



# INVESTOR PRESENTATION

---

JUNE 2023



# 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. These forward-looking statements involve significant risks and uncertainties that could cause the actual results or events to differ materially from this presentation. Many of these factors are outside Quanex’s control and are difficult to predict. 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 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. Return on Invested Capital (ROIC) is defined as Adjusted EBIT\*(1 – Tax Rate) / (Average Shareholders’ Equity + Average Net Debt). Adjusted EBIT is calculated as Adjusted EBITDA – D&A. Average Shareholders’ Equity and Average Net Debt is calculated as average of beginning and ending balances of the period. Quanex uses the ROIC metric to measure the Company’s effectiveness in allocating capital and assist with capital deployment decision-making. Quanex believes ROIC is useful to investors in analyzing the efficiency of the Company’s deployment of capital. Return on Equity (ROE) is defined as Adjusted Net Income / Average Shareholders’ Equity. Average Shareholders’ Equity is calculated as the average of beginning and ending balances of the period. The Company uses the ROE metric to evaluating how much profit Quanex generates on the shareholders’ equity in the Company. Quanex believes ROE is useful to investors in analyzing the profitability of companies in the same industry. 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.

# INVESTMENT APPEALS

A GROWING MANUFACTURING BUSINESS WITH CORE CAPABILITIES & BROAD APPLICATIONS

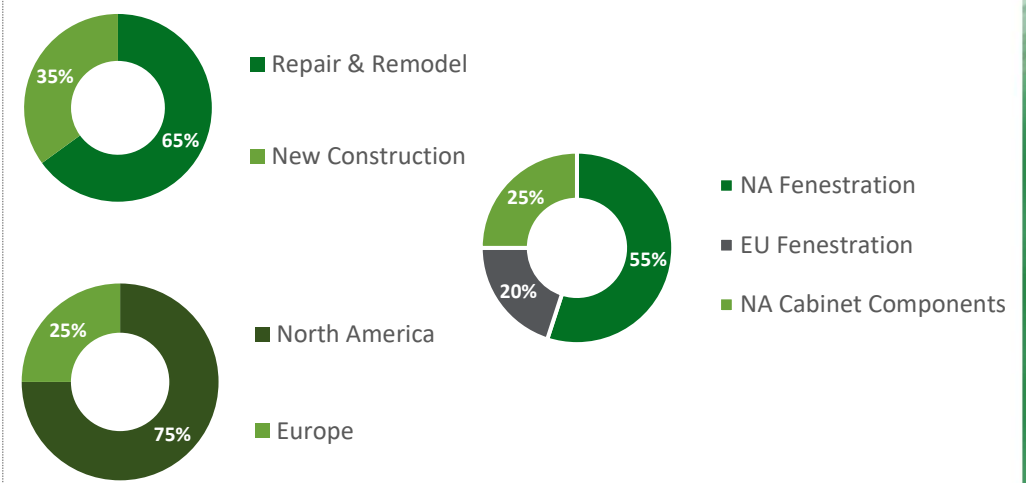
- 1 A Global market leader aligned with top OEMs across all product categories
- 2 Profitable above-market growth, strong free cash flow generation & significant ROIC improvement
- 3 Leveraging material science expertise and process engineering to expand into adjacent markets
- 4 Strong balance sheet with significant liquidity
- 5 Flexible business model with ability to respond to changing market dynamics
- 6 Capital allocation strategy focused on increasing total shareholder returns

# QUANEX AT A GLANCE

## COMPANY OVERVIEW

- **Largest domestic manufacturer and supplier of components to window and cabinet OEMs**
  - 85-year legacy of market leadership and consistent growth
- **Diversified business operating through three segments with a portfolio of strong brand names:**
  - NA Fenestration: *IG Spacers, Homeshield* (screens and accessories), **MIKRON** (vinyl extrusions) & custom mixing
  - EU Fenestration: **Linlar** (vinyl extrusions), **Edgetech** (IG spacers)
  - NA Cabinet Components
- **Extensive plant network and extruding capabilities contributing to leading positions across product lines**
  - Widely recognized parent brand associated with differentiated products, quality and customer service
  - Broadest portfolio of product systems in the industry, enhanced by customizable solutions
- **Core manufacturing capabilities with broad applications**
- **Headquartered in Houston, Texas**

## FY 2022 REVENUE BREAKDOWN



## KEY STATISTICS

LTM 2Q23 SALES: <b>\$1.16 B</b>	LTM 2Q23 NET INCOME: <b>\$74.0 M</b> <sup>(1)</sup> LTM 2Q23 ADJ. NET INCOME: <b>\$78.9 M</b>	LTM 2Q23 ADJ. EBITDA: <b>\$143.3 M</b> <i>~12.3% Margin</i>
2Q23 NET LEVERAGE: <b>0.6X</b> <sup>(2)</sup> <i>Total Liquidity of \$283.4M</i> <sup>(3)</sup>	NETWORK OF <b>30 PLANTS</b> <i>27 U.S. and 3 Intl</i>	EMPLOYEES: <b>~4,000</b> <i>~80% U.S. and ~20% Intl</i>

Note: EBITDA adjusted to exclude non-recurring items referenced in Safe Harbor Statement on slide 2. Please reference the Appendix for a reconciliation of Net Income to Adjusted EBITDA and a reconciliation of Net Leverage.  
 (1) Please reference the Appendix for a reconciliation of Net Income to Adjusted Net Income.  
 (2) Net Leverage Ratio defined as Net Debt/LTM Adjusted EBITDA. Total Debt includes \$53.1 million in real-estate lease liabilities considered “finance” leases under U.S. GAAP. Please reference the Appendix for a reconciliation of Net Debt and Net Leverage Ratio.  
 (3) Excludes outstanding letters of credit and deferred financing fees; includes cash on balance sheet and availability under current credit facilities.

# ROBUST PORTFOLIO OF CURRENT PRODUCT OFFERINGS

TOP SUPPLIER TO OEMS ACROSS A BROAD RANGE OF PRODUCT CATEGORIES

Window, Patio  
Door & Other Components

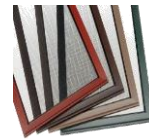


## 1 Insulating Glass Spacers



Enhance durability,  
condensation resistance  
and thermal  
performance

## 2 Window & Patio Screens



Largest selection of  
screen solutions and  
components

## 3 Door Components



Door Seals

Door Jambs

Thresholds

## 4 Window Components



Window Grills



Cladding



Bow and Bay Windows



Muntin Bars

## 5 Window & Patio Profiles



Full system solutions or  
custom designs for residential  
and commercial markets

Provide superior energy  
efficiency and durability

## 6 Other Components



Solar Sealant  
(PSET)

