



CJS Securities 18th Annual
"New Ideas for the New Year"
Conference

January 10, 2018



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, the Company’s future operating results, future financial condition, future uses of cash and other expenditures, expenses and tax rates, expectations relating to Quanex’s industry, and the Company’s future growth, including any guidance referenced in this presentation. The statements and guidance set forth in this release are based on current expectations. Actual results or events may differ materially from this release. For a complete discussion of factors that may affect Quanex’s future performance, please refer to the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2017, under the sections entitled “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors”. Any forward-looking statements in this presentation are made as of the date hereof, and Quanex undertakes no obligation to update or revise any forward-looking statements to reflect new information or events.

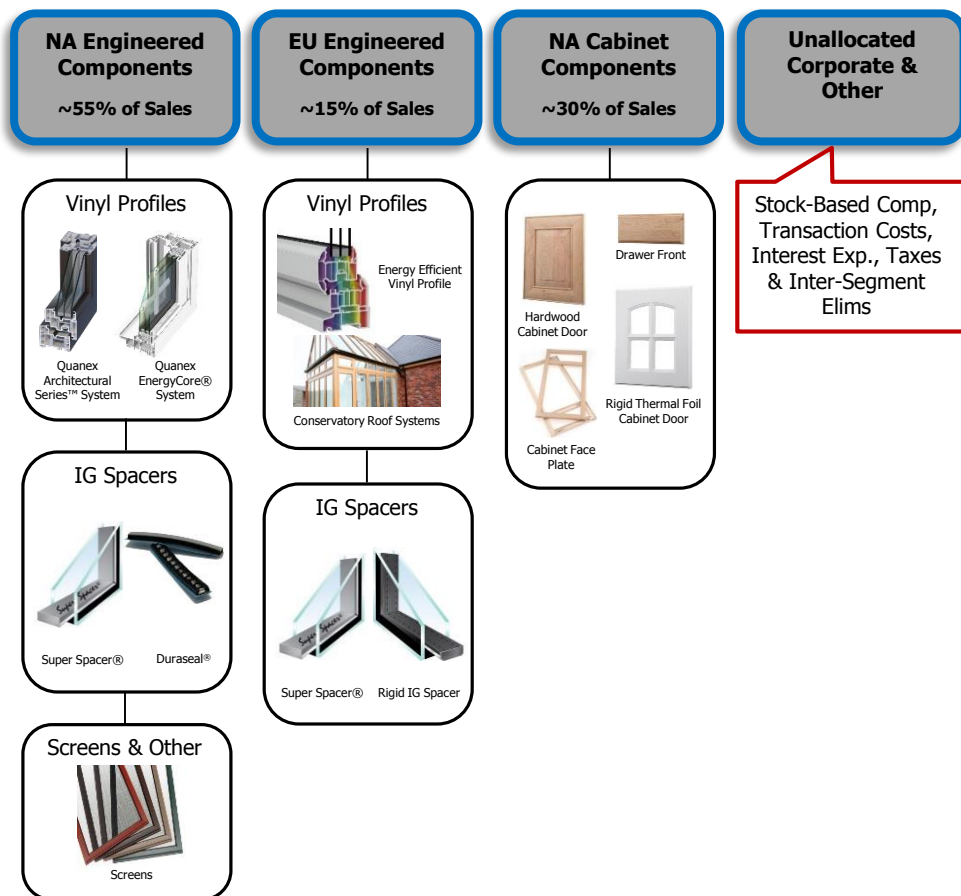
Note on Non-GAAP Financial Measures: EBITDA (defined as net income or loss before interest, taxes, depreciation and amortization and other, net, as described in the Company’s filings with the Securities and Exchange Commission) is a non-GAAP financial measure that Quanex’s management uses to measure its operational performance and assist with financial decision-making. Adjusted EBITDA is EBITDA as further adjusted to exclude non-recurring items such as purchase price inventory step-ups, transaction costs, gain/loss on the sale of fixed assets related to restructuring, one-time employee benefit adjustments and restructuring charges. Divisional EBITDA is EBITDA excluding discontinued operations, corporate costs and ERP related expenses. Free Cash Flow is a non-GAAP measure calculated using cash provided by operating activities less capital expenditures. The Company believes these non-GAAP measures provide a consistent basis for comparison between periods, and will assist investors in understanding Quanex’s financial performance when comparing our results to other investment opportunities. While the Company considers EBITDA, Adjusted EBITDA, Divisional EBITDA and Free Cash Flow 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 (such as unusual gains and losses, fluctuations in foreign currency exchange rates, the impact and timing of potential acquisitions or divestitures and the timing and potential significance of tax considerations), information reconciling forward-looking EBITDA, Adjusted EBITDA and Divisional EBITDA as presented to GAAP financial measures is generally not available without unreasonable effort. The presented non-GAAP measures may not be the same as those used by other companies. Quanex does not intend for this information to be considered in isolation or as a substitute for other measures prepared in accordance with U.S. GAAP.



