



Investor Presentation

March 2022

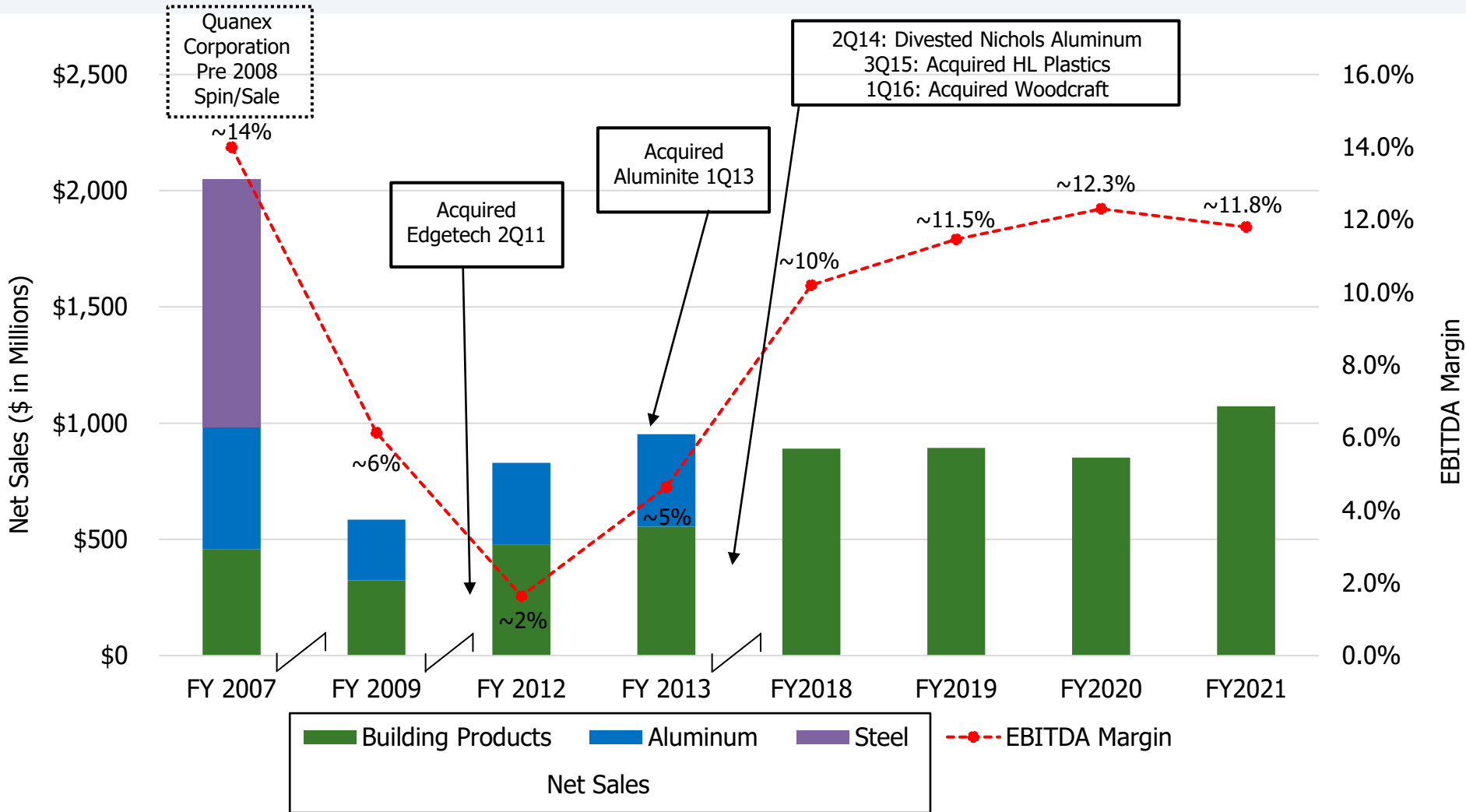
Safe Harbor Statement

Forward Looking Statements: Statements that use the words “estimated,” “expect,” “could,” “should,” “believe,” “will,” “might,” or similar words reflecting future expectations or beliefs are forward-looking statements. The forward-looking statements include, but are not limited to, the following: impacts from public health issues (including pandemics, such as the recent COVID-19 pandemic) on the economy and the demand for Quanex’s products, the Company’s future operating results, future financial condition, future uses of cash and other expenditures, expenses and tax rates, expectations relating to Quanex’s industry, and the Company’s future growth, including any guidance discussed in this presentation. The statements and guidance set forth in this release are based on current expectations. Actual results or events may differ materially from this release. For a complete discussion of factors that may affect Quanex’s future performance, please refer to the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2021, and Quanex’s Quarterly Reports on Form 10-Q under the sections entitled “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors”. Any forward-looking statements in this presentation are made as of the date hereof, and the Company undertakes no obligation to update or revise any forward-looking statements to reflect new information or events.

Non-GAAP Terminology Definitions and Disclaimers: Adjusted Net Income (defined as net income further adjusted to exclude purchase price accounting inventory step-ups, transaction costs, certain severance charges, gain/loss on the sale of certain fixed assets, restructuring charges, asset impairment charges, other net adjustments related to foreign currency transaction gain/loss and effective tax rates reflecting impacts of adjustments on a with and without basis) and Adjusted EPS are non-GAAP financial measures that Quanex believes provide a consistent basis for comparison between periods and more accurately reflects operational performance, as they are not influenced by certain income or expense items not affecting ongoing operations. EBITDA (defined as net income or loss before interest, taxes, depreciation and amortization and other, net) and Adjusted EBITDA (defined as EBITDA further adjusted to exclude purchase price accounting inventory step-ups, transaction costs, certain severance charges, gain/loss on the sale of certain fixed assets, restructuring charges