Custom Mixing

Flashing Tape

Vinyl Fencing

Cabinet  
Components



## 1 Cabinet Doors



## 2 Drawer Fronts



## 3 Face Frames & Components



# LEADING COMPONENT SUPPLIER TO OEMs

	IG SPACERS	U.K. VINYL EXTRUSIONS	CUSTOM MIXING	SCREENS AND ACCESSORIES	U.S. VINYL EXTRUSIONS	CABINET COMPONENTS
<b>Market Position</b>	<b>A global market leader</b>	<b>Top 5 manufacturer in U.K.</b>	<b>A market leader in the U.S.</b>	<b>A market leader in U.S.</b>	<b>Top 5 manufacturer in U.S.</b>	<b>A market leader in U.S.</b>
<b>Segment Overview</b>	Highly engineered products focused on improving window and patio door thermal and energy efficiency	Branded PVC profiles used in the assembly of windows, patio doors and conservatories, fencing, decking, piling and exterior building products	Technically advanced rubber compounding facility supporting niche and specialized products for the custom mixing market	Largest portfolio of screen solutions for windows and patio doors, as well as exterior and patio door thresholds and other precision products	Vinyl and composite profiles engineered for increased durability and superior energy performance	Single-source supplier of high-quality hardwood and engineered wood cabinet and drawer fronts and components for kitchen and bath OEMs
<b>Key Strengths</b>	<ul style="list-style-type: none"> <li>✓ Mission-critical, low-cost window component</li> <li>✓ Diverse customer base generating cross-selling opportunities</li> <li>✓ Significant economies of scale in North America</li> <li>✓ Differentiated energy-efficient solutions preferred by OEMs</li> <li>✓ Shifting consumer sustainability preferences multiplying TAM</li> <li>✓ Strong brand synonymous with quality and service</li> <li>✓ Lowest total cost platform</li> </ul>	<ul style="list-style-type: none"> <li>✓ Fastest-growing vinyl window profile extruder in U.K.</li> <li>✓ Most energy-efficient profile systems in U.K.</li> <li>✓ State-of-the-art manufacturing capabilities</li> <li>✓ Strong brand recognition through the “Liniar” line of products</li> </ul>	<ul style="list-style-type: none"> <li>✓ Diverse market and customer base</li> <li>✓ Strategic focus on innovation and new product development</li> <li>✓ Unique strength and expertise in sponge compounding</li> <li>✓ Highly automated and controlled manufacturing processes.</li> <li>✓ State-of-the-art mixing equipment and controls</li> <li>✓ Strong supplier and customer relationships</li> </ul>	<ul style="list-style-type: none"> <li>✓ Highly integrated in customer supply chain</li> <li>✓ Customizable manufacturing and best-in-class lead times</li> <li>✓ Strong relationships with largest OEMs across sectors</li> <li>✓ Increasingly outsourced product by window manufacturers</li> <li>✓ Automation opportunities to unlock significant margin expansion</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expertise in vinyl extrusion</li> <li>✓ Manufacturing footprint with capacity to grow</li> <li>✓ Opportunity for market consolidation and margin improvement</li> <li>✓ Ability to leverage existing asset base in new fenestration businesses</li> </ul>	<ul style="list-style-type: none"> <li>✓ Target goal of low double-digit “normalized” Adj. EBITDA margin profile</li> <li>✓ Close working relationship with top cabinet OEMs</li> <li>✓ Best-in-class service levels</li> <li>✓ Unrivaled breadth of product</li> <li>✓ Opportunity to expand into adjacent wood product categories</li> </ul>

Note: Please refer to the Safe Harbor Statement on slide 2 for further information regarding Adjusted EBITDA.

# DIFFERENTIATED MANUFACTURING FOOTPRINT

1

*Extensive coast to coast manufacturing capacity*

2

*Domestic footprint supports local customer base*

3

*Ideally positioned to handle international supply chain disruptions*

4

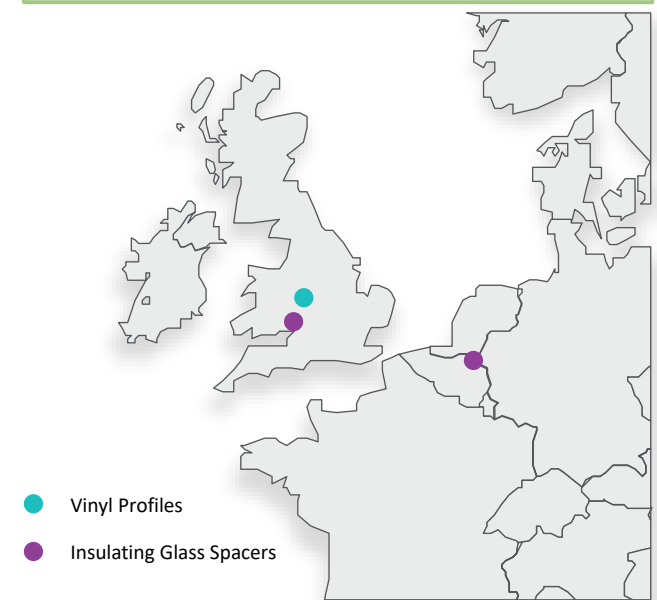
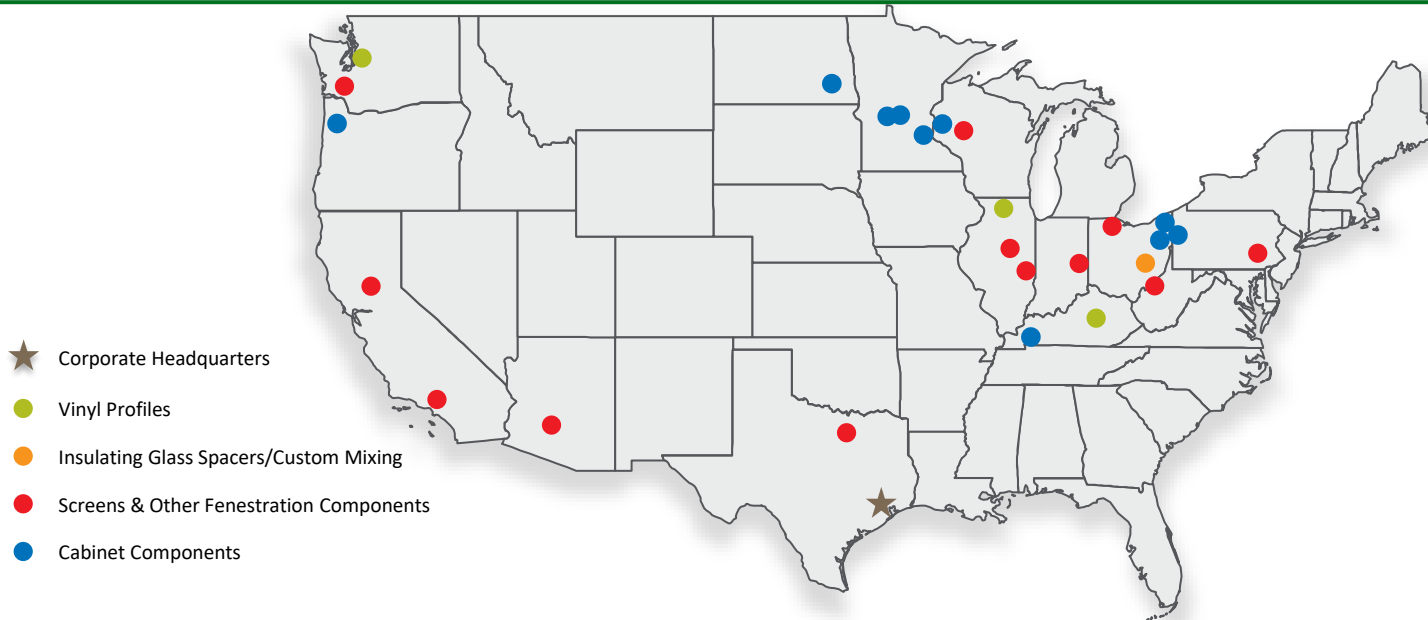
*Efficient design allowing for flexible manufacturing*

