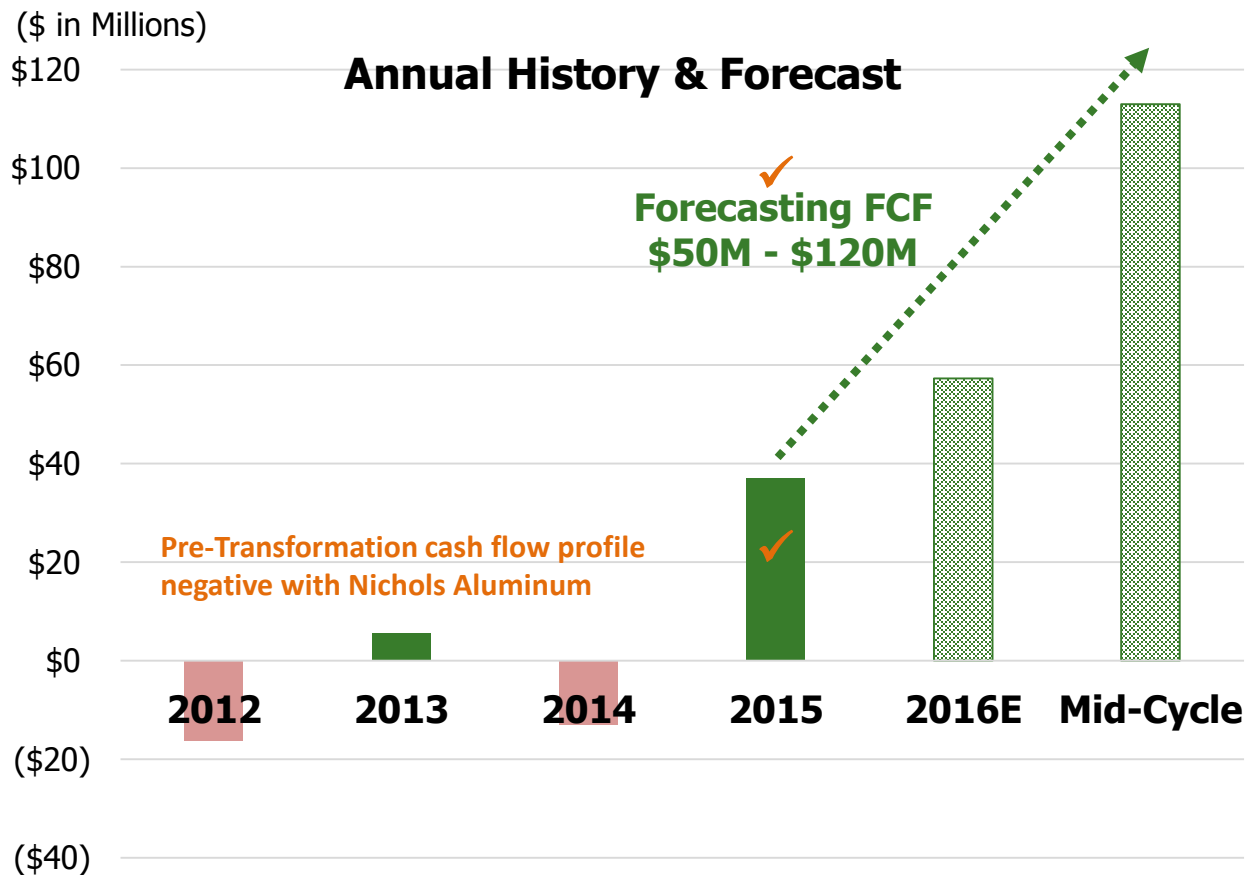
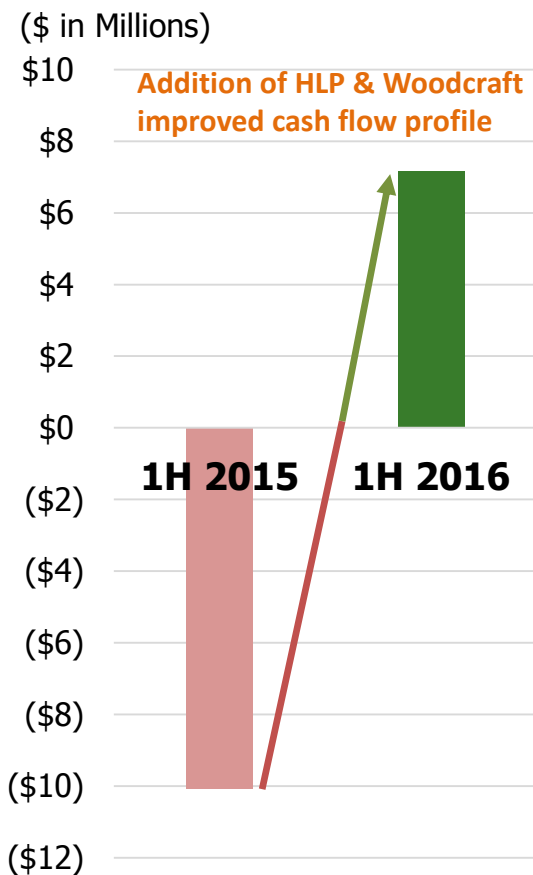
Anticipated Future Base Capital of ~\$35 Million





