



Investor Presentation

January 2020

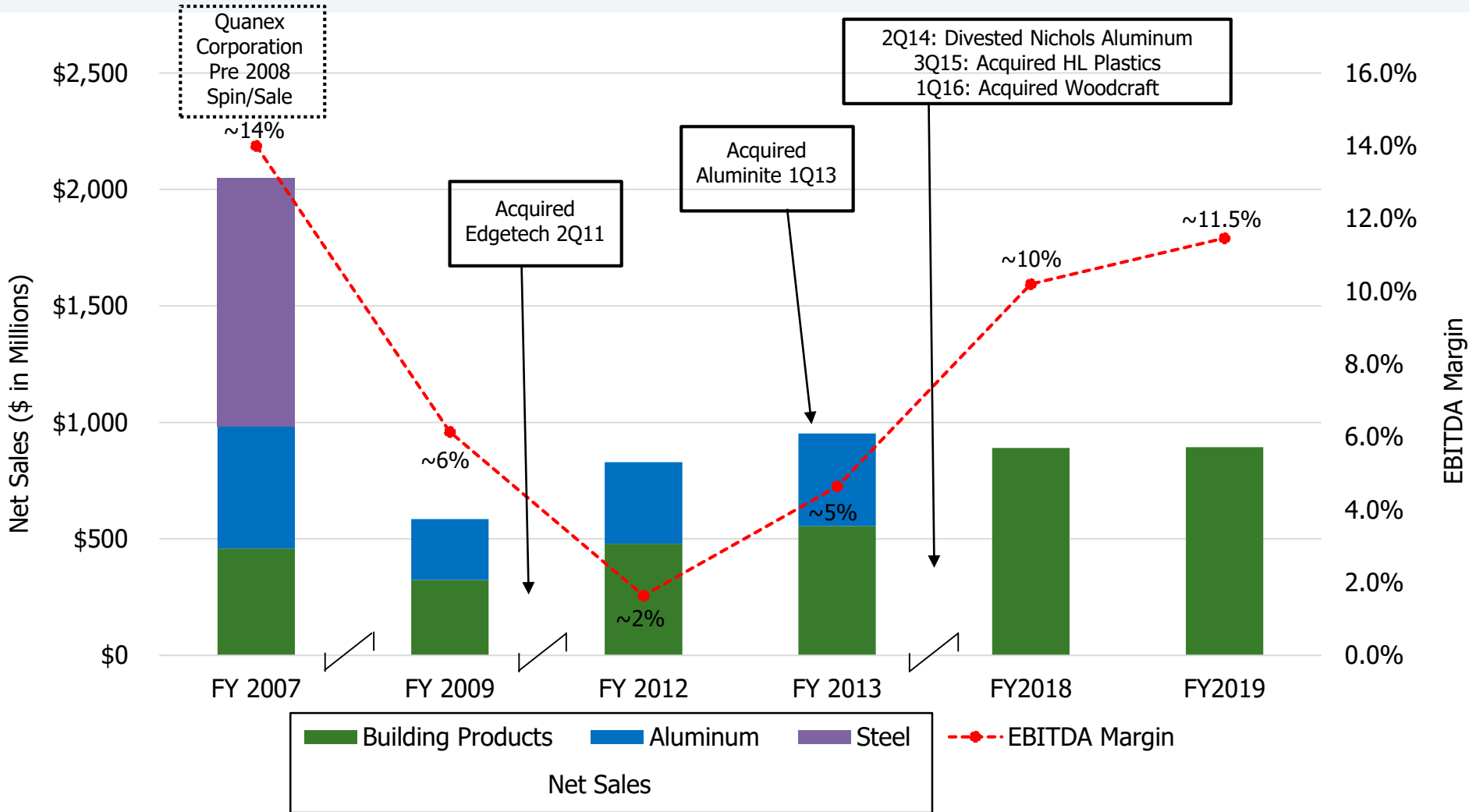
Safe Harbor Statement

Note on Forward Looking Statements: Statements that use the words “estimated,” “expect,” “could,” “should,” “believe,” “will,” “might,” or similar words reflecting future expectations or beliefs are forward-looking statements. The forward-looking statements include, but are not limited to, the Company’s future operating results, future financial condition, future uses of cash and other expenditures, expenses and tax rates, expectations relating to Quanex’s industry, and the Company’s future growth, including any guidance referenced in this presentation. The statements and guidance set forth in this release are based on current expectations. Actual results or events may differ materially from this release. For a complete discussion of factors that may affect Quanex’s future performance, please refer to the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2019, under the sections entitled “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors”. Any forward-looking statements in this presentation are made as of the date hereof, and Quanex undertakes no obligation to update or revise any forward-looking statements to reflect new information or events.

