



CJS Securities 17<sup>th</sup> Annual  
"New Ideas for the New Year"  
Conference

January 11, 2017



# Safe Harbor Statement

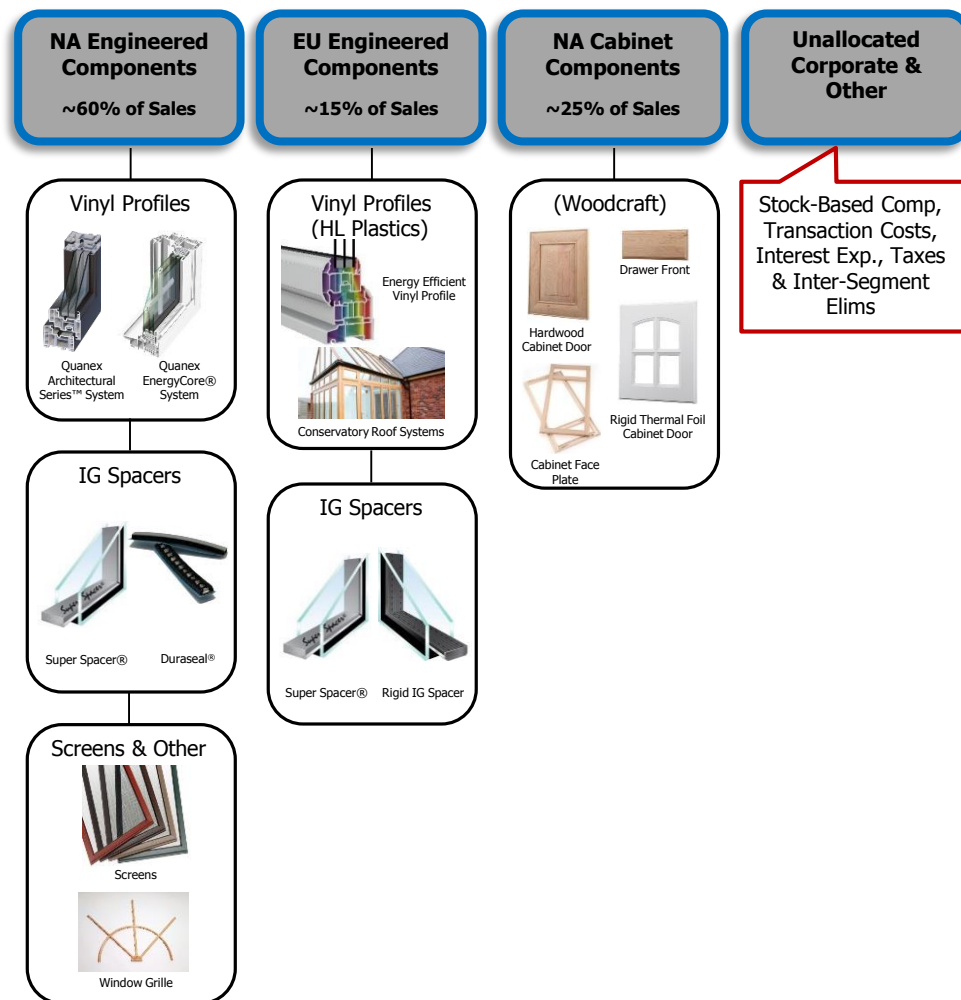
**Note on Forward Looking Statements:** Statements that use the words “estimated,” “expect,” “could,” “should,” “believe,” “will,” “might,” or similar words reflecting future expectations or beliefs are forward-looking statements. The forward-looking statements include, but are not limited to, future operating results of Quanex, the future financial condition of Quanex, future uses of cash and other expenditures, expenses and tax rates, expectations relating to the Company’s industry, and Quanex’s future growth, including any guidance referenced in this presentation. Guidance is a forward-looking estimate of performance and may not be indicative of actual results. The statements and guidance set forth in this release are based on current expectations. Actual results or events may differ materially from this release. Factors that could impact future results may include, without limitation, the effect of both domestic and global economic conditions, the impact of competitive products and pricing, the availability and cost of raw materials, and customer demand. For a more complete discussion of factors that may affect the Company’s future performance, please refer to the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2016, under the sections entitled “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors,” and in Quanex’s other documents filed with the Securities and Exchange Commission from time to time. Any forward-looking statements in this presentation are made as of the date hereof, and Quanex Building Products Corporation undertakes no obligation to update or revise any forward-looking statements to reflect new information or events.

**Note on Non-GAAP Financial Measures:** 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) is a 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 transaction expenses, purchase price accounting inventory step-ups and restructuring charges. Divisional EBITDA is EBITDA excluding discontinued operations, corporate costs and ERP related expenses. The Company believes these non-GAAP measures provide a consistent basis for comparison between periods, and will assist investors in understanding our financial performance when comparing our results to other investment opportunities. While the Company considers EBITDA, Adjusted EBITDA and Divisional EBITDA 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, information reconciling forward-looking EBITDA, Adjusted EBITDA and Divisional EBITDA as presented to GAAP financial measures is unavailable to Quanex without unreasonable effort.

