

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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 31, 2023

Quanex Building Products Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation)

001-33913
(Commission File Number)

26-1561397
(I.R.S. Employer Identification No.)

1800 West Loop South, Suite 1500
Houston, Texas 77027
(Address of Principal Executive Offices) (Zip Code)

(713) 961-4600
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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 Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On August 31, 2023, the Registrant issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

[99.1](#) [Press Release dated August 31, 2023](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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 hereunto duly authorized.

Quanex Building Products Corporation

Date: August 31, 2023

By: /s/ SCOTT ZUEHLKE
Scott Zuehlke
SVP, CFO and Treasurer

Quanex Building Products Announces Third Quarter 2023 Results and Updates Full Year 2023 Guidance

Record Quarter for Earnings
Margin Expansion Across All Operating Segments
Repaid \$25 Million in Bank Debt
Balance Sheet and Liquidity Remain Strong
Solid Improvement in Cash Provided by Operating Activities

HOUSTON, Aug. 31, 2023 (GLOBE NEWSWIRE) -- **Quanex Building Products Corporation** (NYSE:NX) (“Quanex” or the “Company”) today announced its results for the three months ended July 31, 2023.

The Company reported the following selected financial results:

| (\$ in millions, except per share data) | Three Months Ended July 31, | | Nine Months Ended July 31, | |
|---|-----------------------------|---------|----------------------------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| Net Sales | \$299.6 | \$324.0 | \$835.1 | \$914.0 |
| Gross Margin | \$78.6 | \$72.6 | \$197.5 | \$201.0 |
| <i>Gross Margin %</i> | 26.2% | 22.4% | 23.7% | 22.0% |
| Net Income | \$31.7 | \$25.9 | \$55.1 | \$63.7 |
| Diluted EPS | \$0.96 | \$0.78 | \$1.67 | \$1.91 |
| Adjusted Net Income | \$31.9 | \$26.2 | \$59.7 | \$64.0 |
| Adjusted Diluted EPS | \$0.97 | \$0.79 | \$1.81 | \$1.92 |
| Adjusted EBITDA | \$48.5 | \$44.2 | \$108.8 | \$113.8 |
| <i>Adjusted EBITDA Margin %</i> | 16.2% | 13.6% | 13.0% | 12.5% |
| Cash Provided by Operating Activities | \$64.1 | \$51.7 | \$102.6 | \$49.9 |
| Free Cash Flow | \$56.7 | \$46.0 | \$80.1 | \$30.4 |

(See Non-GAAP Terminology Definitions and Disclaimers section, Non-GAAP Financial Measure Disclosure table, Selected Segment Data table and reconciliation tables for additional information)

George Wilson, President and Chief Executive Officer, stated, “The results we reported for the three months ended July 31, 2023 were a record for Quanex from both an earnings and margin perspective. Demand continued to improve across all product lines during the third quarter of this year compared to the first half of the year. In addition, we believe the customer inventory rebalancing that impacted results in our fenestration segments in the first half have subsided and did not affect third quarter results.

“When compared to the third quarter of 2022, revenue declined in the third quarter of 2023 across all operating segments as ongoing macroeconomic challenges led to market volume declines and some pricing pressure, mostly due to surcharge rollbacks and index pricing decreases in North America as raw material costs declined. Despite this pressure on the topline, we converted well and realized margin expansion across all operating segments. Our continued focus on operational efficiency proved beneficial and our ability to flex our cost structure to meet demand trends across product lines also helped improve our profitability during the quarter.

“We continue to do a good job of managing working capital and generating cash, which enabled us to pay down our bank debt by \$25 million during the third quarter. In fact, we are currently on track to generate record free cash flow this year. In addition, our balance sheet remains strong, and our leverage ratio improved compared to the second quarter of this year.” (See Non-GAAP Terminology Definitions and Disclaimers section for additional information)

Third Quarter 2023 Results Summary

The Company reported net sales of \$299.6 million during the three months ended July 31, 2023, which represents a decrease of 7.5% compared to \$324.0 million for the same period of 2022. The decrease was mostly attributable to softer market demand and lower pricing in North America. Quanex realized a decline in net sales of 4.1% for the third quarter of 2023 in its North American Fenestration segment. Excluding the contribution from the LMI Custom Mixing assets we acquired on November 1, 2022, net sales in the North American Fenestration segment would have declined by 14.9% year-over-year. The Company reported a decline in net sales of 23.6% in its North American Cabinet Components segment and a decrease of 2.8% in net sales in its European Fenestration segment, excluding foreign exchange impact. (See Sales Analysis table for additional information)

The increase in earnings for the three months ended July 31, 2023 was largely attributable to operational efficiency gains, cost control and a decrease in income tax expense. As such, Quanex was able to realize margin expansion in each of its operating segments and on a consolidated basis.

