



Investor Presentation

June 2020

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 following: impacts from public health issues (including pandemics, such as the recent COVID-19 pandemic) on the economy and the demand for Quanex’s products, 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 discussed 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, 2019, and Quanex’s Quarterly Reports on Form 10-Q 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 the Company undertakes no obligation to update or revise any forward-looking statements to reflect new information or events.

Note on Non-GAAP Financial Measures: Adjusted Net Income (Loss) (defined as net income further adjusted to exclude purchase price accounting inventory step-ups, transaction costs, certain severance charges, gain/loss on the sale of fixed assets, restructuring charges, asset impairment charges, other net adjustments related to foreign currency transaction gain/loss and effective tax rates reflecting impacts of adjustments on a with and without basis) and 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) are non-GAAP financial measures 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, certain severance charges, gain/loss on the sale of fixed assets, restructuring charges and asset impairment charges. Free Cash Flow is a non-GAAP measure calculated using cash provided by operating activities less capital expenditures. Free Cash Flow is measured before application of certain contractual commitments (including capital lease obligations), and accordingly is not a true measure of the Company’s residual cash flow available for discretionary expenditures. Quanex believes these non-GAAP measures provide a consistent basis for comparison between periods, and will assist investors in understanding the Company’s financial performance when comparing our results to other investment opportunities. While Quanex considers Adjusted Net Income, EBITDA, Adjusted 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 Adjusted 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. The Company 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.

COVID-19 Update

STRONG BALANCE SHEET & LIQUIDITY = WELL PREPARED TO WEATHER THE STORM

Actions To Date

- Withdrew 2020 guidance
- Borrowed \$50M on Revolver
- Setup intercompany loan agreements
- Implemented furloughs
- Reduced shift patterns
- Suspended near-term non-essential capex
- Focused on managing working capital

Current State

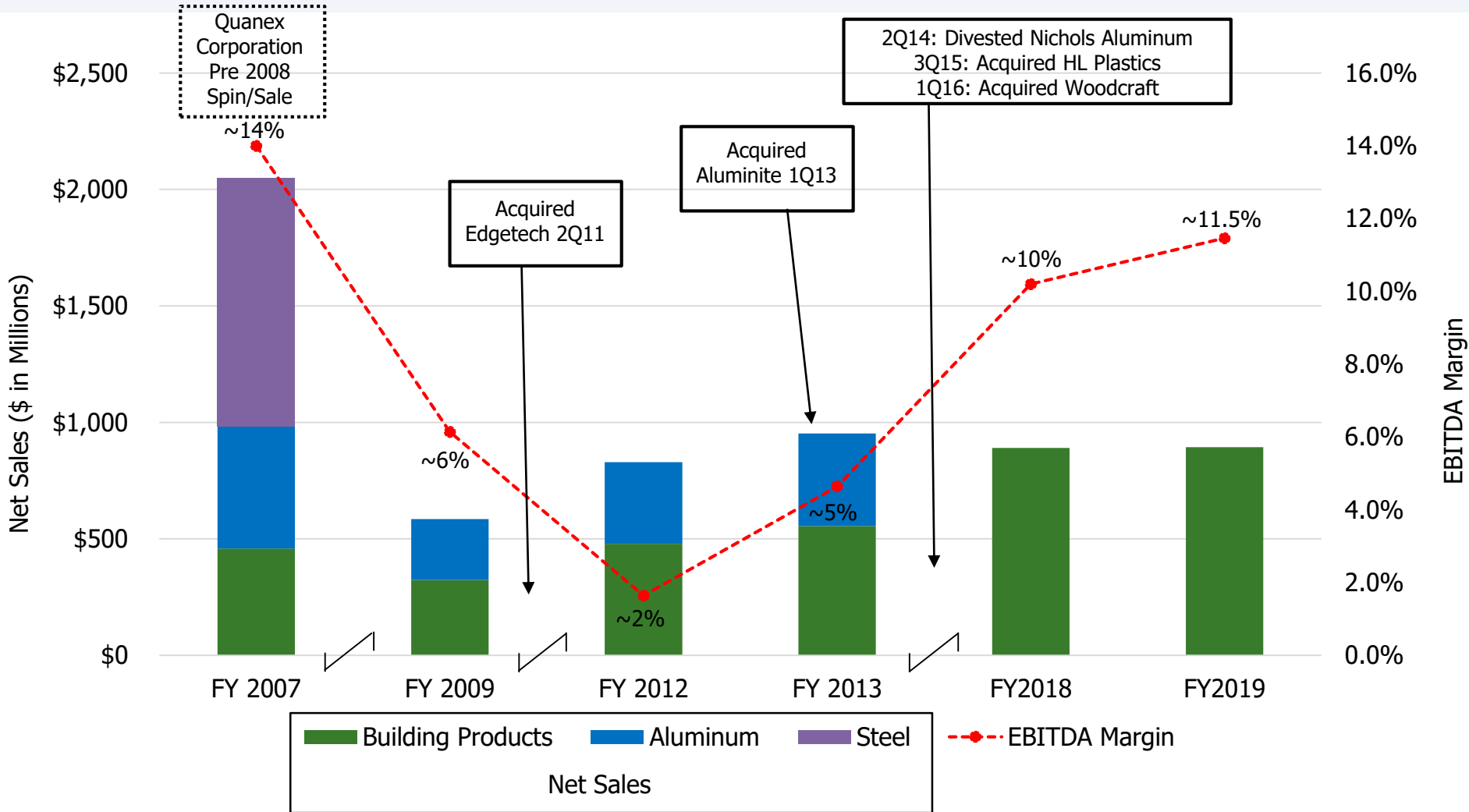
- All plants up and running
- Started recalling furloughed employees
- Balance sheet & liquidity strong
- Dividend currently safe
- Demand steadily increasing