# 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 predominately focused on serving **new construction and R&R markets**
- **Manufacturing Facilities:**
  - 35 locations (~3.5 million sq. ft.)
  - Sufficient capacity for growth
- **Key Financials:**
  - FY 2016 Net Sales: \$928.2 Million
  - FY 2016 Adjusted EBITDA: \$110.3 Million (11.9% margin)
  - Leverage Ratio as of 10.31.16 <sup>(1)</sup>: 2.2x
- **Corporate Headquarters:** Houston, TX
- **Employees:** ~4,000
- **Fiscal Year-End:** October 31
- **NYSE Ticker:** NX
- **Market Cap as of 1.5.17:** ~\$720 Million



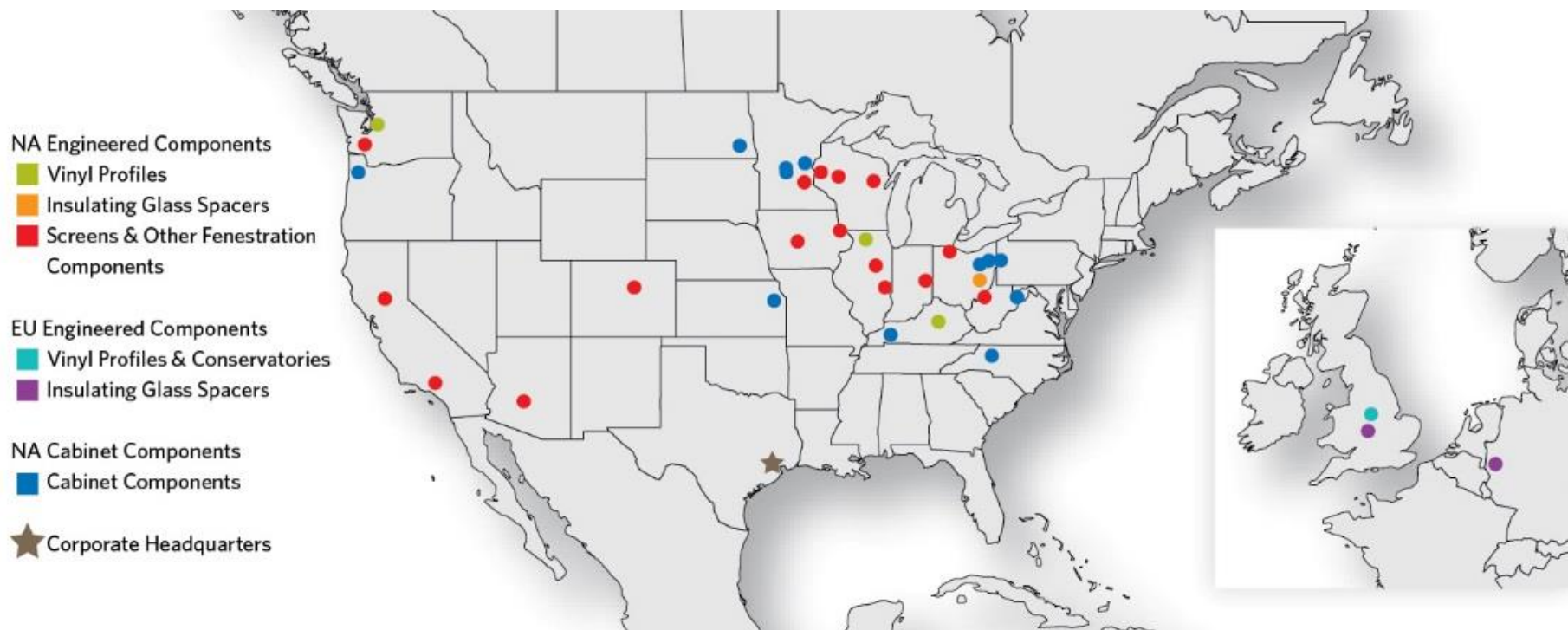
(1) Leverage Ratio defined as net debt/LTM Adjusted EBITDA.



# Geographic Footprint

## Facilities Strategically Located to Better Serve Customers

- 32 manufacturing facilities located in 17 states in the US, two facilities in the UK and one facility in Germany
  - Facilities feature efficient plant design and flexible manufacturing processes, enabling Quanex to produce a wide variety of custom engineered products and components
  - Quanex maintains minimal levels of finished goods inventories at most locations as products are typically made to order for just in time delivery
- Recently announced the closing of two US vinyl extrusion facilities (Yakima, WA and Greenville, TX) and one cabinet components facility (Guadalajara, Mexico)
  - Closure of facilities and reallocation of assets will result in annual cost savings as well as improved productivity and margins