Balance Sheet Update

As of July 31, 2023, Quanex had total debt of \$110.8 million (\$57.9 million excluding real-estate leases that are considered “finance” leases under U.S. GAAP) and the Company’s leverage ratio of Net Debt to LTM Adjusted EBITDA decreased to 0.3x (Net Debt free excluding these real-estate leases). As of July 31, 2023, Quanex’s LTM Adjusted EBITDA was \$147.5 million and LTM Net Income, the most directly comparable GAAP measure, was \$79.8 million. (See Non-GAAP Terminology Definitions and Disclaimers section, Net Debt Reconciliation table and Last Twelve Months Adjusted EBITDA Reconciliation table for additional information)

Outlook

Mr. Wilson commented, “We were cautiously optimistic heading into the second half of our fiscal year based on our belief that we were seeing a return to normal seasonality. Our third quarter results reinforced that belief. Based on our results year-to-date, combined with our operational execution, recent demand trends and conversations with our customers, we are updating our guidance for fiscal 2023. On a consolidated basis for fiscal 2023, we currently estimate that we will generate net sales of approximately \$1.125 billion, which is towards the lower end of prior guidance as indicated on our last earnings call; however, we are increasing our Adjusted EBITDA* guidance to \$150 million to \$155 million.

Our capital allocation priorities continue to be generating cash, paying down debt, evaluating growth opportunities and opportunistically buying back our stock.”

*When Quanex provides expectations for Adjusted EBITDA on a forward-looking basis, a reconciliation of the differences between the non-GAAP expectations and corresponding GAAP measures is generally not available without unreasonable effort. Certain items required for such a reconciliation are outside of the Company’s control and/or cannot be reasonably predicted or estimated, such as the provision for income taxes.

Conference Call and Webcast Information

The Company has also scheduled a conference call for Friday, September 1, 2023 at 11:00 a.m. ET (10:00 a.m. CT) to discuss the release. A link to the live audio webcast will be available on Quanex’s website at <http://www.quanex.com> in the Investors section under Presentations & Events.

Participants can pre-register for the conference call using the following link:
<https://register.vevent.com/register/B19e428e0cc86a46139a82d87ee6276d56>

Registered participants will receive an email containing conference call details for dial-in options. To avoid delays, it is recommended that participants dial into the conference call ten minutes ahead of the scheduled start time. A replay will be available for a limited time on the Company’s website at <http://www.quanex.com> in the Investors section under Presentations & Events.

About Quanex

Quanex is a global manufacturer with core capabilities and broad applications across various end markets. The Company currently collaborates and partners with leading OEMs to provide innovative solutions in the window, door, vinyl fencing, solar, refrigeration and cabinetry markets. Looking ahead, Quanex plans to leverage its material science expertise and process engineering to expand into adjacent markets.

For more information contact Scott Zuehlke, Senior Vice President, Chief Financial Officer & Treasurer, at 713-877-5327 or scott.zuehlke@quanex.com.

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.

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 press release. 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, 2022, and the Company’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 press release 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.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

