



Investor Presentation

March 2021

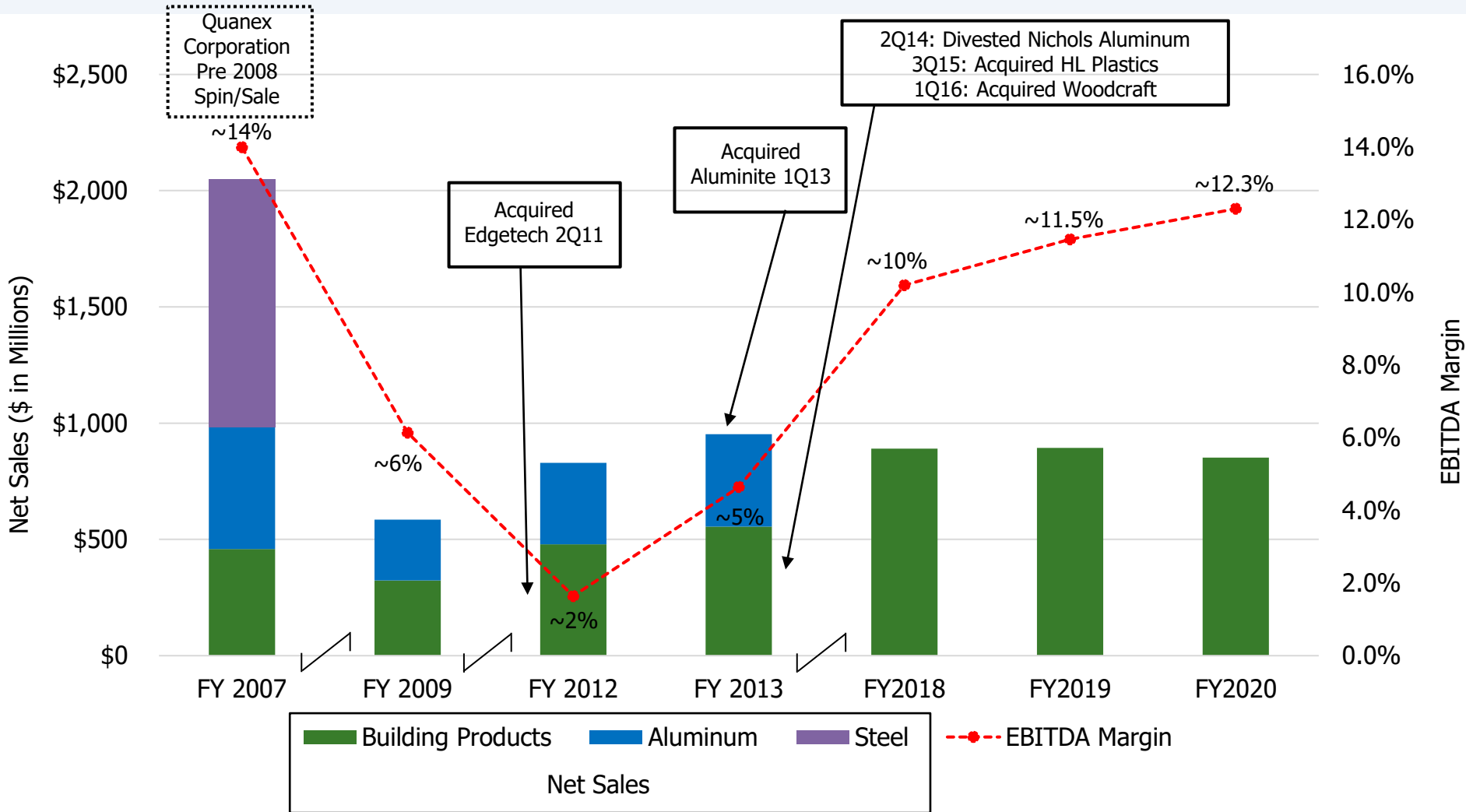
Safe Harbor Statement

Note on Forward Looking Statements: Statements that use the words “estimated,” “expect,” “could,” “should,” “believe,” “will,” “might,” or similar words reflecting future expectations or beliefs are forward-looking statements. The forward-looking statements include, but are not limited to, the following: impacts from public health issues (including pandemics, such as the recent COVID-19 pandemic) on the economy and the demand for Quanex’s products, the Company’s future operating results, future financial condition, future uses of cash and other expenditures, expenses and tax rates, expectations relating to Quanex’s industry, and the Company’s future growth, including any guidance discussed in this presentation. The statements and guidance set forth in this release are based on current expectations. Actual results or events may differ materially from this release. For a complete discussion of factors that may affect Quanex’s future performance, please refer to the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2020, and Quanex’s Quarterly Reports on Form 10-Q under the sections entitled “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors”. Any forward-looking statements in this presentation are made as of the date hereof, and the Company undertakes no obligation to update or revise any forward-looking statements to reflect new information or events.

