



# POINT OF YOU.

2011 Annual Report Summary



NYSE: NX

**Point of You.** For Quanex Building Products, “Point of You” captures our emphasis on our customer-centric drive to build better collaboration, better solutions and better response to meet our customers’ needs. Our goal is to be the supplier of choice for the innovative and energy efficient products that will make our customers successful. We are making progress:

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### **Achieving Deeper Customer Interaction**

- Revamped our entire sales structure to better serve customers.
- Increased size of sales and marketing team while reducing comparable costs.
- Gave company representatives more training and tools to drive business.

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### **Focusing on Innovation**

- Continued to raise standards for energy efficiency, especially in insulating glass (IG) systems.
- Continued to invest in sustainable building solutions such as quality aluminum products with high recycled content and future recyclability.

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### **Delivering Industry Knowledge & Expertise**

- Widened our participation in the policy-making arena both in Washington and within industry groups.
- Actively communicated developments regarding federal building energy efficiency policies to customers through speaking events, industry articles and other channels.

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### **Offering Collaborative & Global Capabilities**

- Through the Edgetech acquisition, we expanded our global capabilities and leadership in cutting-edge insulating glass spacer systems.
- Focused more resources on collaborating with customers to develop new and innovative product designs.

# OUR POINT OF VIEW

## To Our Stockholders

2011 was a year of significant progress at Quanex Building Products. During the longest and deepest recession in building construction markets in the last fifty years, we continue to make investments in Quanex that will strengthen our performance for customers, stockholders and employees. Our "Point of You" theme is to communicate our drive to provide a higher level of quality and customer satisfaction to our internal and external customers, continue to grow through market share gains and acquisitions and increase our levels of productivity and returns to stockholders. Our "Point of You" is a strong belief that leadership of our enterprise must deliver on value propositions to our customers, our employees and stockholders. This is the winning trifecta for Quanex Building Products and the reason for our "Point of You" mindset.

One year ago, in my 2010 letter to stockholders, I believed the housing and residential remodeling markets were at the bottom. For 2011, I anticipated a slowdown in the replacement window market and a modest pickup in new home construction. The replacement window market had been active due to two years of window tax credits from the government. The forecast of a slowdown in the replacement market was correct. New home construction for single and multifamily structures was flat at best during the year and the modest recovery that we anticipated never materialized. As we look back on 2011, the industry shipped 38 million windows, the lowest volume on record. Our end markets were the weakest of the recession. We use an external analysis from Ducker Worldwide to understand window demand and benchmark our performance. Ducker estimates that window shipments dropped five percent year over year and we believe it. Our customers took out more window fabrication capacity in 2011, adjusting to the housing and repair and remodel markets that we expect to remain well under historic levels for the next several years.

Looking forward, we see continuing difficulty in the primary drivers of our business. Our end markets are mired in an oversupply of an estimated two million existing homes, tight credit and declining home values. These macroeconomic issues will have to be worked through for primary demand to return to more historic levels. Modest improvements in our end markets will be welcomed as we continue to grow our business, gain market share and drive productivity. In 2011, we continued to outperform our markets. We lowered our break-even point, enhanced our go-to-market structure and broadened our product portfolio. ***Due to the strength of our balance sheet, our business and our people, we were able to strengthen the Quanex foundation in these historically weak economic times. We are confident in the long-term prospects of Quanex Building Products.***

Two important acquisitions were executed in 2011. In April, we announced the purchase of Edgetech, a global market leader in insulating glass (IG) sealant systems. Quanex was strengthened in multiple ways from the purchase of Edgetech. The insulating glass spacer business, combined with our Truseal business, gives us a clear global leadership

position in insulating glass spacer technology. Customers look to a knowledgeable and quality sealant provider to supply double and triple pane glass systems demanded by growing energy conservation standards around the world.

Edgetech has helped Quanex build a much stronger sales and marketing organization with the ability to touch the influencers and relationships important in the global fenestration industry. As we integrated Edgetech, we redesigned and strengthened our sales leadership, increased feet on the street, dedicated marketing resources to our fenestration segments and established teams to influence energy codes and standards.

With the acquisition came the opportunity to improve our cost structure through consolidation efforts. We announced in early November the consolidation of our Barbourville, KY, site with the Edgetech facility in Cambridge, OH. The project will create a global center of excellence for our insulating glass sealant solutions and drive an excellent payback for the business. The IG business now has production capabilities at Cambridge, OH; Coventry, England and Heinsberg, Germany. This global reach will serve the growing markets for high-performance residential and commercial glass systems.