5

*Differentiated just-in-time, customized product runs*

## DOMESTIC FOOTPRINT

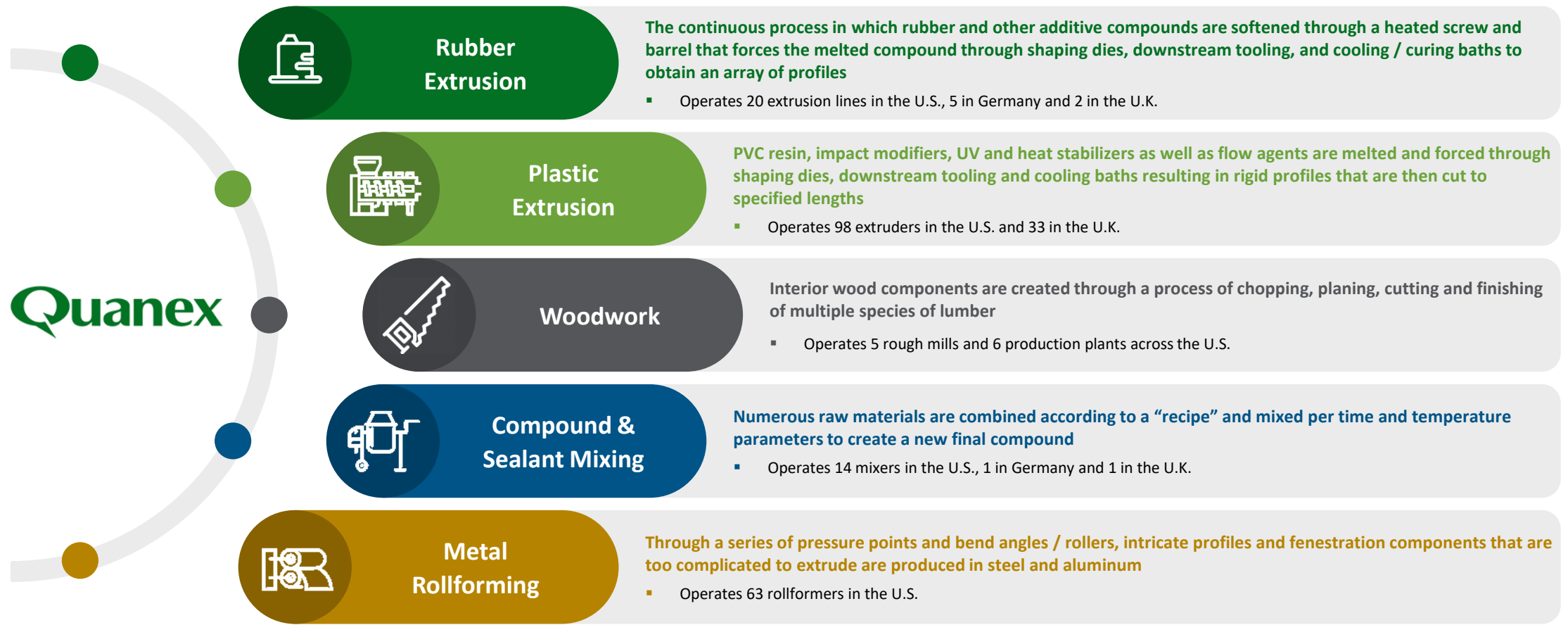
## INTERNATIONAL FOOTPRINT





# CORE MANUFACTURING CAPABILITIES WITH BROAD APPLICATIONS

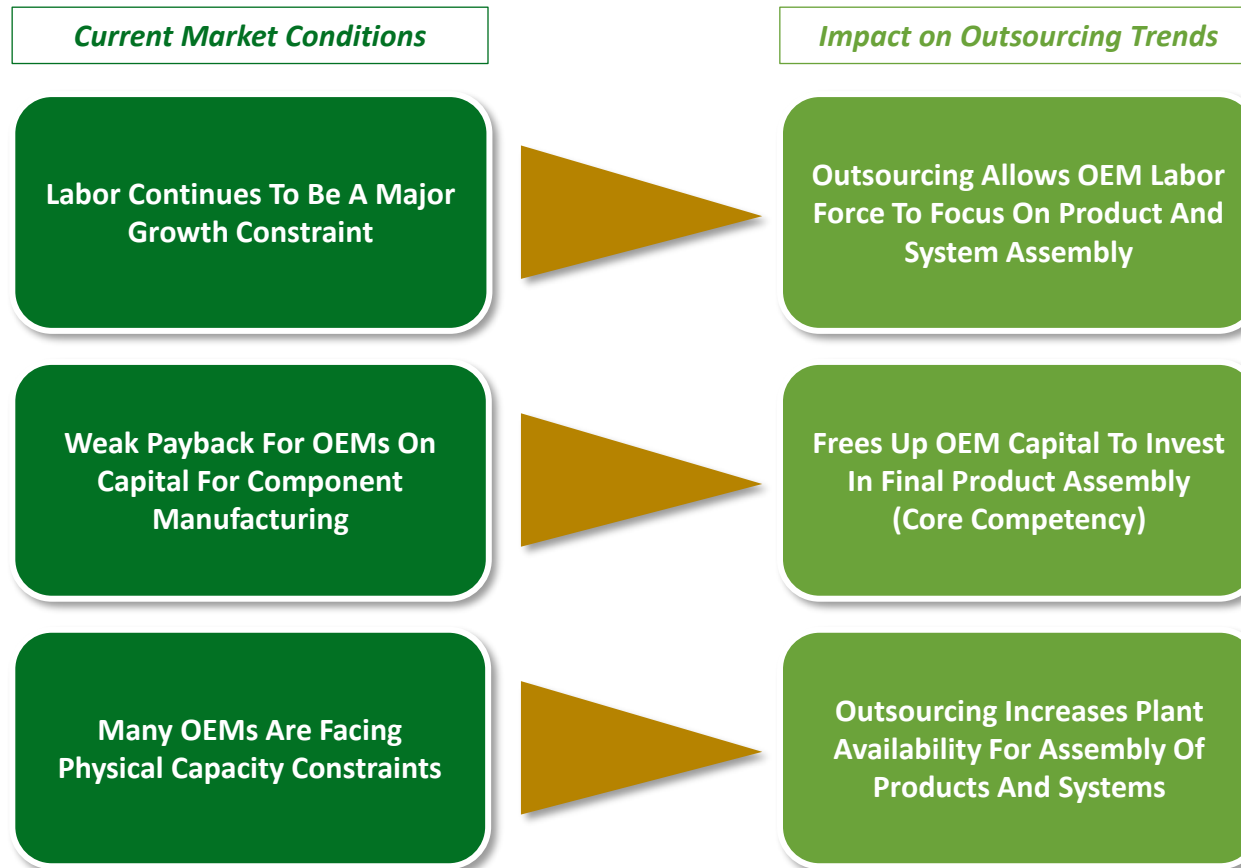
DIFFERENTIATED, GLOBAL MANUFACTURING FOOTPRINT – POSITIONED TO EXPAND OFFERINGS





# SHIFTING DEMAND TRENDS BENEFITING QUANEX

## ACCELERATING OUTSOURCING TRENDS



# ACCELERATING ESG TRENDS ALIGNED WITH QUANEX IDENTITY

## ESG WOVEN INTO **Quanex** CORPORATE CULTURE

Continuous focus on driving improvement across the organization to create value for all key constituents including:



CUSTOMERS



SHAREHOLDERS



COMMUNITIES



EMPLOYEES

Initiatives in process in each business segment already yielding substantial benefits:

- Committing to enhancing diversity, equity and inclusion throughout the business
- Eliminating waste in production, using recycled resin and reusing scrap
- Focusing on new product development to enhance energy and thermal efficiency of homes
  - Expanding portfolio of award winning or certified spacers, profiles and thresholds that offer improved performance and reduce carbon footprints of end users

Source: Freightos, Statista and NAHB.

# GROWTH WITH PURPOSE

# JOURNEY TO BECOMING:

## B

**Bold** acquisition strategy targeting existing and new lines of business



- Explore markets that are synergistic with existing manufacturing capabilities
- Expand product portfolio, and approach “complete solution provider” status
- Bolster human capital, purchasing power or manufacturing capabilities
- Capitalize on existing market opportunities

## I

**Innovative** product development driving consistent growth in core segments



- Split innovation and NPD from product management and technical support
- Identify future market drivers, determine priorities and resource allocation
- Create new-to-market, patentable products
- Develop collaborative partnerships

## G

**Growth-focused** strategy incorporating technology across the platform



- Adopt global and regional approach to product management
- Utilize current technology know-how
- Identify gaps in existing markets
- Leverage existing manufacturing capacity to enter adjacent markets

## G

**Globally-oriented** approach that leverages reach while supporting international divisions



- Expand global manufacturing footprint
- Risk mitigation to improve competitiveness
- Defined growth strategy for IG International in Europe and Asia
- Explore international acquisition potential
- Strategic research on specific emerging markets

## E

**Engaged** to maximize positive impact on all stakeholders



- Focus on reducing carbon footprint across business operations
- Create long-term value for shareholders through good governance
- Deliver best-in-class service to our customers
- Build an inclusive and supportive culture
- Remain committed to doing good in our community

## R

**Responsive** to ideas and opportunities identified across the organization



- Utilize technology to improve efficiency and automation
- Clarify and streamline processes to enable quick decision-making
- Improve speed to market by empowering teams to act on new opportunities
- Create an entrepreneurial environment that rewards innovation rather than a risk-averse mentality

# GROWTH WITH PURPOSE

## PATHWAY TO \$2 BILLION OF SALES

(\$ in millions)



## INVESTING IN THE CORE: REINFORCING SECTOR LEADERSHIP

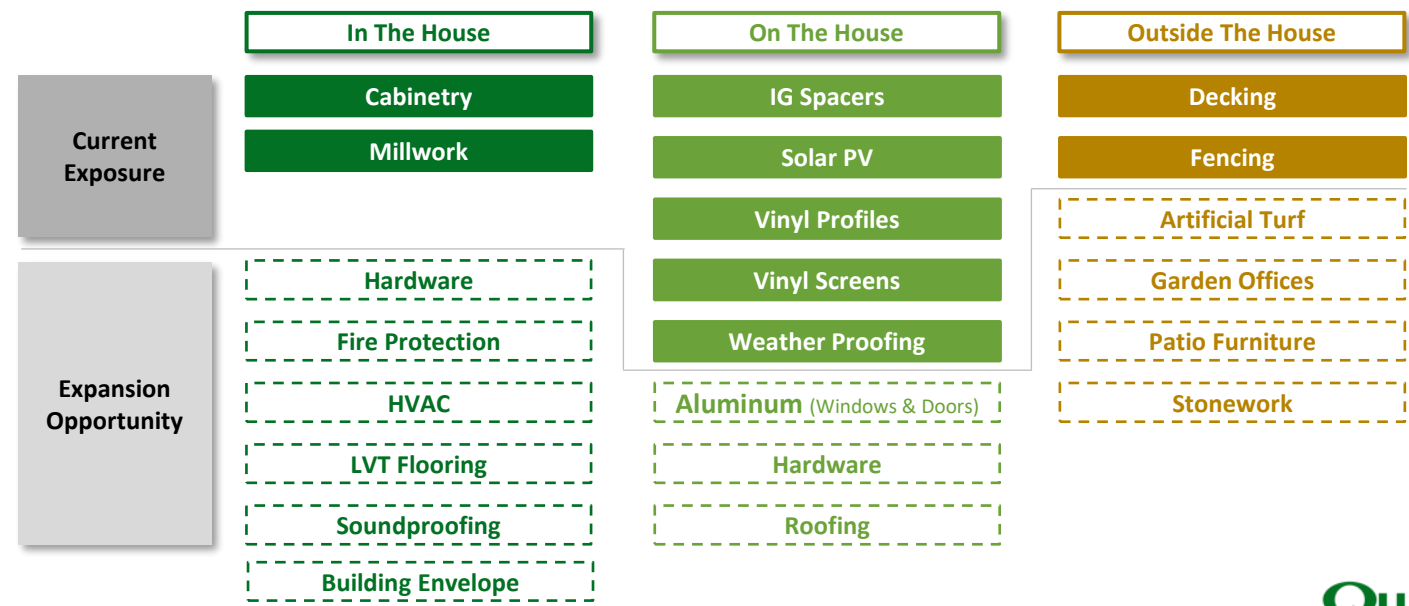
- ▲ Growth in existing markets and reinforcing leadership positions enabling improved relative positioning with material suppliers driving continued volume growth and share gains
  - Significant increase in scale will create a more effective platform for further inorganic growth in the future
- ▲ Ability to generate substantial cost synergies as well as incremental revenue opportunities delivering avenues for future growth, margin expansion and cash flow conversion gains
- ▲ Long-tenured leadership team has existing relationships and targeted dialogue with the most logical targets driven in part by prior engagement on potential transactions
  - Augmented by current Board relationships, including at the Chairman level, providing incremental levers for exploring potential transactions

## EXPANDING THE CORE: LEVERAGING CORE EXTRUSION COMPETENCIES

- ▲ Ability to leverage industry leading operational expertise in material extrusion to rapidly expand product portfolio into new building product segments across the entire home
- ▲ Robust universe of private equity owned assets that are or will become actionable in the near-term along with significant pool of family-owned targets
  - Active landscape monitoring strategy in place to maximize opportunities to pre-empt auction processes
- ▲ Significant amount of existing manufacturing capacity that is currently unutilized and can efficiently be transitioned to producing new products with minimal capital requirements
  - Opportunity to drive improved fixed cost leveraging across the organization and deliver incremental margin improvement