Quanex At-A-Glance

Industry Leading, “Pure Play” Building Products Manufacturer

- Quanex is the **largest supplier** of components to OEMs in the building products sector
 - OEMs’ customer base predominately focused on serving **new construction and R&R markets**
- **Manufacturing Facilities:**
 - 34 locations (~3.4 million sq. ft.)
 - Sufficient capacity for growth
- **Key Financials:**
 - FY 2017 Net Sales: \$857.1 Million ⁽¹⁾
 - Leverage Ratio as of 10.31.17 ⁽²⁾: 2.3x
- **Corporate Headquarters:** Houston, TX
- **Employees:** ~4,000
- **Fiscal Year-End:** October 31
- **NYSE Ticker:** NX
- **Market Cap as of 1.4.18:** ~\$800 Million



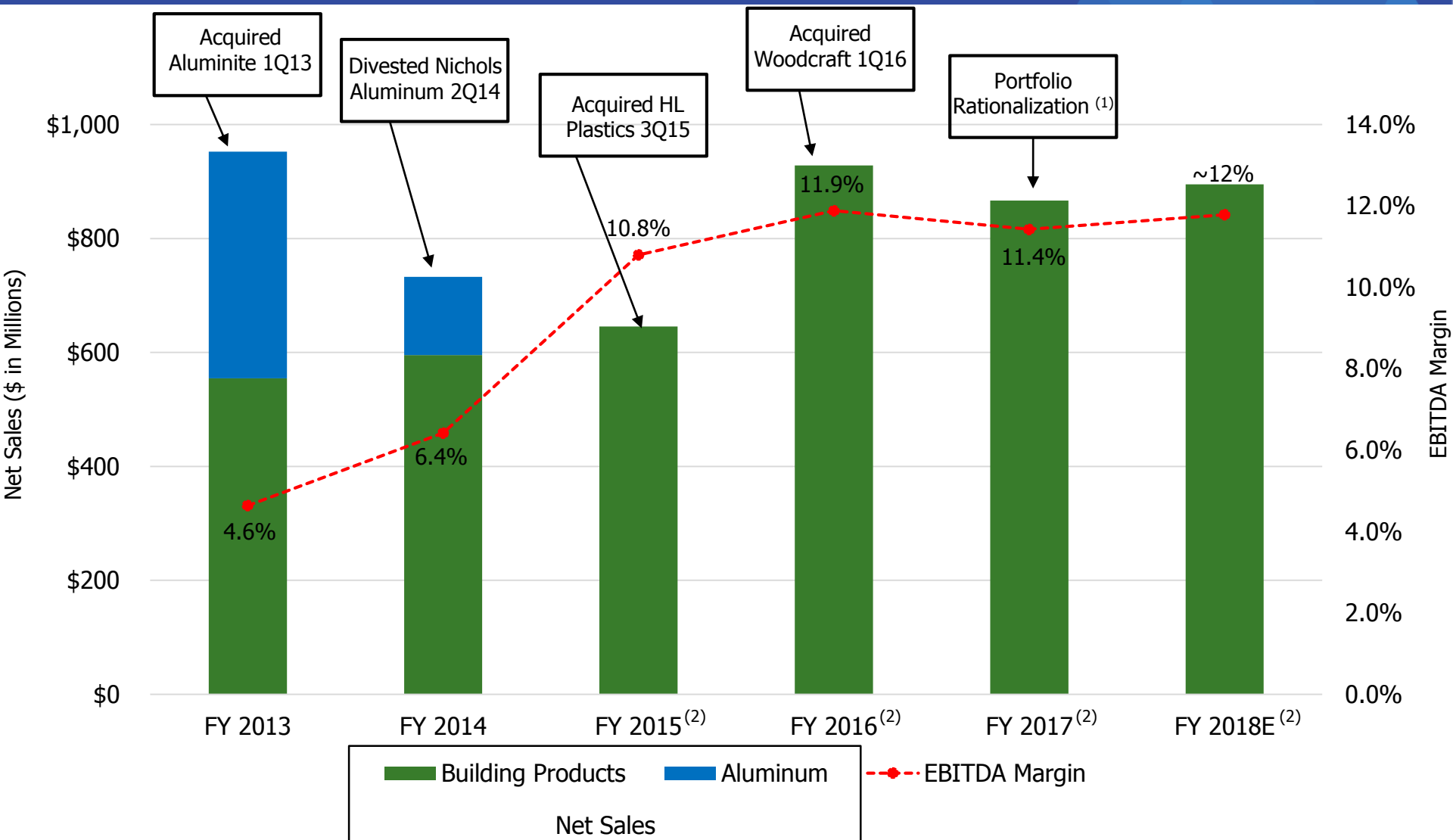
(1) Adjusted for the sale of Owens Flooring effective 10.31.17.

