UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2024
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number 1-33913

QUANEX BUILDING PRODUCTS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**26-1561397**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

945 Bunker Hill Road, Suite 900, Houston, Texas 77024
(Address of principal executive offices and zip code)
Registrant’s telephone number, including area code: (713) 961-4600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	NX	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

The number of shares outstanding of the registrant's Common Stock as of May 31, 2024 was 33,112,593.

QUANEX BUILDING PRODUCTS CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	April 30, 2024	October 31, 2023
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 56,149	$ 58,474
Accounts receivable, net of allowance for credit losses of $198 and $843	87,078	97,311
Inventories	101,446	97,959
Income taxes receivable	6,054	8,298
Prepaid and other current assets	12,776	11,558
Total current assets	263,503	273,600
Property, plant and equipment, net of accumulated depreciation of $381,366 and $368,763	252,857	250,664
Operating lease right-of-use assets	65,019	46,620
Goodwill	184,481	182,956
Intangible assets, net	68,667	74,115
Other assets	2,686	3,188
Total assets	$ 837,213	$ 831,143
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 60,615	$ 74,371
Accrued liabilities	48,851	50,319
Income taxes payable	—	384
Current maturities of long-term debt	2,632	2,365
Current operating lease liabilities	6,433	7,224
Total current liabilities	118,531	134,663
Long-term debt	51,549	66,435
Noncurrent operating lease liabilities	59,965	40,361
Deferred income taxes	29,280	29,133
Other liabilities	11,766	14,997
Total liabilities	271,091	285,589
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock, no par value, shares authorized 1,000,000; issued and outstanding - none	—	—
Common stock, $0.01 par value, shares authorized 125,000,000; issued 37,127,024 and 37,176,958, respectively; outstanding 33,111,593 and 33,011,119, respectively	371	372
Additional paid-in-capital	249,502	251,576
Retained earnings	425,650	409,318
Accumulated other comprehensive loss	(34,631)	(38,141)
Less: Treasury stock at cost, 4,015,431 and 4,165,839 shares, respectively	(74,770)	(77,571)
Total stockholders’ equity	566,122	545,554
Total liabilities and stockholders' equity	$ 837,213	$ 831,143

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
	(In thousands, except per share amounts)			
Net sales	$ 266,201	$ 273,535	$ 505,356	$ 535,451
Cost and expenses:				
Cost of sales (excluding depreciation and amortization)	199,963	206,372	387,686	416,521
Selling, general and administrative	34,707	27,371	67,070	64,115
Depreciation and amortization	10,894	10,456	22,046	21,076
Operating income	20,637	29,336	28,554	33,739
Non-operating (expense) income:				
Interest expense	(950)	(2,244)	(2,018)	(4,503)
Other, net	4	(29)	1,046	189
Income before income taxes	19,691	27,063	27,582	29,425
Income tax expense	(4,314)	(5,551)	(5,956)	(6,004)
Net income	$ 15,377	$ 21,512	$ 21,626	$ 23,421
Basic earnings per common share	$ 0.47	$ 0.65	$ 0.66	$ 0.71
Diluted earnings per common share	$ 0.46	$ 0.65	$ 0.65	$ 0.71
Weighted-average common shares outstanding:				
Basic	32,870	32,858	32,847	32,905
Diluted	33,103	33,017	33,076	33,070
Cash dividends per share	$ 0.08	$ 0.08	$ 0.16	$ 0.16

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
	(In thousands)			
Net income	15,377	21,512	$ 21,626	$ 23,421
Other comprehensive income:				
Foreign currency translation (loss) gain	(2,571)	3,082	3,510	14,454
Other comprehensive (expense) income	(2,571)	3,082	3,510	14,454
Comprehensive income	$ 12,806	$ 24,594	$ 25,136	$ 37,875

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended April 30,	
	2024	2023
	(In thousands)	
Operating activities:		
Net income	$ 21,626	$ 23,421
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	22,046	21,076
Stock-based compensation	1,365	1,398
Deferred income tax	(155)	97
Other, net	162	982
Changes in assets and liabilities:		
Decrease in accounts receivable	10,832	11,564
(Increase) decrease in inventory	(3,008)	14,799
Increase in other current assets	(1,124)	(1,746)
Decrease in accounts payable	(12,619)	(19,825)
Decrease in accrued liabilities	(4,602)	(14,407)
Decrease (increase) in income taxes receivable	1,856	(1,754)
Increase in deferred pension benefits	—	17
Increase in other long-term liabilities	9	1,808
Other, net	557	1,030
Cash provided by operating activities	36,945	38,460
Investing activities:		
Business acquisition	—	(91,302)
Capital expenditures	(17,183)	(15,074)
Proceeds from disposition of capital assets	93	101
Cash used for investing activities	(17,090)	(106,275)
Financing activities:		
Borrowings under credit facilities	—	102,000
Repayments of credit facility borrowings	(15,000)	(35,000)
Repayments of other long-term debt	(954)	(1,306)
Common stock dividends paid	(5,294)	(5,320)
Issuance of common stock	554	99
Payroll tax paid to settle shares forfeited upon vesting of stock	(1,193)	(567)
Purchase of treasury stock	—	(5,593)
Cash (used for) provided by financing activities	(21,887)	54,313
Effect of exchange rate changes on cash and cash equivalents	(293)	1,905
Decrease in cash and cash equivalents	(2,325)	(11,597)
Cash and cash equivalents at beginning of period	58,474	55,093
Cash and cash equivalents at end of period	$ 56,149	$ 43,496

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

Three Months Ended April 30, 2024	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
	(In thousands, no per share amounts shown except in verbiage)					
Balance at October 31, 2023	$ 372	$ 251,576	$ 409,318	$ (38,141)	$ (77,571)	$ 545,554
Net income	—	—	6,249	—	—	6,249
Foreign currency translation adjustment	—	—	—	6,081	—	6,081
Common dividends ($0.08 per share)	—	—	(2,645)	—	—	(2,645)
Stock-based compensation activity:						
Expense related to stock-based compensation	—	583		—	—	583
Stock options exercised	—	22	—	—	378	400
Restricted stock awards granted	—	(1,357)	—	—	1,357	—
Performance restricted stock units vested	—	(917)	—	—	917	—
Other	(1)	(1,192)	—	—	—	(1,193)
Balance at January 31, 2024	$ 371	$ 248,715	$ 412,922	$ (32,060)	$ (74,919)	$ 555,029
Net income	—	—	15,377	—	—	15,377
Foreign currency translation adjustment	—	—	—	(2,571)	—	(2,571)
Common dividends ($0.08 per share)	—	—	(2,649)	—	—	(2,649)
Stock-based compensation activity:						
Expense related to stock-based compensation	—	782	—	—	—	782
Stock options exercised	—	5	—	—	149	154
Balance at April 30, 2024	$ 371	$ 249,502	$ 425,650	$ (34,631)	$ (74,770)	$ 566,122

Three Months Ended April 30, 2023	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
	(In thousands, no per share amounts shown except in verbiage)					
Balance at October 31, 2022	$ 372	$ 251,947	$ 337,456	$ (49,422)	$ (75,518)	$ 464,835
Net income	—	—	1,909	—	—	1,909
Foreign currency translation adjustment	—	—	—	11,372	—	11,372
Common dividends ($0.08 per share)	—	—	(2,661)	—	—	(2,661)
Stock-based compensation activity:						
Expense related to stock-based compensation	—	679	—	—	—	679
Stock options exercised	—	6	—	—	93	99
Restricted stock awards granted	—	(1,752)	—	—	1,752	—
Performance restricted stock units vested	—	(605)	—	—	605	—
Other	—	(545)	—	—	—	(545)
Balance at January 31, 2023	$ 372	$ 249,730	$ 336,704	$ (38,050)	$ (73,068)	$ 475,688
Net income	—	—	21,512	—	—	21,512
Foreign currency translation adjustment	—	—	—	3,082	—	3,082
Common dividends ($0.08 per share)	—	—	(2,659)	—	—	(2,659)
Purchase of treasury stock	—	—	—	—	(5,593)	(5,593)
Stock-based compensation activity:						
Expense related to stock-based compensation	—	719	—	—	—	719
Other	—	(22)	—	—	—	(22)
Balance at April 30, 2023	$ 372	$ 250,427	$ 355,557	$ (34,968)	$ (78,661)	$ 492,727

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations and Basis of Presentation

Quanex Building Products Corporation is a global, publicly traded manufacturing company primarily serving original equipment manufacturers (OEMs) in the fenestration, cabinetry, solar, refrigeration and outdoor products markets. These components can be categorized as window and door (fenestration) components and kitchen and bath cabinet components. Examples of fenestration components include: (1) energy-efficient flexible insulating glass spacers, (2) extruded vinyl profiles, (3) window and door screens, and (4) precision-formed metal and wood products. We also manufacture cabinet doors and other components for OEMs in the kitchen and bathroom cabinet industry. In addition, we provide certain other non-fenestration components and products, which include custom mixing, solar panel sealants, trim moldings, vinyl decking, vinyl fencing, customized compounds, water retention barriers, and conservatory roof components. We have organized our business into three reportable business segments. For additional discussion of our reportable business segments, see Note 12, "Segment Information." We use low-cost, short lead-time production processes and engineering expertise to provide our customers with specialized products for their specific window, door, and cabinet applications. We believe these capabilities provide us with unique competitive advantages. We serve a primary customer base in North America and the United Kingdom (U.K.), and also serve customers in international markets through our operating plants in the U.K. and Germany, as well as through sales and marketing efforts in other countries.

Unless the context indicates otherwise, references to "Quanex", the "Company", "we", "us" and "our" refer to the consolidated business operations of Quanex Building Products Corporation and its subsidiaries.

Basis of Presentation and Principles of Consolidation

The accompanying interim unaudited condensed consolidated financial statements include the accounts of Quanex Building Products Corporation. All intercompany accounts and transactions have been eliminated in consolidation. These financial statements have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet as of October 31, 2023 was derived from audited financial information but does not include all disclosures required by U.S. GAAP. The accompanying financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023. In our opinion, the accompanying financial statements contain all adjustments (which consist of normal recurring adjustments, except as disclosed herein) necessary to fairly present our financial position, results of operations and cash flows for the interim periods. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year or for any future periods.

Use of Estimates

In preparing financial statements, we make informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. We review our estimates on an on-going basis, including those related to impairment of long-lived assets and goodwill, contingencies and income taxes. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

Revenue from Contracts with Customers

Revenue recognition

We recognize revenue that reflects the consideration we expect to receive for product sales upon transfer to customers. Revenue for product sales is recognized when control of the promised products is transferred to our customers, and we are entitled to consideration in exchange for such transfer. We account for a contract when a customer provides us with a firm purchase order that identifies the products to be provided, the payment terms for those products, and when collectability of the consideration due is probable.

Performance obligations

A performance obligation is a promise to provide the customer with a good or service. Our performance obligations include product sales, with each product included in a customer contract being recognized as a separate performance obligation.

For contracts with multiple performance obligations, the standalone selling price of each product is generally readily observable.

Revenue from product sales is recognized at a point in time when the product is transferred to the customer, in accordance with the shipping terms, which is generally upon shipment. We estimate a provision for sales returns and warranty allowances to account for product returns related to general returns and product nonconformance.

We generally expense incremental costs of obtaining a contract when incurred because the amortization period would be less than one year. Additionally, we do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

Pricing and sales incentives

Pricing is established at or prior to the time of sale with our customers and we record sales at the agreed-upon net selling price, reflective of current and prospective discounts.