(Unaudited)

| | Three Months Ended July 31, | | Nine Months Ended July 31, | |
|---|-----------------------------|------------|----------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net sales | \$ 299,640 | \$ 324,037 | \$ 835,091 | \$ 913,970 |
| Cost of sales | 221,065 | 251,446 | 637,586 | 712,931 |
| Selling, general and administrative | 30,516 | 28,822 | 94,631 | 87,774 |
| Depreciation and amortization | 10,596 | 9,734 | 31,672 | 30,554 |
| Operating income | 37,463 | 34,035 | 71,202 | 82,711 |
| Interest expense | (2,068) | (724) | (6,571) | (1,849) |
| Other, net | 402 | 398 | 591 | 905 |
| Income before income taxes | 35,797 | 33,709 | 65,222 | 81,767 |
| Income tax expense | (4,099) | (7,801) | (10,103) | (18,098) |
| Net income | \$ 31,698 | \$ 25,908 | \$ 55,119 | \$ 63,669 |
| Earnings per common share, basic | \$ 0.97 | \$ 0.79 | \$ 1.68 | \$ 1.92 |
| Earnings per common share, diluted | \$ 0.96 | \$ 0.78 | \$ 1.67 | \$ 1.91 |
| Weighted average common shares outstanding: | | | | |
| Basic | 32,716 | 32,999 | 32,841 | 33,093 |
| Diluted | 32,919 | 33,173 | 33,031 | 33,256 |
| Cash dividends per share | \$ 0.08 | \$ 0.08 | \$ 0.24 | \$ 0.24 |

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)
(Unaudited)

| | July 31, 2023 | October 31, 2022 |
|---|---------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 73,252 | \$ 55,093 |
| Accounts receivable, net | 96,204 | 96,018 |
| Inventories, net | 105,368 | 120,890 |
| Prepaid and other current assets | 12,764 | 8,664 |
| Total current assets | 287,588 | 280,665 |
| Property, plant and equipment, net | 245,912 | 180,400 |
| Operating lease right-of-use assets | 45,804 | 56,000 |
| Goodwill | 186,409 | 137,855 |
| Intangible assets, net | 78,617 | 65,035 |
| Other assets | 3,479 | 4,662 |
| Total assets | \$ 847,809 | \$ 724,617 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 71,464 | \$ 77,907 |
| Accrued liabilities | 54,237 | 52,114 |
| Income taxes payable | - | 1,049 |
| Current maturities of long-term debt | 2,278 | 1,046 |
| Current operating lease liabilities | 7,388 | 7,727 |
| Total current liabilities | 135,367 | 139,843 |
| Long-term debt | 107,234 | 29,628 |
| Noncurrent operating lease liabilities | 39,291 | 49,286 |
| Deferred pension benefits | - | 3,917 |
| Deferred income taxes | 23,741 | 22,277 |
| Other liabilities | 16,221 | 14,831 |
| Total liabilities | 321,854 | 259,782 |
| Stockholders' equity: | | |
| Common stock | 372 | 372 |
| Additional paid-in-capital | 250,882 | 251,947 |
| Retained earnings | 384,623 | 337,456 |
| Accumulated other comprehensive loss | (31,890) | (49,422) |
| Treasury stock at cost | (78,032) | (75,518) |

| | | |
|--|-------------------|-------------------|
| Total stockholders' equity | 525,955 | 464,835 |
| Total liabilities and stockholders' equity | <u>\$ 847,809</u> | <u>\$ 724,617</u> |

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(In thousands)
(Unaudited)

| | Nine Months Ended July 31, | |
|---|-----------------------------------|------------------|
| | 2023 | 2022 |
| Operating activities: | | |
| Net income | \$ 55,119 | \$ 63,669 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 31,672 | 30,554 |
| Loss on the disposition of capital assets | | |
| Stock-based compensation | 1,828 | 1,707 |
| Deferred income tax | 177 | 505 |
| Other, net | 2,423 | 2,647 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in accounts receivable | 9,918 | (5,306) |
| Decrease (increase) in inventory | 23,864 | (48,280) |
| Increase in other current assets | (439) | (824) |
| (Decrease) increase in accounts payable | (15,471) | 2,765 |
| Decrease in accrued liabilities | (5,152) | (4,721) |
| (Decrease) increase in income taxes payable | (3,534) | 7,522 |
| Increase (decrease) in deferred pension benefits | 22 | (239) |
| Increase in other long-term liabilities | 609 | 32 |
| Other, net | 1,523 | (177) |
| Cash provided by operating activities | <u>102,559</u> | <u>49,854</u> |
| Investing activities: | | |
| Business acquisition | (91,302) | - |
| Capital expenditures | (22,450) | (19,488) |
| Proceeds from disposition of capital assets | 183 | 134 |
| Cash used for investing activities | <u>(113,569)</u> | <u>(19,354)</u> |
| Financing activities: | | |
| Borrowings under credit facilities | 102,000 | 70,500 |
| Repayments of credit facility borrowings | (60,000) | (70,500) |
| Debt issuance costs | - | (1,210) |
| Repayments of other long-term debt | (1,954) | (1,301) |
| Common stock dividends paid | (7,952) | (7,916) |
| Issuance of common stock | 753 | 502 |
| Payroll tax paid to settle shares forfeited upon vesting of stock | (567) | (1,412) |
| Purchase of treasury stock | (5,593) | (6,600) |
| Cash provided by (used for) financing activities | <u>26,687</u> | <u>(17,937)</u> |
| Effect of exchange rate changes on cash and cash equivalents | 2,482 | (2,594) |
| Decrease in cash and cash equivalents | 18,159 | 9,969 |
| Cash and cash equivalents at beginning of period | 55,093 | 40,061 |
| Cash and cash equivalents at end of period | <u>\$ 73,252</u> | <u>\$ 50,030</u> |