Free Cash Flow

Recent Transformation to Result in Favorable Cash Flow Trend

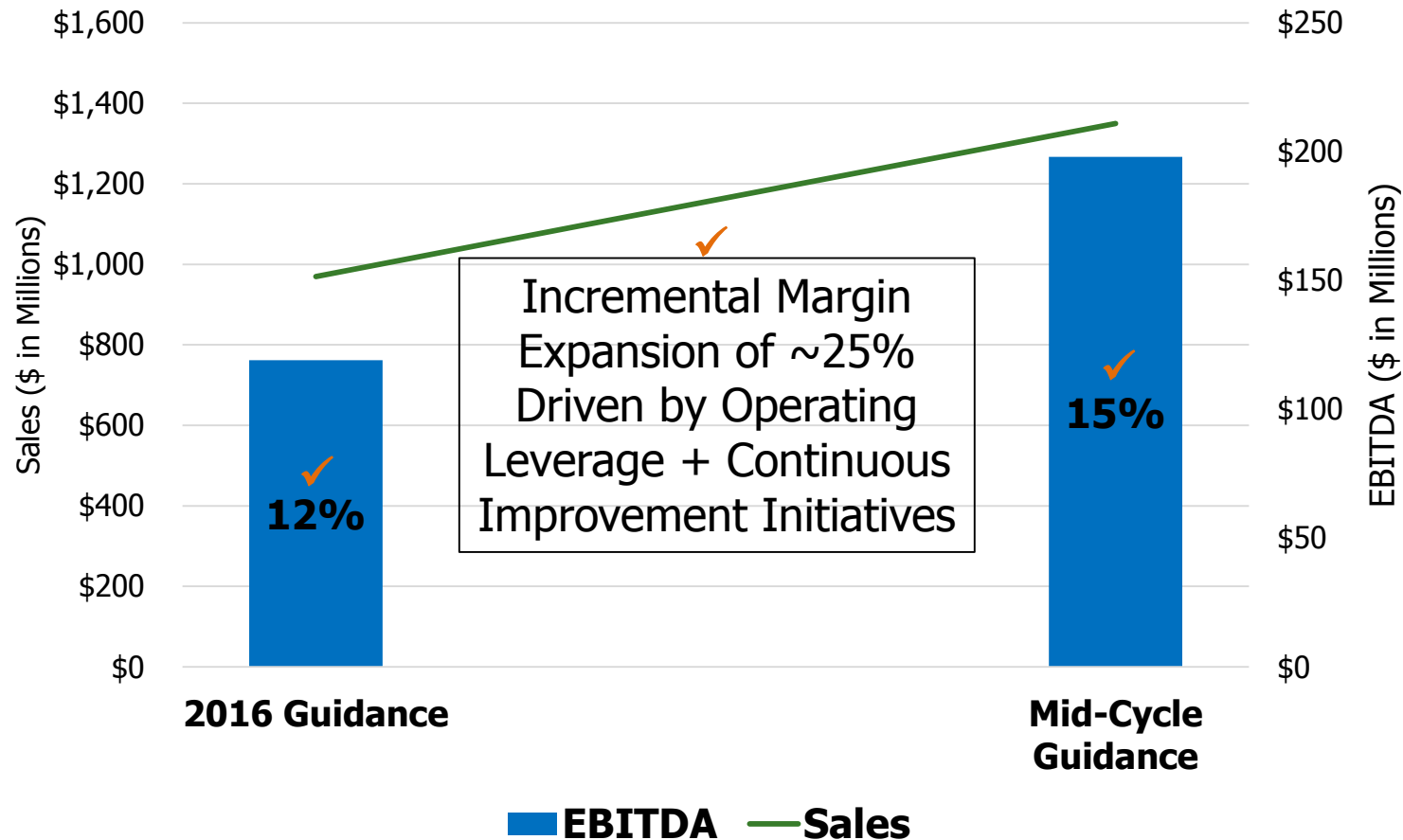


	1H 2015	1H 2016		2012	2013	2014	2015	2016E	Mid-Cycle
(\$ in Millions)	\$3.3	\$24.6	Cash Provided by Operations	\$26.5	\$43.5	\$20.8	\$67.1	\$100 - 105	\$140 - \$155
	(13.4)	(17.4)	Less: Capex	(42.9)	(37.9)	(33.8)	(30.0)	(45.0)	(35.0)
	(\$10.1)	\$7.2	Free Cash Flow	(\$16.4)	\$5.6	(\$13.0)	\$37.1	\$55 - \$60	\$105 - \$120



Margin Expansion

Driven by Continuous Improvement & Market Growth



Primary Drivers: Continuous Improvement, Market Growth & Share Gains, Investments in Automation and Minimal Price Increases



Debt Refinancing Expectations

Significant Annual Cash Interest Expense Savings (~\$8.5 Million Reduction Run Rate)

Current Structure

- + Significant headroom under 4.5x covenant (~2.6x currently)
- + Fully prepayable
- + Minimal amortization (1% TLB/yr)
- \$310M TLB – Drawn**
- \$100M ABL - Undrawn**
- ✓- High cost of debt associated with TLB
- ✓- Administrative burden with ABL
- ✓- Restrictive due to ECF sweep and legal

Expectations of New Structure

- ✓+ ~275bps interest expense reduction (~\$8.5M/yr at curr debt)
- ✓+ Administrative burden removed
- ✓+ Other restrictions removed (ECF)
- \$150M TLA**
- \$250M Cashflow Revolver**
- ✓- Increased amortization on TLA (\$11M vs \$3M on TLB)
- ✓- Tighter leverage covenant & addition of 2nd covenant
- Likely 3.5x with step downs & acquisition holiday provision
- Minimum interest coverage or fixed charge coverage

✓ 5 year tenor (due 2021)

✓ Fully prepayable

✓ Expect to close around 7/31/2016

\$8.5M Savings
= 16.5¢ Accretion

Expected Pro Forma Capitalization

(\$ in Millions)

Cash & Equivalents	\$ 23.9
\$250M Revolver (due 2021)	159.2
\$150M TLA (due 2021)	150.0
IRB & Capital Leases	5.9
Total Debt	315.1
Market Value of Equity (6-23-16)	663.7
Total Capitalization	<u>\$978.8</u>

Financial Impact

(\$ in Millions)

<u>Non-Cash Expense on Existing Facility</u>	
Expense Deferred Financing Fees	\$ 8.7
Expense Deferred OID	6.2
Non-Cash Expense	\$14.9
<u>Cash Outlay upon Refinancing</u>	
TLB 1% Call Premium	\$ 3.1
New Deferred Fee	2.0
Total Cash Impact	\$ 5.1



Cabinet Components

Dale Herbst

Cabinet Components Overview

NA Cabinet
Components

Product Description

Hardwood & engineered wood doors, drawer fronts and components for the kitchen and bath cabinet industry
More heavily weighted to the semi-custom segment of the cabinet industry

Manufacturing Capabilities

13 production facilities (~1.1 million sq. ft.)
Facilities and mills located in close proximity to customers and wood sources, respectively
>1 million SKUs across entire product spectrum

Market Dynamics

R&R segment driving demand
Concentrated OEM customer base
Cabinet OEMs expected to increase outsourcing as the market grows and labor tightens



Customers & Competitive Landscape

NA Cabinet
Components

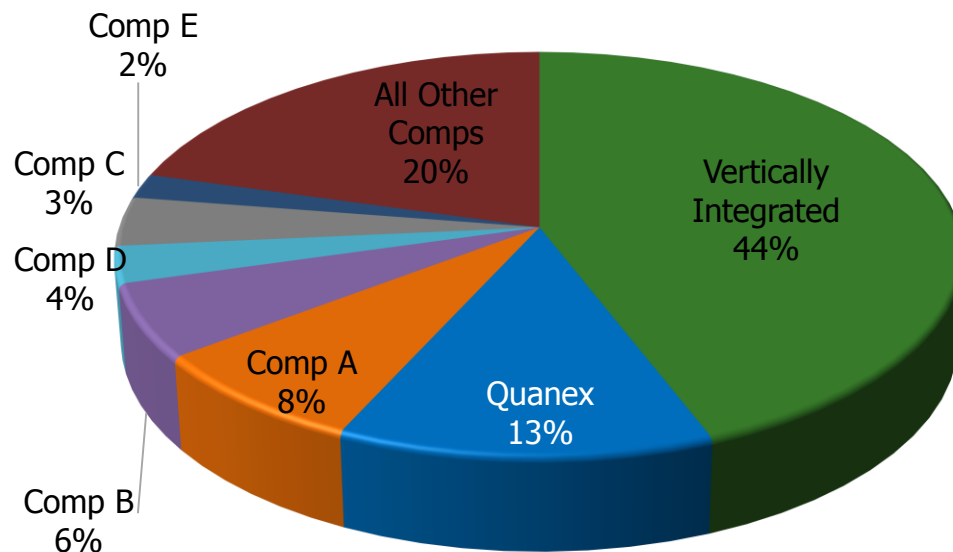
Customers

Focused on Maintaining and
Developing Long-Term
Relationships

- Top 10 Customers
 - Account for ~85% of sales
 - Relationships avg. ~22 years
- ~300+ active customers
- OEMs view Quanex as strategic partner
- ~100,000+ cabinet doors produced per week

Competitive Landscape ⁽¹⁾

Leading Market Share – Estimated
~13% of Overall Cabinet
Components Market



Note: Market analysis based on management assumptions combined with internal and industry data.