(2) Leverage Ratio is defined as net debt/LTM Adjusted EBITDA.



Evolution of Quanex

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



(1) Eliminated ~\$80 million of low margin business, divested Owens Flooring, consolidated facilities and redeployed assets to position Quanex for future growth and margin expansion.

(2) EBITDA adjusted to exclude non-recurring items (Adjusted EBITDA).



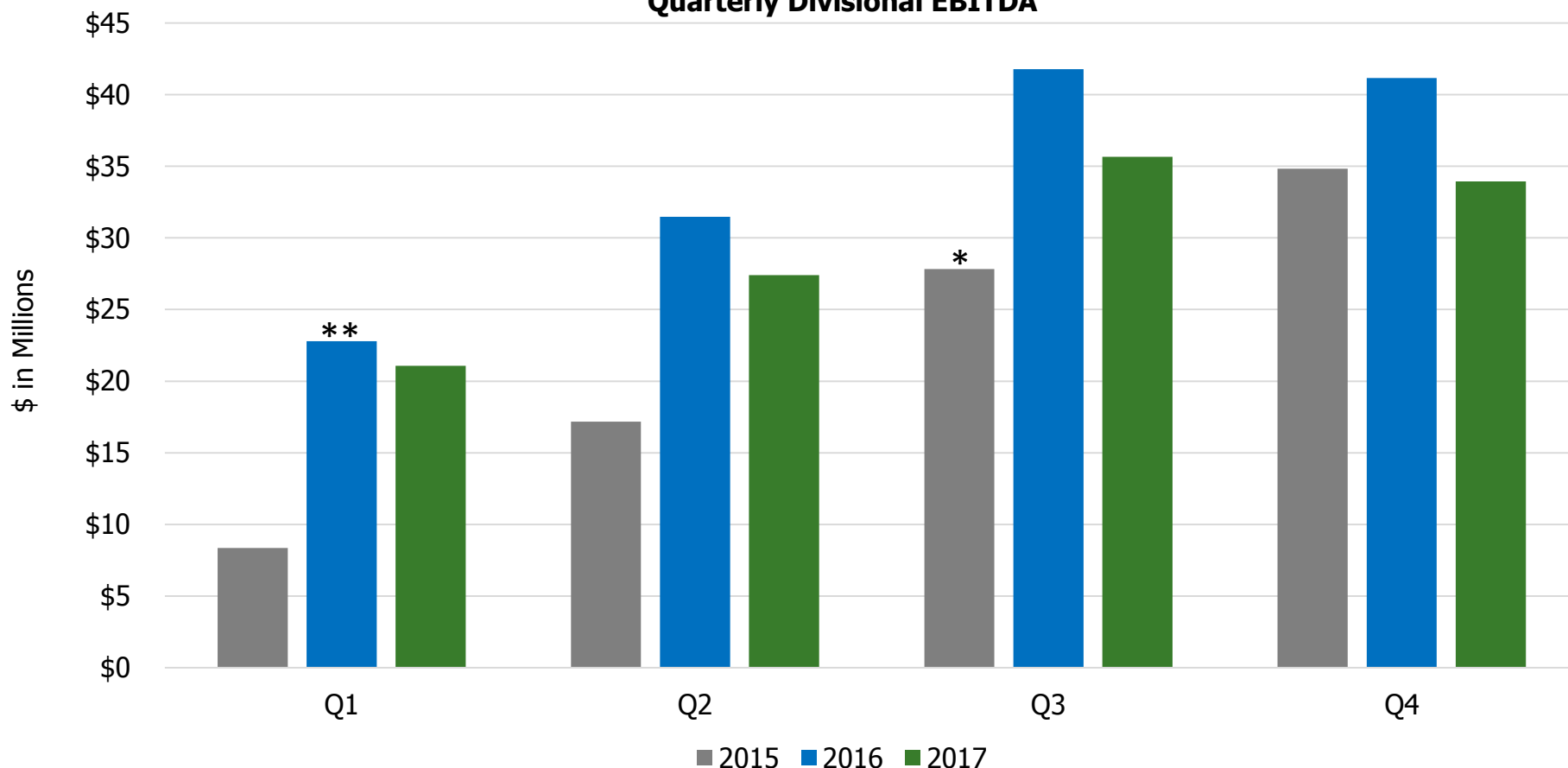
Seasonality

Fiscal 2H Historically Stronger

1st Half
2018E ~35% Annual Divisional EBITDA

2nd Half
2018E ~65% Annual Divisional EBITDA

Quarterly Divisional EBITDA



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 (3Q15).