Outlook

- Challenges persist in near-term
- Management optimistic about recovery
- Focus on generating cash
- Maintain healthy balance sheet
- Well positioned to take advantage of opportunities

Evolution of Quanex

SIGNIFICANT IMPROVEMENT IN PROFITABILITY



Note: EBITDA adjusted to exclude non-recurring items referenced in Safe Harbor Statement on slide 2.

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 is predominately focused on serving **new construction and R&R markets**

MANUFACTURING FACILITIES

- 31 locations (~3 million sq. ft.)
- Sufficient capacity for growth

KEY LTM FINANCIALS

- Net Sales: \$862.9 Million
- Net Loss: \$13.6 Million⁽¹⁾
- Adjusted Net Income: \$35.3 Million
- Adjusted EBITDA: \$104.7 Million⁽²⁾
- Cash Provided by Operating Activities: \$98.7 Million
- Free Cash Flow: \$70.5 Million⁽³⁾

CORPORATE HEADQUARTERS

Houston, Texas

EMPLOYEES

~4,000

~60%
NA FENESTRATION
(~60% R&R)

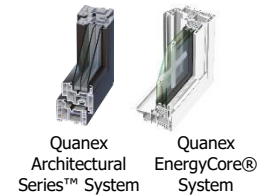
IG SPACERS



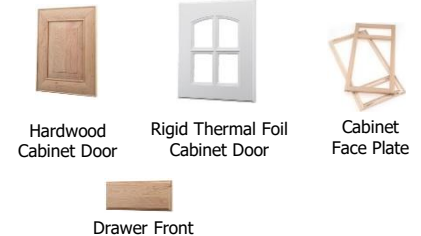
SCREENS & OTHER



VINYL PROFILES



~20%
NA CABINET COMPONENTS
(~70% R&R)



~20%
EU FENESTRATION
(~95% R&R)

VINYL PROFILES



IG SPACERS



Conservatory Roof Systems

(1) Includes a \$74.6 million non-cash goodwill impairment in the North American Cabinet Components segment.

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

(3) Free Cash Flow is defined as cash provided by operating activities less capital expenditures. Free Cash Flow is measured before application of certain contractual commitments (including capital lease obligations), and accordingly is not a true measure of the Company's residual cash flow available for discretionary expenditures.

Geographic Footprint

FACILITIES STRATEGICALLY LOCATED TO BETTER SERVE CUSTOMERS

28

U.S.