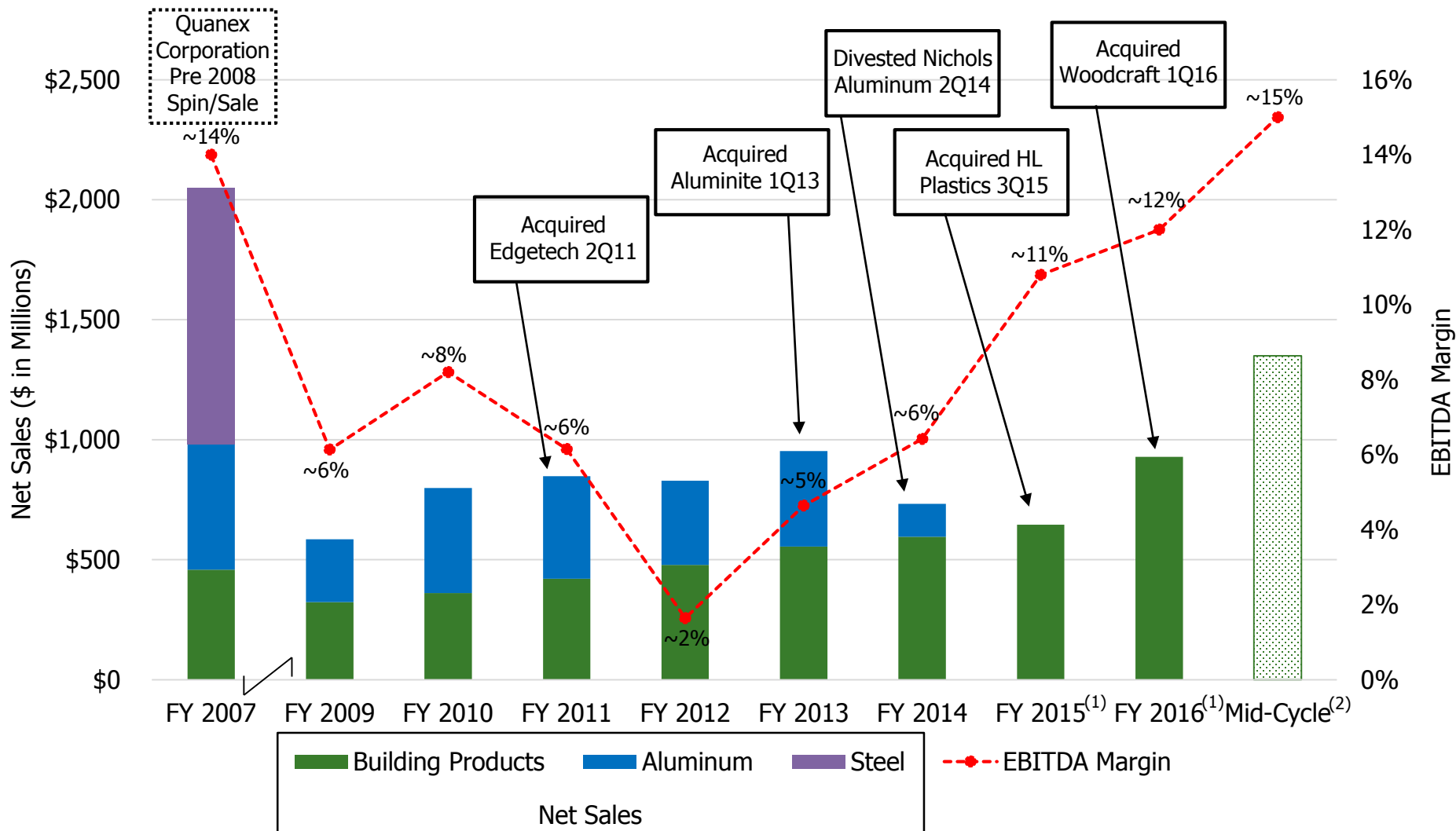


Note: All three facilities being closed have been excluded from the totals and map.



# Evolution of Quanex

Significant Improvement in Profitability – “Pure Play” Building Products Manufacturer



(1) EBITDA adjusted to exclude non-recurring items such as transaction costs, purchase price accounting inventory step ups and restructuring charges (Adjusted EBITDA).

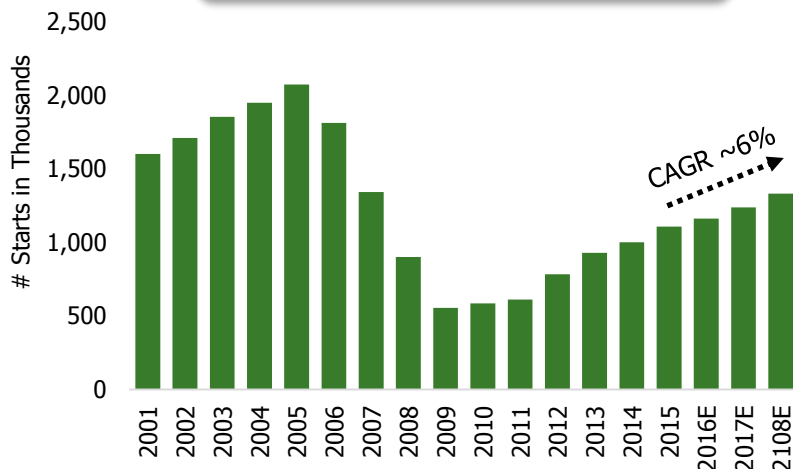
(2) Mid-cycle defined as the point in time when U.S. housing starts recover to ~1.5 million per year and U.S. window shipments recover to ~65 million per year.