Note on Non-GAAP Financial Measures: Adjusted Net Income (Loss) (defined as net income further adjusted to exclude purchase price accounting inventory step-ups, transaction costs, certain severance charges, gain/loss on the sale of fixed assets, restructuring charges, asset impairment charges, other net adjustments related to foreign currency transaction gain/loss and effective tax rates reflecting impacts of adjustments on a with and without basis) and EBITDA (defined as net income or loss before interest, taxes, depreciation and amortization and other, net, as described in the Company’s filings with the Securities and Exchange Commission) are non-GAAP financial measure that Quanex’s management uses to measure its operational performance and assist with financial decision-making. Adjusted EBITDA is EBITDA as further adjusted to exclude non-recurring items such as purchase price inventory step-ups, transaction costs, certain severance charges, gain/loss on the sale of fixed assets, restructuring charges and asset impairment charges. Free Cash Flow is a non-GAAP measure calculated using cash provided by operating activities less capital expenditures. Free Cash Flow is measured before application of certain contractual commitments (including capital lease obligations), and accordingly is not a true measure of the Company’s residual cash flow available for discretionary expenditures. Quanex believes these non-GAAP measures provide a consistent basis for comparison between periods, and will assist investors in understanding the Company’s financial performance when comparing our results to other investment opportunities. While Quanex considers Adjusted Net Income, EBITDA, Adjusted EBITDA and Free Cash Flow to be important measures of operating performance, it does not intend for this information to be considered in isolation or as a substitute for net income or other measures prepared in accordance with US GAAP. Due to the high variability and difficulty in predicting certain items that affect GAAP net income (such as unusual gains and losses, fluctuations in foreign currency exchange rates, the impact and timing of potential acquisitions or divestitures and the timing and potential significance of tax considerations), information reconciling forward-looking Adjusted EBITDA as presented to GAAP financial measures is generally not available without unreasonable effort. The presented non-GAAP measures may not be the same as those used by other companies. The Company does not intend for this information to be considered in isolation or as a substitute for other measures prepared in accordance with U.S. GAAP.

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

- 33 locations (~3.2 million sq. ft.)
- Sufficient capacity for growth

KEY FINANCIALS FY 2019

- Net Sales: \$893.8 Million
- Net Loss: \$46.7 Million⁽¹⁾
- Adjusted Net Income: \$31.4 Million
- Adjusted EBITDA: \$102.7 Million⁽²⁾
- Cash Provided by Operating Activities: \$96.4 Million
- Free Cash Flow: \$71.5 Million⁽³⁾