(1) Comp Group: Appalachian Wood, Conestoga, Decore-Active, Northern Contours and Walz Craft.

Strengths & Strategic Initiatives

NA Cabinet
Components

Strengths

Market Leader Aligned w/ Top Cabinet OEMs

- Largest provider of outsourced cabinet doors and components
- Make to order one kitchen at a time...product loaded in carts and shipped directly to customer's manufacturing line
- Integral part of OEM supply chain

Best-in-Class Lead Times & Service Levels

- Short lead times
- Diverse SKU offering
- Solid, but improving operational execution

Breadth and Capability of Product Mix

- Able to meet the expanding needs of the cabinet OEMs for new designs and customization/differentiation
- Full range of hardwood and engineered wood products

Strategic Initiatives

Automation

- Improve efficiency, quality and safety
- Reduce labor

Gain Market Share

- Expectation for increase in outsourcing based on OEMs constraints around capacity and labor
- Further penetrate the stock category
- Expand product offering to attract additional customers and/or additional programs



Cabinet Components Takeaways

Margin Improvement Through Operational Excellence

Simple Automation

Manufacturing Process Flow Improvements

Positioned to Take Advantage of Increased Outsourcing

Driven by Labor Cost and Shortage

Continued Growth Into the Stock Cabinet Segment



Vinyl Profiles – U.K.

Roger Hartshorn

Vinyl Profiles & Conservatories Overview – U.K.

EU
Engineered
Components

Product Description

Vinyl and composite profiles that constitute the framing material used in the assembly of windows, doors & conservatories. Additional ancillary products include fencing, decking and piling. Adding window and door trim and fascia products.

Manufacturing Capabilities

- One production facility (~267,500 sq. ft.)
- New warehouse opening in 2016 (additional 130,000 sq. ft.)
- In-house product design, development and testing
- In-house compound development/blending

Market Dynamics

- Mix of large customers and multiple independent small and medium-sized enterprises (SME's)
- Vinyl extruders sell standard profiles to multiple customers
- Energy efficiency regulations drive demand

Customers & Competitive Landscape – U.K.

EU
Engineered
Components

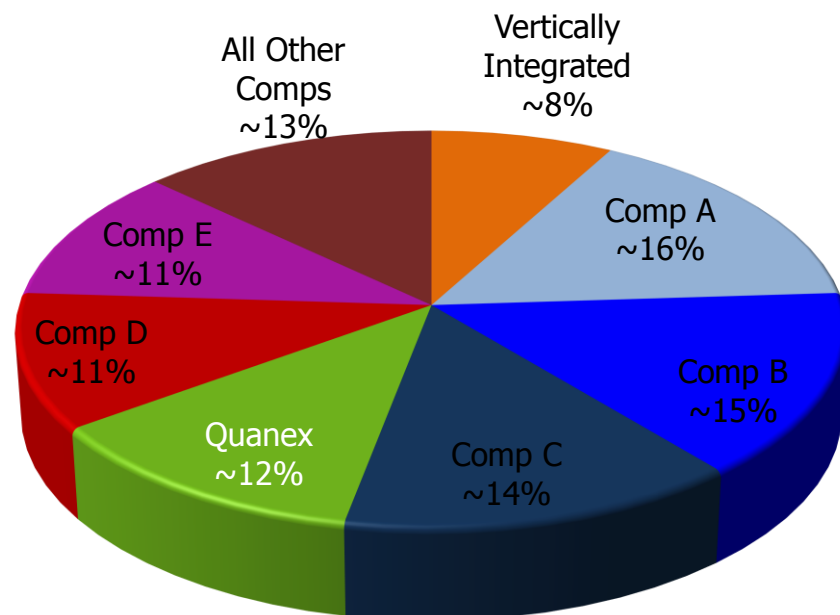
Customers

Focused on Cross-Selling to Existing Customers

- Top 10 Customers
 - Account for ~40% of sales
 - Relationships avg. ~5 years
- Mix of large and small fabricators spread across U.K. and Ireland
- Customers go to market utilizing our “Linlar” vinyl brand name
 - 100% of needs for specific window systems
 - Quanex-owned house system extrusion designs and tooling – the profile systems are standard across all customers
- 382 active customers
- ~150 active profiles

Competitive Landscape ⁽¹⁾

Market Share Growth Expected to Continue – Realized ~2% Market Share Growth in 2015



Note: Market analysis based on management assumptions combined with internal and industry data.

(1) Comp Group: Anglian, Decueningck, Dureflex, Epwin, Eurocell, Rehau, Selecta, Synseal and Veka.



Strengths & Strategic Initiatives – U.K.

EU
Engineered
Components

Strengths

Fastest Growing Vinyl Window Profile Extruder in U.K.

- High caliber management team with extensive industry experience
- Reputation for innovation and new product development
- Color matching across entire product range

Most Energy Efficient Profile Systems in U.K.

- Most technically advanced product range
- Achieves the highest thermal ratings

State-of-the-Art Manufacturing Capabilities

- World class purpose-built facility based on 30+ yrs of experience
- New high-speed / efficient extrusion lines utilizing latest technology

Products Marketed Under Very Popular “Linia” Name

- Strong recognition by fabricators and end consumers
- Patents owned and designs registered
- Opportunities to further penetrate market & expand product offering

Strategic Initiatives

New Foam Building Product Range

- Cellular foam trims, fascias & soffits – launched May '16
- Selling primarily to existing customers
- Synergies in production, storage, sales, handling and transport

New Warehouse

- ~175k sq. ft to be completed end of calendar 2016
- Relocation of three business units to reduce multi-site movements and streamline logistics
- Increased capacity for future growth

Vinyl Profiles – U.K. Takeaways

Product Innovation Leads to Higher Sales Value to Existing Customers

Addition of Building Products Range (foam trim, fascias and soffits)

Window Fabricator Also the Installer

Diversified Customer Base – No Single Customer >8% of Sales

State-of-the-Art Facilities and Machinery with Capacity to Expand

Warehouse Expansion Complete by Year End 2016

Facilitates Consolidation and Expansion of Production Lines



Vinyl Profiles – U.S.

Tim Reese

Vinyl Profiles Overview – U.S.

NA
Engineered
Components

Product Description

Vinyl and composite profiles that constitute the framing material used in the assembly of windows & doors

Manufacturing Capabilities

- Five production facilities (~804,000 sq. ft.)
- In-house product design, development and testing
- In-house compound development/blending
- Multi-layer materials and color capability

Market Dynamics

- Concentrated customer base
- Vinyl windows market share expected to grow, albeit at slow rate, but very competitive at the customer level
- OEMs reaching capacity constraints and looking to expand in SW/SE
- Trend towards colors and energy efficiency...big volume remains in "vanilla" products
- Adoption of vinyl frames in place of aluminum in commercial market – following path of residential market

Customers & Competitive Landscape – U.S.