QUANEX BUILDING PRODUCTS CORPORATION
FREE CASH FLOW AND NET DEBT RECONCILIATION

(In thousands)
(Unaudited)

The following table reconciles the Company's calculation of Free Cash Flow, a non-GAAP measure, to its most directly comparable GAAP measure. The Company defines Free Cash Flow as cash provided by operating activities less capital expenditures.

| | Three Months Ended July 31, | | Nine Months Ended July 31, | |
|---------------------------------------|------------------------------------|-------------|-----------------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Cash provided by operating activities | \$64,099 | \$51,735 | \$102,559 | \$49,854 |
| Capital expenditures | (7,376) | (5,703) | (22,450) | (19,488) |

Free Cash Flow**\$56,723****\$46,032****\$80,109****\$30,366**

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 July 31, | |
|--|-----------------|----------------|
| | 2023 | 2022 |
| Revolving credit facility | \$55,000 | \$38,000 |
| Finance lease obligations ⁽¹⁾ | 55,792 | 20,105 |
| Total debt ⁽²⁾ | 110,792 | 58,105 |
| Less: Cash and cash equivalents | 73,252 | 50,030 |
| Net Debt | \$37,540 | \$8,075 |

(1) Includes \$52.9 million and \$18.8 million in real estate lease liabilities considered finance leases under U.S. GAAP as of July 31, 2023 and July 31, 2022, respectively.

(2) Excludes outstanding letters of credit.

QUANEX BUILDING PRODUCTS CORPORATION
NON-GAAP FINANCIAL MEASURE DISCLOSURE
LAST TWELVE MONTHS ADJUSTED EBITDA RECONCILIATION
(In thousands, except per share data)
(Unaudited)

Reconciliation of Last Twelve Months Adjusted EBITDA

| | Three Months Ended July 31, 2023 | Three Months Ended April 30, 2023 | Three Months Ended January 31, 2023 | Three Months Ended October 31, 2022 | Total |
|--|----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|----------------|
| | Reconciliation | Reconciliation | Reconciliation | Reconciliation | Reconciliation |
| Net income as reported | \$ 31,698 | \$ 21,512 | \$ 1,909 | \$ 24,667 | \$ 79,786 |
| Income tax expense | 4,099 | 5,551 | 453 | 3,329 | 13,432 |
| Other, net | (402) | 29 | (218) | (136) | (727) |
| Interest expense | 2,068 | 2,244 | 2,259 | 710 | 7,281 |
| Depreciation and amortization | 10,596 | 10,456 | 10,620 | 9,555 | 41,227 |
| EBITDA | 48,059 | 39,792 | 15,023 | 38,125 | 140,999 |
| Cost of sales ⁽¹⁾ | - | 48 | - | - | 48 |
| Selling, general and administrative ^{(1),(2)} | 395 | 63 | 5,448 | 564 | 6,470 |
| Adjusted EBITDA | \$ 48,454 | \$ 39,903 | \$ 20,471 | \$ 38,689 | \$ 147,517 |

(1) Loss on damage to manufacturing facilities caused by weather.

(2) Transaction and advisory fees.