CORPORATE HEADQUARTERS

Houston, Texas

EMPLOYEES

~4,000

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

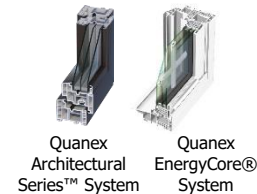
IG SPACERS



SCREENS & OTHER



VINYL PROFILES



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



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

VINYL PROFILES



IG SPACERS



Conservatory Roof Systems

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

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

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

Geographic Footprint

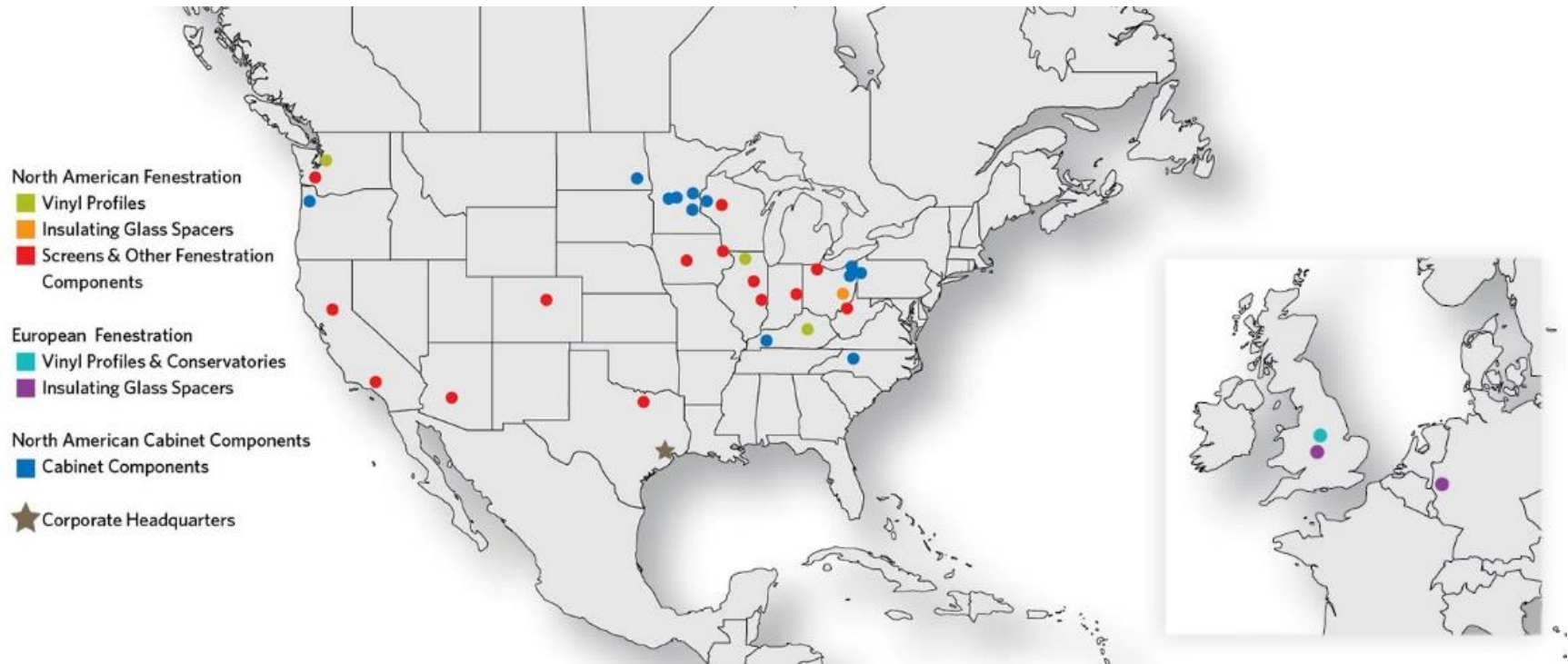
FACILITIES STRATEGICALLY LOCATED TO BETTER SERVE CUSTOMERS

30
U.S.

2
U.K.

1
Germany

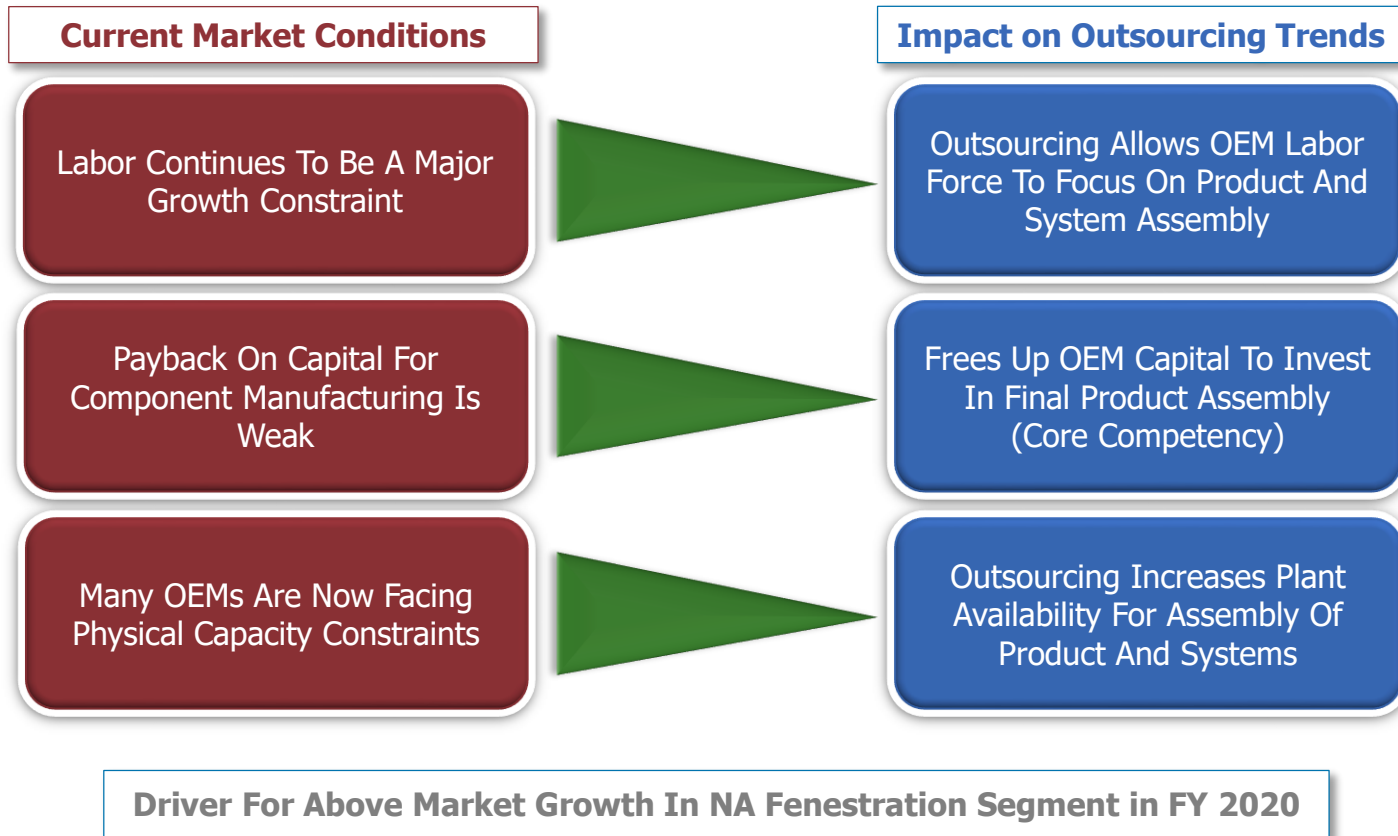
- Facilities feature efficient plant design and flexible manufacturing processes, enabling Quanex to produce a wide variety of custom engineered products and components with short lead times
- Quanex maintains minimal levels of finished goods inventories at most locations as products are typically made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