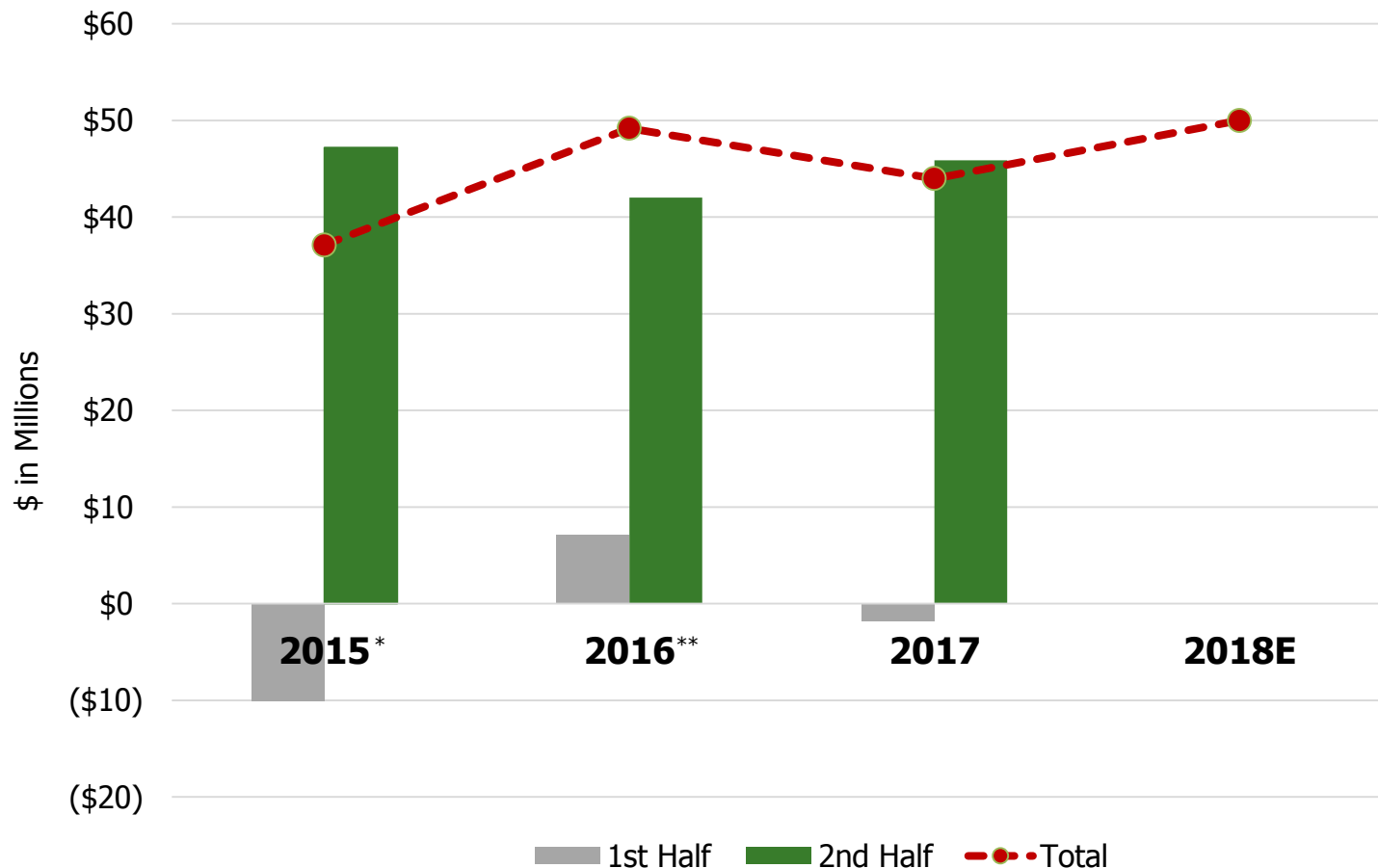
**Includes the impact of Woodcraft acquisition from the date of acquisition (1Q16).