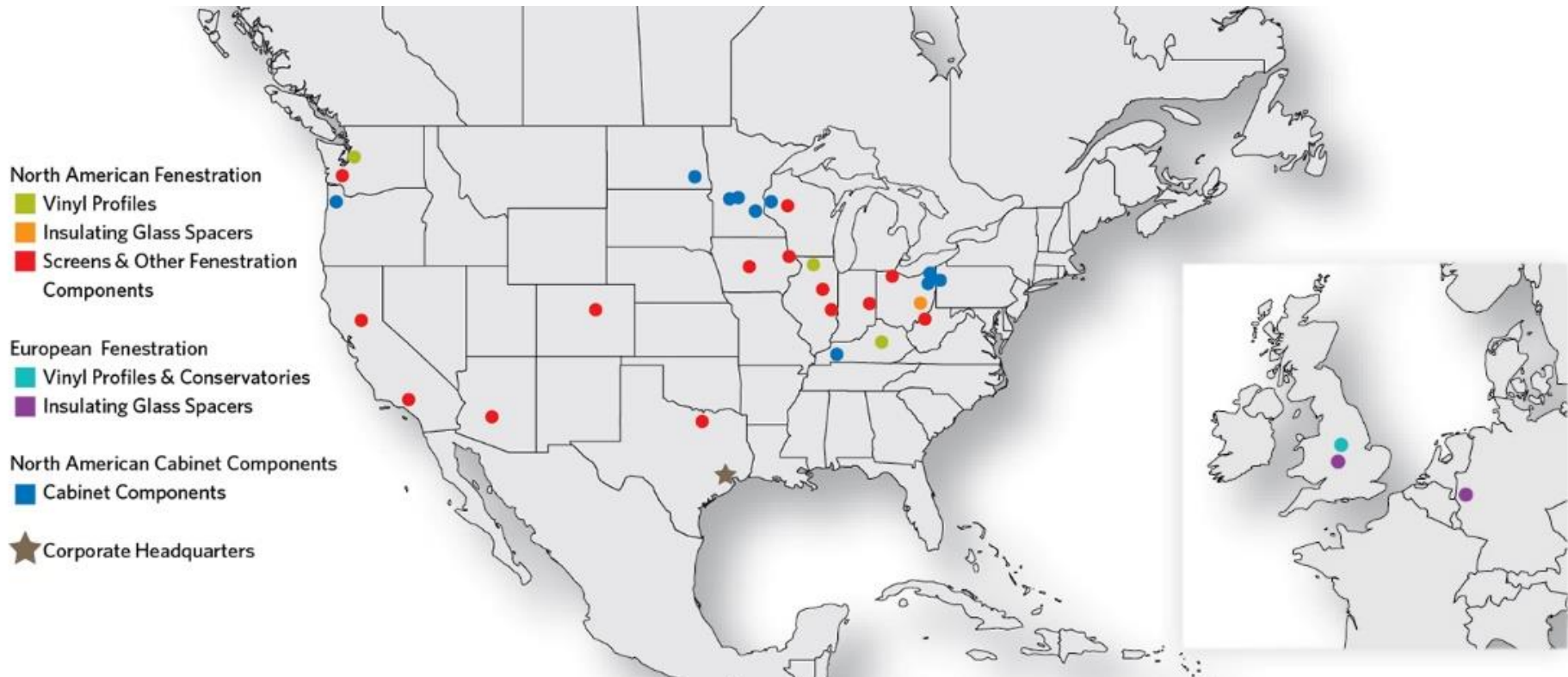
2

U.K.

1

Germany

- Facilities feature efficient plant design and flexible manufacturing processes, enabling Quanex to produce a wide variety of custom engineered products and components with short lead times
- Quanex maintains minimal levels of finished goods inventories at most locations as products are typically made to order for just-in-time (JIT) delivery



Solid Balance Sheet with Flexible Capital Structure

AMPLE LIQUIDITY

	NX
Capitalization (\$ in thousands)	4.30.20
Cash & Cash Equivalents	\$80,252
Senior Secured Revolving Credit Facility due 2023 ⁽¹⁾	216,000
Finance/Capital Leases and Other	15,416
Total Debt	\$231,416
<i>Net Debt</i>	<i>\$151,164</i>
Stockholders' Equity	323,957
Total Capitalization	\$555,373
Borrowing Base ⁽¹⁾	325,000
Less: Borrowings Against Revolving Credit Facility	216,000
Plus: Cash	80,252
Total Liquidity	\$189,252
Net Debt/LTM Adj. EBITDA ⁽²⁾	1.4x