# Compelling End Market Dynamics

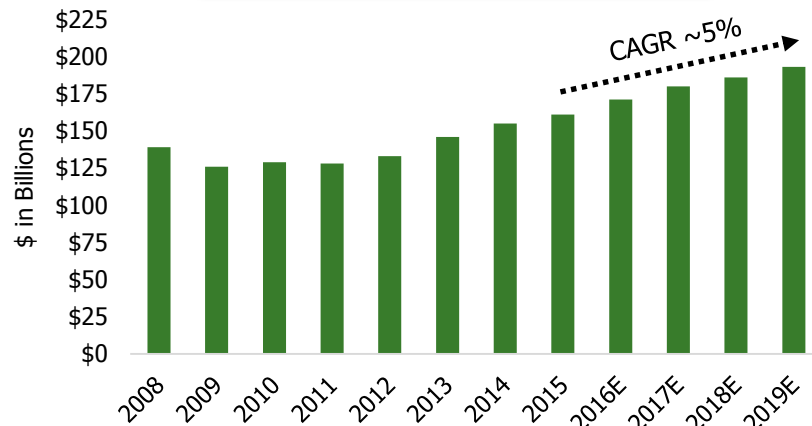
Expect Mid-Single Digit Market Growth For Foreseeable Future

## U.S. Housing Starts



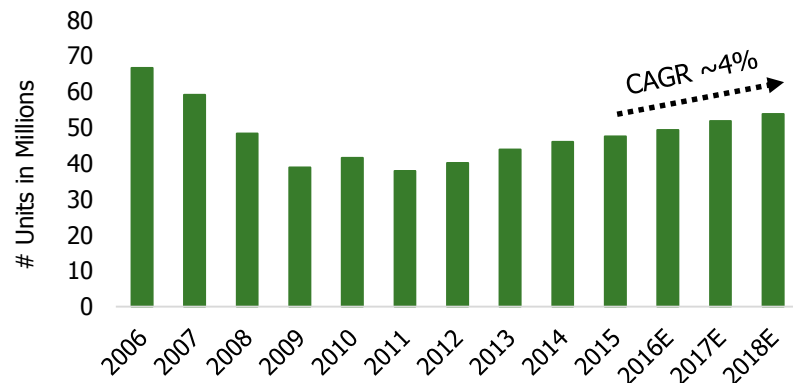
Source: NAHB - December 2016

## U.S. R&R Spending



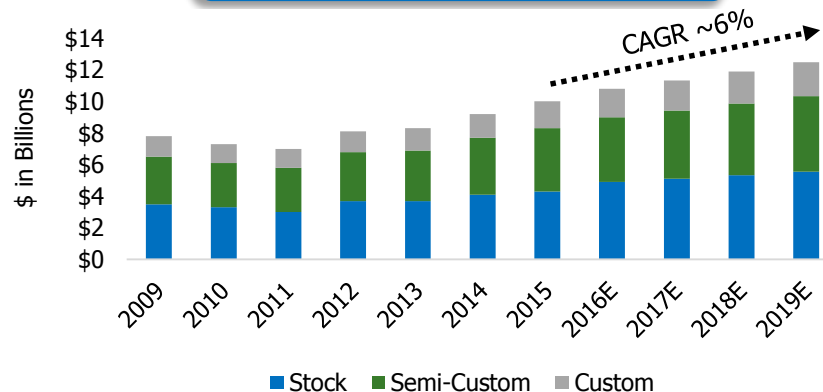
Source: Metrostudy (a Hanley-Wood company) - August 2016