Note on Non-GAAP Financial Measures: Adjusted Net Income (Loss) (defined as net income further adjusted to exclude purchase price accounting inventory step-ups, transaction costs, certain severance charges, gain/loss on the sale of 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. Free Cash Flow is measured before application of certain contractual commitments (including capital lease obligations), and accordingly is not a true measure of Quanex’s residual cash flow available for discretionary expenditures. The Company believes that the presented non-GAAP measures provide a consistent basis for comparison between periods and will assist investors in understanding Quanex’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. 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

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

KEY FY20 FINANCIALS

- Net Sales: \$851.6 Million
- Net Income: \$38.5 Million
- Adjusted Net Income: \$40.7 Million
- Adjusted EBITDA: \$104.5 Million⁽¹⁾
- Cash Provided by Operating Activities: \$100.8 Million
- Free Cash Flow: \$75.1 Million⁽²⁾

CORPORATE HEADQUARTERS

Houston, Texas

EMPLOYEES

~4,000

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

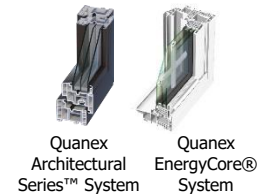
IG SPACERS



SCREENS & OTHER



VINYL PROFILES



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



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

VINYL PROFILES



IG SPACERS



Conservatory Roof Systems

(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

28

U.S.

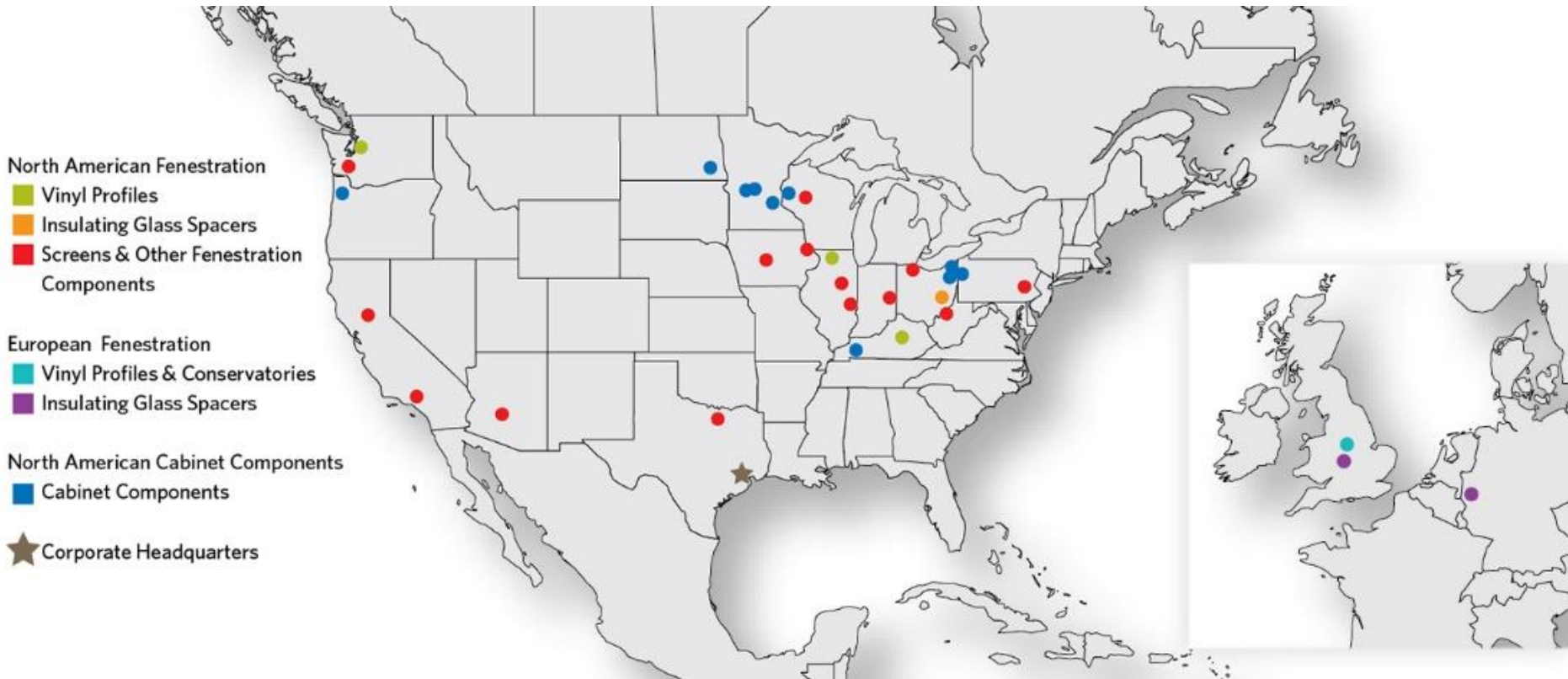
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U.K.