# STRATEGY FOR INORGANIC GROWTH IN TARGET MARKETS

- ✓ **Attractive Category With New Opportunities for Growth**
- ✓ **Broader Channel Diversification Beyond OEM**
- ✓ **Value Added Positioning with Secular Growth Drivers**
- ✓ **Established Track Record of Execution and Financial Performance**
- ✓ **Seasoned Operational and Management Team**





# LMI ACQUISITION CONSISTENT WITH QUANEX GROWTH STRATEGY

## Transaction Description

- Acquired substantially all the assets of LMI Custom Mixing, LLC (“LMI”) on 11/1/22
- LMI is a custom polymer mixing compounder that produces high-quality, customized rubber compounds used in a variety of diversified industrial applications

## Transaction Considerations

- \$92 million purchase price, or ~\$79 million, net of present value of \$13 million estimated tax benefit
- To be funded with cash-on-hand and borrowings on existing revolving credit facility
- Expect to realize synergies of ~\$500,000 in Year 1 – **synergy target already achieved!**
- FY 2023E LMI Projections: ~\$80 Million Revenue & ~15% EBITDA Margin

## Strong Strategic Fit

- Fits squarely within Quanex’s materials science and process engineering expertise
- Expands product portfolio into new, attractive category with significant growth opportunities
- Vertical integration and cost savings through supply of compounds to North American IG Systems business, which is located on the same site as LMI’s Cambridge, OH plant
- Familiar, complementary operations represent low execution and integration risk

## Industry Leading Compounder

- Strong reputation for cutting edge compound development using state-of-the-art machinery
- Highly customer centric company, offering a development support team to optimize compound design for highly technical applications
- Well-invested facility in Cambridge, OH with ability to expand capacity on site

## Expected Financial Impact

- Attractive effective purchase price multiple
- Immediately accretive to adjusted EPS
- Improves consolidated margin profile
- Pro forma balance sheet remains strong

# ATTRACTIVE AND HIGHLY COMPLEMENTARY BUSINESS

## Highly complementary business

- Fits squarely within Quanex’s material science and process engineering expertise
- Compounding is a core competency of Quanex
- Located on same site as North American IG Systems business = synergy opportunity

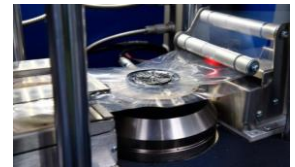
## Strategic entry into attractive new category with compelling growth opportunities

- Expands customer base beyond Original Equipment Manufacturers
- Diversified industrial end markets
- Stable, accretive margins
- Identified pipeline of profitable new business, with meaningful available capacity to support growth
- Fragmented industry with leading, independent, regional players - Quanex can be the preferred acquiror

## Low execution and integration risk

- Strong cultural fit with LMI management post-transaction commitment to the business
- Business and process Quanex understands (Quanex has in-house compounding expertise and a long-standing relationship with LMI)
- Conservative post-transaction capital structure

## Facility Overview



- **Location:** Cambridge, Ohio
- **Plant Size:** ~140k ft<sup>2</sup>
- **Capacity:** 60M lbs annually
- **Employees:** ~125 (non-union)
- **End Markets:** Automotive, Building & Construction, Wire & Cable, Industrial, Energy & Utilities, Solar, Food & Drug Administration (FDA) & National Sanitation Foundation (NSF), and ECO-Friendly



### Polymer Compounds



### Black & Custom Color Compounds



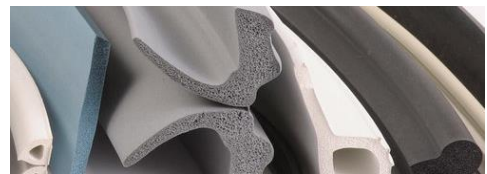
### Compounds for Extrusion



### Compounds for Molding



### Sponge Compounds



### Compound Design and Development

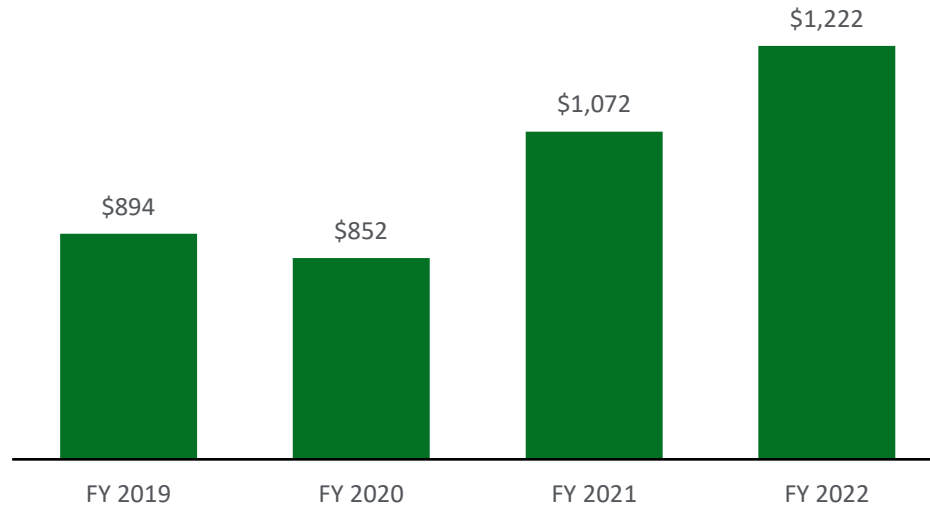


# FINANCIAL RESULTS

# STRONG FINANCIAL RESULTS WITH CLEAR OPERATING OBJECTIVES

## REVENUE

(\$ in millions)

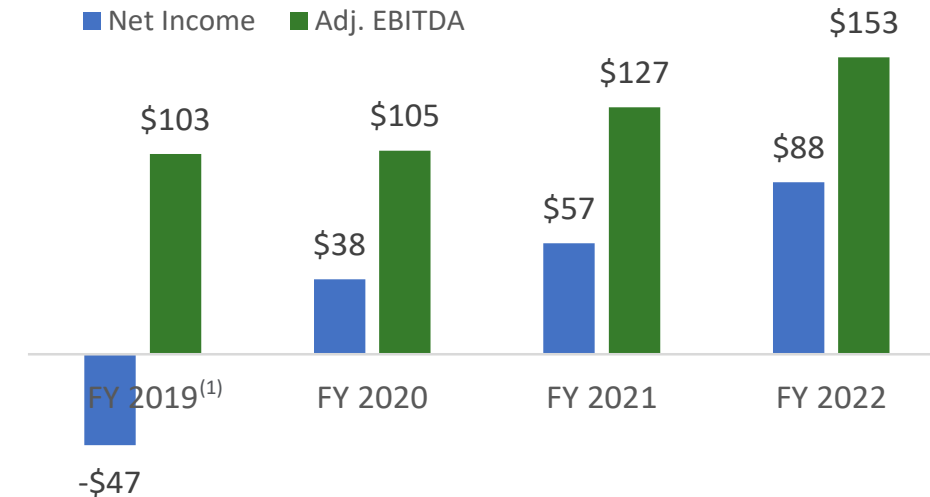


Fiscal Year	% YoY Growth
FY 2019	0.4%
FY 2020	(4.7%)
FY 2021	25.9%
FY 2022	13.9%

- Revenue growth largely attributable to volume increases in fenestration segments and higher prices related to the pass-through of raw material cost inflation