NA
Engineered
Components

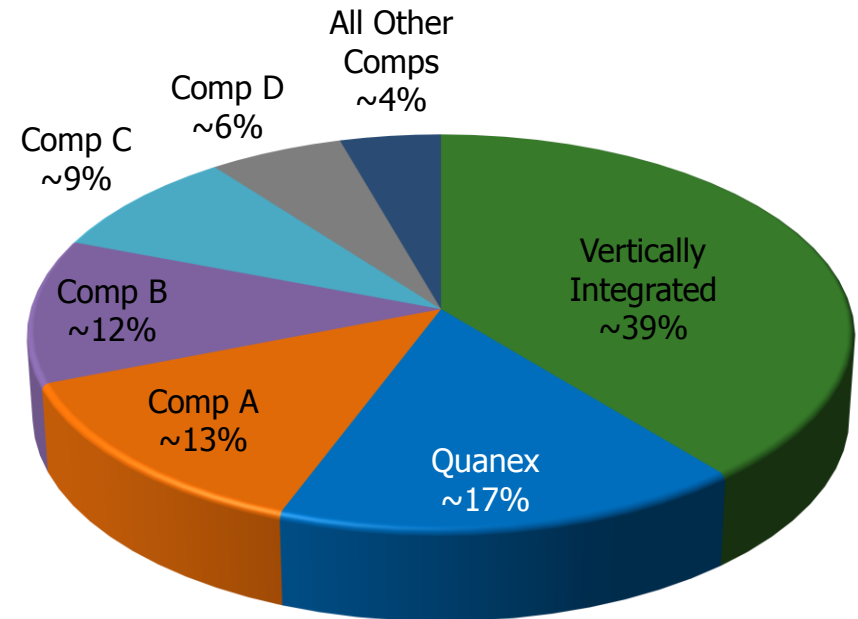
Customers

Focused on Maintaining Strong Long-Term Relationships w/ Top Window Fabricators & Expanding the Customer Base

- Top 10 Customers
 - Account for ~87% of sales
 - Relationships avg. ~18 years
- Typical Arrangement:
 - Multi-year supply agreements
 - 100% of needs for specific window systems (not swing capacity)
 - Quanex-owned proprietary window extrusion designs
 - Quanex-owned extrusion tooling
- ~75 active customers
- ~5,000 active profiles

Competitive Landscape (1)

Leading Market Share – Estimated
~17% of Overall Vinyl Profile Market



Note: Market analysis based on management assumptions combined with internal and industry data.

(1) Comp Group: Deceuninck, Royal, Veka and Vision.



Strengths & Strategic Initiatives – U.S.

NA
Engineered
Components

Strengths

Technological Leader

- Premier design team and facilities
- High-end energy efficient designs (Energy Core® & Energy Quest™)
- Industry-leading color cap technology (SuperCapSR™)
- New commercial rated products

Diverse Manufacturing Footprint w/ Ample Capacity

- Well positioned to support the distinctive regional window variations
- Ability to service OEMs with multiple assembly plants
- Proximity to customers allows for superior support

Breadth of Product Offering

- Residential good, better, best offerings
- Multiple color variations as well as laminations
- New commercial rated products

Strategic Initiatives

Continue to Improve Operational Execution

- Comprehensive Equipment Layout (CEL)
- Create production classes w/ standard equipment (optimize equipment to order size)
- Reduce SKUs / low return sales
- Improve productivity using lean manufacturing concepts and process control

Capacity Optimization

- Reallocate volume
- Create operational efficiencies around high volume/low cost & low volume/high margin production

Increase Sales in Strategic Areas

- Utilize new products to diversify customer base
- Utilize cross-selling capability to access smaller regional customers (i.e. house systems)
- Commercial

Vinyl Profiles – U.S. Takeaways

Shrink to Improve Margins

Simplification

- Reduce profile proliferation
- Standardize extrusion equipment classes and tooling

Exit Low Margin Processes (i.e. paint, veneer, fabrication)

Reduce Exposure to Price Sensitive Customers

Grow w/ Higher Margin Opportunities

Utilize Quanex's Cross Selling Capabilities to Access Mid-Size Customer Base

Agressively Sell Already Developed New Products

- Energy Core® & Energy Quest™
- Storefront
- Commercial



Screens

Brian Cummings



Screens Overview

NA
Engineered
Components

Product Description

Window and door screens

Manufacturing Capabilities

Nine production facilities (~250,000 sq. ft.)
Low capital cost facilities located in close proximity to customers

Market Dynamics

Labor shortages & increasing wages = opportunity for increased screen outsourcing
Increased quality expectation of vinyl window screen customers

Customers & Competitive Landscape

NA
Engineered
Components

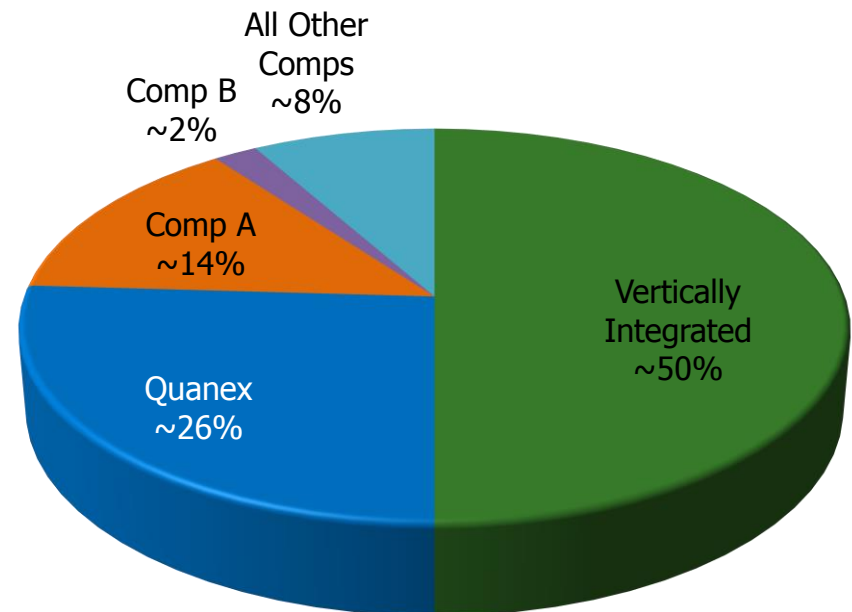
Customers

Focused on Growth Potential with Existing Customers

- Top 10 Customers
 - Account for ~91% of sales
 - Relationships avg. ~20 years
- ~345 active customers
- ~250,000 screens produced per week - predominately custom sizes

Competitive Landscape ⁽¹⁾

Leading Market Share – Estimated
~26% of Overall Screen Market



Note: Market analysis based on management assumptions combined with internal and industry data.

(1) Comp Group: Rite Screen and ScreenCo.