Shipping and handling costs

We account for shipping and handling services as fulfillment services; accordingly, freight revenue is combined with the product deliverable rather than being accounted for as a distinct performance obligation within the terms of the agreement. Shipping and handling costs incurred by us for the delivery of goods to customers are considered a cost to fulfill the contract and are included in cost of sales in the accompanying condensed consolidated statements of income.

Contract assets and liabilities

Deferred revenue, which is not significant, is recorded when we have remaining unsatisfied performance obligations for which we have received consideration.

Disaggregation of revenue

We produce a wide variety of products that are used in the fenestration industry, including window spacer systems; extruded vinyl products; metal fabricated products; and astragals, thresholds and screens. In addition, we produce certain non-fenestration products, including kitchen and bath cabinet doors and components, flooring and trim moldings, solar edge tape, plastic decking, fencing, water retention barriers, conservatory roof components, and other products.

The following table summarizes our product sales for the three and six months ended April 30, 2024 and 2023 into groupings by segment which we believe depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by economic factors. For further details regarding our results by segment, refer to Note 12, "Segment Information."

	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023	Six Months Ended April 30, 2024	Six Months Ended April 30, 2023
	(In thousands)			
North American Fenestration:				
United States - fenestration	$ 119,646	$ 120,756	$ 231,280	$ 241,523
International - fenestration	7,465	8,350	13,609	13,477
United States - non-fenestration	27,532	24,334	53,323	47,400
International - non-fenestration	5,131	3,535	9,557	7,555
	$ 159,774	$ 156,975	$ 307,769	$ 309,955
European Fenestration:				
International - fenestration	$ 46,968	$ 47,903	$ 88,719	$ 90,257
International - non-fenestration	9,615	15,860	17,301	28,458
	$ 56,583	$ 63,763	$ 106,020	$ 118,715
North American Cabinet Components:				
United States - fenestration	$ 3,737	$ 4,219	$ 7,412	$ 8,127
United States - non-fenestration	46,990	48,526	86,169	98,575
International - non-fenestration	351	773	634	1,490
	$ 51,078	$ 53,518	$ 94,215	$ 108,192
Unallocated Corporate & Other				
Eliminations	$ (1,234)	$ (721)	$ (2,648)	$ (1,411)
	$ (1,234)	$ (721)	$ (2,648)	$ (1,411)
Net sales	$ 266,201	$ 273,535	$ 505,356	$ 535,451

Allowance for Credit Losses

We have established an allowance for credit losses to estimate the risk of losses, which represents an estimate of expected losses over the remaining contractual life of our receivables. The allowance is determined using two methods. The amounts calculated from each of these methods are combined to determine the total amount reserved. First, a specific reserve is established for individual accounts where information indicates the customers may have an inability to meet financial obligations. Second, a reserve is determined for all customers based on a range of percentages applied to aging categories. These percentages are based on historical collection rates, write-off experience, and forecasts of future economic conditions. Actual write-offs are charged against the allowance when collection efforts have been unsuccessful.

Related Parties

Net sales include transactions with a customer which is a related party with one of our non-employee directors for the six months ended April 30, 2024 and 2023 of approximately $0.5 million and $0.6 million, respectively. We performed a review of these transactions, of which no single transaction or series of related transactions exceeded $120,000 in amount, and determined that these transactions were enacted independently of each other. We are not aware of any other related party transactions with any of our current non-employee directors or officers outside of their normal business functions or expected contractual duties.

2. Acquisition

On November 1, 2022, we entered into an Asset Purchase Agreement (the “Purchase Agreement”) with LMI Custom Mixing, LLC (“LMI”) and the equity owners of LMI, Lauren International, Ltd. and Meteor-US-Beteiligungs GMBH. Under the Purchase Agreement, we acquired substantially all of the operating assets comprising LMI’s polymer mixing and rubber compound production business (collectively, the “Purchased Assets”) and also agreed to assume certain liabilities relating to the Purchased Assets (collectively, the “Acquisition”). As consideration for the Purchased Assets, we paid $91.3 million in cash utilizing funds borrowed under our Credit Facility. In connection with the Acquisition, we amended our existing finance lease with Lauren Real Estate Holding LLC for the purpose of adding an additional lease renewal option and increasing rental space by approximately 60,000 square feet of rental space which was added to the 313,595 square feet of rentable area located in Cambridge, Ohio.

3. Inventories

Inventories consisted of the following at April 30, 2024 and October 31, 2023 (in thousands):

	April 30, 2024	October 31, 2023
Raw materials	$ 60,259	$ 53,585
Finished goods and work in process	39,683	42,195
Supplies and other	1,504	2,179
Total	$ 101,446	$ 97,959

Fixed costs related to excess manufacturing capacity, if any, have been expensed in the period they were incurred and, therefore, are not capitalized into inventory.

4. Leases

We recognize a right-of-use (ROU) asset and lease liability for each operating and finance lease with a contractual term greater than 12 months at the time of lease inception. We include ROU assets and lease liabilities for leases that exist within other contracts. Leases with an original term of 12 months or less are not recognized on the balance sheet, and the rent expense related to those short-term leases is recognized over the lease term. We do not account for lease and non-lease (e.g., common area maintenance) components of contracts separately for any underlying asset class.

We lease certain manufacturing plants, warehouses, office space, vehicles and equipment under finance and operating leases. Lease commencement occurs on the date we take possession or control of the property or equipment. Original terms for our real estate-related leases are generally between five years and twenty years. Original terms for equipment-related leases, primarily manufacturing equipment and vehicles, are generally between one year and ten years. Some of our leases also include rental escalation clauses. Renewal options are included in the determination of lease payments when management determines the options are reasonably certain of exercise, considering financial performance, strategic importance and/or invested capital.

If readily determinable, the rate implicit in the lease is used to discount lease payments to present value; however, substantially all of our leases do not provide a readily determinable implicit rate. When the implicit rate is not determinable, our estimated incremental borrowing rate is utilized, determined on a collateralized basis, to discount lease payments based on information available at lease commencement.

Total lease costs recorded include fixed operating lease costs and variable lease costs. Most of our real estate leases require we pay certain expenses, such as common area maintenance costs, of which the fixed portion is included in operating lease costs. We recognize operating lease costs on a straight-line basis over the lease term. In addition to the above costs, variable lease costs are recognized when probable and are not included in determining the present value of our lease liability.

The ROU asset is measured at the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date and initial direct costs. For operating leases, ROU assets are reduced over the lease term by the recognized straight-line lease expense less the amount of accretion of the lease liability determined using the effective interest method. For finance leases, ROU assets are amortized on a straight-line basis over the shorter of the useful life of the leased asset or the lease term. Interest expense on each finance lease liability is recognized utilizing the effective interest method. ROU assets are tested for impairment in the same manner as long-lived assets. Additionally, we monitor for events or changes in circumstances that may require a reassessment of one of our leases and determine if a remeasurement is required.

The table below presents the lease-related assets and liabilities recorded on the balance sheet at April 30, 2024 and October 31, 2023 (in thousands):

Leases	Classification	April 30, 2024	October 31, 2023
Assets			
Operating lease assets	Operating lease right-of-use assets	$ 65,019	$ 46,620
Finance lease assets	Property, plant and equipment (less accumulated depreciation of $8,528 and $6,691)	60,135	58,496
Total lease assets		$ 125,154	$ 105,116
Liabilities			
Current			
Operating	Current operating lease liabilities	$ 6,433	$ 7,224
Finance	Current maturities of long-term debt	2,957	2,676
Noncurrent			
Operating	Noncurrent operating lease liabilities	59,965	40,361
Finance	Long-term debt	52,260	52,309
Total lease liabilities		$ 121,615	$ 102,570

The table below presents the components of lease costs for the three and six months ended April 30, 2024 and 2023 was as follows (in thousands):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
Operating lease cost	$ 2,520	$ 2,239	$ 4,953	$ 4,408
Finance lease cost				
Amortization of leased assets	907	815	1,781	1,614
Interest on lease liabilities	618	602	1,231	1,202
Variable lease costs	487	467	938	790
Total lease cost	$ 4,532	$ 4,123	$ 8,903	$ 8,014

The table below presents supplemental cash flow information related to leases for the six months ended April 30, 2024 and 2023 was as follows (in thousands):

	Six Months Ended April 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Finance leases - financing cash flows	$ 1,382	$ 1,145
Finance leases - operating cash flows	$ 1,231	$ 1,202
Operating leases - operating cash flows	$ 4,550	$ 4,513
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$ 21,834	$ 2,169
Finance leases	$ 1,228	$ 25,206

The table below presents the weighted-average remaining lease terms and weighted-average discount rates for the Company's leases as of April 30, 2024 and October 31, 2023:

	April 30, 2024	October 31, 2023
Weighted-average remaining lease term (in years)		
Operating leases	10.8	10.7
Financing leases	18.0	18.7
Weighted-average discount rate		
Operating leases	4.62 %	4.09 %
Financing leases	4.56 %	4.52 %

The table below presents the maturity of the lease liabilities as of April 30, 2024 (in thousands):

	Operating Leases	Finance Leases
2024 (remaining six months)	$ 4,580	$ 2,687
2025	9,198	5,295
2026	9,055	5,136
2027	8,064	4,980
2028	7,248	4,817
Thereafter	48,531	58,406
Total lease payments	86,676	81,321
Less: present value discount	20,278	26,104
Total lease liabilities	$ 66,398	$ 55,217

5. Goodwill and Intangible Assets

Goodwill

The change in the carrying amount of goodwill for the six months ended April 30, 2024 was as follows (in thousands):

	Six Months Ended April 30, 2024
Beginning balance as of November 1, 2023	$ 182,956
Foreign currency translation adjustment	1,525
Balance as of the end of the period	$ 184,481

At our last annual test date, August 31, 2023, we evaluated the recoverability of goodwill at each of our five reporting units with goodwill balances and determined that our goodwill was not impaired. We evaluated for indicators of impairment for all reporting units during the three and six months ended April 30, 2024 and determined that there were no triggering events. For additional discussion of change in reporting units and a summary of the change in the carrying amount of goodwill by segment, see Note 12, “Segment Information.”

Identifiable Intangible Assets

Amortizable intangible assets consisted of the following as of April 30, 2024 and October 31, 2023 (in thousands):

	April 30, 2024		October 31, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$ 158,629	$ 104,438	$ 157,629	$ 99,230
Trademarks and trade names	55,831	44,255	55,519	42,879
Patents and other technology	25,144	22,244	25,127	22,051
Total	$ 239,604	$ 170,937	$ 238,275	$ 164,160

We had aggregate amortization expense related to intangible assets for the three and six months ended April 30, 2024 of $3.0 million and $6.2 million, respectively, and $3.0 million and $6.1 million for the comparable prior year periods.

Estimated remaining amortization expense, assuming current intangible balances and no new acquisitions, for future fiscal years as of April 30, 2024 (in thousands):

	Estimated Amortization Expense
2024 (remaining six months)	$ 5,561
2025	10,315
2026	10,073
2027	10,074
2028	4,840
Thereafter	27,804
Total	$ 68,667

6. Debt and Finance Lease Obligations

Long-term debt consisted of the following at April 30, 2024 and October 31, 2023 (in thousands):

	April 30, 2024	October 31, 2023
Revolving Credit Facility	$ —	$ 15,000
Finance lease obligations and other	55,217	55,000
Unamortized deferred financing fees	(1,036)	(1,200)
Total debt	$ 54,181	$ 68,800
Less: Current maturities of long-term debt	2,632	2,365
Long-term debt	$ 51,549	$ 66,435

Revolving Credit Facility

On July 6, 2022, we entered into our Second Amended and Restated Credit Agreement (the “Credit Facility”) with Wells Fargo Securities, LLC, as Agent, Swingline Lender and Issuing Lender, and BofA Securities, Inc. serving as Syndication Agent. We capitalized $1.2 million of deferred financing fees related to the Credit Facility. This $325.0 million revolving credit facility has a five-year term, maturing on July 6, 2027, and replaces our previous credit facility. Our previous credit facility is more fully described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023.