## U.S. Window Shipments



Source: Ducker Worldwide - November 2016

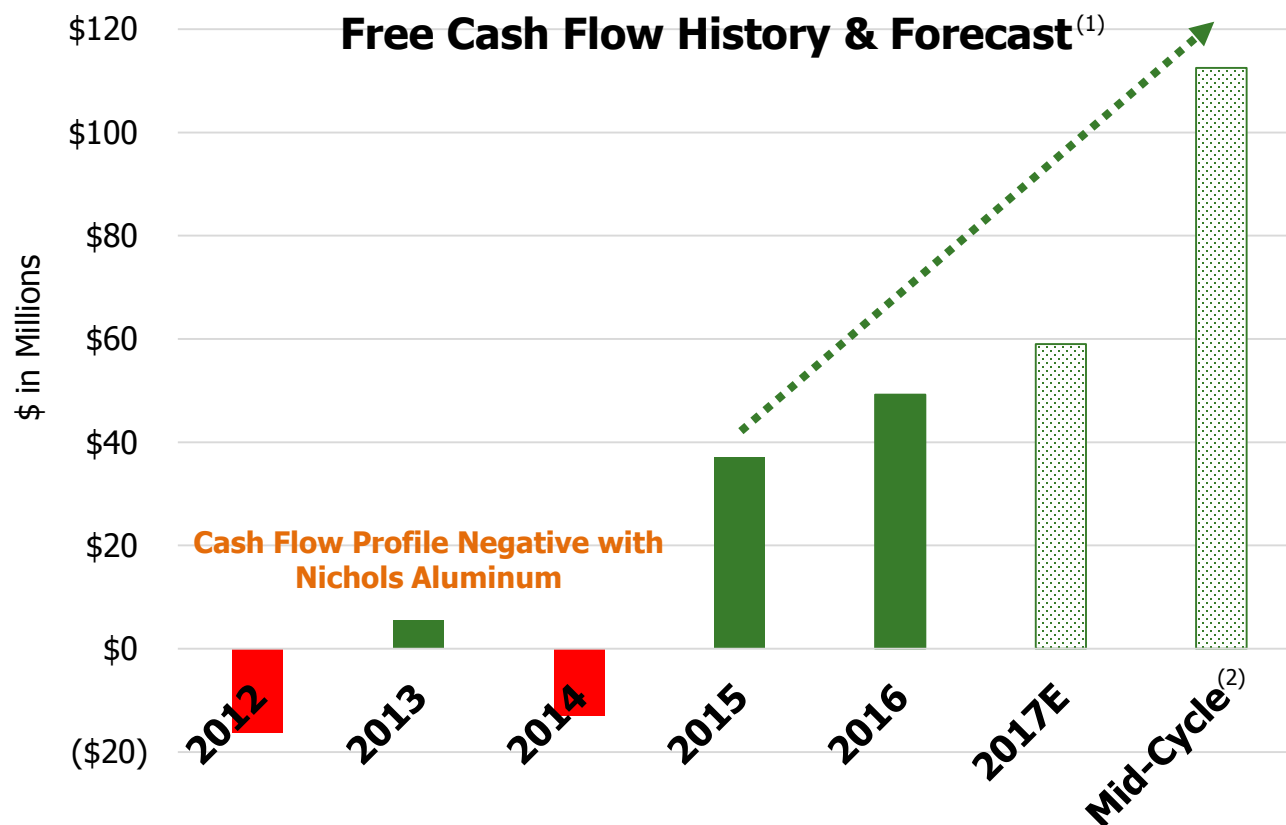
## U.S. Kitchen Cabinet Market



Source: U.S. Census, Moody's analytics, NAR, Cataline, Freedonia, Bureau of Labor Statistics, HIRI, L.E.K. interviews and analysis, KCMA - December 2016

# Favorable Free Cash Flow Trend

Continuing to Improve Free Cash Flow Profile is Top Priority



(1) Free cash flow defined as cash provided by operations less capital expenditures.

(2) Mid-cycle defined as the point in time when U.S. housing starts recover to ~1.5 million per year and U.S. window shipments recover to ~65 million per year.



# Healthy Balance Sheet w/ New Capital Structure

Refinanced Debt July 2016 - Significant Accretion & Annual Interest Expense Savings

## Debt Refi Summary

- ~375 bps reduction in spread
- Accretive to EPS
- ABL admin burden removed
- Fully prepayable
- No near-term maturities

Capitalization (\$ in thousands)	NX 10.31.16
Cash & Cash Equivalents	\$25,526
Senior Secured Term Loan A Facility due 2021	148,125
Senior Secured Revolving Credit Facility due 2021 <sup>(1)</sup>	120,000
Capital Leases and Other	4,083
<b>Total Debt</b>	<b>\$272,208</b>
<i>Net Debt</i>	<i>\$246,682</i>
Stockholders' Equity	367,831
<b>Total Capitalization</b>	<b>\$640,039</b>
Borrowing Base	300,000
Less: Borrowings Against Revolving Credit Facility	120,000
Plus: Cash	25,526
<b>Total Liquidity</b>	<b>\$205,526</b>
<b>Net Debt/LTM Adj. EBITDA <sup>(2)</sup></b>	<b>2.2x</b>

(1) Excludes \$5.8 million in outstanding letters of credit.

(2) Net debt/LTM Adjusted EBITDA as of 10.31.16.

Ample capacity  
on revolver

Long-term  
target of ~2.0x  
leverage ratio





# Strategic Priorities to Drive and Unlock Value

## Strategic Themes

**Continued Margin Expansion and Cash Flow Generation**

**Organic Growth with Profitable Customers/Products**

**Expand Footprint through Targeted Acquisitions**

## Top Priorities

**~15% EBITDA Margins & ROIC >12%**

- Accelerate productivity improvements and automation implementation
- Maintain tight control on working capital management and capex spend
- Exit margin dilutive business or increase prices <sup>(2)</sup>
- Reduce future cash interest expense by paying down debt further
- Continue to focus on employee safety and retention

**Top Line Growth <sup>(1)</sup>**

- Market growth of ~5-6% per year
- Potential for ~7-8% growth per year from:
  - Increased outsourcing
  - Continued execution on cross selling initiatives (i.e. high-speed IG lines)

**Bolt-On & Transformational M&A**

- Enhance existing product offering
- Acquire complementary technologies
- Expand into adjacent markets or service lines
- Open up new avenues for growth

(1) Excluding foreign exchange impact and business shed in favor of protecting margins.

(2) Company expects to shed \$50-70 million in revenue of margin dilutive business in FY 2017.