Favorable Free Cash Flow Trend – 2H Weighted

Continuing to Improve Free Cash Flow Profile is Top Priority

Free Cash Flow History & Forecast ⁽¹⁾



(1) Free cash flow defined as cash provided by operations less capital expenditures.

*Includes the impact of HL Plastics acquisition from the date of acquisition (3Q15).

**Includes the impact of Woodcraft acquisition from the date of acquisition (1Q16).



Healthy Balance Sheet w/ Flexible Capital Structure

Remain Focused on Deleveraging

Capitalization (\$ in thousands)	NX 10.31.17
Cash & Cash Equivalents	\$17,455
Senior Secured Term Loan A Facility due 2021	138,750
Senior Secured Revolving Credit Facility due 2021 ⁽¹⁾	84,000
Capital Leases and Other	18,764
Total Debt	\$241,514
<i>Net Debt</i>	<i>\$224,059</i>
Stockholders' Equity	406,847
Total Capitalization	\$648,361
Borrowing Base	300,000
Less: Borrowings Against Revolving Credit Facility	84,000
Plus: Cash	17,455
Total Liquidity	\$233,455
Net Debt/LTM Adj. EBITDA ⁽²⁾	2.3x

Current Interest Rate:
LIBOR +200bps

Ample Capacity
on Revolver

Expect Leverage
Ratio <2.0x by
Year-End 2018




(1) Excludes \$5.3 million in outstanding letters of credit.

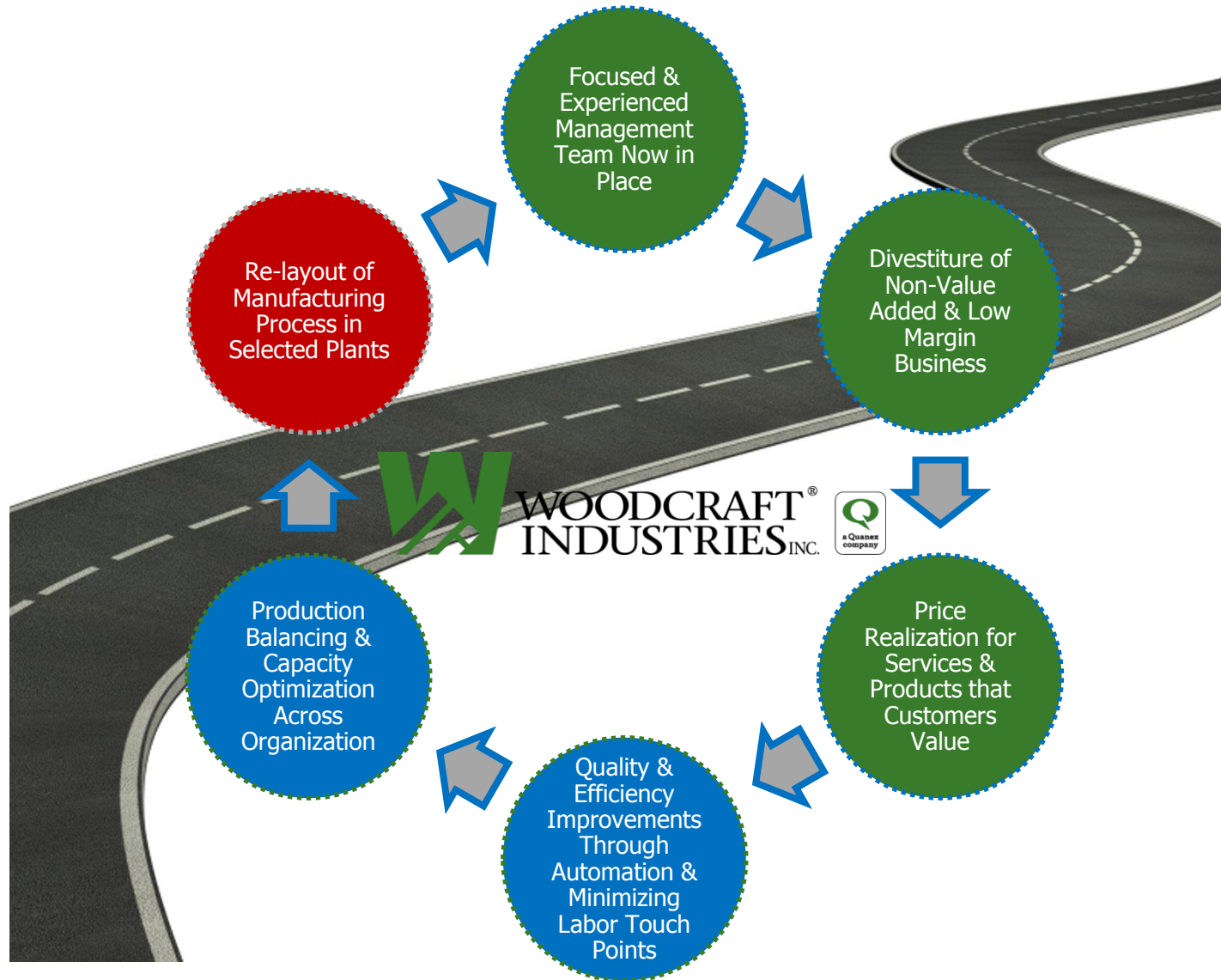
(2) LTM Adjusted EBITDA excludes non-recurring items referenced in Safe Harbor Statement on slide 2.