## NET INCOME & ADJ. EBITDA

(\$ in millions)



Fiscal Year	Adj. EBITDA Margin %
FY 2019	11.5%
FY 2020	12.3%
FY 2021	11.8%
FY 2022	12.5%

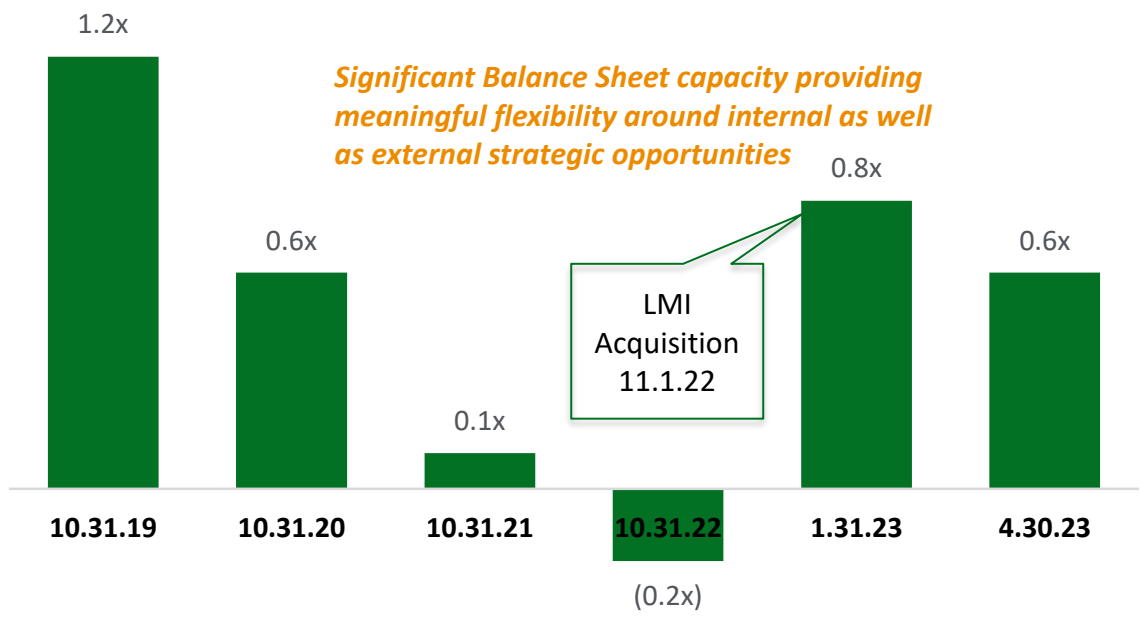
- Operational efficiency gains and improved operating leverage driven by volume growth
  - **NA Fenestration:** Capitalizing on screen outsourcing trends
  - **EU Fenestration:** Taking market share in UK Vinyl
  - **NA Cabinet Components:** Developing path for engineered wood products

Note: EBITDA adjusted to exclude non-recurring items referenced in Safe Harbor Statement on slide 2. Please reference the Appendix for a reconciliation of Net Income to Adjusted EBITDA.  
Source: Company filings.

(1) Net income for FY 2019 includes \$74.6 million asset impairment charge.

# FAVORABLE LEVERAGE PROFILE AND FREE CASH FLOW GENERATION

## NET LEVERAGE (1)

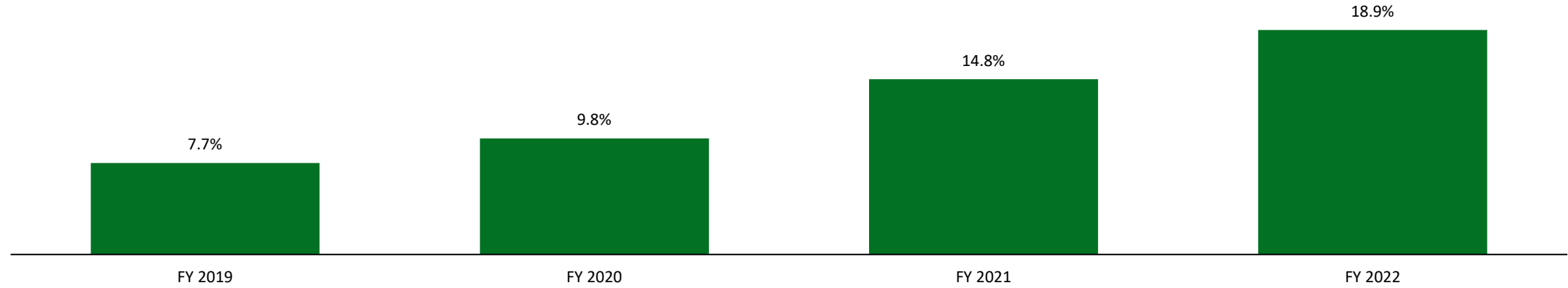


- **Cumulative Free Cash Flow of ~\$413M since FY 2017**
  - ✓ Free Cash Flow weighted to second half of each fiscal year
- **Free Cash Flow Priorities:**
  - ✓ Explore capital allocation options through debt paydown, stock repurchases, M&A and dividend increases
  - ✓ Manage rising costs
  - ✓ Continue to focus on maintaining a strong balance sheet profile and ensure strategic flexibility

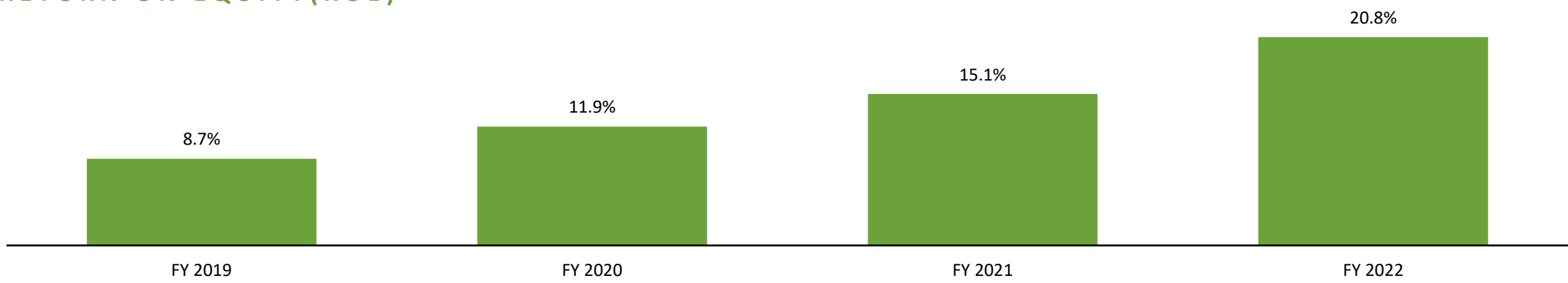
Source: Company filings.  
 Note: Please refer to the Safe Harbor Statement on slide 2 for further information regarding Net Leverage and Free Cash Flow and reference the Appendix for a reconciliation of Net Debt and Net Leverage Ratio.  
 (1) Net Leverage Ratio defined as Net Debt/LTM Adjusted EBITDA. Total Debt Includes \$53.1 million in real-estate lease liabilities considered "finance" leases under U.S. GAAP.