and asset impairment charges) are non-GAAP financial measures that the Company uses to measure operational performance and assist with financial decision-making. Net Debt is defined as total debt (outstanding balance on the revolving credit facility plus financial lease obligations) less cash and cash equivalents. The leverage ratio of Net Debt to LTM Adjusted EBITDA is a financial measure that the Company believes is useful to investors and financial analysts in evaluating Quanex’s leverage. In addition, with certain limited adjustments, this leverage ratio is the basis for a key covenant in the Company’s credit agreement. Free Cash Flow is a non-GAAP measure calculated using cash provided by operating activities less capital expenditures. Quanex uses the Free Cash Flow metric to measure operational and cash management performance and assist with financial decision-making. Free Cash Flow is measured before application of certain contractual commitments (including capital lease obligations), and accordingly is not a true measure of the Company’s residual cash flow available for discretionary expenditures. Quanex believes Free Cash Flow is useful to investors in understanding and evaluating the Company’s financial and cash management performance. Quanex believes that the presented non-GAAP measures provide a consistent basis for comparison between periods and will assist investors in understanding the Company’s financial performance when comparing results to other investment opportunities. The presented non-GAAP measures may not be the same as those used by other companies. Quanex does not intend for this information to be considered in isolation or as a substitute for other measures prepared in accordance with U.S. GAAP.

Evolution of Quanex

SIGNIFICANT IMPROVEMENT IN PROFITABILITY



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

Quanex At-A-Glance

INDUSTRY-LEADING, "PURE PLAY" BUILDING PRODUCTS MANUFACTURER

Quanex is the **largest supplier** of components to OEMs in the building products sector. OEMs' customer base is predominately focused on serving **new construction and R&R markets**

MANUFACTURING FACILITIES

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

KEY FY21 FINANCIALS

- Net Sales: \$1.07 Billion
- Net Income: \$57.0 Million
- Adjusted Net Income: \$58.6 Million
- Adjusted EBITDA: \$126.8 Million⁽¹⁾
- Cash Provided by Operating Activities: \$78.6 Million
- Free Cash Flow: \$54.6 Million⁽²⁾

CORPORATE HEADQUARTERS

Houston, Texas

EMPLOYEES

~4,000

~55%
NA FENESTRATION
(~60% R&R)