1

Germany

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



Solid Balance Sheet with Flexible Capital Structure

AMPLE LIQUIDITY

	NX
Capitalization (\$ in thousands)	01.31.21
Cash & Cash Equivalents	\$43,426
Senior Secured Revolving Credit Facility due 2023 ⁽¹⁾	98,000
Finance/Capital Leases and Other	15,618
Total Debt	\$113,619
<i>Net Debt</i>	<i>\$70,193</i>
Stockholders' Equity	377,708
Total Capitalization	\$491,327
Borrowing Base ⁽¹⁾	325,000
Less: Borrowings Against Revolving Credit Facility	98,000
Plus: Cash	43,426
Total Liquidity	\$270,426
Net Debt/LTM Adj. EBITDA ⁽²⁾	0.6x

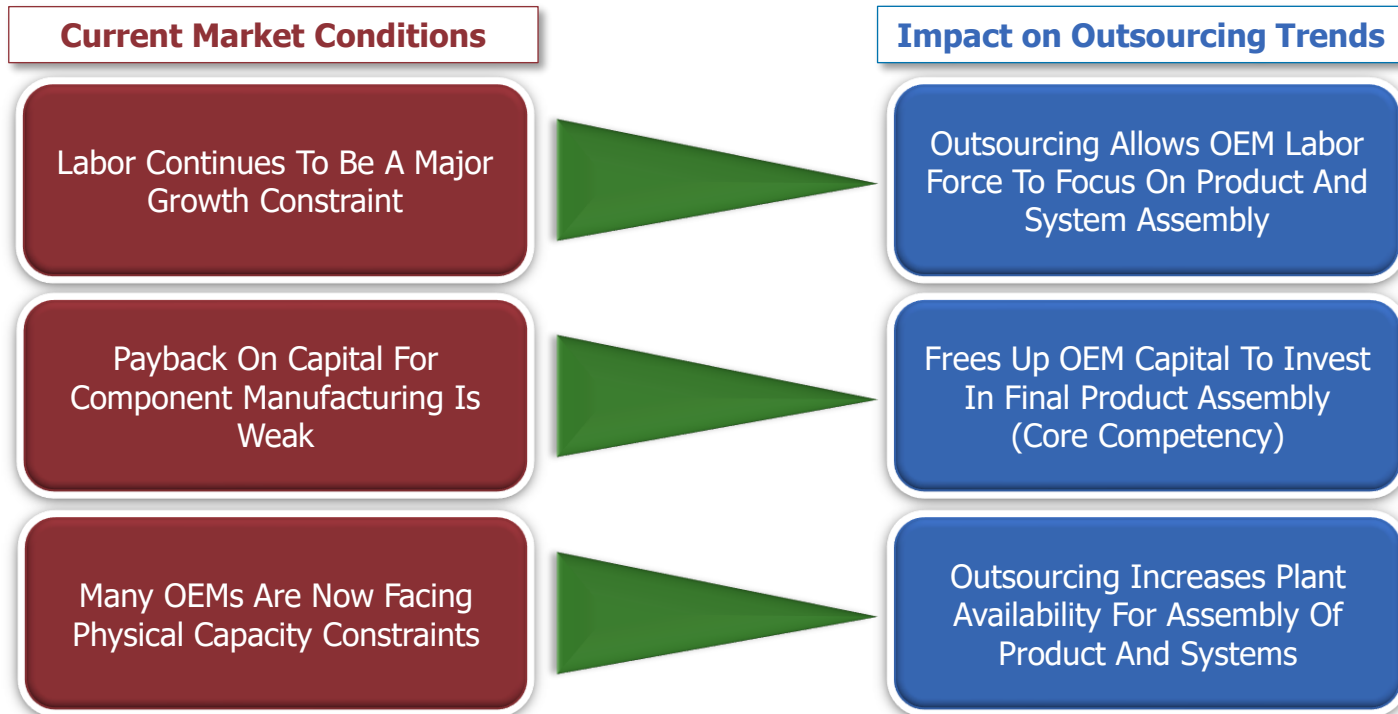
(1) Excludes outstanding letters of credit and deferred financing fees.

(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

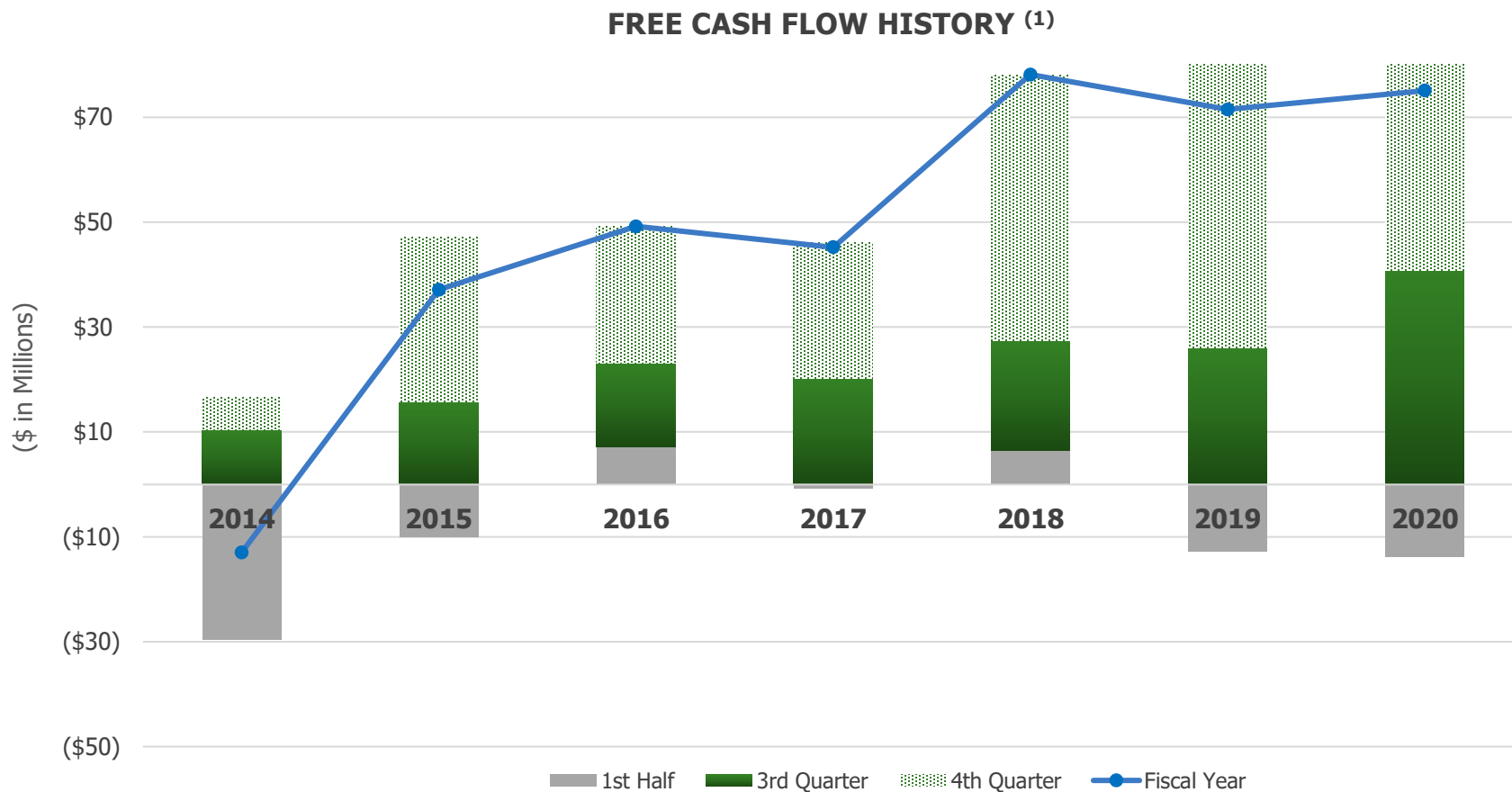
Rationale for Expected Growth in Outsourcing Includes:



Driver For Above Market Growth In NA Fenestration Segment in FY 2021

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.

2020 Highlights & 2021 Guidance

RECENTLY RAISED GUIDANCE

2020 Highlights

- Successfully navigated COVID-19 challenges
- Consolidated Adjusted EBITDA margin expansion of ~80 basis points Y/Y
- Solid balance sheet and liquidity
- Cash Provided by Operating Activities: \$100.8 Million
- Free Cash Flow:⁽¹⁾ \$75.1 million (+5% Y/Y)
- Leverage Ratio:⁽²⁾ 0.6x as of 10.31.20

2021 Guidance

~\$945M - ~\$965M

Net Sales (~12% Growth Y/Y to the Midpoint)

~\$112 - \$122M

Adjusted EBITDA

~\$30M

Capex

~26-27%⁽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. Please reference slide 14 in the Appendix for a reconciliation of Net Debt.

(3) 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 0.6x as of 1.31.21
- ✓ Delivering strong annual free cash flow
- ✓ Quarterly cash dividend of \$0.08/share (~1.5% dividend yield)
- ✓ ~\$9.3 million remaining under existing share repurchase program as of 1/31/21
- ✓ 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 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	\$56,158	\$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 2019	Q2 2019	Q3 2019	Q4 2019	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

(\$ in thousands)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Fiscal 2020
Cash 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

GAAP/Non-GAAP Reconciliation (Unaudited)

ADJUSTED NET INCOME & ADJUSTED EBITDA

QUANEX BUILDING PRODUCTS CORPORATION
NON-GAAP FINANCIAL MEASURE DISCLOSURE
(In thousands, except per share data)
(Unaudited)

Reconciliation of Adjusted Net Income and Adjusted EPS

	Three Months Ended January 31, 2021	Three Months Ended October 31, 2020	Three Months Ended July 31, 2020	Three Months Ended April 30, 2020	Total
	Net	Net	Net	Net	Net
	Income	Income	Income	Income	Income
Net income as reported	\$ 7,852	\$ 22,152	\$ 10,833	\$ 5,501	\$ 46,338
Reconciling items from below	1,157	(168)	280	890	2,159
Adjusted net income and adjusted EPS	<u>\$ 9,009</u>	<u>\$ 21,984</u>	<u>\$ 11,113</u>	<u>\$ 6,391</u>	<u>\$ 48,497</u>