# STRONG EXECUTION DRIVING SUBSTANTIAL IMPROVEMENT IN RETURNS

## RETURN ON INVESTED CAPITAL (ROIC) <sup>(1)</sup>



## RETURN ON EQUITY (ROE) <sup>(2)</sup>



Source: Company filings and public guidance.

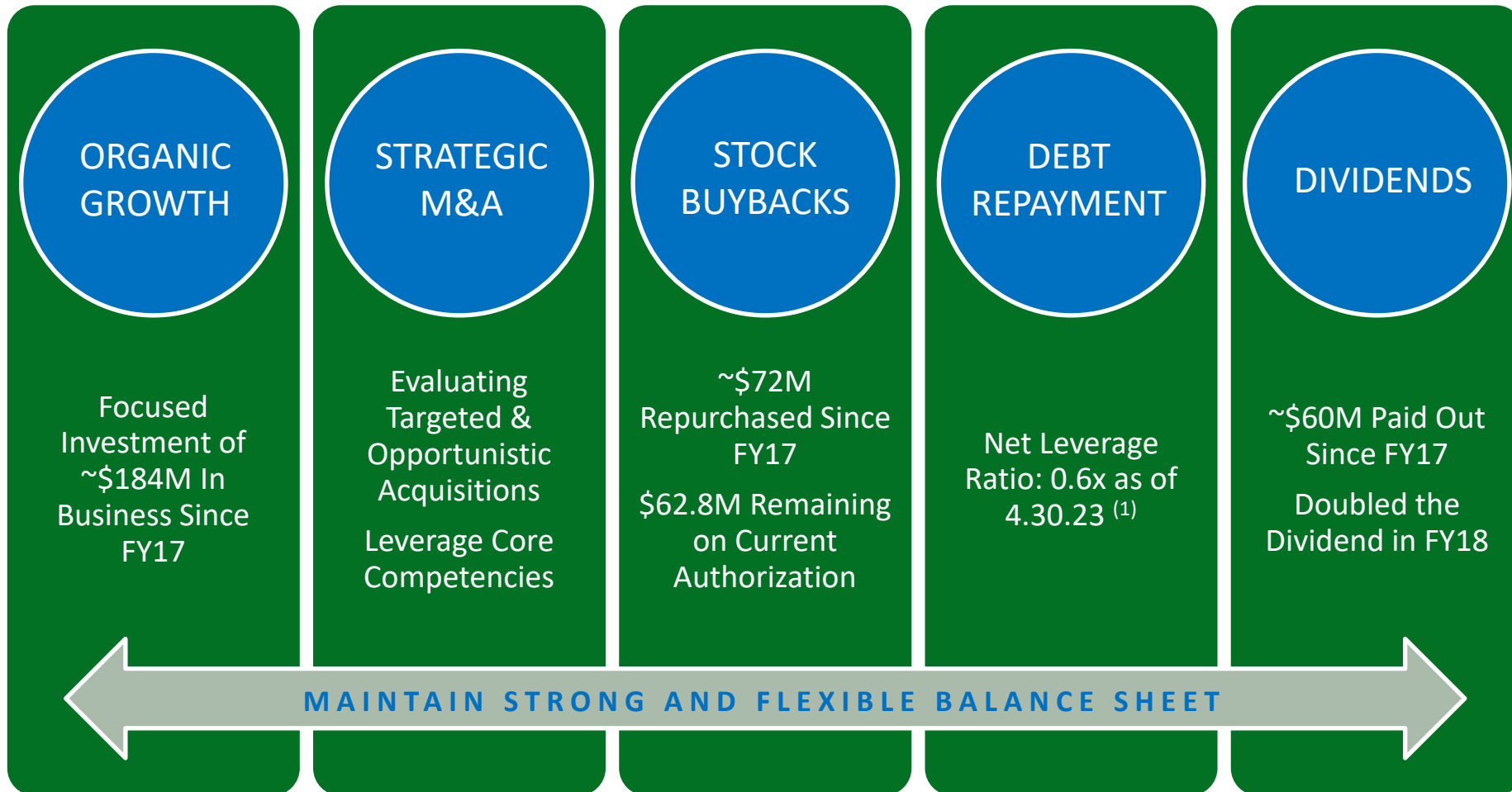
Note: Please reference the Appendix for a reconciliation of Return on Invested Capital and Return on Equity.

(1) Return on Invested Capital is calculated as  $\text{Adj. EBIT} \times (1 - \text{Tax Rate}) / (\text{Average Shareholders' Equity} + \text{Average Net Debt})$ . Adj. EBIT calculated as  $\text{Adj. EBITDA} - \text{D\&A}$ . Average Shareholders' Equity and Average Net Debt calculated as average of beginning and ending balances of the period. Tax Rate assumed to be 25%, based on public guidance.

(2) Return on Equity is calculated as  $\text{Adj. Net Income} / \text{Average Shareholders' Equity}$ . Average Shareholders' Equity is calculated as average of beginning and ending balances of the period. Tax Rate assumed to be 25%, based on public guidance.

# CAPITAL ALLOCATION PRIORITIES

FOCUSED ON INCREASING TOTAL SHAREHOLDER RETURN



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



## FY23 GUIDANCE

~\$1.12 – \$1.16B

*Net Sales*

- Y/Y sales decline primarily driven by lower volume
  - reversion to normal seasonality combined with customer inventory rebalancing early in year
  - consumer confidence impacted by rising interest rates and inflation
- Demand softness expected throughout 1H
- Cautiously optimistic for volume uptick in 2H

~\$130 – \$142M

*Adjusted EBITDA*

- Margin expansion expected in 2H as consumer confidence improves and volumes recover
- Proactively working to adjust costs to protect margin

~\$60-65M

*Free Cash Flow*

- Free Cash Flow has historically been second-half weighted to match seasonality
- Free cash flow to be used on repayment of debt, along with opportunistic share repurchases

Note: Please see Non-GAAP Terminology and Definitions Disclaimers referenced in Safe Harbor Statement on slide 2. A reconciliation of the Adjusted EBITDA and Free Cash Flow forward-looking non-GAAP financial measures on this slide to the most directly comparable GAAP financial measures is not provided in this presentation because Quanex is unable to provide such reconciliation without unreasonable effort.

Source: Public guidance.