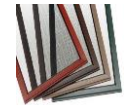
IG SPACERS



Super Spacer®

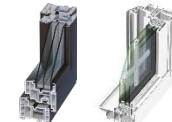
Duraseal®

SCREENS & OTHER



Screens

VINYL PROFILES



Quanex Architectural Series™ System

Quanex EnergyCore® System

~25%
NA CABINET COMPONENTS
(~70% R&R)



Hardwood Cabinet Door



Rigid Thermal Foil Cabinet Door



Cabinet Face Plate



Drawer Front

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

VINYL PROFILES



Energy Efficient Vinyl Profile



Conservatory Roof Systems

IG SPACERS



Super Spacer®

Rigid IG Spacer

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

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

Geographic Footprint

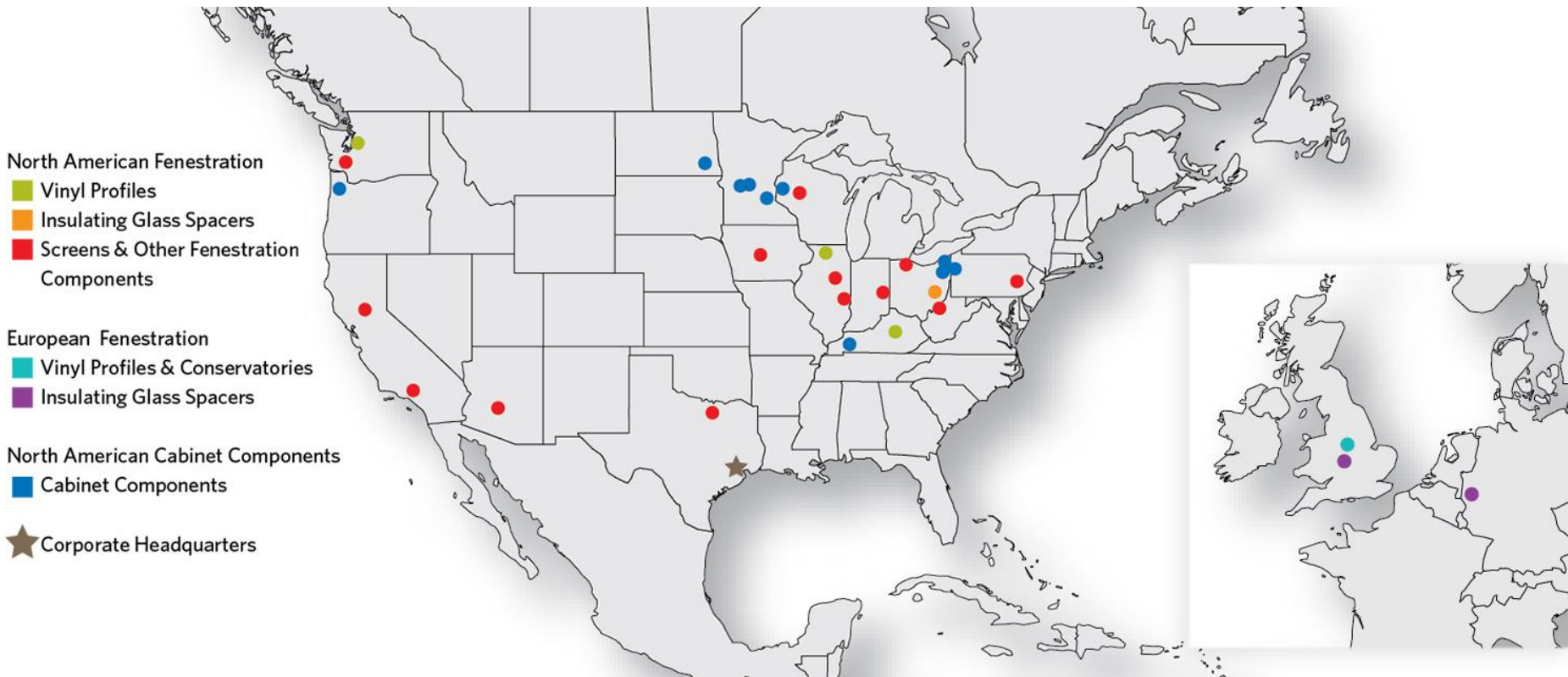
FACILITIES STRATEGICALLY LOCATED TO BETTER SERVE CUSTOMERS