Strengths & Strategic Initiatives



Strengths

Embedded as Part of Customer's Production

- Skilled at converting customer data to precise products
- Make to order one house at a time in sequence
- Product loaded in carts and shipped directly to customer's manufacturing line or direct to jobsite
- More OEM logistics than just product supplier

>99% On-Time Delivery w/ 1-3 Day Avg Lead Times

- Short lead times...many measured in hours
- Very few standard products...most are custom
- Exceptional operational execution

Strong Relationships w/ Largest OEMs

- Longstanding partnerships built on trust & reliability
- First at the table to fulfill customer's future needs

Strategic Initiatives

Automation

- Improve efficiency, quality and safety
- Reduce labor

Vertical Integration

- Positioned to obtain more outsourced business as customers become constrained by labor and capacity



Screens Takeaways

Customer Intimacy Drives Value Proposition

Exceptional Operational Execution

Well Positioned to Gain Market Share

Automation Key to Margin Expansion



Other Fenestration Components

Jack Conway

Other Fenestration Components Overview

NA
Engineered
Components

Product Description

Exterior door and patio door thresholds
Custom fabrication and assembly of wood components
Precision formed metal products

Manufacturing Capabilities

Six production facilities (~715,000 sq. ft.)
Proximity to customer combined with logistics excellence and execution can provide barrier to competition

Market Dynamics

Innovation in the threshold market – potential to play in “entry point” market
Investment in automation and increased capability expands opportunity in wood components space
Innovation around coextruding metal and plastics - combining dissimilar materials into one component

Customers & Competitive Landscape

NA
Engineered
Components

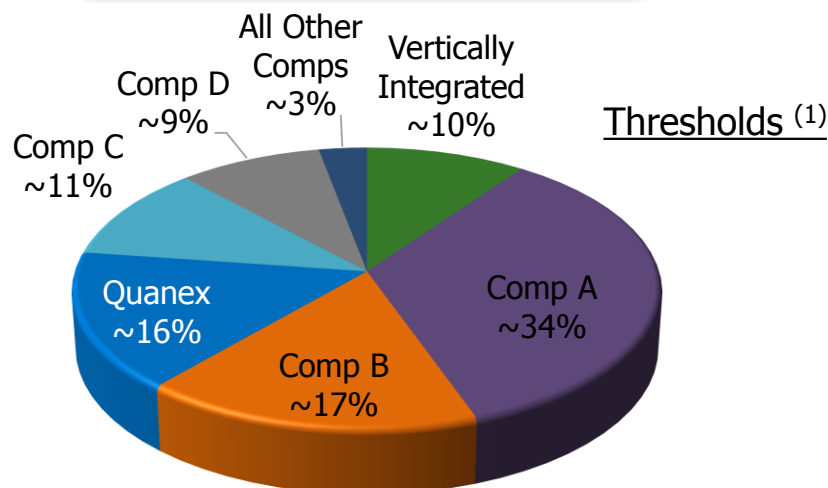
Customers

Focused on Growth Potential with Existing Customers & Product Innovation to Expand Customer Base

- Top 10 Customers
 - Account for ~76% of sales
 - Relationships avg. ~20 years
- ~290 active customers
- Strong strategic partnerships leveraged by deep and complex value propositions
- Majority are exclusive relationships governed by long-term agreements
- Heavy customization both in terms of product design and logistic solutions

Competitive Landscape

Solid Market Share Positions



Wood Components

■ Grilles

1. Quanex
2. Vertically Integrated
3. Creative Millwork

■ Mouldings

1. Ferche
2. Menzner
3. Quanex

Precision Formed Metal Products

1. Hygrade
2. All Metal
3. Vertically Integrated
4. Quanex
5. Helton Industries

Note: Market analysis based on management assumptions combined with internal and industry data.

(1) Comp Group: AFCO, Columbia, Endura, and Young.

Strengths & Strategic Initiatives



Strengths

Embedded as Part of Customer's Production

- Electronic integration of customer order data to production equipment
- Customized manufacturing of individual house jobs packaged immediately off production line
- Product shipped & sequenced directly to customer's manufacturing line

>99% On-Time Delivery w/ 1-3 Day Avg Lead Times

- Short lead times
- Highly customized products
- Exceptional operational execution

Strong Relationships w/ Largest OEMs

- Longstanding partnerships built on trust & reliability
- Seat at the table when customer designs new products
- Engineering & testing resources allow customer to leverage our product knowledge to improve their product offering

Strategic Initiatives

Automation

- Improve efficiency, quality and safety
- Reduce labor

New Products

- Expansion of current production capability to meet increased customer demand for innovation
- Investment in new production capabilities expands product offering to current customers
- Product innovation offers potential to compete at entry price point in certain markets
- Potential for synergies w/ Cabinet Components segment



Other Fenestration Components Takeaways

Long-term, Deep-Rooted Customer Relationships

Manufacturing, Packaging & Delivery Processes Integrated with Customer Ordering, Receiving & Delivery Processes

Operational & Logistical Excellence Combined with Close Proximity to Customers

Innovative New Products Leverage Cost Effective Process Capabilities



Insulating Glass (IG) Spacers

George Wilson



IG Spacers Overview

NA
Engineered
Components

EU
Engineered
Components

Product Description

Spacers used to separate two or three panes of glass to improve thermal performance and protect from moisture
Made from either Silicone, EPDM foam or butyl rubber

Manufacturing Capabilities

U.S. - One production facility (~417,000 sq. ft.)

*60,000 sq. ft. expansion in early 2017

Europe – Two production facilities (~74,000 sq. ft.)

Compound-extrusion and laminating technology used to produce highly engineered IG spacer products

Market Dynamics

Market to continue to move to more energy efficient products as codes/regulations continue to change
Recent advancements in high-speed production lines increase opportunities for warm edge spacer products
Commercial market moving more towards warm edge spacer products



Customers & Competitive Landscape

NA
Engineered
Components

EU
Engineered
Components

Customers

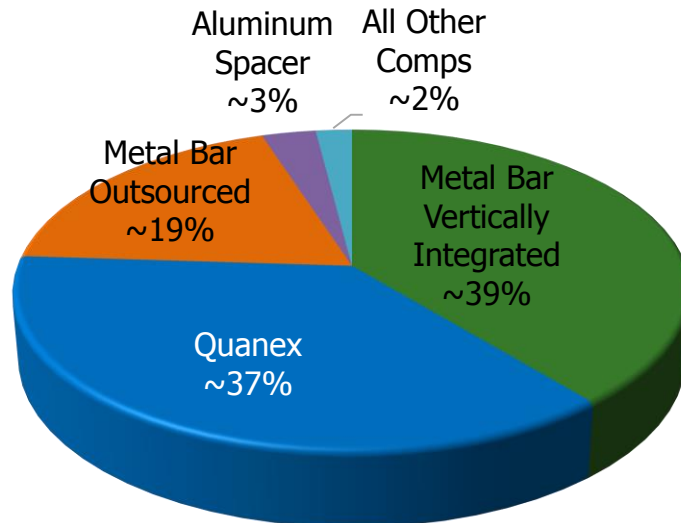
Focused on Cross-Selling Opportunities with National and Commercial Customers

- Top 10 U.S. Customers
 - Account for ~19% of sales
 - Relationships avg. ~17 years
- ~1,000 active customers
- Top 10 U.K. & E.U. Customers
 - Account for ~37% of sales
 - Relationships avg. ~6 years
- ~500 active customers

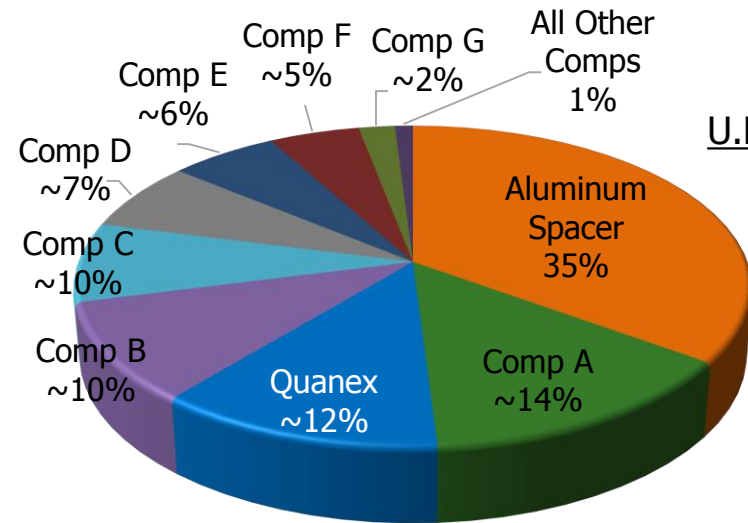
Competitive Landscape (residential)

Solid Market Share in U.S., U.K. & E.U. with Potential to Continue Gaining Share

U.S.