Interest payments for the Credit Facility are calculated, at our election and depending upon the Consolidated Net Leverage Ratio, at a Base Rate (as defined within the Credit Facility) plus an applicable margin or at the same rate as Risk-Free Rate (“RFR”) Loans for domestic borrowings or Eurocurrency Rate Loans plus an applicable margin. In addition, we are subject to commitment fees for the unused portion of the Credit Facility.

The applicable margin and commitment fees are outlined in the following table:

Pricing Level	Consolidated Net Leverage Ratio	Commitment Fee	Eurocurrency Rate Loans and RFR Loans	Base Rate Loans
I	Less than or equal to 1.50 to 1.00	0.150%	1.25%	0.25%
II	Greater than 1.50 to 1.00, but less than or equal to 2.25 to 1.00	0.175%	1.50%	0.50%
III	Greater than 2.25 to 1.00, but less than or equal to 3.00 to 1.00	0.200%	1.75%	0.75%
IV	Greater than 3.00 to 1.00	0.250%	2.00%	1.00%

In the event of default, outstanding borrowings would accrue interest at the Default Rate, as defined, whereby the obligations will bear interest at a per annum rate equal to 2% above the total per annum rate otherwise applicable.

The Credit Facility provides for incremental revolving credit commitments for a minimum principal amount of $10.0 million, up to an aggregate amount of $150.0 million or 100% of Consolidated EBITDA, subject to the lender's discretion to elect or decline the incremental increase. We can also borrow up to the lesser of $15.0 million or the revolving credit commitment, as defined, under a Swingline feature of the Credit Facility.

The Credit Facility contains a: (1) Consolidated Interest Coverage Ratio requirement whereby we must not permit the Consolidated Interest Coverage Ratio, as defined, to be less than 3.00 to 1.00, and (2) Consolidated Net Leverage Ratio requirement, whereby we must not permit the Consolidated Net Leverage Ratio, as defined, to be greater than 3.25 to 1.00.

In addition to maintaining these financial covenants, the Credit Facility also limits our ability to enter into certain business transactions, such as to incur indebtedness or liens, to acquire businesses or dispose of material assets, make restricted payments, pay dividends (limited to $25.0 million per year) and other transactions as further defined in the Credit Facility. Some of these limitations, however, do not take effect so long as Consolidated Net Leverage Ratio is less than or equal to 2.75 to 1.00 and available liquidity exceeds $25.0 million. Substantially all of our domestic assets, with the exception of real property, are used as collateral for the Credit Agreement.

As of April 30, 2024, we had no borrowings outstanding under the Credit Facility, unamortized debt issuance costs of $1.0 million, $3.7 million of outstanding letters of credit and $55.2 million outstanding primarily under finance leases and other debt. We had $321.3 million available for use under the Credit Facility at April 30, 2024. Our weighted-average borrowing rate for borrowings outstanding during the six months ended April 30, 2024 and 2023 was 6.69% and 5.71%, respectively. We were in compliance with our debt covenants as of April 30, 2024.

7. Retirement Plans

Pension Plan

Our non-contributory, single employer defined benefit pension plan covered certain of our employees in the U.S. During the year ended October 31. 2023, we terminated our defined contribution plan and settled the obligation during the three months ended October 31, 2023. The net periodic pension (benefit) cost for this plan for the three and six months ended April 30, 2024 and 2023 was as follows (in thousands):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
Service cost	$ —	$ 96	$ —	$ 192
Interest cost	—	389	—	779
Expected return on plan assets	—	(367)	—	(733)
Amortization of net loss	—	11	—	21
Settlement reimbursement	(138)	—	(903)	—
Net periodic pension (benefit) cost	$ (138)	$ 129	$ (903)	$ 259

Other Plans

We also have a supplemental benefit plan covering certain executive officers and key employees and a non-qualified deferred compensation plan covering members of the Board of Directors and certain key employees. As of April 30, 2024 and October 31, 2023, our liability under the supplemental benefit plan was approximately $2.0 million. During the year ended October 31, 2023, the supplemental benefit plan was terminated. Benefits associated with this plan will be distributed in June 2024 in accordance with Internal Revenue Service regulations. As of April 30, 2024 and October 31, 2023, the liability associated with the deferred compensation plan was approximately $4.7 million and $3.9 million, respectively. We record the current portion of liabilities associated with these plans under the caption “Accrued liabilities,” and the long-term portion under the caption “Other liabilities” in the accompanying condensed consolidated balance sheets.

8. Income Taxes

To determine our income tax expense or benefit for interim periods, consistent with accounting standards, we apply the estimated annual effective income tax rate to year-to-date results, plus any applicable discrete items, which are recorded in the period in which they occur. Discrete items include, among others, such events as changes in estimates due to the finalization of tax returns, tax audit settlements, expiration of statutes of limitations, tax benefits on equity compensation, and increases or decreases in valuation allowances on deferred tax assets. Our estimated annual effective tax rates from continuing operations for the six months ended April 30, 2024 and 2023 were 21.6% and 19.7%, respectively. The difference between our estimated annual effective income tax rate and the U.S. federal statutory rate of 21% principally results from discrete tax items, U.S. state taxes, a non-U.S. tax rate differential and other permanent differences. The primary discrete items affecting the 2024 effective rate were the benefit of $0.4 million related to the vesting or exercise of equity-based compensation awards, and a charge of $0.6 million related to the true up of the deferred tax rate. The primary discrete item affecting the 2023 effective rate was a benefit of $0.2 million related to the rate change on deferred taxes.

As of April 30, 2024, our liability for uncertain tax positions (UTP) of $0.3 million relates to certain U.S. federal and state tax items regarding the interpretation of tax laws and regulations, including a minimal amount of interest and penalties. We include all interest and penalties related to uncertain tax benefits within our income tax provision account. To the extent interest and penalties are not assessed with respect to uncertain tax positions or the uncertainty of deductions in the future, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

We evaluate the likelihood of realization of our deferred tax assets by considering both positive and negative evidence. We maintain a valuation allowance for certain state net operating losses which totaled $0.6 million as of April 30, 2024 and October 31, 2023, respectively.

9. Contingencies

Remediation and Environmental Compliance Costs

Under applicable state and federal laws, we may be responsible for, among other things, all or part of the costs required to remove or remediate wastes or hazardous substances at locations we, or our predecessors, have owned or operated. From time to time, we also have been alleged to be liable for all or part of the costs incurred to clean up third-party sites where there might have been an alleged improper disposal of hazardous substances. Currently, we are not involved in any such matters.

From time to time, we incur routine expenses and capital expenditures associated with compliance with existing environmental regulations, including control of air emissions and water discharges, and plant decommissioning costs. We have not incurred any material expenses or capital expenditures related to environmental matters during the past three fiscal years, and do not expect to incur a material amount of such costs in fiscal 2024. While we will continue to have future expenditures related to environmental matters, any such amounts are impossible to reasonably estimate at this time. Based upon our experience to date, we do not believe that our compliance with environmental requirements will have a material adverse effect on our operations, financial condition or cash flows.

Litigation

From time to time, we, along with our subsidiaries, are involved in various litigation matters arising in the ordinary course of our business, including those arising from or related to contractual matters, commercial disputes, intellectual property, personal injury, environmental matters, product performance or warranties, product liability, insurance coverage and personnel and employment disputes. We regularly review with legal counsel the status of all ongoing proceedings, and we maintain insurance against these risks to the extent deemed prudent by our management and to the extent such insurance is available. However, there is no assurance that we will prevail in these matters or that our insurers will accept full coverage of these matters, and we could, in the future, incur judgments, enter into settlements of claims, or revise our expectations regarding the outcome or insurability of matters we face, which could materially impact our results of operations.

We have been and are currently party to multiple claims, some of which are in litigation, relating to alleged defects in a commercial sealant product that was manufactured and sold during the 2000's. While we believe that our product was not defective and that we would prevail in these commercial sealant product claims if taken to trial, the timing, ultimate resolution and potential impact of these claims is not currently determinable. Nevertheless, after taking into account all currently available information, including our defenses, the advice of our counsel, and the extent and currently-expected availability of our existing insurance coverage, we believe that the eventual outcome of these commercial sealant claims will not have a material adverse effect on our overall financial condition, results of operations or cash flows, and we have not recorded any accrual with regard to these claims.

10. Fair Value Measurement of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market data developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to Level 1 and the lowest priority to Level 3. The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates) and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Carrying amounts reported on the balance sheet for cash, cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturity of these instruments. Our outstanding debt is variable rate debt that re-prices frequently, thereby limiting our exposure to significant change in interest rate risk. As a result, the fair value of our debt instrument approximates carrying value at April 30, 2024, and October 31, 2023 (Level 2 measurement).

Our performance share awards are marked-to-market on a quarterly basis during a three-year vesting period based on market data (Level 2 measurement). For further information, refer to Note 11, “Stock-Based Compensation - Performance Share Awards.”

11. Stock-Based Compensation

We have established and maintain an Omnibus Incentive Plan (2020 Plan) that provides for the granting of restricted stock awards, stock options, restricted stock units, performance share awards, performance restricted stock units, and other stock-based and cash-based awards. The 2020 Plan is administered by the Compensation and Management Development Committee of the Board of Directors.

The aggregate number of shares of common stock authorized for grant under the 2020 Plan is 3,139,895 as approved by shareholders. Any officer, key employee and/or non-employee director is eligible for awards under the 2020 Plan. We grant restricted stock units to non-employee directors on the first business day of each fiscal year. As approved by the Compensation & Management Development Committee of our Board of Directors annually, we grant a mix of restricted stock awards, performance shares and performance restricted stock units to officers, management and key employees. We also historically granted stock options to certain officers, directors and key employees. Occasionally, we may make additional grants to key employees at other times during the year.

Restricted Stock Awards

Restricted stock awards are granted to key employees and officers annually, and typically cliff vest over a three-year period with service and continued employment as the only vesting criteria. The recipient of the restricted stock award is entitled to all of the rights of a shareholder, except that the award is nontransferable during the vesting period and quarterly dividends are not paid until the award vests. The fair value of the restricted stock award is established on the grant date and then expensed over the vesting period resulting in an increase in additional paid-in-capital. Shares are generally issued from treasury stock at the time of grant.

A summary of non-vested restricted stock awards activity during the six months ended April 30, 2024 is presented below:

	Restricted Stock Awards	Weighted-Average Grant Date Fair Value per Share
Non-vested at October 31, 2023	242,300	$ 22.36
Granted	72,900	32.15
Forfeited	(11,800)	22.30
Vested	(66,600)	20.68
Non-vested at April 30, 2024	236,800	$ 25.85

The total weighted-average grant-date fair value of restricted stock awards that vested during each of the six months ended April 30, 2024 and 2023 was $1.4 million and $0.9 million, respectively. As of April 30, 2024, total unrecognized compensation cost related to unamortized restricted stock awards was $3.5 million. We expect to recognize this expense over the remaining weighted-average vesting period of 2.1 years.