Also, in March 2011 we purchased the vinyl extrusion capability of JELD-WEN, a global leader in the fabrication of window and doors. The business was integrated into our Mikron window and door systems business along with a long-term agreement to supply JELD-WEN. Quanex believes that our technical leadership in vinyl window systems, along with our North American market leadership, drives a value proposition that is critical to high-performance window builders. We intend to build on this position through high-quality products and services and bolt-on acquisitions.

Over the past year, we remained profitable and had solid cash generation, while making heavy investments in the business to strengthen our future. Sales for 2011 were \$848 million, \$420 million from Engineered Products Group (EPG) and \$440 from Nichols Aluminum (NA). EPG sales include \$53 million for seven months from the Edgetech purchase. Without Edgetech, EPG sales were essentially flat compared to 2010, in a market that was down five percent, according to Ducker. Even including the business investments, EPG generated \$56 million\* of EBITDA, equal to 2010. Adding back the special item expenses, we had one of the healthiest operating margins ever at EPG, in the weakest market in our history. Our best days are ahead of us.

Nichols Aluminum had a tough year. We grew revenues at Nichols due to higher commodity prices, but pounds shipped were the second lowest on record. Demand for aluminum sheet products for building applications weakened throughout 2011 after strong market share gains and customer restocking in 2010. Nichols Aluminum faced strong competition in 2011 as the industry recovered from a brutal 2009 and 2010. On sales of \$440 million, Nichols generated \$26 million\* of EBITDA, respectable profits on weak demand and after heavy investment in

\*See EBITDA reconciliation on next page.

the business. Quanex believes that as building construction markets recover, the demand for aluminum sheet products will exceed the industry's ability to supply. As a result, we will continue to invest in Nichols' production capability and readiness. Nichols is a cyclical business and in the weakest of markets we are finding ways to generate profits and sharpen our capabilities.

Quanex Building Products ended fiscal 2011 with \$90 million in cash reserves, less than \$2 million in debt and the financial strength to build our business. Our cash generation capability remains outstanding. The investments we have made to reduce our footprint, strengthen our sales and marketing, and improve our operating systems and product leadership will reward stockholders as our end markets recover. We believe that the investments we have made in our people through safety and wellness training, lean six sigma methodologies and customer listening will prepare them to grow the business rapidly as global construction markets recover. At Quanex, we remain investors in our business, our people, our customers and our industry and are bullish on the long term. Bullish on the long term because the world population continues to grow and will demand high-performance fenestration and building products components. Bullish because the demand for fenestration

components on a worldwide basis will grow. Bullish because people continue to have pride of ownership in their homes and are willing to invest in safety, efficiency and aesthetics. Bullish because Quanex Building Products is one of the strongest and most unique companies in the building products arena: unique in our market position and growing and profitable in the most difficult markets.

As we think about the future, our "Point of You" is clear: we must increase listening and responsiveness to our customers, we must continue to sharpen and strengthen our delivery systems and our people, and we must provide superior returns to our stockholders. Quanex Building Products has never been in a stronger position to achieve these objectives.

Thank you to our employees for their commitment to continuous improvement and excellence, to our board of directors for their leadership and support and to our stockholders for their confidence and commitment.

My very best,



**Dave Petratis**

Chairman, President and Chief Executive Officer

## EBITDA Reconciliation

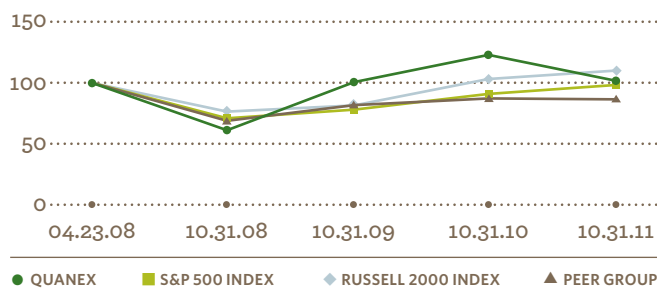
In addition to using Net Sales and Operating Income to evaluate the Company's financial performance, we also utilize other financial metrics to evaluate performance, including the non-GAAP financial metric EBITDA (earnings before interest expense, taxes, depreciation and amortization). The Company believes this non-GAAP financial measure provides a consistent basis for comparison between periods and enhances the understanding of the performance of its operations. The Company does not intend for this information to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP.