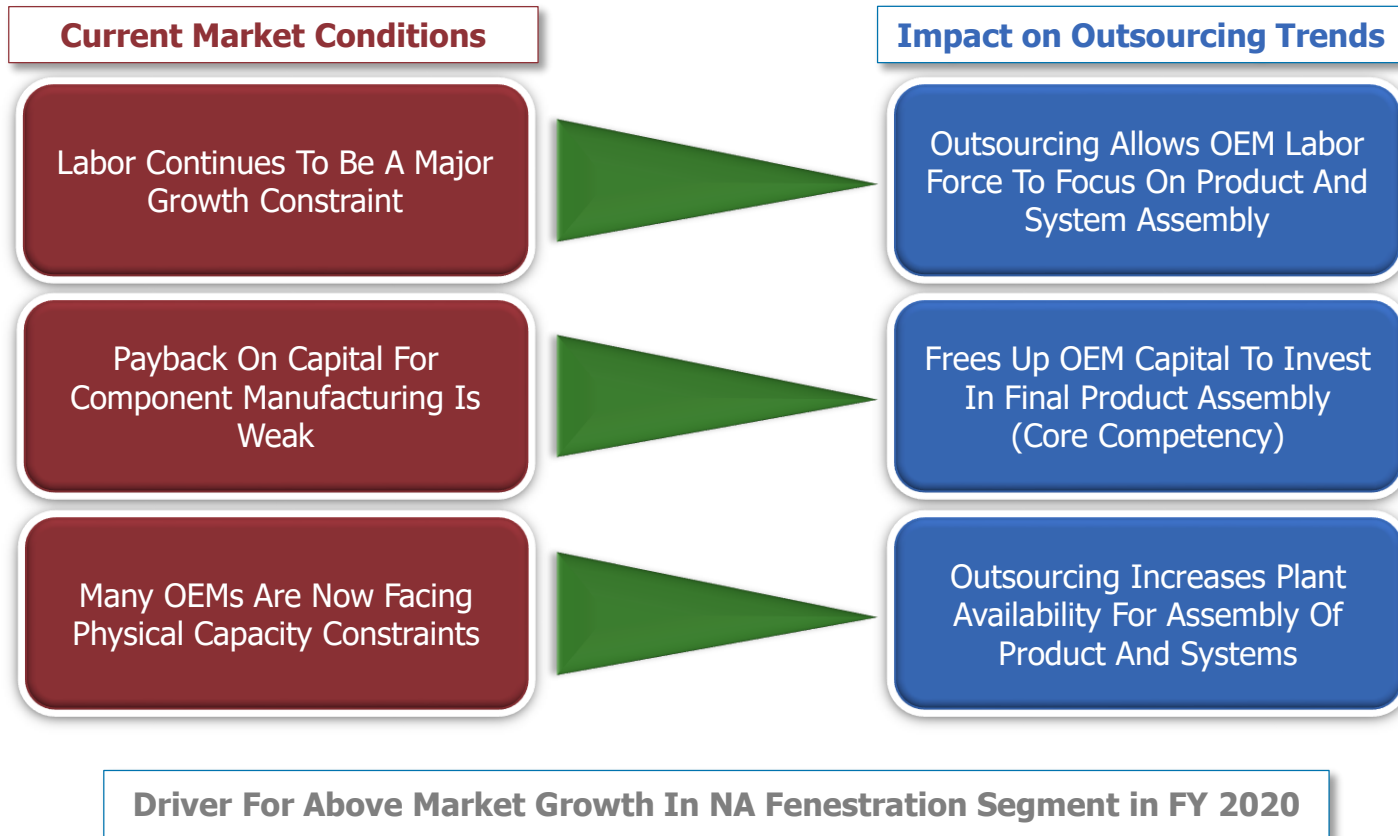
(1) Excludes outstanding letters of credit.