Stock Options

Historically, stock options have been awarded to key employees, officers and non-employee directors. In December 2017, the Compensation & Management Development Committee of the Board of Directors approved a change to the long-term incentive award program eliminating the grant of stock options and replacing this award with a grant of performance restricted stock units and performance shares as further described below. As a result, the final stock options were granted during the fiscal year ended October 31, 2017. Stock options typically vested ratably over a three-year period with service and continued employment as the vesting conditions. Our stock options may be exercised up to a maximum of ten years from the date of grant. The fair value of the stock options was determined on the grant date and expensed over the vesting period resulting in an increase in additional paid-in-capital. For employees who were nearing retirement-eligibility, we recognize stock option expense ratably over the shorter of the vesting period or the period from the grant-date to the retirement-eligibility date.

We use a Black-Scholes pricing model to estimate the fair value of stock options. A description of the methodology for the valuation assumptions was disclosed in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023.

The following table summarizes our stock option activity for the six months ended April 30, 2024:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (000s)
Outstanding at October 31, 2023	107,530	$ 19.48		
Exercised	(28,280)	19.58		
Outstanding at April 30, 2024	79,250	$ 19.45	2.0	$ 1,092
Vested at April 30, 2024	79,250	$ 19.45	2.0	$ 1,092
Exercisable at April 30, 2024	79,250	$ 19.45	2.0	$ 1,092

Intrinsic value is the amount by which the market price of the common stock on the date of exercise exceeds the exercise price of the stock option. The total intrinsic value of stock options exercised during the six months ended April 30, 2024 and 2023 was $0.4 million and less than $0.1 million, respectively.

Restricted Stock Units

Restricted stock units may be awarded to key employees and officers from time to time, and annually to non-employee directors. The non-employee director restricted stock units vest immediately but are payable only upon the director's cessation of service unless an election is made by the non-employee director to settle and pay the award on an earlier specified date. Restricted stock units awarded to employees and officers typically cliff vest after a three-year period with service and continued employment as the vesting conditions. Restricted stock units are not considered outstanding shares and do not have voting rights, although the holder does receive a cash payment equivalent to the dividend paid, on a one-for-one basis, on our outstanding common shares. Once the criteria is met, each restricted stock unit is payable to the holder in cash based on the market value of one share of our common stock. Accordingly, we record a liability for the restricted stock units on our balance sheet and recognize any changes in the market value during each reporting period as compensation expense.

During the six months ended April 30, 2024 and 2023, non-employee directors received 26,215 and 38,704 restricted stock units, respectively, at a weighted-average grant date fair value of $26.70 per share and $20.67 per share, respectively, which vested immediately. During the six months ended April 30, 2023, 21,774 restricted stock units, which were awarded to key employees, vested. During the six months ended April 30, 2024, we paid $0.6 million and $0.4 million for the comparable prior year to settle vested restricted stock units.

Performance Share Awards

We have awarded annual grants of performance shares to key employees and officers. Performance share awards vest with return on net assets (RONA) as the vesting condition and pay out 100% in cash, and are accounted for as liability.

The expected cash settlement of the performance share award is recorded as a liability and is being marked to market over the three-year term of the award and can fluctuate depending on the number of shares ultimately expected to vest. Depending on the achievement of the performance conditions, 0% to 200% of the awarded performance shares may ultimately vest.

The following table summarizes our performance share grants and the grant date fair value for the RONA performance metrics:

Grant Date	Shares Awarded	Grant Date Fair Value	Shares Forfeited
December 9, 2021	80,900	$ 22.54	4,600
December 7, 2022	89,300	$ 23.49	4,600
December 7, 2023	72,200	$ 32.15	—

In December 2023, 122,400 shares vested pursuant to the December 2020 grant, which were settled with a cash payment of $3.4 million.

Performance share awards are payable in cash based upon the number of performance shares ultimately earned, and are therefore not considered outstanding shares.

Performance Restricted Stock Units

We award performance restricted stock units to key employees and officers. These awards cliff vest upon a three-year service period with the absolute total shareholder return of our common stock over this three-year term as the vesting criteria. The number of shares earned is variable depending on the metric achieved, and the settlement method is 100% in our common stock, with accrued dividends paid in cash at the time of vesting, assuming the shares had been outstanding throughout the performance period.

To value the performance restricted stock units, we used a Monte Carlo simulation model to arrive at a grant-date fair value. This amount will be adjusted for forfeitures and expensed over the three-year term of the award with a credit to additional paid-in-capital. Depending on the achievement of the performance conditions, a minimum of 0% and a maximum of 150% of the awarded performance restricted stock units may vest. Specifically, the awards vest on a continuum with the following Absolute Total Shareholder Return (A-TSR) milestones:

Vesting Level	Vesting Criteria	Percentage of Award Vested
Level 1	A-TSR greater than or equal to 50%	150%
Level 2	A-TSR less than 50% and greater than or equal to 20%	100%
Level 3	A-TSR less than 20% and greater than or equal to -20%	50%
Level 4	A-TSR less than -20%	—%

The following table summarizes our performance restricted stock unit grants and the grant date fair value for the A-TSR performance metric:

Grant Date	Shares Awarded	Grant Date Fair Value	Shares Forfeited
December 9, 2021	50,900	$ 21.06	3,400
December 7, 2022	51,500	$ 23.22	3,100
December 7, 2023	40,700	$ 30.35	—

During the six months ended April 30, 2024, 49,228 performance restricted stock units vested.

The performance restricted stock units are not considered outstanding shares, do not have voting rights, and are excluded from diluted weighted-average shares used to calculate earnings per share until the performance criteria is probable to result in the issuance of contingent shares. As of April 30, 2024, we have deemed 65,669 shares related to the December 2021 grant of performance restricted stock units as probable to vest.

The following table summarizes amounts expensed as selling, general and administrative expense related to restricted stock awards, stock options, restricted stock units, performance share awards and performance restricted stock units for the three and six months ended April 30, 2024 and 2023 (in thousands):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
Restricted stock awards	$ 502	$ 464	$ 819	$ 902
Restricted stock units	352	(1,062)	1,776	429
Performance share awards	359	703	928	3,342
Performance restricted stock units	280	255	546	496
Total compensation expense	$ 1,493	$ 360	$ 4,069	$ 5,169

Treasury Shares

We record treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Shares are generally issued from treasury stock at the time of grant of restricted stock awards, upon the exercise of stock options, and upon the vesting of performance restricted stock units. On the subsequent issuance of treasury shares, we record proceeds in excess of cost as an increase in additional paid in capital. A deficiency of such proceeds relative to costs would be applied to reduce paid-in-capital associated with prior issuances to the extent available, with the remainder recorded as a charge to retained earnings. There were no charges to retained earnings during the six months ended April 30, 2024.

The following table summarizes the treasury stock activity during the six months ended April 30, 2024:

	Six Months Ended April 30, 2024
Beginning Balance as of November 1, 2023	4,165,839
Restricted stock awards granted	(72,900)
Performance restricted stock units vested	(49,228)
Stock options exercised	(28,280)
Balance at April 30, 2024	4,015,431

12. Segment Information

We present three reportable business segments (1) NA Fenestration, comprising four operating segments primarily focused on the fenestration market in North America including vinyl profiles, insulating glass spacers, screens, custom compound mixing, and other fenestration components; (2) EU Fenestration, comprising our U.K.-based vinyl extrusion business, manufacturing vinyl profiles & conservatories, and the European insulating glass business manufacturing insulating glass spacers; and (3) NA Cabinet Components, comprising our cabinet door and components operations. Additionally, we maintain an Unallocated Corporate & Other which includes transaction expenses, stock-based compensation, long-term incentive awards based on the performance of our common stock and other factors, certain severance, legal, and other costs not deemed to be allocable to all segments, depreciation of corporate assets, interest expense, other, net, income taxes and inter-segment eliminations, and executive incentive compensation and medical expense fluctuations relative to planned costs as determined during the annual planning process. Other general and administrative costs associated with the corporate office are allocated to the reportable segments, based upon a relative measure of profitability in order to more accurately reflect each reportable business segment's administrative costs. We allocate corporate expenses to businesses acquired mid-year from the date of acquisition. The accounting policies of our operating segments are the same as those used to prepare the accompanying condensed consolidated financial statements. Corporate general and administrative expense allocated during the three and six month period ended April 30, 2024 was $6.9 million and $14.2 million, respectively, and $6.1 million and $10.8 million for the comparable prior year periods.

ASC Topic 280-10-50, “Segment Reporting” (ASC 280) permits aggregation of operating segments based on factors including, but not limited to: (1) similar nature of products serving the building products industry, primarily the fenestration business; (2) similar production processes, although there are some differences in the amount of automation amongst operating plants; (3) similar types or classes of customers, namely the primary OEMs; (4) similar distribution methods for product delivery, although the extent of the use of third-party distributors will vary amongst the businesses; (5) similar regulatory environment; and (6) converging long-term economic similarities.

Segment information for the three and six months ended April 30, 2024 and 2023, and total assets as of April 30, 2024 and October 31, 2023 are summarized in the following table (in thousands):

	NA Fenestration	EU Fenestration	NA Cabinet Components	Unallocated Corp. & Other	Total
Three Months Ended April 30, 2024					
Net sales	$ 159,774	$ 56,583	$ 51,078	$ (1,234)	$ 266,201
Depreciation and amortization	5,218	2,538	3,082	56	10,894
Operating income (loss)	18,565	10,478	306	(8,712)	20,637
Capital expenditures	5,739	605	1,099	160	7,603
Three Months Ended April 30, 2023					
Net sales	$ 156,975	$ 63,763	$ 53,518	$ (721)	$ 273,535
Depreciation and amortization	5,050	2,353	2,970	83	10,456
Operating income	15,295	12,506	846	689	29,336
Capital expenditures	4,859	1,100	1,481	52	7,492
Six Months Ended April 30, 2024					
Net sales	$ 307,769	$ 106,020	$ 94,215	$ (2,648)	$ 505,356
Depreciation and amortization	10,693	5,096	6,147	110	22,046
Operating income (loss)	26,807	17,909	(3,491)	(12,671)	28,554
Capital expenditures	11,460	2,406	2,935	382	17,183
Six Months Ended April 30, 2023					
Net sales	$ 309,955	$ 118,715	$ 108,192	$ (1,411)	$ 535,451
Depreciation and amortization	10,295	4,701	5,904	176	21,076
Operating income (loss)	25,018	19,902	(343)	(10,838)	33,739
Capital expenditures	8,472	3,056	3,341	205	15,074
As of April 30, 2024					
Total assets	$ 392,108	$ 239,277	$ 154,833	$ 50,995	$ 837,213
As of October 31, 2023					
Total assets	$ 379,286	$ 239,333	$ 158,824	$ 53,700	$ 831,143

The following table summarizes the change in the carrying amount of goodwill by reportable business segment for the six months ended April 30, 2024 (in thousands):

	NA Fenestration	EU Fenestration	NA Cabinet Comp.	Unallocated Corp. & Other	Total
Balance as of October 31, 2023	$ 80,105	$ 63,704	$ 39,147	$ —	$ 182,956
Foreign currency translation adjustment	—	1,525	—	—	1,525
Balance as of April 30, 2024	$ 80,105	$ 65,229	$ 39,147	$ —	$ 184,481

For further details of Goodwill, see Note 5, “Goodwill & Intangible Assets,” located herewith.