U.K. & E.U. (1)



Note: Market analysis based on management assumptions combined with internal and industry data.

(1) Comp Group: Alupro, Kommerling, Roll Tech, Swisspacer, TGI, Thermix and Thermoseal.

Strengths & Strategic Initiatives



Strengths

Diverse Customer Base

- Sell to ~1,000 customers in North America
- Strong customer relationships
- Opportunities for cross-selling

Economies of Scale in North America

- Single, efficient facility in North America
- Product ships easily

Energy Efficient & Less Labor Intensive

- Highly energy efficient spacer products utilizing latest warm edge technologies
- Multiple options that allow customers to reduce labor needed in their plants for the assembly of IG units

Recognized and Respected Brand in European Market

- Energy efficiency is being mandated throughout Europe
- One of the earliest warm edge manufacturers with strong track records and acclaimed customer base

Strategic Initiatives

Capacity Expansion






- Expand Cambridge, OH facility by ~60k sq. ft – expected completion early 2017
- First major success in utilizing Quanex cross-selling capability
- Result of two years of effort working with equipment manufacturers to design equip. that can apply flexible Quanex warm edge spacer at high production rates
- Enables Quanex to deliver on projected demand over next 5 yrs

Other Non-Fenestration Market Opportunities

- Refrigeration
- Solar

IG Systems Automated Lines

High-speed automated lines are the key to more productive customers—and to **higher sales for Quanex**. Let's see how a high-speed automated line running Quanex warm-edge spacer products measures up against a typical metal bar production line.

	High-Speed Automated Line	Metal Bar Line	Savings & Benefits
Labor	3.5 Employees  Needed/Line	9 Employees  Needed/Line	Approximately \$230K /Year
Improved Quality	↓ LOWER EXPECTED Seal Failure Rate	↑ HIGHER EXPECTED Seal Failure Rate	DECREASED Warranty Claims
Increased Output	1,482 Units/Shift	1,200 Units/Shift	18% Increase in Output
 High-Speed Automated Lines Also Offer:			 Improved Safety  Reduced Downtime



IG Systems Takeaways

Growth is Key in U.S. & Europe

- U.S. growth driven by new high-speed equipment lines
- European growth driven by further “warm edge” penetration from energy efficiency regulations

High-Speed Lines for “Warm Edge” Spacer Product Potentially Doubles the Current Addressable Market

Operational Excellence in One Manufacturing Facility Drives Margin Improvement



Closing Remarks

Bill Griffiths

Chairman, President & CEO



Priorities

Future Performance Driven by a Focus on Key Priorities

Top Line Growth

- Base Case: market growth of ~5-6% per year
- Upside Case: ~7-8% growth per year assuming increased outsourcing and executing on cross selling initiatives

~15% EBITDA Margins & ROIC >12%

- Continue to invest in automation
- Continuous improvement initiatives

Focus on Cash Flow & ROIC

- Near-term debt pay down to ~2.0x leverage ratio
- Bolt-on acquisitions

Transformational Acquisition

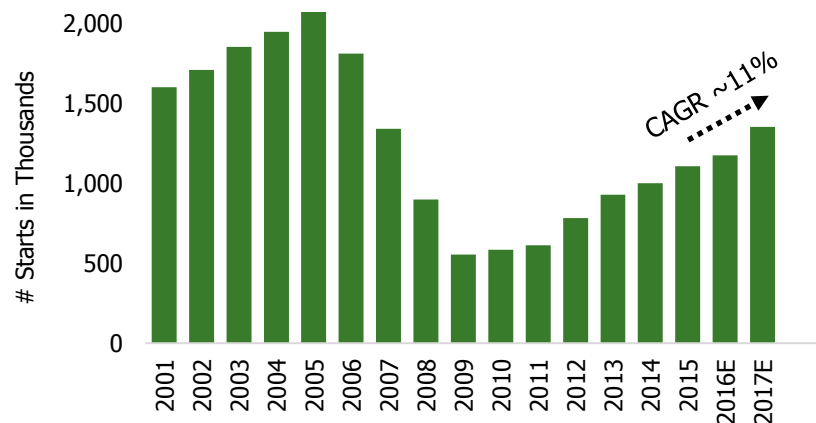
- Transition from small cap to mid cap company
- Data implies >1.0x multiple expansion



Compelling End Market Dynamics

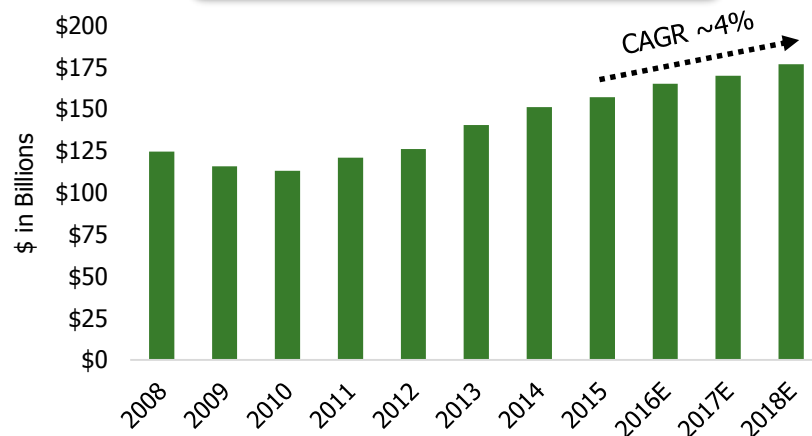
PUNCHLINE – We Expect Mid/High Single-Digit Growth For Foreseeable Future

U.S. Housing Starts



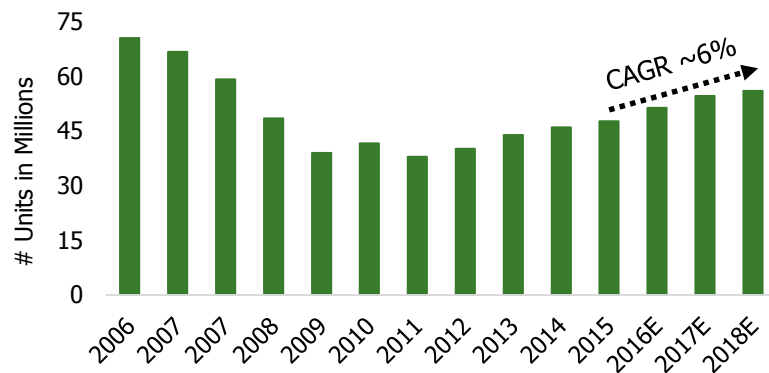
Source: NAHB, April 2016

U.S. R&R Spending



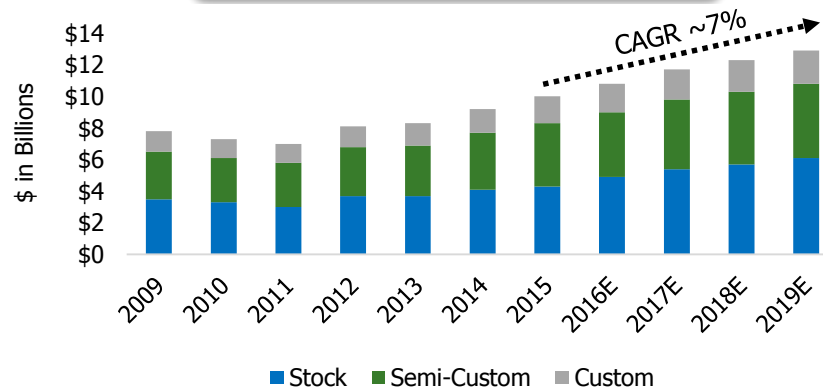
Source: Ducker, Harvard Joint Center for Housing Studies Leading Indicator of Remodeling Activity