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

Outsourcing Trends to Benefit Quanex

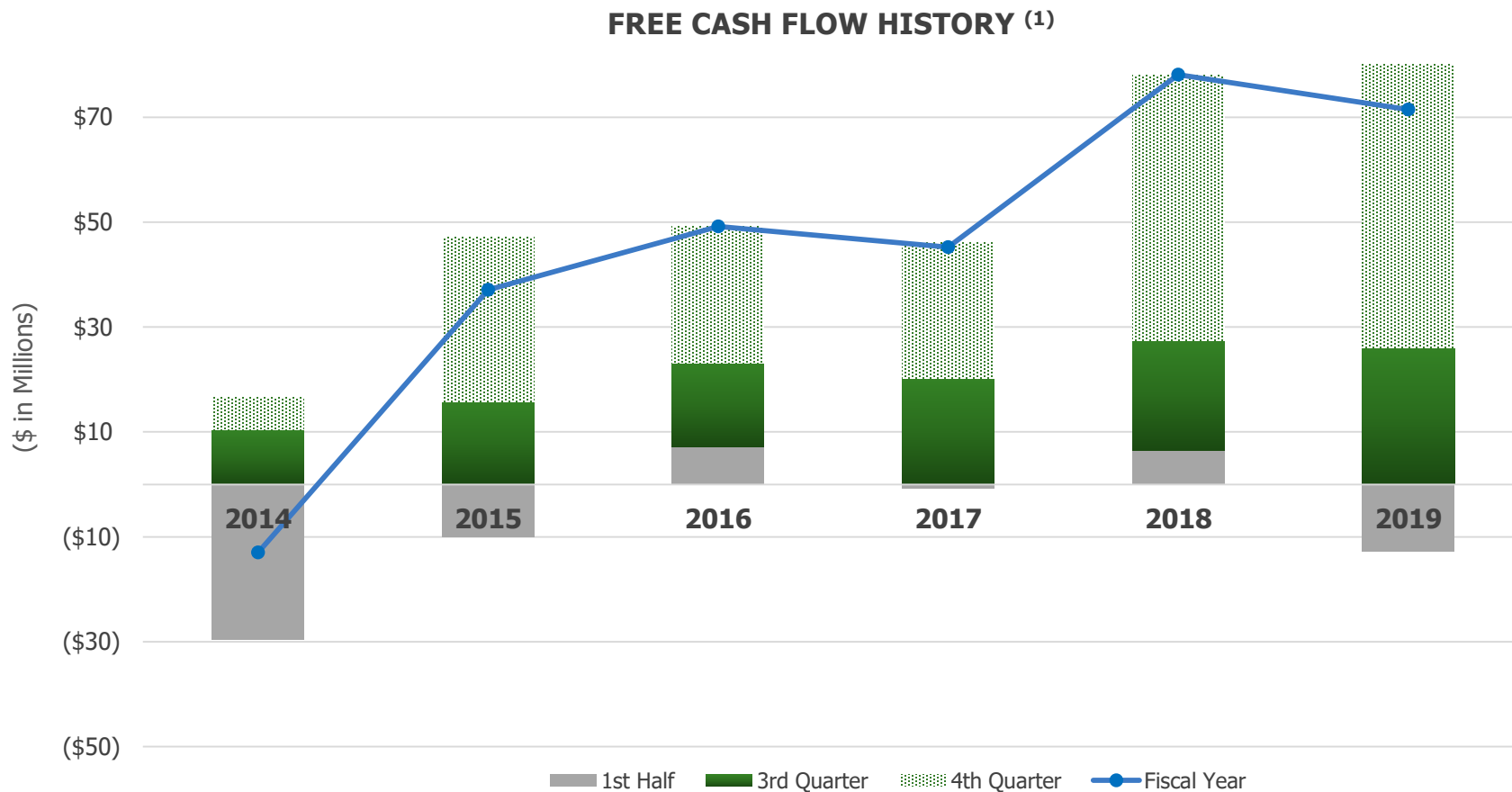
DOMESTIC WINDOW OEMs ANTICIPATED TO FAVOR COMPONENT OUTSOURCING GOING FORWARD

Rationale for Expected Growth in Outsourcing Includes:



Favorable Free Cash Flow Trend – 2H Weighted

FREE CASH FLOW GENERATION IS TOP PRIORITY



Note: Please reference slide 12 in the Appendix for a reconciliation of Cash provided by operating activities to Free Cash Flow.

1) Free Cash Flow is defined as cash provided by operating activities less capital expenditures. Free Cash Flow is measured before application of certain contractual commitments (including capital lease obligations), and accordingly is not a true measure of the Company's residual cash flow available for discretionary expenditures.