We did not allocate non-operating loss or income tax benefit to the reportable segments. The following table reconciles operating income as reported above to net income for the three and six months ended April 30, 2024 and 2023 (in thousands):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
Operating income	$ 20,637	$ 29,336	$ 28,554	$ 33,739
Interest expense	(950)	(2,244)	(2,018)	(4,503)
Other, net	4	(29)	1,046	189
Income tax expense	(4,314)	(5,551)	(5,956)	(6,004)
Net income	$ 15,377	$ 21,512	$ 21,626	$ 23,421

13. Earnings Per Share

We compute basic earnings per share by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per common and potential common shares include the weighted-average of additional shares associated with the incremental effect of dilutive employee stock options, non-vested restricted stock as determined using the treasury stock method prescribed by U.S. GAAP and contingent shares associated with performance share awards, if dilutive.

Basic and diluted earnings per share for the three and six months ended April 30, 2024 and 2023 were calculated as follows (in thousands, except per share data):

	Net Income	Weighted-Average Shares	Per Share
Three Months Ended April 30, 2024			
Basic earnings per common share	$ 15,377	32,870	$ 0.47
Effect of dilutive securities:			
Stock options	—	37	—
Restricted stock awards	—	130	—
Performance restricted stock units	—	66	—
Diluted earnings per common share	$ 15,377	33,103	$ 0.46
Three Months Ended April 30, 2023			
Basic earnings per common share	$ 21,512	32,858	$ 0.65
Effect of dilutive securities:			
Stock options	—	25	—
Restricted stock awards	—	106	—
Performance restricted stock units	—	28	—
Diluted earnings per common share	$ 21,512	33,017	$ 0.65
Six Months Ended April 30, 2024			
Basic earnings per common share	$ 21,626	32,847	$ 0.66
Effect of dilutive securities:			
Stock options	—	37	—
Restricted stock awards	—	126	—
Performance restricted stock units	—	66	—
Diluted earnings per common share	$ 21,626	33,076	$ 0.65
Six Months Ended April 30, 2023			
Basic earnings per common share	$ 23,421	32,905	$ 0.71
Effect of dilutive securities:			
Stock options	—	28	—
Restricted stock awards	—	109	—
Performance restricted stock units	—	28	—
Diluted earnings per common share	$ 23,421	33,070	$ 0.71

We do not include equity instruments in our calculation of diluted earnings per share if those instruments would be anti-dilutive. Such dilution is dependent on the excess of the market price of our stock over the exercise price and other components of the treasury stock method. There were no anti-dilutive instruments for the three and six months ended April 30, 2024 and 2023.

14. New Accounting Guidance

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standards setting bodies that we adopt as of the specified effective date. We did not adopt any new accounting pronouncements during the three and six months ended April 30, 2024.

Accounting Standards Not Yet Adopted

In November 2023, the FASB issued "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 with early adoption is permitted. The guidance is to be applied retrospectively to all prior periods presented in the financial statements. We are currently evaluating the potential impact of adopting this new guidance on our consolidated financial statements and related disclosures.

In December 2023, the FASB issued "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which includes updates to the income tax disclosures related to the rate reconciliation and disaggregation of income taxes paid by jurisdiction. The amendments are effective for fiscal years beginning after December 15, 2024 with early adoption permitted. The amendments should be applied prospectively, however retrospective application is permitted. We are currently evaluating the potential impact of adopting this new guidance on our consolidated financial statements and related disclosures.

15. Subsequent Events

On April 22, 2024, we announced that we reached an agreement with Tyman plc, a company incorporated in England and Wales (LSE:TYMN) ("Tyman") on the terms of a cash and share offer (the "Tyman Acquisition"), under which we will acquire the entire issued and to be issued share capital of Tyman for approximately $1.1 billion (based on the each of the £/US$ exchange rate and the Company's last reported trading price as of April 19, 2024) in enterprise value. Under the terms of the Tyman Acquisition, Tyman shareholders will be entitled to elect to receive: (i) 240 pence in cash and 0.05715 of a share of Quanex common stock, par value of $0.01 per share, to be newly issued in connection with the Tyman Acquisition (the "New Quanex Shares") for each Tyman ordinary share (such shares, the "Tyman Shares" and such option, the "Main Offer") or (ii) under an alternative to the Main Offer, New Quanex Shares at an exchange ratio of 0.14288 of a New Quanex Share for each Tyman Share (such option, the "Capped All-Share Alternative"), provided that the Capped All-Share Alternative shall be made available for up to 25% of the Tyman Shares outstanding. The Tyman Acquisition will be implemented by means of a court-sanctioned scheme of arrangement under the UK Companies Act 2006, as amended (the" Scheme"). The Tyman Acquisition has been unanimously approved by the Boards of Directors of both Quanex and Tyman and is currently expected to close in the second half of calendar year 2024, subject to the satisfaction of customary closing conditions, including shareholder approval from both Tyman and Quanex shareholders and regulatory approvals.

On May 2, 2024, we entered into a deal contingent foreign exchange forward currency contract to manage our exposure to foreign currency exchange rate fluctuations against the USD and GBP for approximately $605 million of the $1.1 billion purchase consideration for the proposed Tyman Acquisition. This forward contract will expire if the Tyman Acquisition terminates or does not close by March 18, 2025. This forward contract will be accounted for as a derivative and will be classified in other current assets and other current liabilities on the consolidated balance sheet, with changes in fair value recognized in the consolidated income statement.

Unless the context indicates otherwise, references to "Quanex", the "Company", "we", "us" and "our" refer to the consolidated business operations of Quanex Building Products Corporation and its subsidiaries.

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained in this document and in documents incorporated by reference herein, including those made under the caption *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* include "forward-looking" statements as defined under the Private Securities Litigation Reform Act of 1995. Generally, the words "expect," "believe," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. Forward-looking statements are statements as to matters that are not historical facts, and include statements about our plans, objectives, expectations and intentions, including (1) all statements which address future operating performance, (2) events or developments that we expect or anticipate will occur in the future, including statements relating to the Tyman Acquisition and statements relating to volume, sales, operating income, and earnings per share, and (3) statements expressing general outlook about future operating results. Forward-looking statements also include any statements relating to future capital expenditures, expenses, revenues, economic performance, financial conditions, dividend policy, losses, future prospects or business or management strategies, and the expansion and/or growth of the operations of the Company. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our current projections or expectations. As and when made, we believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, provided, that we cannot give any assurance that such expectations will prove to be correct. However, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to the following:

- impacts from public health issues (including pandemics, such as the COVID-19 pandemic and quarantines) on the economy, demand for our products or our operations, including the responses of governmental authorities to contain such public health issues;
- uncertainty as to whether or when the Tyman Acquisition may be completed, if at all;
- our ability to integrate and implement our plans, forecasts and other expectations with respect to Tyman;
- changes in market conditions, particularly in the new home construction, and residential remodeling and replacement (R&R) activity markets in the United States, United Kingdom, Germany and elsewhere;
- changes in non-pass-through raw material costs;
- changes in domestic and international economic conditions;
- changes in availability and prices of raw material including inflationary pressures and supply chain challenges, which could be exacerbated by political or global unrest such as the current military conflicts in Ukraine and Gaza;
- our ability to attract and retain skilled labor;
- changes in purchases by our principal customers;
- fluctuations in foreign currency exchange rates;
- our ability to maintain an effective system of internal controls;
- our ability to successfully implement our internal operating plans and acquisition strategies;
- our ability to successfully implement our plans with respect to information technology (IT) systems and processes;
- our ability to control costs and increase profitability;
- changes in environmental laws and regulations;
- changes in warranty obligations;
- changes in energy costs and the availability of energy;
- changes in tax laws, and interpretations thereof;
- changes in interest rates;
- our ability to service our debt facilities and remain in good standing with our lenders;
- changes in the availability or applicability of our insurance coverage;
- our ability to maintain good relationships with our suppliers, subcontractors, and key customers; and
- the resolution of litigation and other legal proceedings.

For information on additional factors that could cause actual results to differ materially, please refer to the section entitled *"Item 1A. Risk Factors"* in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023.

About Third-Party Information

In this report, we rely on and refer to information regarding industry data obtained from market research, publicly available information, industry publications, U.S. government sources and other third parties. Although we believe this information is reliable, we cannot guarantee the accuracy or completeness of the information and have not independently verified it.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes as of April 30, 2024, and for the three and six months ended April 30, 2024 and 2023, included elsewhere herein. For additional information pertaining to our business, including risk factors which should be considered before investing in our common stock, refer to our Annual Report on Form 10-K for the fiscal year ended October 31, 2023.

Our Business

We manufacture components for original equipment manufacturers (OEMs) in the building products industry. These components can be categorized as window and door ("fenestration") components and kitchen and bath cabinet components. Examples of fenestration components include (1) energy-efficient flexible insulating glass spacers, (2) extruded vinyl profiles, (3) window and door screens, and (4) precision-formed metal and wood products. We also manufacture cabinet doors and other components for OEMs in the kitchen and bathroom cabinet industry. In addition, we provide certain other non-fenestration components and products, which include custom mixing, solar panel sealants, trim moldings, vinyl decking, vinyl fencing, customized compounds, water retention barriers, and conservatory roof components. We use low-cost, short lead-time production processes and engineering expertise to provide our customers with specialized products for their specific window, door, and cabinet applications. We believe these capabilities provide us with unique competitive advantages. We serve a primary customer base in North America and the U.K., and also serve customers in international markets through our operating plants in the U.K. and Germany, as well as through sales and marketing efforts in other countries.

We continue to invest in organic growth initiatives and we intend to continue evaluating business acquisitions that allow us to expand our existing fenestration and cabinet component footprint, enhance our product offerings, provide new complementary technology, enhance our leadership position within the markets we serve and expand into new markets or service lines. We have disposed of non-core businesses in the past, and continue to evaluate our business portfolio to ensure that we are investing in markets where we believe there is potential future growth.

We currently have three reportable business segments: (1) North American Fenestration segment ("NA Fenestration"), comprising four operating segments, manufacturing vinyl profiles, IG spacers, screens, custom compound mixing, and other fenestration components; (2) European Fenestration segment ("EU Fenestration"), comprising our U.K.-based vinyl extrusion business, manufacturing vinyl profiles and conservatories, and the European insulating glass business manufacturing IG spacers; and (3) North American Cabinet Components segment ("NA Cabinet Components"), comprising our North American cabinet door and components business and two wood-manufacturing plants. We maintain a grouping called Unallocated Corporate & Other, which includes transaction expenses, stock-based compensation, long-term incentive awards based on the performance of our common stock and other factors, certain severance, legal, and other costs not deemed to be allocable to all segments, depreciation of corporate assets, interest expense, other, net, income taxes and inter-segment eliminations, and executive incentive compensation and medical expense fluctuations relative to planned costs as determined during the annual planning process. Other corporate general and administrative costs have been allocated to the reportable business segments, based upon a relative measure of profitability in order to more accurately reflect each reportable business segment's administrative costs. We allocate corporate expenses to businesses acquired mid-year from the date of acquisition. The accounting policies of our operating segments are the same as those used to prepare our accompanying condensed consolidated financial statements.

Recent Transactions and Events

On April 22, 2024, we announced that we reached an agreement with Tyman plc, a company incorporated in England and Wales (LSE:TYMN) ("Tyman") on the terms of a cash and share offer (the "Tyman Acquisition"), under which we will acquire the entire issued and to be issued share capital of Tyman for approximately $1.1 billion (based on the each of the £/US$ exchange rate and the Company's last reported trading price as of April 19, 2024) in enterprise value. Under the terms of the Tyman Acquisition, Tyman shareholders will be entitled to elect to receive: (i) 240 pence in cash and 0.05715 of a share of Quanex common stock, par value of $0.01 per share, to be newly issued in connection with the Tyman Acquisition (the "New Quanex Shares") for each Tyman ordinary share (such shares, the "Tyman Shares" and such option, the "Main Offer") or (ii) under an alternative to the Main Offer, New Quanex Shares at an exchange ratio of 0.14288 of a New Quanex Share for each Tyman Share (such option, the "Capped All-Share Alternative"), provided, that, the Capped All-Share Alternative shall be made available for up to 25% of the Tyman Shares outstanding. The Tyman Acquisition will be implemented by means of a court-sanctioned scheme of arrangement under the UK Companies Act 2006, as amended (the" Scheme"). The Tyman Acquisition has been unanimously approved by the Boards of Directors of both Quanex and Tyman and is currently expected to close in the second half of calendar year 2024, subject to the satisfaction of customary closing conditions, including shareholder approval from both Tyman and Quanex shareholders and regulatory approvals.