# Investment Highlights

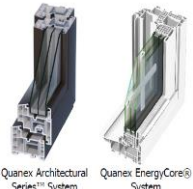





Well Positioned to Create Shareholder Value





# Appendix

# Diverse Portfolio of Products

	NA Engineered Components			EU Engineered Components		NA Cabinet Components
% of FY16 Sales	~60%			~15%		~25%
Products	Vinyl Profiles	Insulating Glass Spacers	Screens & Other Fenestration Components	Vinyl Profiles & Conservatories	Insulating Glass Spacers	Cabinet Components
Product Description	Vinyl profiles that constitute the framing material used in the assembly of windows and doors	Spacers used to separate two or three panes of glass to improve thermal performance and protect from moisture	Window and door screens, precision formed metal/wood products & other window and door components	Vinyl profiles that constitute the framing material used in the assembly of windows / doors and conservatories	Spacers used to separate two or three panes of glass to improve thermal performance and protect from moisture	Hardwood & engineered wood doors and components for the kitchen and bath cabinet industry
Manufacturing Capabilities	Three production facilities (~603,000 sq. ft.)	One production facility (~417,000 sq. ft.) 60k sq. ft expansion underway	16 production facilities (~1.1 million sq. ft.)	One production facility (~267,500 sq. ft.)	Two production facilities (~74,000 sq. ft.)	12 production facilities (~1 million sq. ft.)
Strengths	<ul style="list-style-type: none"> <li>Technological leader - high-end efficient design</li> <li>Diverse manufacturing footprint with ample capacity for growth</li> <li>Breadth of product offering</li> </ul>	<ul style="list-style-type: none"> <li>Diverse customer base</li> <li>Economies of scale</li> <li>Energy efficient and less labor intensive</li> </ul>	<ul style="list-style-type: none"> <li>Relationships with largest OEMs - ability to partner</li> <li>Value add to OEM process</li> </ul>	<ul style="list-style-type: none"> <li>Market leader and fastest growing vinyl window profile extruder in U.K.</li> <li>State-of-the-art manufacturing capabilities</li> <li>Marketed under "Liniar" brand</li> </ul>	<ul style="list-style-type: none"> <li>Recognized and respected brand in European market</li> <li>Highly energy efficient product</li> </ul>	<ul style="list-style-type: none"> <li>Market leader aligned with top cabinet OEMs</li> <li>Best-in-class lead times due to strategically located facilities</li> <li>Breadth and capability of product mix</li> </ul>
Key Products	 <p>Quanex Architectural Series™ System    Quanex EnergyCore® System</p>	 <p>Super Spacer®    Duraseal®</p>	 <p>Window/Door Screens Window Grille</p>	 <p>Energy Efficient Vinyl Profile    Conservatory Roof Systems</p>	 <p>Super Spacer    Rigid Insulating Glass Spacer</p>	 <p>Hardwood Cabinet Door    Cabinet Face Plate    Rigid Thermal Foil Cabinet Door</p>
Strategic Initiatives	<ul style="list-style-type: none"> <li>Margin improvement via standardized equipment and cost reductions</li> <li>Focus on profitability over volume</li> </ul>	<ul style="list-style-type: none"> <li>Capacity expansion</li> <li>Leverage relationships with national accounts (high-speed production lines)</li> <li>Other non-fenestration market opportunities (refrigeration and solar)</li> </ul>	<ul style="list-style-type: none"> <li>Margin improvement via automation</li> <li>Outsourcing due to skilled labor shortage and increased wages</li> <li>New products</li> </ul>	<ul style="list-style-type: none"> <li>New foam building product range launched May '16 (cellular foam trims, fascias and soffits)</li> </ul>	<ul style="list-style-type: none"> <li>Acceleration of changes in codes / standards due to high energy costs</li> <li>Other non-fenestration market opportunities (refrigeration and solar)</li> </ul>	<ul style="list-style-type: none"> <li>Margin improvement via automation and streamlined operations</li> <li>Partner with customers that are gaining market share</li> </ul>