(UNAUDITED, \$ IN THOUSANDS)	FISCAL YEAR 2011				FISCAL YEAR 2010			
	ENGINEERED PRODUCTS	ALUMINUM SHEET PRODUCTS	CORPORATE & OTHER	QUANEX	ENGINEERED PRODUCTS	ALUMINUM SHEET PRODUCTS	CORPORATE & OTHER	QUANEX
Operating Income	30,293	17,115	(30,930)	16,478	34,278	30,223	(27,204)	37,297
Depreciation & Amortization	25,232	8,542	158	33,932	19,760	8,334	120	28,214
EBITDA	55,525	25,657	(30,772)	50,410	54,038	38,557	(27,084)	65,511

## Stock Performance

The following graph compares the performance of the Company's common stock to the performance of the Standard & Poor's 500 Index (S&P 500), the Russell 2000 Index and the Company's peer group.

### COMPARISON OF CUMULATIVE TOTAL RETURN



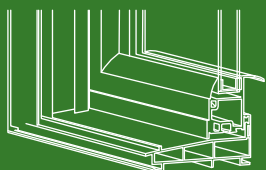
### INDEXED RETURNS

COMPANY NAME/ INDEX	04.23.08 Base Period	YEARS ENDING			
		10.31.08	10.31.09	10.31.10	10.31.11
Quanex	100	61.21	100.55	122.85	101.59
S&P 500 Index	100	71.01	77.97	90.85	98.20
Russell 2000 Index	100	76.49	81.43	103.07	109.99
Peer Group	100	68.95	81.66	87.15	86.40

Quanex Building Products Corporation was initially listed and began trading on the New York Stock Exchange on April 24, 2008. The graph assumes \$100 invested on April 23, 2008 in Quanex Building Products Corporation common stock, in the S&P 500, Russell 2000 Index and in the Industry Peer Group. The companies included in the Industry Peer Group are: American Woodmark Corp., Apogee Enterprises Inc., Builders Firstsource, Drew Industries Inc., Eagle Materials Inc., Gibraltar Industries Inc., Griffon Corp., Louisiana-Pacific Corp., Simpson Manufacturing Inc., Trex Co Inc and Universal Forest Prods Inc.

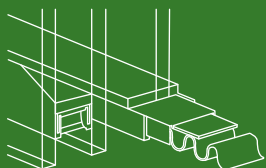
# QUANEX AT A GLANCE

Quanex Building Products Corporation (NYSE: NX) is an industry-leading manufacturer of engineered materials and components for building products sold to original equipment manufacturers. Headquartered in Houston with locations around the globe, we manage our businesses under two segments: Engineered Products, including design and production of high-performance window and door products, systems and solutions; and Aluminum Sheet Products, including mini-mill casting and finishing of aluminum products from recycled materials.



## **WINDOW & DOOR SYSTEMS**

We are a leading manufacturer of vinyl and composite residential and commercial-grade window and door systems. Our products are known for weather-tested quality and energy efficiency. We offer both turnkey and custom designs.



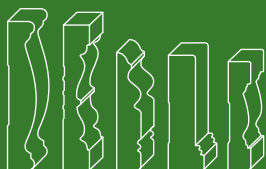
## **INSULATING GLASS SYSTEMS**

We produce products that help reduce heat loss and extend the performance of insulating glass units. Our products include spacer systems that provide maximum condensation resistance, durability and energy performance, as well as related components and sealing and filling equipment.



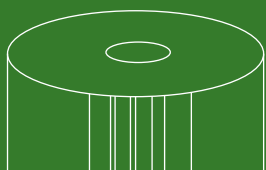
## **WINDOW & DOOR COMPONENTS**

We produce high-quality window and door components engineered to reduce material costs and energy loss. These include assembled screens, grilles, thresholds, astragals, and custom bay and bow window components.



## **SPECIALTY BUILDING PRODUCTS**

We produce superior-quality engineered wood flooring and wood cabinet materials and mouldings from a wide variety of wood species and grades, including FSC-certified wood products.



## **ALUMINUM SHEET PRODUCTS**

We operate one of the most efficient and environmentally-friendly aluminum sheet casting mills in North America, producing aluminum products from nearly 100 percent recycled materials. End uses for our aluminum sheet include exterior housing trim such as fascia, screen frames, muntin, roof edgings, soffits, downspouts and gutters, as well as other industrial and consumer applications.