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 July 31, 2023 | | Three Months Ended July 31, 2022 | | Nine Months Ended July 31, 2023 | | Nine Months Ended July 31, 2022 | |
|---|----------------------------------|-------------|----------------------------------|-------------|---------------------------------|-------------|---------------------------------|-------------|
| | Net Income | Diluted EPS | Net Income | Diluted EPS | Net Income | Diluted EPS | Net Income | Diluted EPS |
| Net income as reported | \$ 31,698 | \$ 0.96 | \$ 25,908 | \$ 0.78 | \$ 55,119 | \$ 1.67 | \$ 63,669 | \$ 1.91 |
| Net income reconciling items from below | 201 | \$ 0.01 | 257 | \$ 0.01 | 4,550 | \$ 0.14 | 291 | \$ 0.01 |
| Adjusted net income and | \$ 31,899 | \$ 0.97 | \$ 26,165 | \$ 0.79 | \$ 59,669 | \$ 1.81 | \$ 63,960 | \$ 1.92 |

adjusted EPS

| Reconciliation of Adjusted EBITDA | Three Months Ended July 31, 2023 | | Three Months Ended July 31, 2022 | | Nine Months Ended July 31, 2023 | | Nine Months Ended July 31, 2022 | |
|-------------------------------------|----------------------------------|-------------------|----------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | Reconciliation | | Reconciliation | | Reconciliation | | Reconciliation | |
| Net income as reported | \$ | 31,698 | \$ | 25,908 | \$ | 55,119 | \$ | 63,669 |
| Income tax expense | | 4,099 | | 7,801 | | 10,103 | | 18,098 |
| Other, net | | (402) | | (398) | | (591) | | (905) |
| Interest expense | | 2,068 | | 724 | | 6,571 | | 1,849 |
| Depreciation and amortization | | 10,596 | | 9,734 | | 31,672 | | 30,554 |
| EBITDA | | 48,059 | | 43,769 | | 102,874 | | 113,265 |
| EBITDA reconciling items from below | | 395 | | 419 | | 5,954 | | 550 |
| Adjusted EBITDA | \$ | 48,454 | \$ | 44,188 | \$ | 108,828 | \$ | 113,815 |
| Reconciling Items | Three Months Ended July 31, 2023 | | Three Months Ended July 31, 2022 | | Nine Months Ended July 31, 2023 | | Nine Months Ended July 31, 2022 | |
| | Income Statement | Reconciling Items | Income Statement | Reconciling Items | Income Statement | Reconciling Items | Income Statement | Reconciling Items |
| Net sales | \$ | 299,640 | \$ | 324,037 | \$ | 835,091 | \$ | 913,970 |
| Cost of sales | | 221,065 | | 251,446 | | 637,586 | | 712,931 |
| Selling, general and administrative | | 30,516 | | 28,822 | | 94,631 | | 87,774 |
| EBITDA | | 48,059 | | 43,769 | | 102,874 | | 113,265 |
| Depreciation and amortization | | 10,596 | | 9,734 | | 31,672 | | 30,554 |
| Operating income | | 37,463 | | 34,035 | | 71,202 | | 82,711 |
| Interest expense | | (2,068) | | (724) | | (6,571) | | (1,849) |
| Other, net | | 402 | | 398 | | 591 | | 905 |
| Income before income taxes | | 35,797 | | 33,709 | | 65,222 | | 81,767 |
| Income tax expense | | (4,099) | | (7,801) | | (10,103) | | (18,098) |
| Net income | \$ | 31,698 | \$ | 25,908 | \$ | 55,119 | \$ | 63,669 |
| Diluted earnings per share | \$ | 0.96 | \$ | 0.78 | \$ | 1.67 | \$ | 1.91 |

(1) Loss on damage to manufacturing facilities caused by weather.

(2) Transaction and advisory fees.

(3) Foreign currency transaction gains.

(4) Tax impact of net income reconciling items.