On May 2, 2024, we entered into a deal contingent foreign exchange forward currency contract to manage our exposure to foreign currency exchange rate fluctuations against the USD and GBP for approximately $605 million of the $1.1 billion purchase consideration for the proposed Tyman Acquisition. This forward contract will expire if the Tyman Acquisition terminates or does not close by March 18, 2025. This forward contract will be accounted for as a derivative and will be classified in other current assets and other current liabilities on the consolidated balance sheet, with changes in fair value recognized in the consolidated income statement.

Tyman’s family of brands includes highly regarded names that boast wide customer bases and offer product solutions in the window and door hardware, commercial access solutions, and seals and extrusions vertical segments for residential and commercial users across its North America, UK and Ireland, and International divisions.

On November 1, 2022, we entered into an Asset Purchase Agreement with LMI and the equity owners of LMI, Lauren International, Ltd. and Meteor-US-Beteiligungs GMBH. Under the Purchase Agreement, we acquired substantially all of the operating assets comprising LMI’s polymer mixing and rubber compound production business and also agreed to assume certain liabilities relating to the Acquisition. As consideration for the Purchased Assets, we paid $91.3 million in cash utilizing funds borrowed under our Credit Facility. In connection with the Acquisition, we amended our existing finance lease with Lauren Real Estate Holding LLC for the purpose of adding an additional lease renewal option and increasing rental space by approximately 60,000 square feet of rental space which was added to the 313,595 square feet of rentable area located in Cambridge, Ohio.

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the military conflicts currently ongoing in Ukraine and Gaza. Although the length and impact of these ongoing military conflicts are highly unpredictable, the conflicts could lead to market or operational disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions. Russia, Europe’s largest provider of natural gas, has significantly reduced the export of natural gas compared to the beginning of the conflict resulting in the increase in natural gas prices and the potential for natural gas shortages. In addition, one of the suppliers of a vapor barrier used in the production of our insulating glass spacers is located in Israel and may experience a disruption as a result of the ongoing conflict in Gaza. If these trends continues, this would not only negatively impact our European manufacturing facilities, this may also impact our customers and their demand for our products. We continue to monitor these situations and their impact on our business.

The conflicts in Ukraine and Gaza and their impacts on the global economy, including inflation and the price of raw materials, supply chain disruptions, and the volatility in interest rates including home mortgage rates, are unpredictable and there may be developments outside our control requiring us to adjust our operating plan.

Market Overview and Outlook

We believe the primary drivers of our operating results continue to be North American new home construction and residential remodeling and replacement (R&R) activity. We believe that housing starts and window shipments are indicators of activity levels in the homebuilding and window industries, and we use this data, as published by or derived from third-party sources, to evaluate the market. We have evaluated the market using data from the National Association of Homebuilders (NAHB) with regard to housing starts, and published reports by Ducker Worldwide, LLC (Ducker), a consulting and research firm, with regard to window shipments in the U.S. We obtain market data from Catalina Research, a consulting and research firm, for insight into the U.S. residential wood cabinet demand.

In April 2024, the NAHB forecasted calendar-year housing starts to be approximately 1.4 million in the 2024 and 2025 calendar-years. In May 2024, the Ducker forecast indicated that total window shipments are expected to decrease 1.4% in calendar-year 2024 and increase 2.9% in 2025.

Several commodities in our business are subject to pricing fluctuations, including polyvinyl resin (PVC), titanium dioxide (TiO_2), petroleum products, aluminum and wood. For the majority of our customers and critical suppliers, we have price adjusters in place which effectively share the impact of pass-through price changes for our primary commodities with our customers commensurate with the market at large. Our long-term exposure to these price fluctuations is somewhat mitigated due to the contractual component of the adjuster programs. However, these adjusters are not in place with all customers and for all commodities, and there is a level of exposure to such volatility due to the lag associated with the timing of price updates in accordance with our customer agreements, particularly with regard to hardwoods. In addition, some of these commodities are in high demand, particularly in Europe, which can affect the cost of the raw materials, a portion of which we may not be able to fully recover.

The global economy remains uncertain due to currency devaluations, political unrest, terror threats, global pandemics such as COVID-19, and even the political landscape in the U.S. These and other macro-economic factors have impacted the global financial markets, which may have contributed to significant changes in foreign currencies. We continue to monitor our exposure to changes in exchange rates.

Results of Operations

Three Months Ended April 30, 2024 Compared to Three Months Ended April 30, 2023

	Three Months Ended April 30,			
	2024	2023	Change $	% Variance
	(Dollars in thousands)			
Net sales	$ 266,201	$ 273,535	$ (7,334)	(3)%
Cost of sales (excluding depreciation and amortization)	199,963	206,372	(6,409)	(3)%
Selling, general and administrative	34,707	27,371	7,336	27 %
Depreciation and amortization	10,894	10,456	438	4 %
Operating income	20,637	29,336	(8,699)	(30)%
Interest expense	(950)	(2,244)	1,294	(58)%
Other, net	4	(29)	33	(114)%
Income tax expense	(4,314)	(5,551)	1,237	(22)%
Net income	$ 15,377	$ 21,512	$ (6,135)	(29)%

Our period-over-period results by reportable segment follow.

Changes Related to Operating Income by Reportable Segment:

NA Fenestration

	Three Months Ended April 30,			
	2024	2023	$ Change	% Variance
	(Dollars in thousands)			
Net sales	$ 159,774	$ 156,975	$ 2,799	2%
Cost of sales (excluding depreciation and amortization)	122,261	122,472	(211)	—%
Selling, general and administrative	13,730	14,158	(428)	(3)%
Depreciation and amortization	5,218	5,050	168	3%
Operating income	$ 18,565	$ 15,295	$ 3,270	21%
Operating income margin	12 %	10 %		

Net Sales. Net sales increased $2.8 million, or 2%, for the three months ended April 30, 2024 compared to the same period in 2023, which was primarily driven by a $2.6 million increase in volumes due to a return to normal seasonality and an increase in price and raw material indexes of $0.2 million.

Cost of Sales. The cost of sales decreased $0.2 million, for the three months ended April 30, 2024 compared to the same period in 2023. Cost of sales decreased primarily due to deflation of raw materials during the period.

Selling, General and Administrative. Selling, general and administrative expenses decreased $0.4 million, or 3%, for the three months ended April 30, 2024 compared to the same period in 2023 primarily due to decreases in professional fees year-over-year.

EU Fenestration

	Three Months Ended April 30,			
	2024	2023	$ Change	% Variance
	(Dollars in thousands)			
Net sales	$ 56,583	$ 63,763	$ (7,180)	(11)%
Cost of sales (excluding depreciation and amortization)	35,694	40,452	(4,758)	(12)%
Selling, general and administrative	7,873	8,452	(579)	(7)%
Depreciation and amortization	2,538	2,353	185	8%
Operating income	$ 10,478	$ 12,506	$ (2,028)	(16)%
Operating income margin	19 %	20 %		

Net Sales. Net sales decreased $7.2 million, or 11%, for the three months ended April 30, 2024 compared to the same period in 2023, which was primarily driven by a $6.1 million decrease in volumes largely due to softer market demand and $1.7 million of base price decreases partially offset by $0.6 million benefit from foreign currency rate change.

Cost of Sales. The cost of sales decreased $4.8 million, or 12%, for the three months ended April 30, 2024 compared to the same period in 2023. Cost of sales decreased primarily due to lower volumes and the deflation of the price of raw materials, partially offset by foreign currency rate changes during the period.

Selling, General and Administrative. Selling, general and administrative expense decreased $0.6 million, or 7%, for the three months ended April 30, 2024 compared to the same period in 2023. The decrease is primarily due to a decrease in professional fees, partially offset by an increase in labor costs, year-over-year.

NA Cabinet Components

	Three Months Ended April 30,			
	2024	**2023**	**$ Change**	**Variance %**
	(Dollars in thousands)			
Net sales	$ 51,078	$ 53,518	$ (2,440)	(5)%
Cost of sales (excluding depreciation and amortization)	42,624	43,731	(1,107)	(3)%
Selling, general and administrative	5,066	5,971	(905)	(15)%
Depreciation and amortization	3,082	2,970	112	4%
Operating income	$ 306	$ 846	$ (540)	(64)%
Operating income margin	1 %	2 %		

Net Sales. Net sales decreased $2.4 million, or 5%, for the three months ended April 30, 2024 compared to the same period in 2023, which was driven by a $1.6 million decrease in price and raw material surcharges and a $0.8 million decrease in volumes due to softer market demand driven by weaker consumer confidence.

Cost of Sales. Cost of sales decreased $1.1 million, or 3%, for the three months ended April 30, 2024 compared to the same period in 2023. Cost of sales decreased primarily due to lumber price deflation and lower volumes during the period.

Selling, General and Administrative. Selling, general and administrative expense decreased $0.9 million, or 15%, for the three months ended April 30, 2024 compared to the same period in 2023 primarily due to a decrease in labor costs and professional fees year-over-year.

Unallocated Corporate & Other

	Three Months Ended April 30,			
	2024	**2023**	**$ Change**	**Variance %**
	(Dollars in thousands)			
Net sales	$ (1,234)	$ (721)	$ (513)	71%
Cost of sales (excluding depreciation and amortization)	(616)	(283)	(333)	118%
Selling, general and administrative	8,038	(1,210)	9,248	(764)%
Depreciation and amortization	56	83	(27)	(33)%
Operating (loss) income	$ (8,712)	$ 689	$ (9,401)	(1,364)%

Net Sales. Net sales for Unallocated Corporate & Other represents the elimination of inter-segment sales for the three months ended April 30, 2024 and 2023.

Cost of Sales. Cost of sales for Unallocated Corporate & Other consists of the elimination of inter-segment sales, profit in inventory, and other costs.

Selling, General and Administrative. Selling, general and administrative expenses increased $9.2 million, or 764%, for the three months ended April 30, 2024 compared to the same period in 2023. This increase is primarily attributable to a $7.0 million increase in transaction and advisory fees, higher compensation expense including the valuations of our stock-based compensation awards, and an increase in medical claims expense during the three months ended April 30, 2024 as compared to the prior year period.

Changes related to Non-Operating Items:

Interest Expense. Interest expense decreased $1.3 million for the three months ended April 30, 2024 compared to the same period in 2023 as a result of lower borrowings outstanding during the three months ended April 30, 2024 as compared to the prior year period.

Income Taxes. We recorded income tax expense of $4.3 million on pre-tax income of $19.7 million for the three months ended April 30, 2024, an effective rate of 21.9%, and income tax expense of $5.6 million on pre-tax income of $27.1 million for the three months ended April 30, 2023, an effective rate of 20.5%. The increase in the effective tax rate year-over-year was primarily driven by an increase in non-deductible permanent differences.