U.S. Window Shipments



Source: Ducker Worldwide, April 2016

U.S. Kitchen Cabinet Market



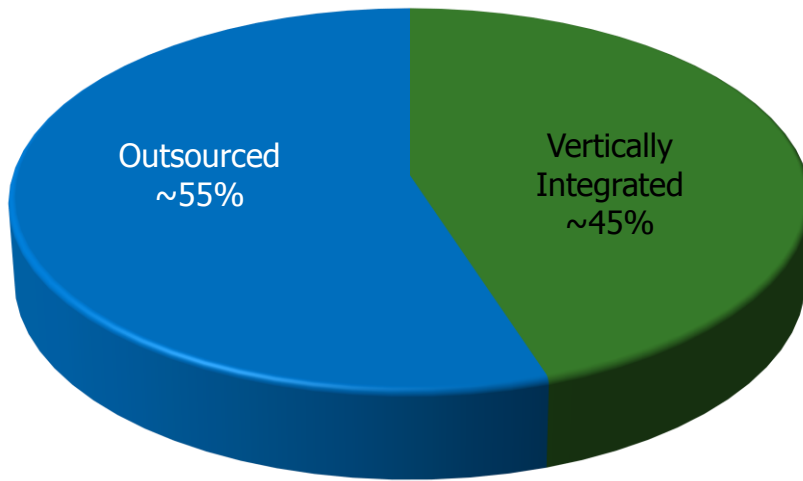
Source: U.S. Census, Moody's analytics, NAR, Cataline, Freedonia, Bureau of Labor Statistics, HIRI, L.E.K. interviews and analysis, KCMA



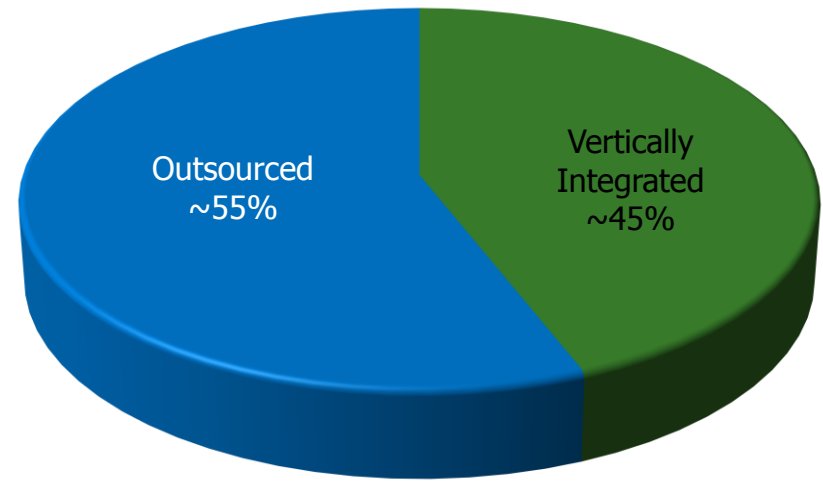
Favorable Outsourcing Trend

Cost and Availability of Labor Will Be Key Driver to Future Outsourcing

U.S. Window & Door Components ⁽¹⁾



U.S. Cabinet Components



Rationale for OEMs to Outsource Component Manufacturing

- Optimize scarce labor and capital
- Improve inventory management
- Leverage innovation by external suppliers
- Facilitate product introduction/proliferation while minimizing the threat of obsolescence

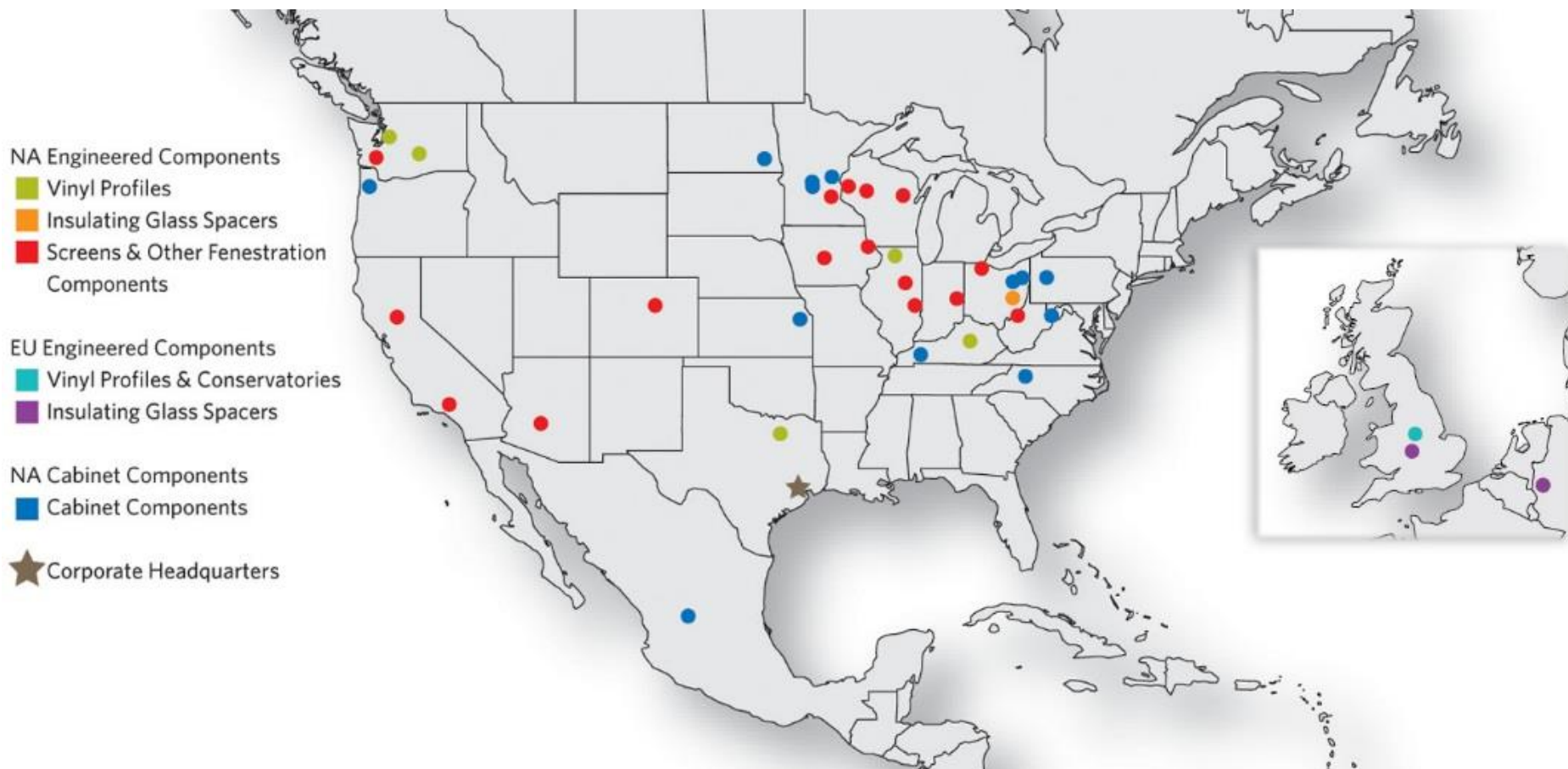
Note: Market analysis based on management assumptions combined with internal and industry data.