Quanex: A Compelling Investment Opportunity

EXECUTING ON STRATEGIC PRIORITIES TO DRIVE SHAREHOLDER VALUE CREATION

- ✓ Favorable components outsourcing trend supports opportunity to drive above market growth in key categories
- ✓ Solid balance sheet...Leverage Ratio⁽¹⁾ of 1.4x as of 4.30.20
- ✓ Delivering strong annual free cash flow
- ✓ Quarterly cash dividend of \$0.08/share (~2% dividend yield)
- ✓ ~\$12 million remaining under existing share repurchase program as of 4/30/20
- ✓ Well prepared to weather the COVID-19 pandemic challenges

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

APPENDIX

GAAP/Non-GAAP Reconciliation (Unaudited)

FREE CASH FLOW

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2014
Cash provided by operating activities	(\$11,484)	\$461	\$20,777	\$11,024	\$20,778
Capital expenditures	(\$6,748)	(\$11,849)	(\$10,429)	(\$4,753)	(\$33,779)
Free Cash Flow	(\$18,232)	(\$11,388)	\$10,348	\$6,271	(\$13,001)

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2015
Cash provided by operating activities	(\$5,747)	\$9,055	\$24,241	\$39,538	\$67,087
Capital expenditures	(\$7,321)	(\$6,060)	(\$8,537)	(\$8,064)	(\$29,982)
Free Cash Flow	(\$13,068)	\$2,995	\$15,704	\$31,474	\$37,105

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2016
Cash provided by operating activities	\$779	\$23,809	\$24,470	\$37,360	\$86,418
Capital expenditures	(\$8,652)	(\$8,767)	(\$8,519)	(\$11,305)	(\$37,243)
Free Cash Flow	(\$7,873)	\$15,042	\$15,951	\$26,055	\$49,175

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2017
Cash provided by operating activities	\$3,081	\$13,648	\$29,736	\$33,313	\$79,778
Capital expenditures	(\$8,141)	(\$9,409)	(\$9,548)	(\$7,466)	(\$34,564)
Free Cash Flow	(\$5,060)	\$4,239	\$20,188	\$25,847	\$45,214

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2018
Cash provided by operating activities	\$8,192	\$13,423	\$26,838	\$56,916	\$105,369
Capital expenditures	(\$7,811)	(\$7,402)	(\$5,885)	(\$6,144)	(\$27,242)
Free Cash Flow	\$381	\$6,021	\$20,953	\$50,772	\$78,127

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2019
Cash provided by operating activities	(\$20,243)	\$20,386	\$29,893	\$66,336	\$96,372
Capital expenditures	(\$6,271)	(\$6,751)	(\$3,962)	(\$7,899)	(\$24,883)
Free Cash Flow	(\$26,514)	\$13,635	\$25,931	\$58,437	\$71,489

GAAP/Non-GAAP Reconciliation (Unaudited)

ADJUSTED NET INCOME & ADJUSTED EBITDA

Reconciliation of Adjusted Net Income and Adjusted EPS

	Three Months Ended April 30, 2020	Three Months Ended January 31, 2020	Three Months Ended October 31, 2019	Three Months Ended July 31, 2019	Total
	Net Income				
Net income (loss) as reported	\$ 5,501	\$ 10	\$ (30,948)	\$ 11,841	\$ (13,596)
Reconciling items from below	890	1,216	44,963	1,809	48,878
Adjusted net income and adjusted EPS	<u>\$ 6,391</u>	<u>\$ 1,226</u>	<u>\$ 14,015</u>	<u>\$ 13,650</u>	<u>\$ 35,282</u>

Reconciliation of Adjusted EBITDA

	Three Months Ended April 30, 2020	Three Months Ended January 31, 2020	Three Months Ended October 31, 2019	Three Months Ended July 31, 2019	Total
	Reconciliation				
Net income (loss) as reported	\$ 5,501	\$ 10	\$ (30,948)	\$ 11,841	\$ (13,596)
Income tax expense	2,129	424	4,850	4,958	12,361
Other, net	(300)	(36)	345	(259)	(250)
Interest expense	1,563	1,582	2,029	2,570	7,744
Depreciation and amortization	11,886	12,905	12,428	12,182	49,401
EBITDA	20,779	14,885	(11,296)	31,292	55,660
Reconciling items from below	1,031	771	45,727	1,495	49,024
Adjusted EBITDA	<u>\$ 21,810</u>	<u>\$ 15,656</u>	<u>\$ 34,431</u>	<u>\$ 32,787</u>	<u>\$ 104,684</u>