Reconciliation of Adjusted EBITDA

	Three Months Ended January 31, 2021	Three Months Ended October 31, 2020	Three Months Ended July 31, 2020	Three Months Ended April 30, 2020	Total
	Reconciliation	Reconciliation	Reconciliation	Reconciliation	Reconciliation
Net income as reported	\$ 7,852	\$ 22,152	\$ 10,833	\$ 5,501	\$ 46,338
Income tax expense	3,424	4,906	4,345	2,129	14,804
Other, net	(192)	(164)	220	(300)	(436)
Interest expense	751	935	1,165	1,563	4,414
Depreciation and amortization	11,015	11,378	11,060	11,886	45,339
EBITDA	22,850	39,207	27,623	20,779	110,459
Reconciling items from below	1,478	145	73	1,031	2,727
Adjusted EBITDA	<u>\$ 24,328</u>	<u>\$ 39,352</u>	<u>\$ 27,696</u>	<u>\$ 21,810</u>	<u>\$ 113,186</u>

Reconciling Items

	Three Months Ended January 31, 2021		Three Months Ended October 31, 2020		Three Months Ended July 31, 2020		Three Months Ended April 30, 2020		Total	
	Income Statement	Reconciling Items	Income Statement	Reconciling Items	Income Statement	Reconciling Items	Income Statement	Reconciling Items	Income Statement	Reconciling Items
Net sales	\$ 230,147	\$ -	\$ 255,405	-	\$ 212,096	\$ -	\$ 187,475	\$ -	\$ 885,123	\$ -
Cost of sales	176,397	-	189,164	-	162,427	-	149,732	-	677,720	-
Selling, general and administrative	30,861	(1,439) ⁽¹⁾	26,889	-	21,973	-	16,713	(780) ⁽¹⁾	96,436	(2,219) ⁽¹⁾
Restructuring charges	39	(39) ⁽²⁾	145	(145) ⁽²⁾	73	(73) ⁽²⁾	251	(251) ⁽²⁾	508	(508) ⁽²⁾
EBITDA	22,850	1,478	39,207	145	27,623	73	20,779	1,031	110,459	2,727
Depreciation and amortization	11,015	-	11,378	-	11,060	-	11,886	(237) ⁽⁴⁾	45,339	(237) ⁽³⁾
Operating income	11,835	1,478	27,829	145	16,563	73	8,893	1,268	65,120	2,964
Interest expense	(751)	-	(935)	-	(1,165)	-	(1,563)	-	(4,414)	-
Other, net	192	78 ⁽⁴⁾	164	(333) ⁽⁴⁾	(220)	458 ⁽⁴⁾	300	(128) ⁽⁴⁾	436	75 ⁽⁴⁾
Income before income taxes	11,276	1,556	27,058	(188)	15,178	531	7,630	1,140	61,142	3,039
Income tax expense	(3,424)	(399) ⁽⁵⁾	(4,906)	20 ⁽⁵⁾	(4,345)	(251) ⁽⁵⁾	(2,129)	(250) ⁽⁵⁾	(14,804)	(880) ⁽⁵⁾
Net income	<u>\$ 7,852</u>	<u>\$ 1,157</u>	<u>\$ 22,152</u>	<u>\$ (168)</u>	<u>\$ 10,833</u>	<u>\$ 280</u>	<u>\$ 5,501</u>	<u>\$ 890</u>	<u>\$ 46,338</u>	<u>\$ 2,159</u>

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

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

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

(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 January 31,	
	2021	2020
Revolving Credit Facility	\$98,000	\$152,500
Finance Lease Obligations	15,619	16,047
Total Debt ⁽¹⁾	113,619	168,547
Less: Cash and cash equivalents	43,426	23,114
Net Debt	\$70,193	\$145,433

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

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

2021 Annual Incentive Award

- 40% weighting on Revenue growth
- 40% weighting on Adjusted EBITDA growth
- 20% weighting on working capital as a percentage of revenue (quarterly average)

2021 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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