(1) Excludes Insulating Glass Systems product line due to the fact that OEMs do not generally vertically integrate the manufacturing of IG spacer products.



Geographic Footprint

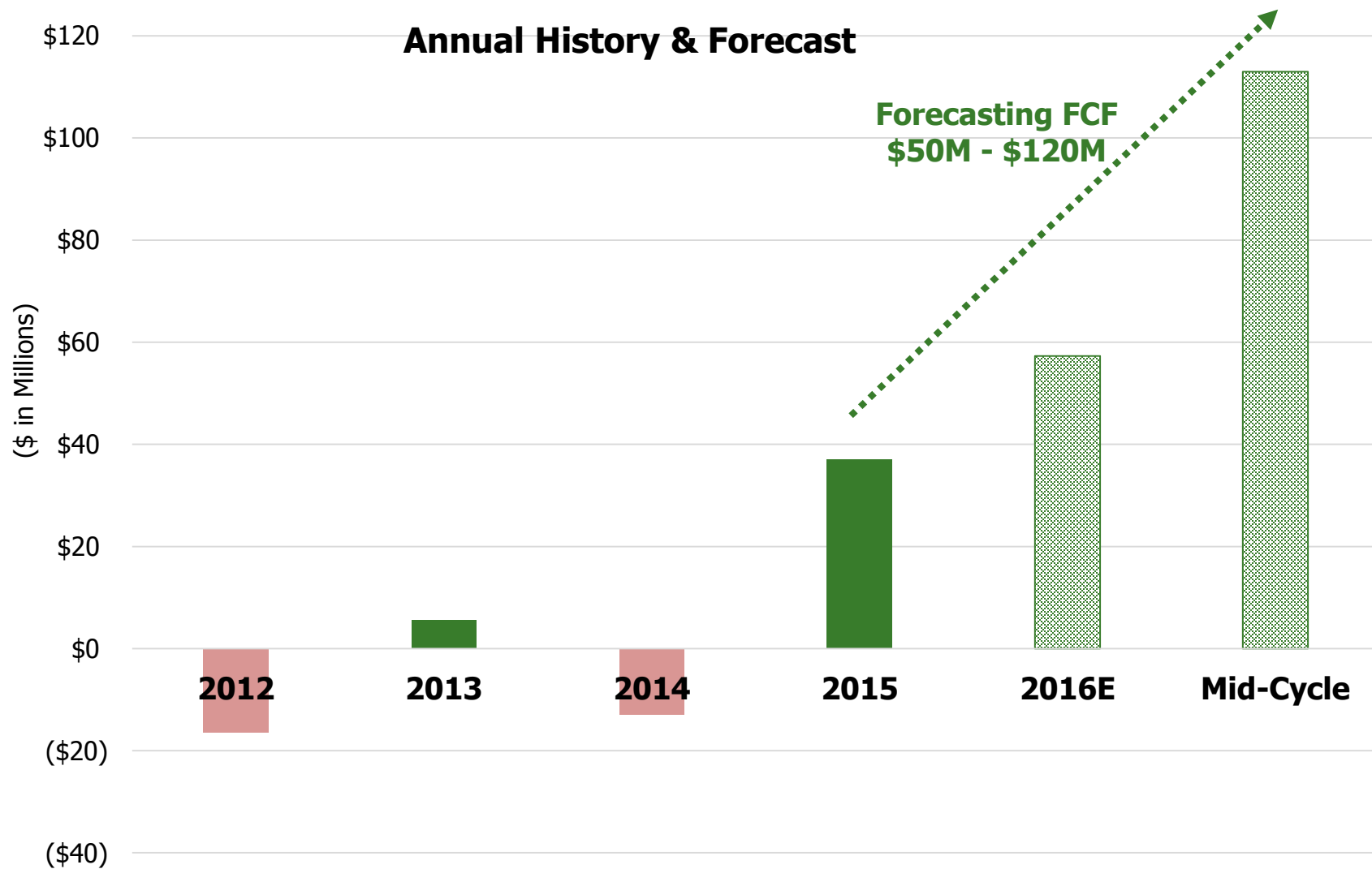
Facilities Strategically Located to Better Serve Customers





Free Cash Flow

Recent Transformation to Result in Favorable Cash Flow Trend





Investment Highlights

Well Positioned to Create Shareholder Value





Appendix

GAAP/Non-GAAP Reconciliation (Unaudited)

Net Income from Continuing Operations to EBITDA

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2012	Q1	Q2	Q3	Q4	Fiscal 2013
Net income (loss) from continuing operations	\$1,179	-	\$8,216	\$8,775	\$18,170	\$1,643	\$3,612	\$11,702	\$12,025	\$28,982
Interest expense	(33)	(35)	(15)	(14)	(97)	(13)	10	15	11	23
Income tax expense (benefit)	794	12	4,843	4,775	10,424	1,092	2,281	6,787	6,015	16,175
Depreciation and amortization	7,012	7,038	6,911	7,154	28,115	7,473	8,097	8,066	7,731	31,367
Other, net	(137)	107	18	6	(6)	111	5	58	(30)	144
Div. EBITDA	\$8,815	\$7,122	\$19,973	\$20,696	\$56,606	\$10,306	\$14,005	\$26,628	\$25,752	\$76,691

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2014	Q1	Q2	Q3*	Q4*	Fiscal 2015	Q1 2016**	Q2 2016**
Net income (loss) from continuing operations	\$4,934	\$2,568	\$11,675	\$9,154	\$28,331	\$621	\$6,487	\$12,674	\$17,663	\$37,443	\$4,434	\$13,284
Interest expense	16	22	2	20	60	17	22	81	15	135	147	26
Income tax expense (benefit)	2,631	1,386	6,503	3,333	13,853	(190)	2,908	6,716	6,798	16,234	2,859	5,245
Depreciation and amortization	7,645	7,592	7,859	7,689	30,785	7,723	7,638	8,310	10,260	33,931	12,811	13,672
Other, net	(90)	38	62	17	27	182	123	51	86	442	2,529	(762)
Div. EBITDA	\$15,136	\$11,606	\$26,101	\$20,213	\$73,056	\$8,353	\$17,178	\$27,832	\$34,822	\$88,185	\$22,780	\$31,465

Note: Divisional EBITDA only; excludes Nichols, corporate costs and ERP-related expenses.

*Includes the impact of HL Plastics acquisition from the date of acquisition.

**Includes the impact of HL Plastics and Woodcraft acquisitions from the dates of acquisitions.



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