Roadmap to Margin Expansion

N.A. Cabinet Components Segment

-  Complete
-  Ongoing
-  2018





Strategic Priorities to Drive and Unlock Value

Strategic Themes	
Continued Margin Expansion and Improved Cash Flow Generation	Organic Growth with Profitable Customers/Products
Top Priorities	
~15% EBITDA Margins & ROIC >12%	Top Line Growth
<ul style="list-style-type: none">▪ Accelerate productivity improvements and automation implementation▪ Maintain tight control on working capital management and capex spend▪ Reduce future cash interest expense by paying down debt further▪ Continue to focus on employee safety and retention	<ul style="list-style-type: none">▪ Market growth of ~4-5% per year▪ Potential for above market growth:<ul style="list-style-type: none">▪ Increased outsourcing▪ High-speed IG lines



Guidance

(\$ in million)	Fiscal 2018E
Net Sales	\$890 - \$900
Adjusted EBITDA	\$103 - \$108
Capex	~\$35
Tax Rate ⁽²⁾	~25%

Topline Growth
~4.5% Y/Y to
the Midpoint of
Guidance ⁽¹⁾

Margin
Expansion
~30bps Y/Y to
the Midpoint of
Guidance

(1) Y/Y net sales growth calculated after adjusting for the sale of Owens Flooring effective 10.31.17.

(2) Recent change in U.S. corporate tax rate to 21% should result in a one-time discrete benefit of ~\$3 million to the P&L in 2018, which should reduce the Company's effective tax rate to ~25% from 31% for fiscal 2018. The corporate tax rate change goes into effect for tax years beginning after 1/1/18, so Quanex will not realize the cash flow benefit of lower cash taxes until fiscal 2019.

~\$3 Million One-Time Discrete
Benefit to P&L Expected in 2018
Associated w/ Corporate Tax Rate
Change in the U.S. to 21%