Six Months Ended April 30, 2024 Compared to Six Months Ended April 30, 2023

	Six Months Ended April 30,			
	2024	**2023**	**Change $**	**% Variance**
	(Dollars in thousands)			
Net sales	$ 505,356	$ 535,451	$ (30,095)	(6)%
Cost of sales (excluding depreciation and amortization)	387,686	416,521	(28,835)	(7)%
Selling, general and administrative	67,070	64,115	2,955	5 %
Depreciation and amortization	22,046	21,076	970	5 %
Operating income	28,554	33,739	(5,185)	(15)%
Interest expense	(2,018)	(4,503)	2,485	(55)%
Other, net	1,046	189	857	453 %
Income tax expense	(5,956)	(6,004)	48	(1)%
Net income	$ 21,626	$ 23,421	$ (1,795)	(8)%

Our period-over-period results by reportable segment follow.

Changes Related to Operating Income by Reportable Segment:

NA Fenestration

	Six Months Ended April 30,			
	2024	**2023**	**$ Change**	**% Variance**
	(Dollars in thousands)			
Net sales	$ 307,769	$ 309,955	$ (2,186)	(1)%
Cost of sales (excluding depreciation and amortization)	240,629	247,189	(6,560)	(3)%
Selling, general and administrative	29,640	27,453	2,187	8%
Depreciation and amortization	10,693	10,295	398	4%
Operating income	$ 26,807	$ 25,018	$ 1,789	7%
Operating income margin	9 %	8 %		

Net Sales. Net sales decreased $2.2 million, or 1%, for the six months ended April 30, 2024 compared to the same period in 2023, which was primarily driven by a $1.7 million decrease in volumes mainly due to softer market demand and a return to lower volumes in the fall and early winter months due a return of normal seasonality and a $0.5 million decrease in price and raw material indexes.

Cost of Sales. The cost of sales decreased $6.6 million, or 3%, for the six months ended April 30, 2024 as compared to the same period in 2023. Cost of sales, including labor, decreased primarily due to lower volumes and deflation of raw materials during the period.

Selling, General and Administrative. Selling, general and administrative expenses increased $2.2 million, or 8%, for the six months ended April 30, 2024 as compared to the same period in 2023. The increase is primarily due to increases in labor costs, partially offset by a decrease in professional fees year-over-year.

EU Fenestration

	Six Months Ended April 30,			
	2024	2023	$ Change	Variance %
	(Dollars in thousands)			
Net sales	$ 106,020	$ 118,715	$ (12,695)	(11)%
Cost of sales (excluding depreciation and amortization)	67,397	78,155	(10,758)	(14)%
Selling, general and administrative	15,618	15,957	(339)	(2)%
Depreciation and amortization	5,096	4,701	395	8%
Operating income	$ 17,909	$ 19,902	$ (1,993)	(10)%
Operating income margin	17 %	17 %		

Net Sales. Net sales decreased $12.7 million, or 11%, comparing the six months ended April 30, 2024 to the same period in 2023, which was primarily driven by a $12.8 million decrease in volumes largely due to softer market demand and $1.5 million of base price decreases, partially offset by $1.6 million of foreign currency rate change.

Cost of Sales. The cost of sales decreased $10.8 million, or 14%, for the six months ended April 30, 2024 compared to the same period in 2023. Cost of sales decreased primarily due to a decrease in volumes, deflation in the price of raw materials and foreign currency impacts.

Selling, General and Administrative. Selling, general and administrative expense decreased $0.3 million, or 2%, for the six months ended April 30, 2024 compared to the same period in 2023. The decrease is primarily due to a decrease in professional fees, partially offset by an increase in labor costs, year-over-year.

NA Cabinet Components

	Six Months Ended April 30,			
	2024	2023	$ Change	Variance %
	(Dollars in thousands)			
Net sales	$ 94,215	$ 108,192	$ (13,977)	(13)%
Cost of sales (excluding depreciation and amortization)	81,367	91,787	(10,420)	(11)%
Selling, general and administrative	10,192	10,844	(652)	(6)%
Depreciation and amortization	6,147	5,904	243	4%
Operating loss	$ (3,491)	$ (343)	$ (3,148)	918%
Operating loss margin	(4)%	— %		

Net Sales. Net sales decreased $14.0 million, or 13%, for the six months ended April 30, 2024 compared to the same period in 2023, which was driven by a $7.2 million decrease in volumes due to softer market demand driven by weaker consumer confidence and a $6.8 million decrease in raw material surcharges.

Cost of Sales. Cost of sales decreased $10.4 million, or 11%, for the six months ended April 30, 2024 compared with the same period in 2023, primarily as a result of lower volumes year-over-year.

Selling, General and Administrative. Selling, general and administrative expense decreased $0.7 million, or 6%, for the six months ended April 30, 2024 compared to the same period in 2023. This decrease is primarily due to a decrease in labor costs and professional fees year-over-year.

Unallocated Corporate & Other

	Six Months Ended April 30,			
	2024	2023	$ Change	Variance %
	(Dollars in thousands)			
Net sales	$ (2,648)	$ (1,411)	$ (1,237)	88%
Cost of sales (excluding depreciation and amortization)	(1,707)	(610)	(1,097)	180%
Selling, general and administrative	11,620	9,861	1,759	18%
Depreciation and amortization	110	176	(66)	(38)%
Operating loss	$ (12,671)	$ (10,838)	$ (1,833)	17%

Net Sales. Net sales for Unallocated Corporate & Other represents the elimination of inter-segment sales for the six months ended April 30, 2024 and 2023.

Cost of Sales. Cost of sales for Unallocated Corporate & Other consists of the elimination of inter-segment sales, profit in inventory, and other costs.

Selling, General and Administrative. Selling, general and administrative expenses increased $1.8 million, or 18%, for the six months ended April 30, 2024 compared to the same period in 2023. This increase is primarily attributable to an increase in transaction and advisory fees and an increase in medical claims expense during the six months ended April 30, 2024 as compared to the prior year period.

Changes related to Non-Operating Items:

Interest Expense. Interest expense decreased $2.5 million for the six months ended April 30, 2024 compared to the same period in 2023 primarily as a result of lower borrowings outstanding during the six months ended April 30, 2024 as compared to the prior year period.

Income Taxes. We recorded income tax expense of $6.0 million on pre-tax income of $27.6 million for the six months ended April 30, 2024, an effective rate of 21.6%, and income tax expense of $6.0 million on a pre-tax income of $29.4 million for the six months ended April 30, 2023, an effective rate of 20.4%. The increase in the effective tax rate year-over-year was primarily driven by an increase in non-deductible permanent differences.

Liquidity and Capital Resources

Overview

Historically, our principal sources of funds have been cash on hand, cash flow from operations, and borrowings under our credit facilities.

We maintain a $325.0 million revolving credit facility (the Credit Facility) that matures in 2027 (5-year term) and requires interest payments calculated at a variable market rate depending upon our Consolidated Net Leverage Ratio. The applicable rate during the six months ended April 30, 2024 was RFR Rate + 1.25%. Our cost of capital could increase depending upon the Consolidated Net Leverage Ratio at the end of any given quarter. In addition to the Consolidated Net Leverage Ratio covenant, we are required to meet a Consolidated Interest Coverage Ratio covenant, and there are limitations on certain transactions including our ability to incur indebtedness, incur liens, dispose of material assets, acquire businesses, make restricted payments and pay dividends (limited to $25.0 million per year). We are amortizing deferred financing fees of $1.0 million straight-line over the remaining term of the facility. For further details of the Credit Facility, refer to Note 6, “Debt and Finance Lease Obligations” to the accompanying unaudited condensed consolidated financial statements contained elsewhere herein.

As of April 30, 2024, we had $56.1 million of cash and equivalents, zero outstanding under the Credit Facility, $3.7 million of outstanding letters of credit and $55.2 million outstanding under finance leases and other debt. Of the $55.2 million outstanding under finance leases and other debt, $51.0 million relates to real estate leases. We had $321.3 million available for use under the Credit Facility at April 30, 2024.

On April 21, 2024, the Company and certain financial institution parties entered into the Interim Facility Agreement, pursuant to which Wells Fargo Bank, National Association, as interim facility agent and interim security agent, and a syndicate of lenders agreed to provide the Company with a $750 million term loan interim facility (“Interim Facility”) and the Commitment Letter, pursuant to which certain financial institution parties agreed to provide to the Company, subject to the execution of definitive financing documents, certain term loan and revolving facilities on the terms and conditions set forth in the Commitment Letter (collectively, the “Facilities”) in order to, among other things, finance the cash consideration payable by the Company in connection with the Tyman Acquisition. The availability of the borrowings under the Facilities (or, in the event that the commitments under the Facilities are not funded on the closing date of the Tyman Acquisition, the Interim Facility Agreement) are subject to the satisfaction of certain customary conditions for financings of this nature. The Interim Facility Agreement contains, and any definitive financing documentation for the Facilities will contain, customary representations and warranties, events of default and covenants for transactions of this type. To the extent any borrowings are made under the Interim Facility Agreement, such loans will mature on the date falling 90 days after the date of first drawdown under the Interim Facility Agreement.

During December 2021, our Board of Directors approved a stock repurchase program that authorized the repurchase of up to $75.0 million worth of shares of our common stock. Repurchases under the program will be made in open market transactions or privately negotiated transactions, subject to market conditions, applicable legal requirements and other relevant factors. During the three months ended April 30, 2024, we did not purchase any shares under this program and as of April 30, 2024 we had a maximum of $62.8 million available to purchase shares under this program. The program does not have an expiration date or a limit on the number of shares that may be purchased.

We repatriated $15.3 million and $21.2 million of foreign cash during the six months ended April 30, 2024 and 2023, respectively. We expect to repatriate excess cash moving forward and use the funds to retire debt or meet current working capital needs. In the U.K., we insure against a portion of our credit losses. We believe our business model, our current cash reserves and our strong balance sheet leave us well-positioned to manage our business and remain in compliance with our debt covenants.

Analysis of Cash Flow

The following table summarizes our cash flow results for the six months ended April 30, 2024 and 2023:

	Six Months Ended April 30,	
	2024	**2023**
	(Dollars in thousands)	
Cash provided by operating activities	$ 36,945	$ 38,460
Cash used for investing activities	$ (17,090)	$ (106,275)
Cash (used for) provided by financing activities	$ (21,887)	$ 54,313

Operating Activities. Cash provided by operating activities decreased $1.5 million for the six months ended April 30, 2024 compared to the six months ended April 30, 2023. The decrease in operating cash flow is primarily due to a decrease in net income year-over-year partially offset by favorable changes to net working capital.

Investing Activities. Cash used for investing activities decreased $89.2 million for the six months ended April 30, 2024 compared to the same period in 2023, primarily as a result of no business acquisitions in 2024 compared to the acquisition of LMI in 2023.

Financing Activities. Cash used for financing activities was $21.9 million for the six months ended April 30, 2024 compared to cash provided by financing activities of $54.3 million for the same period in 2023. The change in investing cash flows is primarily as a result of a decrease in net borrowings of long-term debt. During the six months ended April 30, 2023, $91.3 million of the borrowings of long-term debt were related to the acquisition of LMI.

Liquidity Requirements

Historically, our strategy for deploying cash has been to invest in organic growth opportunities, develop our infrastructure, and explore strategic acquisitions. Other uses of cash include paying cash dividends to our shareholders and repurchasing our common stock. During the six months ended April 30, 2024 and 2023, we repatriated $15.3 million and $21.2 million, respectively, of foreign earnings from our foreign locations. We maintain cash balances in foreign countries which total $16.0 million as of April 30, 2024.