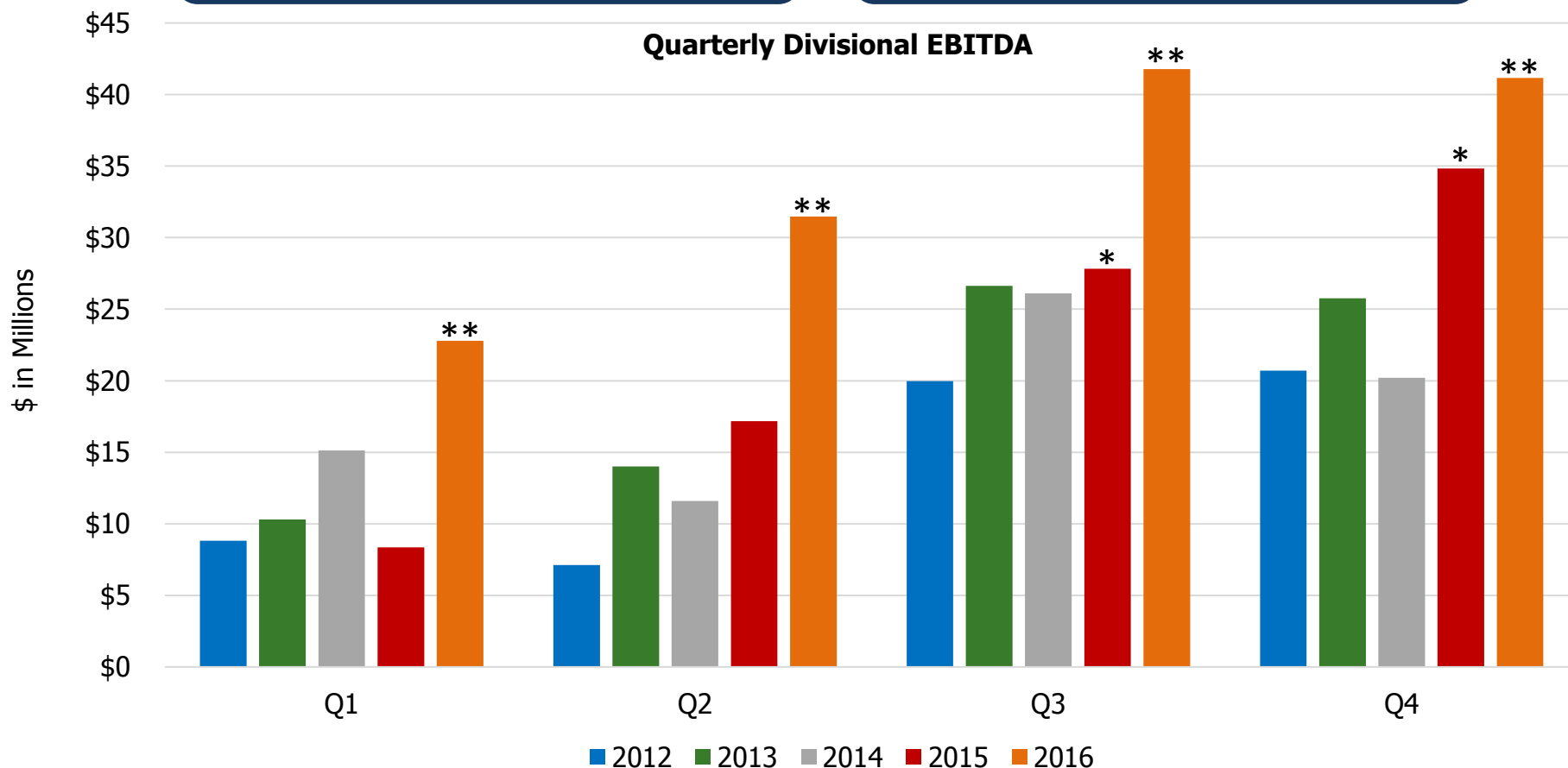


# Seasonality

Fiscal 2H Historically Stronger – HL Plastics/Woodcraft Acquisitions Improved Seasonality

**1<sup>st</sup> Half**  
**Historically ~25% of Annual EBITDA**  
**2017E ~35%**

**2<sup>nd</sup> Half**  
**Historically ~75% of Annual EBITDA**  
**2017E ~65%**



Note: Divisional EBITDA only, excludes Nichols, corporate costs and ERP-related expenses; see Appendix for a reconciliation of historical Divisional EBITDA to its most comparable GAAP measure.

\*Includes the impact of HL Plastics acquisition from the date of acquisition.

\*\*Includes the impact of HL Plastics and Woodcraft acquisitions from the dates of acquisitions.

# GAAP/Non-GAAP Reconciliation (Unaudited)

## Net Income from Continuing Operations to EBITDA

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2012	Q1	Q2	Q3	Q4	Fiscal 2013
Net income (loss) from continuing operations	\$1,179	-	\$8,216	\$8,775	\$18,170	\$1,643	\$3,612	\$11,702	\$12,025	\$28,982
Interest expense	(33)	(35)	(15)	(14)	(97)	(13)	10	15	11	23
Income tax expense (benefit)	794	12	4,843	4,775	10,424	1,092	2,281	6,787	6,015	16,175
Depreciation and amortization	7,012	7,038	6,911	7,154	28,115	7,473	8,097	8,066	7,731	31,367
Other, net	(137)	107	18	6	(6)	111	5	58	(30)	144
Div. EBITDA	\$8,815	\$7,122	\$19,973	\$20,696	\$56,606	\$10,306	\$14,005	\$26,628	\$25,752	\$76,691

(\$ in thousands)	Q1	Q2	Q3	Q4	Fiscal 2014	Q1	Q2	Q3*	Q4*	Fiscal 2015
Net income (loss) from continuing operations	\$4,934	\$2,568	\$11,675	\$9,154	\$28,331	\$621	\$6,487	\$12,674	\$17,663	\$37,443
Interest expense	16	22	2	20	60	17	22	81	15	135
Income tax expense (benefit)	2,631	1,386	6,503	3,333	13,853	(190)	2,908	6,716	6,798	16,234
Depreciation and amortization	7,645	7,592	7,859	7,689	30,785	7,723	7,638	8,310	10,260	33,931
Other, net	(90)	38	62	17	27	182	123	51	86	442
Div. EBITDA	\$15,136	\$11,606	\$26,101	\$20,213	\$73,056	\$8,353	\$17,178	\$27,832	\$34,822	\$88,185

(\$ in thousands)	Q1**	Q2**	Q3**	Q4**	Fiscal 2016**
Net income (loss) from continuing operations	\$4,434	\$13,284	\$20,046	\$19,241	\$57,005
Interest expense	147	26	65	\$66	\$304
Income tax expense (benefit)	2,859	5,245	6,270	(\$5,506)	\$8,868
Depreciation and amortization	12,811	13,672	12,838	\$13,264	\$52,585
Asset impairment charge	-	-	-	\$12,602	\$12,602
Other, net	2,529	(762)	2,553	1,501	5,821
Div. EBITDA	\$22,780	\$31,465	\$41,772	\$41,168	\$137,185

Note: Divisional EBITDA only; excludes Nichols, corporate costs and ERP-related expenses.