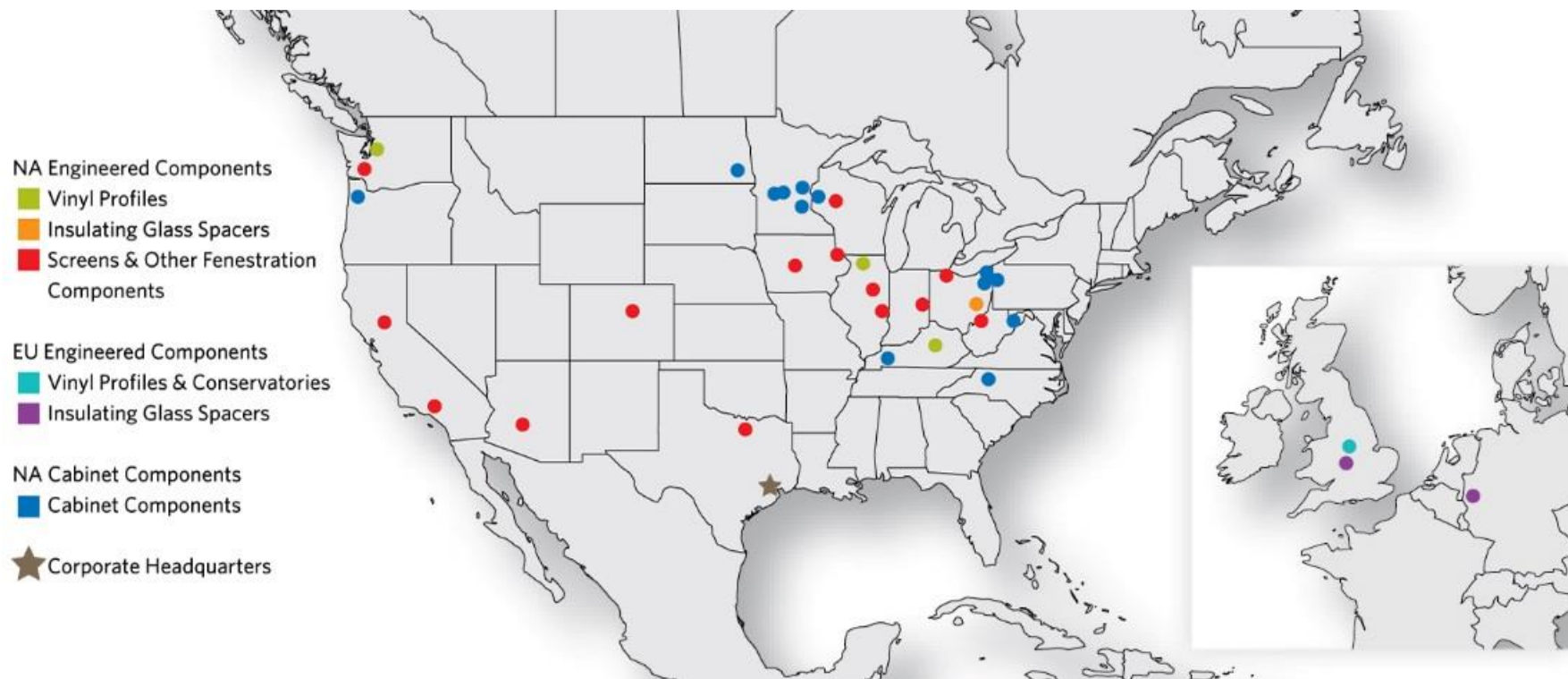
Appendix



Geographic Footprint

Facilities Strategically Located to Better Serve Customers

- 31 facilities located in the U.S., 2 facilities in the U.K. and 1 facility in Germany
 - Facilities feature efficient plant design and flexible manufacturing processes, enabling Quanex to produce a wide variety of custom engineered products and components
 - Quanex maintains minimal levels of finished goods inventories at most locations as products are typically made to order for just-in-time (JIT) delivery

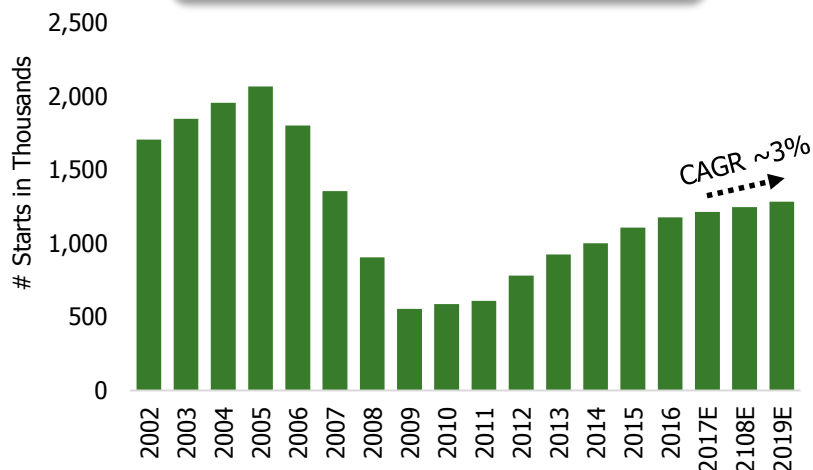




Compelling End Market Dynamics

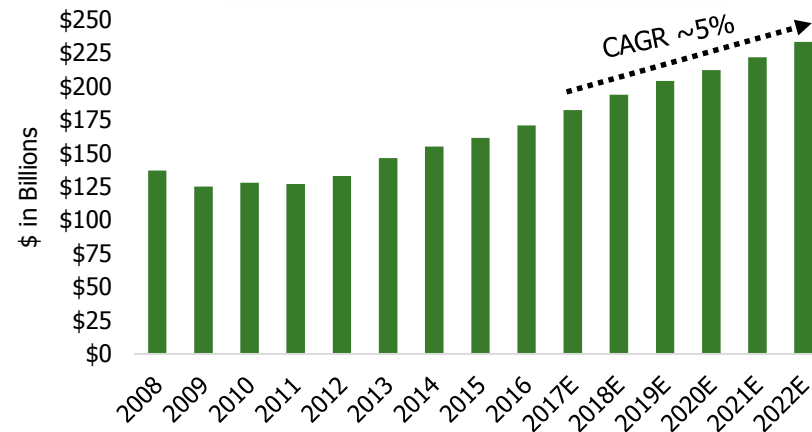
Expect Mid-Single Digit Market Growth For Foreseeable Future