27
U.S.

2
U.K.

1
Germany

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



Solid Balance Sheet with Flexible Capital Structure

STRONG LIQUIDITY

Capitalization (\$ in thousands)	NX 1.31.22
Cash & Cash Equivalents	\$31,719
Senior Secured Revolving Credit Facility due 2023 ⁽¹⁾	63,000
Finance/Capital Leases and Other	15,048
Total Debt	\$78,049
<i>Net Debt</i>	<i>\$46,330</i>
Stockholders' Equity	424,499
Total Capitalization	<u>\$502,548</u>
Borrowing Base ⁽¹⁾	325,000
Less: Borrowings Against Revolving Credit Facility	63,000
Plus: Cash	31,719
Total Liquidity	<u>\$293,719</u>
Net Debt/LTM Adj. EBITDA ⁽²⁾	0.4x

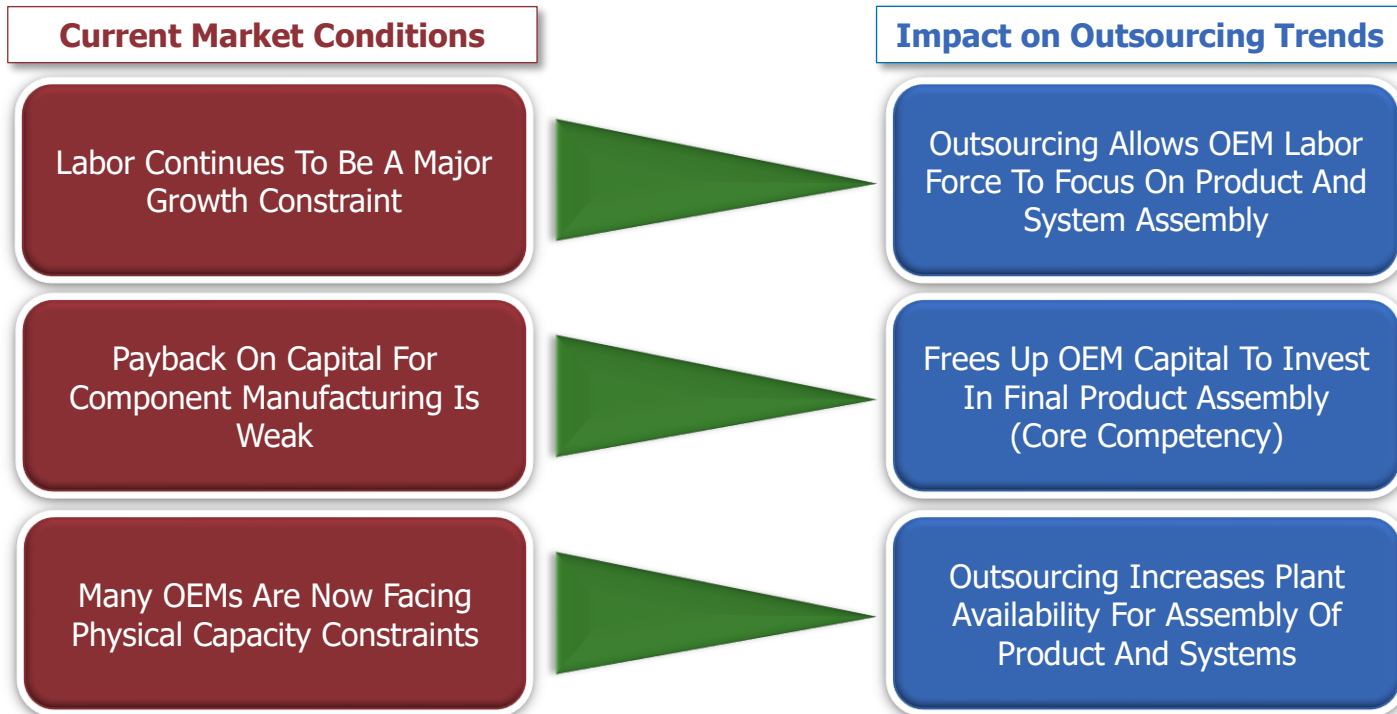
(1) Excludes outstanding letters of credit and deferred financing fees.