Outsourcing Trends to Benefit Quanex

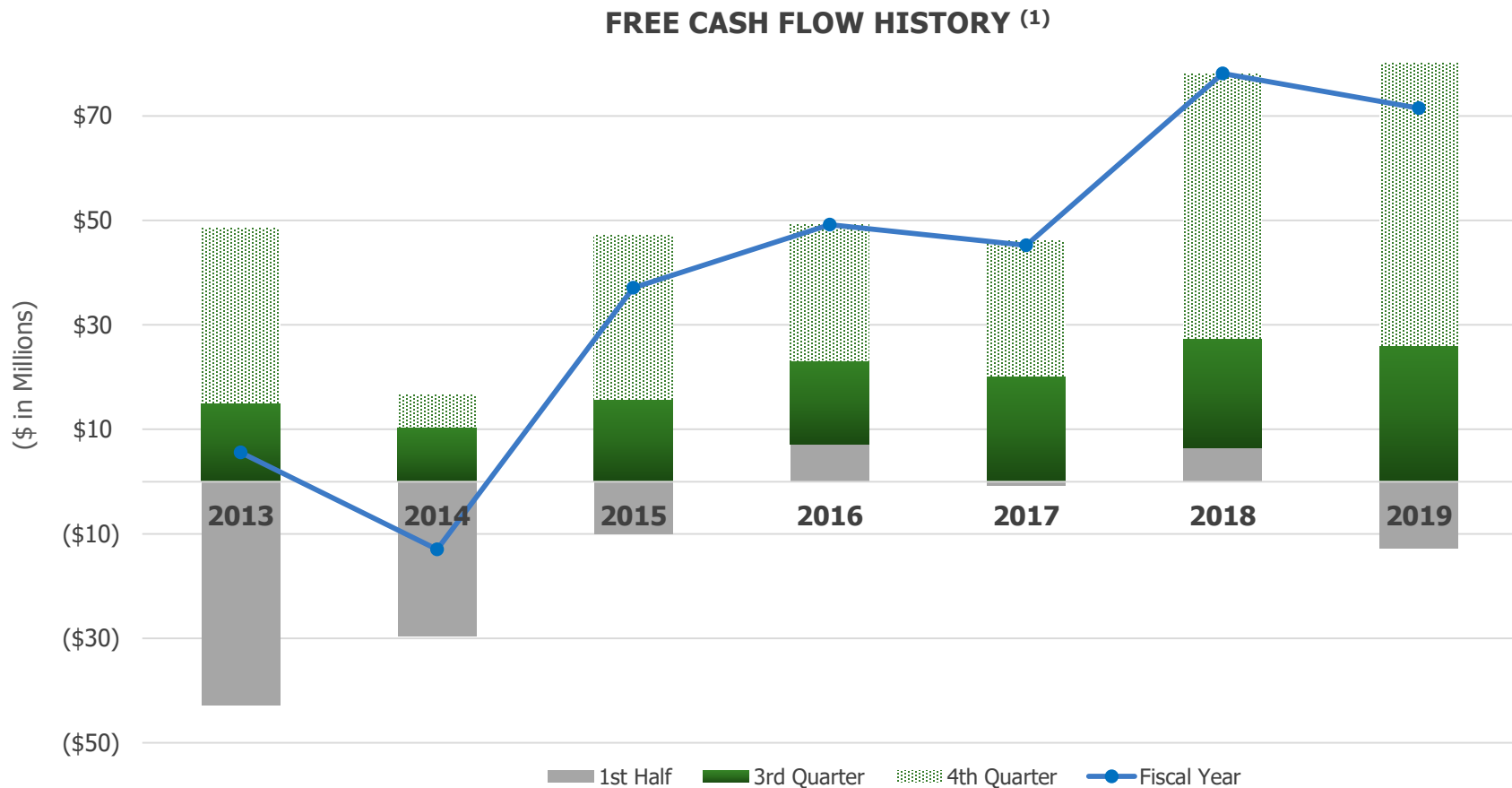
DOMESTIC WINDOW OEMs ANTICIPATED TO FAVOR COMPONENT OUTSOURCING GOING FORWARD

Rationale for Expected Growth in Outsourcing Includes:



Favorable Free Cash Flow Trend – 2H Weighted

FREE CASH FLOW GENERATION IS TOP PRIORITY



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

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

2019 Highlights & 2020 Guidance

2019 Highlights

- Above market sales growth in NA & EU Fenestration segments
- Consolidated Adjusted EBITDA margin expansion of ~140 basis points
- Cash Provided by Operating Activities: \$96.4 Million
- Free Cash Flow:⁽¹⁾ \$71.5 million
- Leverage Ratio:⁽²⁾ 1.2x as of 10.31.19

2020 Guidance

~\$865M - ~\$885M
Net Sales

~\$102 - \$110M *Margin Expansion ~60bps Y/Y to the Midpoint of Guidance*
Adjusted EBITDA

~\$35M
Capex

~25%⁽³⁾
Tax Rate

(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.

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

(3) Tax rate guidance on an adjusted basis.

Quanex: A Compelling Investment Opportunity

EXECUTING ON STRATEGIC PRIORITIES TO DRIVE SHAREHOLDER VALUE CREATION

- ✓ Favorable components outsourcing trend supports opportunity to drive above market growth in key categories
- ✓ Solid balance sheet...Leverage Ratio⁽¹⁾ of 1.2x as of 10.31.19
- ✓ Delivering strong annual free cash flow
- ✓ Quarterly cash dividend of \$0.08/share (~2% dividend yield)
- ✓ ~\$18 million remaining under existing share repurchase program as of 10/31/19

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

APPENDIX

Solid Balance Sheet with Flexible Capital Structure

RENEWED FOCUS ON RETURNING CAPITAL TO SHAREHOLDERS

Capitalization (\$ in thousands)	NX 10.31.19
Cash & Cash Equivalents	\$30,868
Senior Secured Revolving Credit Facility due 2023 ⁽¹⁾	142,500
Capital Leases and Other	15,865
Total Debt	\$158,365
<i>Net Debt</i>	<i>\$127,497</i>
Stockholders' Equity	330,187
Total Capitalization	\$488,552
Borrowing Base ⁽¹⁾	325,000
Less: Borrowings Against Revolving Credit Facility	142,500
Plus: Cash	30,868
Total Liquidity	\$213,368
Net Debt/LTM Adj. EBITDA ⁽²⁾	1.2x

Ample Capacity
on Revolver

(1) Excludes outstanding letters of credit.

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

GAAP/Non-GAAP Reconciliation (Unaudited)

FREE CASH FLOW

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2013
Cash provided by operating activities	(\$30,340)	\$9,557	\$27,360	\$36,942	\$43,519
Capital expenditures	(\$11,500)	(\$10,596)	(\$12,421)	(\$3,414)	(\$37,931)
Free Cash Flow	(\$41,840)	(\$1,039)	\$14,939	\$33,528	\$5,588

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

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

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

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

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

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

Executive Compensation

Aligned with Shareholders

Performance-based compensation philosophy at target

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

2020 Annual Incentive Award

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

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

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

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

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