U.S. Housing Starts



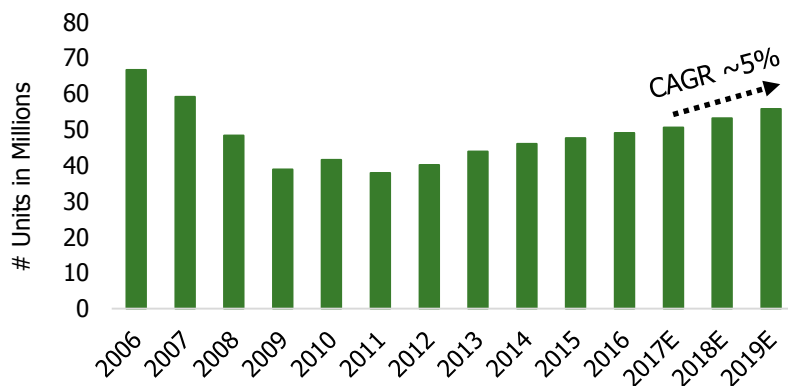
Source: NAHB - Dec 2017

U.S. R&R Spending



Source: Metrostudy (a Hanley-Wood company) - Jan 2018

U.S. Window Shipments



Source: Ducker Worldwide - Nov 2017

U.S. Kitchen Cabinet Market



■ Semi-Custom

Source: Catalina- Dec 2017



Executive Compensation

- Performance-based compensation philosophy (~73% variable)
 - Base salary targeted at market 50th percentile (~27% of Total Direct Compensation (TDC))
 - Annual incentive award based on specific metrics (~21% of TDC)
 - Long-term incentives (~52% of TDC)
- Annual Incentive Award
 - 100% weighting on Modified Free Cash Flow (EBITDA + Net Change in AR/Inv/AP – Capex)
- Long-Term Incentive (~75% performance based - shareholder alignment)
 - Performance Shares: 50% weighting
 - 50% based on EPS growth
 - 50% based on Relative Total Shareholder Return (RTSR)
 - Return on Invested Capital (ROIC) improvement modifier added in 2017 to encourage good capital deployment
 - Payout 50% cash/50% common stock
 - Performance Restricted Stock Units: 25% weighting
 - Final payout based on Absolute Total Shareholder Return (ATSR)
 - Payout 100% common stock
 - Restricted Stock: 25% weighting
- Shareholder approval of ~97%+ since implementing Say-on-Pay

GAAP/Non-GAAP Reconciliation (Unaudited)

Net Income from Continuing Operations to Divisional EBITDA

(\$ in thousands)	Q1	Q2	Q3*	Q4	Fiscal 2015	Q1**	Q2	Q3	Q4	Fiscal 2016
Net income (loss) from continuing operations	\$621	\$6,487	\$12,674	\$17,663	\$37,443	\$4,434	\$13,284	\$20,046	\$19,241	\$57,005
Interest expense	17	22	81	15	135	147	26	65	66	304
Income tax expense (benefit)	(190)	2,908	6,716	6,798	16,234	2,859	5,245	6,270	(5,506)	8,868
Depreciation and amortization	7,723	7,638	8,310	10,260	33,931	12,811	13,672	12,838	13,264	52,585
Asset impairment charge	-	-	-	-	-	-	-	-	12,602	12,602
Other, net	182	123	51	86	442	2,529	(762)	2,553	1,501	5,821
Div. EBITDA	\$8,353	\$17,178	\$27,832	\$34,822	\$88,185	\$22,780	\$31,465	\$41,772	\$41,168	\$137,185

(\$ in thousands)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Fiscal 2017
Net income (loss) from continuing operations	\$4,859	\$9,725	\$15,126	\$17,359	\$47,069
Interest expense	70	194	218	196	678
Income tax expense (benefit)	1,511	3,253	6,749	3,038	14,551
Depreciation and amortization	15,268	14,240	13,778	13,664	56,950
Asset impairment charge	-	-	-	-	-
Other, net	(633)	(11)	(218)	(322)	(1,184)
Div. EBITDA	\$21,075	\$27,401	\$35,653	\$33,935	\$118,064

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

*Includes the impact of HL Plastics acquisition from the date of acquisition (3Q15).

**Includes the impact of Woodcraft acquisition from the date of acquisition (1Q16).



Investor Contact:

Scott Zuehlke – VP, Investor Relations & Treasurer
1800 West Loop South, Suite 1500
Houston, TX 77027
(713) 877-5327
scott.zuehlke@quanex.com