# FINANCIAL HIGHLIGHTS

The following consolidated financial highlights, for the five years ended October 31, 2011, were derived from the Company's audited Financial Statements. Unless otherwise noted, all information in the table reflects only continuing operations. The data set forth should be read in conjunction with the Company's Consolidated Financial Statements and accompanying notes included in Item 8 of the Company's 2011 Annual Report on Form 10-K. The historical information is not necessarily indicative of the results to be expected in the future.

(IN THOUSANDS, EXCEPT FOR PER SHARE DATA AND EMPLOYEES)	FISCAL YEARS ENDED OCTOBER 31ST				
	2011 <sup>(1)(2)</sup>	2010 <sup>(1)(3)</sup>	2009 <sup>(1)</sup>	2008 <sup>(1)</sup>	2007 <sup>(1)</sup>
<b>SELECTED OPERATING RESULTS DATA</b>					
Net sales	\$ 848,294	\$ 798,314	\$ 585,010	\$ 868,933	\$ 963,974
Operating income (loss) <sup>(4)</sup>	16,478	37,297	(179,098)	21,100	88,169
Income (loss) from continuing operations	9,078	24,201	(136,079)	15,993	57,131
Percent of net sales	1.1%	3.0%	(23.3)%	1.8%	5.9%
Income (loss) from discontinued operations, net of tax <sup>(4)</sup>	(12)	(1,103)	(1,012)	5,586	77,491
Net income (loss) <sup>(4)</sup>	\$ 9,066	\$ 23,098	\$ (137,091)	\$ 21,579	\$ 134,622
<b>DILUTED EARNINGS PER SHARE DATA</b>					
Income (loss) from continuing operations	\$ 0.24	\$ 0.64	\$ (3.64)	\$ 0.42	\$ 1.45
Net income (loss)	\$ 0.24	\$ 0.61	\$ (3.67)	\$ 0.56	\$ 3.41
Cash dividends declared <sup>(5)</sup>	\$ 0.16	\$ 0.14	\$ 0.12	\$ 0.34	\$ 0.56
<b>FINANCIAL POSITION - YEAR END</b>					
Total assets, including discontinued operations <sup>(6)</sup>	\$ 584,929	\$ 591,250	\$ 543,600	\$ 680,847	\$ 1,334,822
Asset turnover (continuing)	1.4	1.4	1.0	1.4	1.6
Conversion capital	71,472	61,221	59,676	85,547	65,484
Working capital (continuing)	140,324	223,401	178,320	130,882	38,438
Current ratio (continuing)	2.3 to 1	2.9 to 1	2.8 to 1	2.1 to 1	1.4 to 1
Total debt	\$ 1,666	\$ 1,943	\$ 2,266	\$ 2,551	\$ 4,015
Stockholders' equity	437,226	441,432	422,526	547,828	883,149
Total capitalization	\$ 438,892	\$ 443,375	\$ 424,792	\$ 550,379	\$ 887,164
Depreciation and amortization	33,932	28,214	32,453	35,068	37,991
Capital expenditures, net	25,312	14,720	15,696	15,020	15,904
<b>OTHER DATA</b>					
Continuing return on investment - percent	2.1%	5.6%	(27.8)%	2.3%	7.0%
Continuing return on common stockholders' equity - percent	2.1%	5.6%	(28.0)%	2.2%	7.0%
Average number of employees	2,104	1,947	1,961	2,373	2,744
Net sales per average employee	\$ 403	\$ 410	\$ 298	\$ 366	\$ 351