Critical Accounting Policies and Estimates

The preparation of our financial statements in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP) requires us to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. Estimates and assumptions about future events and their effects cannot be perceived with certainty. Estimates may change as new events occur, as more experience is acquired, as additional information becomes available and as our operating environment changes. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, and that we believe provide a basis for making judgments about the carrying value of assets and liabilities that are not readily available through open market quotes. We must use our judgment with regard to uncertainties in order to make these estimates. Actual results could differ from these estimates.

For a description of our critical accounting policies and estimates, see our Annual Report on Form 10-K for the fiscal year ended October 31, 2023. Our critical accounting policies and estimates have not changed materially during the six months ended April 30, 2024.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standards setting bodies that we adopt as of the specified effective date. We did not adopt any new accounting pronouncements during the three and six months ended April 30, 2024.

Accounting Standards Not Yet Adopted

In November 2023, the FASB issued "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 with early adoption is permitted. The guidance is to be applied retrospectively to all prior periods presented in the financial statements. We are currently evaluating the potential impact of adopting this new guidance on our consolidated financial statements and related disclosures.

In December 2023, the FASB issued "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which includes updates to the income tax disclosures related to the rate reconciliation and disaggregation of income taxes paid by jurisdiction. The guidance is effective for fiscal years beginning after December 15, 2024 with early adoption permitted. The amendments should be applied prospectively, however retrospective application is permitted. We are currently evaluating the potential impact of adopting this new guidance on our consolidated financial statements and related disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion of our exposure to various market risks contains "forward looking statements" regarding our estimates, assumptions and beliefs concerning our exposure. Although we believe these estimates and assumptions are reasonable in light of information currently available to us, we cannot provide assurance that these estimates will not materially differ from actual results due to the inherent unpredictability of interest rates, foreign currency rates and commodity prices as well as other factors. We do not use derivative financial instruments for speculative or trading purposes.

Interest Rate Risk

Our debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. This sensitivity is impacted by the amount of borrowings under our credit facilities, and amounts outstanding under finance leases.

Foreign Currency Rate Risk

Our international operations have exposure to foreign currency rate risks, primarily due to fluctuations in the Euro, the British Pound Sterling and the Canadian Dollar. From time to time, we enter into foreign exchange contracts associated with our operations to manage a portion of the foreign currency rate risk. There were no corresponding foreign currency derivatives as of April 30, 2024 or October 31, 2023.

On May 2, 2024, we entered into a deal contingent foreign exchange forward currency contracts to manage our exposure to foreign currency exchange rate fluctuations against the USD and GBP for approximately $605 million of the $1.1 billion purchase consideration for the proposed Tyman Acquisition. These forward contracts expire if the Tyman Acquisition terminates or does not close by March 18, 2025.

Commodity Price Risk

We purchase PVC as the significant raw material consumed in the manufacture of vinyl extrusions. We have resin adjusters in place with a majority of our customers and our resin supplier that is adjusted based upon published indices for lagging resin prices. These adjusters effectively share the base pass-through price changes of PVC with our customers commensurate with the market at large. Our long-term exposure to changes in PVC prices is somewhat mitigated due to the contractual component of the resin adjuster program. However, there is a level of exposure to short-term volatility due to timing lags.

We adjust the pricing of petroleum-based raw materials for the majority of our customers who purchase products using these materials. This is intended to offset the fluctuating cost of products which are highly correlated to the price of oil including butyl and other oil-based raw materials. This program is adjusted monthly based upon the 90-day average published price for Brent crude. The oil-based raw materials that we purchase are subject to similar pricing schemes. As such, our long-term exposure to increases in oil-based raw material prices is significantly reduced under this program.

Similarly, NA Cabinet Components includes a price index provision in the majority of its customer arrangements to insulate against significant fluctuations in the price for various hardwood products used as the primary raw material for kitchen and bathroom cabinet doors. Like our vinyl extrusion business, we are exposed to short-term volatility in wood prices due to a lag in the timing of price updates which generally could extend for up to three months.

We have begun implementing additional programs for other raw materials to facilitate more accurate pricing and reduce our exposure to changing material costs when necessary, however these are also subject to timing lags. While we maintain surcharges and other adjusters to manage our exposure to changes in the prices of our critical raw materials, we use several commodities in our business that are not covered by contractual surcharges or adjusters for which pricing can fluctuate, including PVC compound micro ingredients, silicone and other inputs. Further discussion of our industry risks is included within our Annual Report on Form 10-K for the fiscal year ended October 31, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (1934 Act) as of April 30, 2024. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of April 30, 2024, the disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no changes in internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the 1934 Act) during the most recent fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023 (Part I, Item 1A) other than as discussed below.

Quanex may fail to consummate the Tyman Acquisition or may not consummate the Tyman Acquisition on the terms or timing described herein.

It is currently anticipated that the Tyman Acquisition will be consummated in the second half of calendar year 2024. Completion of the Tyman Acquisition is subject to, among other things, the receipt of applicable shareholder approvals by both Tyman shareholders and Quanex stockholders, regulatory approvals and other customary closing conditions for the acquisition of a UK public company. As a result, the possible timing and likelihood of completion are uncertain, and, accordingly, there can be no assurance that the Tyman Acquisition will be completed on the expected terms, on the anticipated schedule, or at all.

If the Tyman Acquisition is not consummated, we could be subject to a number of risks that may adversely affect our business and the market price of Quanex common stock, including:

- we will be required to pay costs relating to the Tyman Acquisition such as legal, accounting, financial advisory and printing fees, whether or not the Tyman Acquisition is consummated;
- time and resources committed by our management to matters relating to the Tyman Acquisition could otherwise have been devoted to pursuing other beneficial opportunities; and
- we would not realize the benefits we expect to realize from consummating the Tyman Acquisition.

We cannot provide any assurance that the Tyman Acquisition will be consummated or that there will not be a delay in the consummation of the Tyman Acquisition. If the Tyman Acquisition is not consummated, our reputation in our industry and in the investment community could be damaged, and the market price of our common stock could decline.

We may fail to realize the anticipated benefits and operating synergies expected from the Tyman Acquisition, which could adversely affect our business, financial condition and operating results.

The success of the Tyman Acquisition will depend, in significant part, on our ability to successfully integrate Tyman and realize the anticipated strategic benefits and synergies from the combination. We believe that the addition of Tyman represents an attractive opportunity to create a leading comprehensive solutions provider in the building products industry, leveraging the complementary product portfolios of trusted brands and expanded engineering, design and manufacturing capabilities of both groups to deliver value to consumers, shareholders and other stakeholders. Achieving these goals requires effective integration of the Tyman business and realization of the targeted synergies expected from the Tyman Acquisition. The anticipated benefits of the Tyman Acquisition may not be realized fully or at all, or may take longer to realize than we expect. Actual operating, technological, strategic and revenue opportunities, if achieved at all, may be less significant than we expect or may take longer to achieve than anticipated. If we are not able to achieve these objectives and realize the anticipated benefits and synergies expected from the Tyman Acquisition within a reasonable time, our business, financial condition and operating results may be adversely affected.

The Tyman Acquisition will result in significant integration costs and any material delays or unanticipated additional expenses may harm our business, financial condition and results of operations.

The complexity and magnitude of the integration effort associated with the Tyman Acquisition are significant and require that we fund significant capital and operating expenses to support the integration of the combined operations. Such expenses have included and will include significant transaction, consulting and third-party service fees. We have incurred and expect to continue to incur additional operating expenses as we build up internal resources and/or engage third party providers following the Tyman Acquisition. In addition to these transition costs, we have incurred and expect to continue to incur increased expenses relating to, among other things, restructuring and integrating the two businesses. Any material delays, difficulties or unanticipated additional expenses associated with integration activities may harm our business, financial condition and results of operations.

Item 5. Other Information

During the three months ended April 30, 2024, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

Item 6. Exhibits

The exhibits required to be furnished pursuant to Item 6 are listed in the Exhibit Index filed herewith, which Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	QUANEX BUILDING PRODUCTS CORPORATION
Date: June 7, 2024	/s/ Scott M. Zuehlke
	Scott M. Zuehlke Senior Vice President - Chief Financial Officer & Treasurer (Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
2.1	Rule 2.7 Announcement dated as of April 22, as filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K (Reg. No. 001-33913), as filed with the Securities and Exchange Commission on April 22, 2024, and incorporated herein by reference.
2.2	Co-operation Agreement dated as of April 22, 2024, as filed as Exhibit 2.2 to the Registrant's Current Report on Form 8-K (Reg. No. 001-33913), as filed with the Securities and Exchange Commission on April 22, 2024, and incorporated herein by reference.
2.3	Form of Deed of Irrevocable Undertaking dated as of April 22, 2024, as filed as Exhibit 2.3 to the Registrant's Current Report on Form 8-K (Reg. No. 001-33913), as filed with the Securities and Exchange Commission on April 22, 2024, and incorporated herein by reference.
3.1	Restated Certificate of Incorporation of the Registrant dated as of March 4, 2016, filed as Exhibit 3.1 of the Registrant's Current Report on Form 8-K (Reg. No. 001-33913) as filed with the Securities and Exchange Commission on March 7, 2016, and incorporated herein by reference.
3.2	Fourth Amended and Restated Bylaws of the Registrant dated as of February 27, 2020, filed as Exhibit 3.2 of the Registrant's Quarterly Report on Form 10-Q (Reg. No. 001-33913) for the quarter ended January 31, 2020, and incorporated herein by reference.
4.1	Form of Registrant's Common Stock certificate, filed as Exhibit 4.1 of Amendment No. 1 to the Registrant's Registration Statement on Form 10-Q (Reg. No. 001-33913) as filed with the Securities and Exchange Commission on February 14, 2008, and incorporated herein by reference.
4.2	Second Amended and Restated Credit Agreement dated as of July 6, 2022, by and among the Company; the lenders party thereto; and Wells Fargo Bank, National Association, as Agent; filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K (Reg. No. 001-33913) as filed with the Securities and Exchange Commission on July 6, 2022, and incorporated herein by reference.
10.1	Interim Facility Agreement dated as of April 21, as filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (Reg. No. 001-33913), as filed with the Securities and Exchange Commission on April 22, 2024, and incorporated herein by reference.
10.2	Commitment Letter dated as of April 21, as filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (Reg. No. 001-33913), as filed with the Securities and Exchange Commission on April 22, 2024, and incorporated herein by reference.
*31.1	Certification by chief executive officer pursuant to Rule 13a-14(a)/15d-14(a).
*31.2	Certification by chief financial officer pursuant to Rule 13a-14(a)/15d-14(a).
*32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

As permitted by Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant has not filed with this Quarterly Report on Form 10-Q certain instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries because the total amount of securities authorized under any of such instruments does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis. The Registrant agrees to furnish a copy of any such agreements to the Securities and Exchange Commission upon request.

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, George L. Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quanex Building Products Corporation (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)] for the Registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

June 7, 2024

/s/ George L. Wilson

George L. Wilson
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Scott M. Zuehlke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quanex Building Products Corporation (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)] for the Registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

June 7, 2024

/s/ Scott M. Zuehlke

Scott M. Zuehlke
Senior Vice President - Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

We hereby certify that the accompanying Quarterly Report on Form 10-Q of Quanex Building Products Corporation for the quarter ended April 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of Quanex Building Products Corporation.

June 7, 2024

/s/ George L. Wilson	/s/ Scott M. Zuehlke
George L. Wilson	Scott M. Zuehlke
President and Chief Executive Officer	*Senior Vice President—Chief Financial Officer and Treasurer*
(Principal Executive Officer)	*(Principal Financial Officer)*