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

Outsourcing Trends to Benefit Quanex

DOMESTIC WINDOW OEMs ANTICIPATED TO FAVOR COMPONENT OUTSOURCING GOING FORWARD

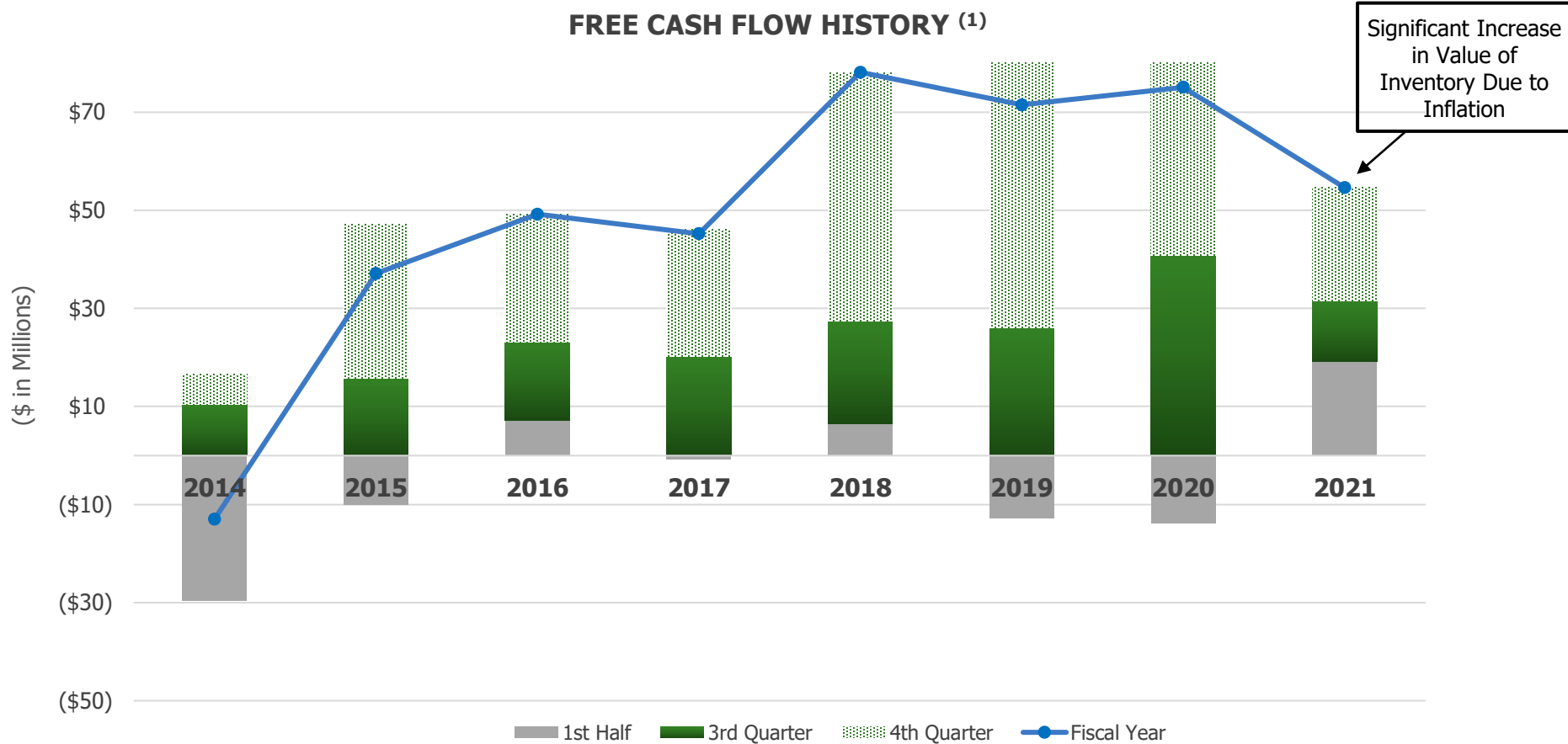
Rationale for Expected Growth in Outsourcing Includes:



Driver For Above Market Growth In NA Fenestration Segment in FY 2022

Favorable Free Cash Flow Trend – 2H Weighted

FREE CASH FLOW GENERATION IS TOP PRIORITY



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

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

1Q22 Highlights & 2022 Guidance

FY22 GUIDANCE POINTS TO 3RD CONSECUTIVE YEAR OF RECORD REVENUE & EARNINGS

1Q22 Highlights

- Robust net sales growth
- Strong balance sheet and liquidity
- Leverage Ratio:
0.4x as of 1.31.22⁽¹⁾

2022 Guidance

~\$1.13-\$1.15B
Net Sales

~\$135M - \$140M
Adjusted EBITDA

~\$30-35M
Capex

~28%⁽²⁾
Tax Rate

(1) Leverage Ratio defined as Net Debt/LTM Adjusted EBITDA. Please reference slide 14 in the Appendix for a reconciliation of Net Debt.

(2) Tax rate guidance on an adjusted basis; adjustments may include the vesting or exercise of equity-based compensation awards, true-up of accruals and related deferred taxes from prior year filings and settled tax audits.

Quanex: A Compelling Investment Opportunity

EXECUTING ON STRATEGIC PRIORITIES TO DRIVE SHAREHOLDER VALUE CREATION

- ✓ Favorable residential housing tailwinds & components outsourcing trends support opportunity to drive above market growth in key categories
- ✓ Solid balance sheet...Leverage Ratio⁽¹⁾ of 0.4x as of 1.31.22
- ✓ Delivering strong annual free cash flow
- ✓ Quarterly cash dividend of \$0.08/share (~1.5% dividend yield)
- ✓ NEW \$75 million share repurchase program
- ✓ Ongoing focus on creating shareholder value

(1) Leverage Ratio defined as Net Debt/LTM Adjusted EBITDA. Please reference slide 14 in the Appendix for a reconciliation of Net Debt.

APPENDIX

GAAP/Non-GAAP Reconciliation (Unaudited)

FREE CASH FLOW

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

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

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

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

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2018
Cash provided by operating activities	\$8,192	\$13,423	\$26,838	\$56,158	\$104,611
Capital expenditures	(\$7,811)	(\$7,402)	(\$5,885)	(\$5,386)	(\$26,484)
Free Cash Flow	\$381	\$6,021	\$20,953	\$50,772	\$78,127

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

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2020
Cash (used for) provided by operating activities	(\$3,657)	\$6,129	\$45,089	\$53,235	\$100,796
Capital expenditures	(\$9,312)	(\$7,001)	(\$4,360)	(\$5,053)	(\$25,726)
Free Cash Flow	(\$12,969)	(\$872)	\$40,729	\$48,182	\$75,070

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2021
Cash (used for) provided by operating activities	(\$3,395)	\$32,355	\$18,475	\$31,153	\$78,588
Capital expenditures	(\$5,246)	(\$4,553)	(\$6,207)	(\$8,002)	(\$24,008)
Free Cash Flow	(\$8,641)	\$27,802	\$12,268	\$23,151	\$54,580

GAAP/Non-GAAP Reconciliation (Unaudited)