QUANEX BUILDING PRODUCTS CORPORATION
SELECTED SEGMENT DATA
(In thousands)
(Unaudited)

This table provides gross margin, operating (loss) income, EBITDA, and Adjusted EBITDA by reportable segment. Non-operating expense and income tax expense are not allocated to the reportable segments.

| NA Fenestration | EU Fenestration | NA Cabinet Components | Unallocated Corp & Other | Total |
|-----------------|-----------------|-----------------------|--------------------------|-------|
|-----------------|-----------------|-----------------------|--------------------------|-------|

Three months ended July 31, 2023

| | | | | | |
|-------------------------------------|------------|-----------|-----------|------------|------------|
| Net sales | \$ 177,081 | \$ 67,889 | \$ 55,385 | \$ (715) | \$ 299,640 |
| Cost of sales | 135,126 | 41,266 | 44,935 | (262) | 221,065 |
| Gross Margin | 41,955 | 26,623 | 10,450 | (453) | 78,575 |
| <i>Gross Margin %</i> | 23.7% | 39.2% | 18.9% | | 26.2% |
| Selling, general and administrative | 14,254 | 8,039 | 5,095 | 3,128 | 30,516 |
| Depreciation and amortization | 5,033 | 2,434 | 3,084 | 45 | 10,596 |
| Operating income (loss) | 22,668 | 16,150 | 2,271 | (3,626) | 37,463 |
| Depreciation and amortization | 5,033 | 2,434 | 3,084 | 45 | 10,596 |
| EBITDA | 27,701 | 18,584 | 5,355 | (3,581) | 48,059 |
| Transaction and advisory fees | - | - | - | 395 | 395 |
| Adjusted EBITDA | \$ 27,701 | \$ 18,584 | \$ 5,355 | \$ (3,186) | \$ 48,454 |
| <i>Adjusted EBITDA Margin %</i> | 15.6% | 27.4% | 9.7% | | 16.2% |

Three months ended July 31, 2022

| | | | | | |
|-------------------------------------|------------|-----------|-----------|----------|------------|
| Net sales | \$ 184,744 | \$ 67,613 | \$ 72,480 | \$ (800) | \$ 324,037 |
| Cost of sales | 142,970 | 47,212 | 61,543 | (279) | 251,446 |
| Gross Margin | 41,774 | 20,401 | 10,937 | (521) | 72,591 |
| <i>Gross Margin %</i> | 22.6% | 30.2% | 15.1% | | 22.4% |
| Selling, general and administrative | 14,644 | 8,256 | 5,335 | 587 | 28,822 |
| Depreciation and amortization | 4,044 | 2,327 | 3,273 | 90 | 9,734 |
| Operating income (loss) | 23,086 | 9,818 | 2,329 | (1,198) | 34,035 |
| Depreciation and amortization | 4,044 | 2,327 | 3,273 | 90 | 9,734 |
| EBITDA | 27,130 | 12,145 | 5,602 | (1,108) | 43,769 |
| Transaction and advisory fees | - | - | - | 419 | 419 |
| Adjusted EBITDA | \$ 27,130 | \$ 12,145 | \$ 5,602 | \$ (689) | \$ 44,188 |
| <i>Adjusted EBITDA Margin %</i> | 14.7% | 18.0% | 7.7% | | 13.6% |

Nine months ended July 31, 2023

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Net sales | \$ 487,036 | \$ 186,604 | \$ 163,577 | \$ (2,126) | \$ 835,091 |
| Cost of sales | 382,315 | 119,421 | 136,722 | (872) | 637,586 |
| Gross Margin | 104,721 | 67,183 | 26,855 | (1,254) | 197,505 |
| <i>Gross Margin %</i> | 21.5% | 36.0% | 16.4% | | 23.7% |
| Selling, general and administrative | 41,707 | 23,996 | 15,939 | 12,989 | 94,631 |
| Depreciation and amortization | 15,328 | 7,135 | 8,988 | 221 | 31,672 |
| Operating income (loss) | 47,686 | 36,052 | 1,928 | (14,464) | 71,202 |
| Depreciation and amortization | 15,328 | 7,135 | 8,988 | 221 | 31,672 |
| EBITDA | 63,014 | 43,187 | 10,916 | (14,243) | 102,874 |
| Loss on damage to manufacturing facilities (Cost of sales) | 35 | - | 13 | - | 48 |
| Loss on damage to manufacturing facilities (SG&A) | - | - | 200 | - | 200 |
| Transaction and advisory fees | - | - | - | 5,706 | 5,706 |
| Adjusted EBITDA | \$ 63,049 | \$ 43,187 | \$ 11,129 | \$ (8,537) | \$ 108,828 |
| <i>Adjusted EBITDA Margin %</i> | 12.9% | 23.1% | 6.8% | | 13.0% |