Reconciling Items

	Three Months Ended April 30, 2020		Three Months Ended January 31, 2020		Three Months Ended October 31, 2019		Three Months Ended July 31, 2019		Total	
	Income Statement	Reconciling Items	Income Statement	Reconciling Items	Income Statement	Reconciling Items	Income Statement	Reconciling Items	Income Statement	Reconciling Items
Net sales	\$ 187,475	\$ -	\$ 196,597	\$ -	\$ 240,369	\$ -	\$ 238,461	\$ -	\$ 862,902	\$ -
Cost of sales	149,732	-	157,427	-	183,128	-	181,357	-	671,644	-
Selling, general and administrative	16,713	(780) ⁽¹⁾	24,132	(618) ⁽¹⁾	23,826	(1,016) ⁽¹⁾	25,718	(1,401) ⁽¹⁾	90,389	(3,815) ⁽¹⁾
Restructuring charges	251	(251) ⁽²⁾	153	(153) ⁽²⁾	89	(89) ⁽²⁾	94	(94) ⁽²⁾	587	(587) ⁽²⁾
Asset impairment charges	-	-	-	-	44,622	(44,622) ⁽³⁾	-	-	44,622	(44,622) ⁽³⁾
EBITDA	20,779	1,031	14,885	771	(11,296)	45,727	31,292	1,495	55,660	49,024
Depreciation and amortization	11,886	(237) ⁽⁴⁾	12,905	(731) ⁽⁴⁾	12,428	(192) ⁽⁴⁾	12,182	-	49,401	(1,160) ⁽⁴⁾
Operating income (loss)	8,893	1,268	1,980	1,502	(23,724)	45,919	19,110	1,495	6,259	50,184
Interest expense	(1,563)	-	(1,582)	-	(2,029)	-	(2,570)	-	(7,744)	-
Other, net	300	(128) ⁽⁵⁾	36	60 ⁽⁵⁾	(345)	451 ⁽⁵⁾	259	(112) ⁽⁵⁾	250	271 ⁽⁵⁾
Income (loss) before income taxes	7,630	1,140	434	1,562	(26,098)	46,370	16,799	1,383	(1,235)	50,455
Income tax expense	(2,129)	(250) ⁽⁶⁾	(424)	(346) ⁽⁶⁾	(4,850)	(1,407) ⁽⁶⁾	(4,958)	426 ⁽⁶⁾	(12,361)	(1,577) ⁽⁶⁾
Net income (loss)	<u>\$ 5,501</u>	<u>\$ 890</u>	<u>\$ 10</u>	<u>\$ 1,216</u>	<u>\$ (30,948)</u>	<u>\$ 44,963</u>	<u>\$ 11,841</u>	<u>\$ 1,809</u>	<u>\$ (13,596)</u>	<u>\$ 48,878</u>

(1) Transaction and advisory fees, executive severance charges, and/or severance charges related to a reorganization.

(2) Restructuring charges relate to the closure of manufacturing plant facilities.

(3) Asset impairment charges relate to goodwill impairment in the North American Cabinet Components segment.

(4) Accelerated depreciation for certain projects and/or plant closures.

(5) Foreign currency transaction impacts.

(6) Impact on a with and without basis.

Executive Compensation

ALIGNED WITH SHAREHOLDERS

Performance-based compensation philosophy at target

- Base salary targeted at market 50th percentile
- Annual incentive award based on specific metrics
- Long-term incentives as referenced below

2020 Annual Incentive Award

- 20% weighting on Revenue growth
- 40% weighting on EBITDA growth
- 40% weighting on working capital as a percentage of revenue

2020 Long-Term Incentive (~70% performance based - shareholder alignment)

- Performance Shares: 40% weighting (3-year performance period)
 - 100% Return on Net Assets (RONA)
 - Payout 100% cash
- Performance Restricted Stock Units: 30% weighting (3-year performance period)
 - Final payout based on Absolute Total Shareholder Return (ATSR)
 - Payout 100% common stock
- Restricted Stock: 30% weighting

Shareholder approval of ~97%+ since implementing Say-on-Pay

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