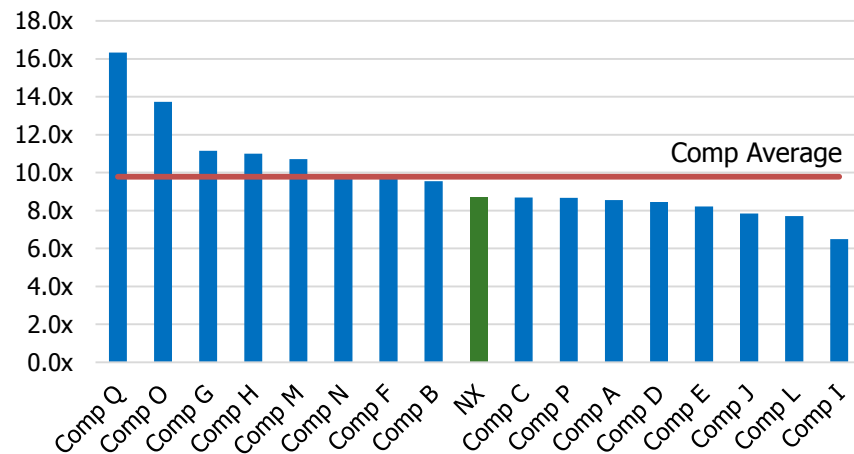
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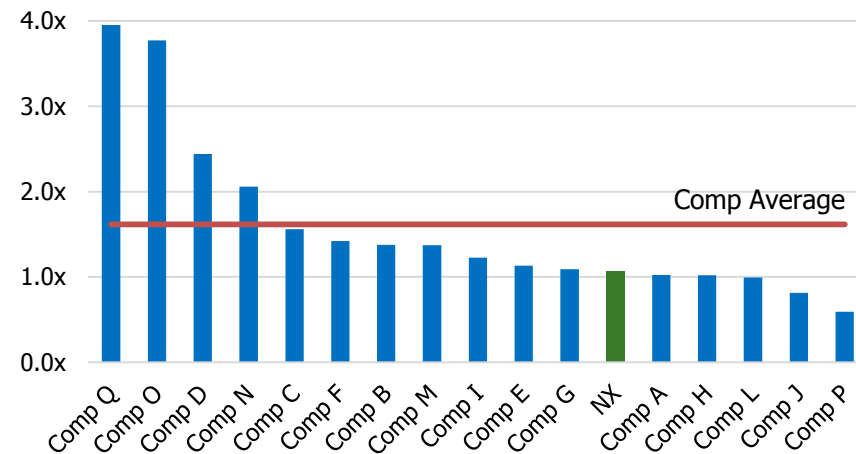


# Attractive Valuation

## 2017E EV/EBITDA



## 2017E EV/Sales



### Notes:

Consensus estimates per Nasdaq IR Insight as of 1.5.17.

Comp Group – AAON, AMWD, APOG, CBPX, DOOR, LCII, GFF, LPX, NCS, PATK, PGTI, PGEM, ROCK, SSD, TREX and UFPI.

# Clear Strategy w/ History of Execution

**To enhance Shareholder Value by outperforming our peers in revenue growth, profitability & cash generation, by being the preferred supplier in each of our served markets.**

## TO ACHIEVE THIS WE WILL:

### INVEST

in our existing businesses as a first priority to further our market leadership and strive to continuously improve.



- ~\$70M Capex in the last 2 years (2015/2016)
- \$75M stock repurchase program (2014/2015)

### OUTGROW

our served markets by cross selling all of our products and services to all of our existing customers.



### ACQUIRE

businesses that add new customers, new technologies, new products or scale to existing products.



Acquired:  
Aluminite (Dec 2012)  
HL Plastics (June 2015)

### EXPLORE

adjacent segments of the Building Products Industry for opportunities that complement our core competencies and business goals.



Acquired:  
Woodcraft (Nov 2015)





# History Timeline

## 85+ Year History of Acquisition & Transformation

**1927** - Founded as Michigan Seamless Tube Company

**1965** – First listed on the New York Stock Exchange

**1977** – Changed name to Quanex Corporation and moved headquarters to Houston, TX

**1989** – Acquired Nichols-Homeshield for \$106M (Aluminum Sheet Coil, Screens and Grilles)

**2000** – Acquired Imperial Products for \$15M (Door Thresholds)

**2002** – Acquired Colonial Craft for \$17M (Wood Mouldings)

**2003** – Acquired Truseal Technologies for \$113M (Butyl Spacer)

**2004** – Acquired Mikron for \$205M (Vinyl Profiles)

**2008** – Divested legacy vehicular products business and spun off building products assets as a new company named Quanex Building Products Corporation

**2011** – Acquired Edgetech for \$107M (EPDM/Silicone Spacers)

**2012** – Acquired Aluminite for \$22M (Screens)

**2014** – Divested Nichols Aluminum to Aleris for \$110M

**2015** – Acquired HL Plastics for \$149M (PVC Components in the U.K. and Ireland)

**2015** – Acquired Woodcraft Industries for \$248.5M (Kitchen/Bathroom Cabinet Doors and Components)



**Investor Contact:**

Scott Zuehlke – VP, Investor Relations & Treasurer  
1800 West Loop South, Suite 1500  
Houston, TX 77027  
(713) 877-5327  
[scott.zuehlke@quanex.com](mailto:scott.zuehlke@quanex.com)