Nine months ended July 31, 2022

| | | | | | |
|-------------------------------------|------------|------------|------------|------------|------------|
| Net sales | \$ 509,283 | \$ 199,954 | \$ 207,711 | \$ (2,978) | \$ 913,970 |
| Cost of sales | 396,505 | 138,147 | 179,791 | (1,512) | 712,931 |
| Gross Margin | 112,778 | 61,807 | 27,920 | (1,466) | 201,039 |
| <i>Gross Margin %</i> | 22.1% | 30.9% | 13.4% | | 22.0% |
| Selling, general and administrative | 43,099 | 24,160 | 15,823 | 4,692 | 87,774 |
| Depreciation and amortization | 12,221 | 7,418 | 10,653 | 262 | 30,554 |
| Operating income (loss) | 57,458 | 30,229 | 1,444 | (6,420) | 82,711 |
| Depreciation and amortization | 12,221 | 7,418 | 10,653 | 262 | 30,554 |
| EBITDA | 69,679 | 37,647 | 12,097 | (6,158) | 113,265 |
| Transaction and advisory fees | - | - | - | 550 | 550 |
| Adjusted EBITDA | \$ 69,679 | \$ 37,647 | \$ 12,097 | \$ (5,608) | \$ 113,815 |
| <i>Adjusted EBITDA Margin %</i> | 13.7% | 18.8% | 5.8% | | 12.5% |

(In thousands)
(Unaudited)

| | <u>Three Months Ended July 31,</u> | | <u>Nine Months Ended July 31,</u> | |
|---|------------------------------------|-------------------|-----------------------------------|-------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| NA Fenestration: ⁽¹⁾ | | | | |
| United States - fenestration | \$ 138,090 | \$ 162,215 | \$ 379,613 | \$ 447,425 |
| International - fenestration | 8,542 | 10,722 | 22,019 | 30,952 |
| United States - non-fenestration | 26,423 | 8,324 | 73,823 | 22,117 |
| International - non-fenestration | 4,026 | 3,483 | 11,581 | 8,789 |
| | <u>\$ 177,081</u> | <u>\$ 184,744</u> | <u>\$ 487,036</u> | <u>\$ 509,283</u> |
| EU Fenestration: ⁽²⁾ | | | | |
| International - fenestration | \$ 51,752 | \$ 49,041 | \$ 142,009 | \$ 148,525 |
| International - non-fenestration | 16,137 | 18,572 | 44,595 | 51,429 |
| | <u>\$ 67,889</u> | <u>\$ 67,613</u> | <u>\$ 186,604</u> | <u>\$ 199,954</u> |
| NA Cabinet Components: | | | | |
| United States - fenestration | \$ 4,486 | \$ 4,857 | \$ 12,613 | \$ 13,288 |
| United States - non-fenestration | 50,199 | 66,758 | 148,774 | 191,908 |
| International - non-fenestration | 700 | 865 | 2,190 | 2,515 |
| | <u>\$ 55,385</u> | <u>\$ 72,480</u> | <u>\$ 163,577</u> | <u>\$ 207,711</u> |
| Unallocated Corporate & Other: | | | | |
| Eliminations | \$ (715) | \$ (800) | \$ (2,126) | \$ (2,978) |
| | <u>\$ (715)</u> | <u>\$ (800)</u> | <u>\$ (2,126)</u> | <u>\$ (2,978)</u> |
| Net Sales | <u>\$ 299,640</u> | <u>\$ 324,037</u> | <u>\$ 835,091</u> | <u>\$ 913,970</u> |

(1) Includes the net sales from the acquisition of LMI of \$19.8 million and \$54.0 million for the three and nine months ended July 31, 2023, respectively.

(2) Reflects an increase of \$2.2 million and a reduction of \$8.6 million in revenue associated with foreign currency exchange rate impacts for the three and nine months ended July 31, 2023, respectively.