(1) In 2010, management closed its start-up facility in China due to the contraction of demand and the Company's ability to serve the overseas thin film solar panel market from its North American operations. During the second quarter of 2008, the Company spun off Quanex Corporation's Building Products business immediately followed by the merger of Quanex Corporation (consisting primarily of the Vehicular Products business and all non-Building Products related corporate accounts) with a wholly-owned subsidiary of Gerdau. Accordingly, the assets and liabilities of the start-up facility in China, the Vehicular Products business and all non-Building Products related corporate accounts are reported as discontinued operations in the Consolidated Balance Sheets for all periods presented, and their operating results are reported as discontinued operations in the Consolidated Statements of Income for all periods presented. (2) On March 31, 2011, the Company acquired Edgetech, I.G. Inc. and its German subsidiary. Headquartered in Cambridge, Ohio, Edgetech has three manufacturing facilities (U.S., U.K. and Germany) that produce and market a full line of insulating glass spacer systems for window and door customers in North America and abroad. In March 2011, the Company also acquired JELD-WEN's vinyl extrusion assets in Yakima, Washington. Accordingly, the estimated fair value of assets acquired in the acquisition and the results of operations are included in the Company's Consolidated Financial Statements as of the effective date of the acquisition. (3) In February 2010, the Company completed a small acquisition which was effected through an asset purchase through a receivership proceeding and no liabilities were assumed. Accordingly, the estimated fair value of assets acquired in the acquisition and the results of operations are included in the Company's Consolidated Financial Statements as of the effective date of the acquisition. (4) Includes effects in fiscal 2009 of the Company's \$182.6 million (pretax) and \$141.4 million (after-tax) asset impairment charge in accordance with ASC Topic 350 and ASC Topic 360. (5) The quarterly common stock cash dividends prior to April 23, 2008 reflect dividends of Quanex Corporation prior to the Separation, while dividends after April 23, 2008 reflect dividends of Quanex Building Products, the accounting successor to Quanex Corporation. (6) Total assets include assets of discontinued operations of \$0.5 million, \$1.8 million, \$1.4 million and \$742.3 million at October 31, 2010, 2009, 2008 and 2007, respectively.

# CORPORATE INFORMATION

## Leadership

### Management/Officers

**David D. Petratis**

President & Chief Executive Officer

**Brent L. Korb**

Senior Vice President – Finance  
Chief Financial Officer

**Kevin P. Delaney**

Senior Vice President – General  
Counsel and Secretary

**Jairaj Chetnani**

Vice President – Treasurer

**Deborah M. Gadin**

Vice President – Controller

### Business Leaders

**August “Gus” Coppola**

Senior Vice President – Corporate  
Development

**Michael B. Hovan**

Senior Vice President – EPG Sales  
& Marketing

**Thomas A. Brackmann**

President – Nichols Aluminum

**John G. “Jack” Conway**

General Manager – Homeshield

**David R. Wemmer**

President – Mikron

**George L. Wilson**

General Manager – Insulating  
Glass Systems

### Board of Directors

**David D. Petratis**<sup>1\*</sup>

Chairman, President & Chief Executive Officer,  
Quanex Building Products Corporation

**Donald G. Barger, Jr.**<sup>1,2</sup>

Retired, Executive Vice President & Chief  
Financial Officer, YRC Worldwide, Inc.

**Susan F. Davis**<sup>3\*,4</sup>

Executive Vice President, Human Resources,  
Johnson Controls, Inc.

**William C. Griffiths**<sup>3,4\*</sup>

Former Chairman, President & Chief Executive  
Officer, Champion Enterprises, Inc.

**LeRoy D. Nosbaum**<sup>3</sup>

President & Chief Executive Officer,  
Itron, Inc.

**Joseph D. Rupp**<sup>1,2,4,5</sup>

Chairman, President & Chief Executive Officer,  
Olin Corporation

**Curtis M. Stevens**<sup>2\*</sup>

Executive Vice President, Administration  
& Chief Operating Officer,  
Louisiana-Pacific Corporation

**Robert R. Buck**<sup>2</sup>

Chairman of the Board, Beacon Roofing  
Supply, Inc.

### Board Committees

<sup>1</sup> Executive Committee

<sup>2</sup> Audit Committee

<sup>3</sup> Compensation & Management  
Development Committee

<sup>4</sup> Nominating & Corporate  
Governance Committee

<sup>5</sup> Lead Director

\* Denotes Committee Chair

## Stockholder Information

### Corporate Office

**Quanex Building Products Corporation**

1900 West Loop South  
Suite 1500  
Houston, Texas 77027

713.961.4600

800.231.8176

[inquiry@quanex.com](mailto:inquiry@quanex.com)

### Transfer Agent, Shareholder Records & Dividend Disbursing Agent

**Wells Fargo Bank N.A.**

Shareowner Services  
161 North Concord Exchange  
South St. Paul, MN 55075-1139  
P 800.468.9716  
F 651.450.4085  
651.450.4064 outside the United States  
[www.wellsfargo.com/shareownerservices](http://www.wellsfargo.com/shareownerservices)

### Annual Stockholder Meeting

8:00 a.m. C.S.T.

Thursday, February 23, 2012

Quanex Corporate Offices

### Download the Quanex Form 10-K

The Quanex Form 10-K for the fiscal year  
ended October 31, 2011, can be viewed  
and downloaded from our website at  
[www.Quanex.com/2011AR](http://www.Quanex.com/2011AR).



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