ADJUSTED NET INCOME & ADJUSTED EBITDA

Reconciliation of Adjusted Net Income and Adjusted EPS	Three Months Ended October, 2021	Three Months Ended July, 2021	Three Months Ended April 30, 2021	Three Months Ended January 31, 2021	Total	
	Net Income	Net Income	Net Income	Net Income	Net Income	
Net income as reported	\$ 20,898	\$ 13,679	\$ 14,551	\$ 7,852	\$ 56,980	
Net income reconciling items from below	(51)	512	3	1,157	1,621	
Adjusted net income and adjusted EPS	\$ 20,847	\$ 14,191	\$ 14,554	\$ 9,009	\$ 58,601	
Reconciliation of Adjusted EBITDA	Three Months Ended October 31, 2021	Three Months Ended July 31, 2021	Three Months Ended April 30, 2021	Three Months Ended January 31, 2021	Total	
	Reconciliation	Reconciliation	Reconciliation	Reconciliation	Reconciliation	
Net income as reported	\$ 20,898	\$ 13,679	\$ 14,551	\$ 7,852	\$ 56,980	
Income tax expense	5,762	7,474	6,454	3,424	23,114	
Other, net	(109)	(188)	(265)	(192)	(754)	
Interest expense	542	597	640	751	2,530	
Depreciation and amortization	10,189	10,683	10,845	11,015	42,732	
EBITDA	37,282	32,245	32,225	22,850	124,602	
EBITDA reconciling items from below	-	682	-	1,478	2,160	
Adjusted EBITDA	\$ 37,282	\$ 32,927	\$ 32,225	\$ 24,328	\$ 126,762	
Reconciling Items	Three Months Ended October 31, 2021	Three Months Ended July 31, 2021	Three Months Ended April 30, 2021	Three Months Ended January 31, 2021	Total	
	Income Statement	Reconciling Items	Income Statement	Reconciling Items	Income Statement	Reconciling Items
Net sales	\$ 291,768	\$ -	\$ 279,877	\$ -	\$ 230,147	\$ -
Cost of sales	226,818	-	219,866	(307) ⁽¹⁾	176,397	-
Selling, general and administrative	27,668	-	27,766	(375) ⁽²⁾	30,861	(1,439) ⁽²⁾
Restructuring charges	-	-	-	-	39	(39) ⁽³⁾
EBITDA	37,282	-	32,245	682	22,850	1,478
Depreciation and amortization	10,189	-	10,683	-	11,015	-
Operating income	27,093	-	21,562	682	11,835	1,478
Interest expense	(542)	-	(597)	-	(751)	-
Other, net	109	(63) ⁽⁴⁾	188	79 ⁽⁴⁾	192	78 ⁽⁴⁾
Income before income taxes	26,660	(63)	21,153	761	11,276	1,556
Income tax expense	(5,762)	12 ⁽⁵⁾	(7,474)	(249) ⁽⁵⁾	(3,424)	(399) ⁽⁵⁾
Net income	\$ 20,898	\$ (51)	\$ 13,679	\$ 512	\$ 7,852	\$ 1,157
Diluted earnings per share	\$ 0.62	\$ 0.41	\$ 0.43	\$ 0.24		

(1) Loss on the damage of a plant caused by flooding.

(2) Transaction and advisory fees, gain (loss) loss on the sale of a plant, and executive severance charges.

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

(4) Foreign currency transaction impacts.

(5) Impact on a with and without basis.

GAAP/Non-GAAP Reconciliation (Unaudited)

NET DEBT

The following table reconciles the Company's Net Debt which is defined as total debt principal of the Company plus finance lease obligations minus cash.

	As of October 31,	
	2021	2020
Revolving Credit Facility	\$38,000	\$103,000
Finance Lease Obligations	15,537	15,321
Total Debt ⁽¹⁾	53,537	118,321
Less: Cash and cash equivalents	40,061	51,621
Net Debt	\$13,476	\$66,700

(1) Excludes outstanding letters of credit.

Executive Compensation

ALIGNED WITH SHAREHOLDERS

Performance-based compensation philosophy at target

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

2022 Annual Incentive Award

- 45% weighting on Revenue growth
- 45% weighting on Adjusted EBITDA growth
- 10% weighting on working capital as a percentage of revenue (quarterly average)

2022 Long-Term Incentive (~70% performance based - shareholder alignment)

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

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

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