# INVESTMENT APPEALS

A GROWING MANUFACTURING BUSINESS WITH CORE CAPABILITIES & BROAD APPLICATIONS

- 1 A Global market leader aligned with top OEMs across all product categories
- 2 Profitable above-market growth, strong free cash flow generation & significant ROIC improvement
- 3 Leveraging material science expertise and process engineering to expand into adjacent markets
- 4 Strong balance sheet with significant liquidity
- 5 Flexible business model with ability to respond to changing market dynamics
- 6 Capital allocation strategy focused on increasing total shareholder returns

# APPENDIX

# GAAP/NON-GAAP RECONCILIATION (UNAUDITED)

## FY22, FY21, FY20 & FY19 ADJUSTED NET INCOME & ADJUSTED EBITDA

Reconciliation of Adjusted Net Income and Adjusted EPS	Twelve Months Ended October 31, 2022		Twelve Months Ended October 31, 2021		Twelve Months Ended October 31, 2020		Twelve Months Ended October 31, 2019	
	Net Income		Net Income		Net Income		Net (Loss) Income	
Net income as reported	\$	88,336	\$	56,980	\$	38,496	\$	(46,730)
Net Income reconciling items from below		581		1,609		2,218		78,155
Adjusted net income	\$	88,917	\$	58,589	\$	40,714	\$	31,425
Reconciliation of Adjusted EBITDA	Twelve Months Ended October 31, 2022		Twelve Months Ended October 31, 2021		Twelve Months Ended October 31, 2020		Twelve Months Ended October 31, 2019	
	Reconciliation		Reconciliation		Reconciliation		Reconciliation	
Net income as reported	\$	88,336	\$	56,980	\$	38,496	\$	(46,730)
Income tax expense		21,427		23,114		11,804		10,776
Other, net		(1,041)		(754)		(280)		(116)
Interest expense		2,559		2,530		5,245		9,643
Depreciation and amortization		40,109		42,732		47,229		49,586
EBITDA		151,390		124,602		102,494		23,159
EBITDA reconciling items from below		1,114		2,160		2,020		79,504
Adjusted EBITDA	\$	152,504	\$	126,762	\$	104,514	\$	102,663
Reconciling Items	Twelve Months Ended October 31, 2022		Twelve Months Ended October 31, 2021		Twelve Months Ended October 31, 2020		Twelve Months Ended October 31, 2019	
	Income Statement	Reconciling Items	Income Statement	Reconciling Items	Income Statement	Reconciling Items	Income Statement	Reconciling Items
Net sales	\$	1,221,502	\$	1,072,149	\$	851,573	\$	893,841
Cost of sales		953,004		831,541		658,750		694,420
Selling, general and administrative		117,108		115,967		89,707		101,292
Restructuring charges		-		39		622		370
Asset impairment charges		-		-		-		74,600
EBITDA		151,390		124,602		102,494		23,159
Depreciation and amortization		40,109		42,732		47,229		49,586
Operating income		111,281		81,870		55,265		26,427
Interest expense		(2,559)		(2,530)		(5,245)		(9,643)
Other, net		1,041		754		280		116
Income before income taxes		109,763		80,094		50,300		(35,954)
Income tax expense		(21,427)		(23,114)		(11,804)		(10,776)
Net income	\$	88,336	\$	56,980	\$	38,496	\$	(46,730)
				1,609		2,218		78,155

(1) Loss on damage to a plant caused by flooding of \$0.3 million for the twelve months ended October 31, 2021.

(2) Transaction and advisory fees; Loss on a sale of a plant of \$1.8 million in the twelve months ended October 31, 2021; Executive severance charges of \$1.3 million in the twelve months ended October 31, 2020. Loss of a sale of a plant of \$0.8 million in the twelve months ended 2019 and \$2.3 million of severance charges related to a reorganization and executive severance in the twelve months ended 2019.

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

(4) Asset impairment charges relate to goodwill impairment in the North American Cabinet Components segment.

(5) Accelerated depreciation related to the closure of a North American Cabinet Components plant.

(6) Foreign currency transaction (gains) losses.

(7) Tax impact of net income reconciling items.

# GAAP/NON-GAAP RECONCILIATION (UNAUDITED)

## LTM ADJUSTED NET INCOME & ADJUSTED EBITDA

Reconciliation of Adjusted Net Income and Adjusted EPS	Three Months Ended April 30, 2023		Three Months Ended April 30, 2022		Six Months Ended April 30, 2023		Six Months Ended April 30, 2022	
	Net	Diluted	Net	Diluted	Net	Diluted	Net	Diluted
Net income as reported	\$ 21,512	\$ 0.65	\$ 26,522	\$ 0.80	\$ 23,421	\$ 0.71	\$ 37,761	\$ 1.13
Net income reconciling items from below	195	\$ 0.01	1	\$ -	4,349	\$ 0.13	34	\$ 0.01
Adjusted net income and adjusted EPS	<u>\$ 21,707</u>	<u>\$ 0.66</u>	<u>\$ 26,523</u>	<u>\$ 0.80</u>	<u>\$ 27,770</u>	<u>\$ 0.84</u>	<u>\$ 37,795</u>	<u>\$ 1.14</u>
<b>Reconciliation of Adjusted EBITDA</b>								
	Three Months Ended		Three Months Ended		Six Months Ended		Six Months Ended	
	Reconciliation		Reconciliation		Reconciliation		Reconciliation	
Net income as reported	\$ 21,512		\$ 26,522		\$ 23,421		\$ 37,761	
Income tax expense	5,551		7,879		6,004		10,297	
Other, net	29		(453)		(189)		(507)	
Interest expense	2,244		602		4,503		1,125	
Depreciation and amortization	10,456		10,563		21,076		20,820	
EBITDA	39,792		45,113		54,815		69,496	
EBITDA reconciling items from below	111		131		5,559		131	
Adjusted EBITDA	<u>\$ 39,903</u>		<u>\$ 45,244</u>		<u>\$ 60,374</u>		<u>\$ 69,627</u>	
<b>Reconciling Items</b>								
	Three Months Ended		Three Months Ended		Six Months Ended		Six Months Ended	
	April 30, 2023		April 30, 2022		April 30, 2023		April 30, 2022	
	Income	Reconciling	Income	Reconciling	Income	Reconciling	Income	Reconciling
Net sales	\$ 273,535	\$ -	\$ 322,893	\$ -	\$ 535,451	\$ -	\$ 589,933	\$ -
Cost of sales	206,372	(48) <sup>(1)</sup>	249,651	-	416,521	(48) <sup>(1)</sup>	461,485	-
EBITDA	39,792	111	45,113	131	54,815	5,559	69,496	131
Depreciation and amortization	10,456	-	10,563	-	21,076	-	20,820	-
Operating income	29,336	111	34,550	131	33,739	5,559	48,676	131
Interest expense	(2,244)	-	(602)	-	(4,503)	-	(1,125)	-
Other, net	(29)	132 <sup>(3)</sup>	453	(123) <sup>(3)</sup>	189	90 <sup>(3)</sup>	507	(82) <sup>(3)</sup>
Income before income taxes	27,063	243	34,401	8	29,425	5,649	48,058	49
Income tax expense	(5,551)	(48) <sup>(4)</sup>	(7,879)	(7) <sup>(4)</sup>	(6,004)	(1,300) <sup>(4)</sup>	(10,297)	(15) <sup>(4)</sup>
Net income	<u>\$ 21,512</u>	<u>\$ 195</u>	<u>\$ 26,522</u>	<u>\$ 1</u>	<u>\$ 23,421</u>	<u>\$ 4,349</u>	<u>\$ 37,761</u>	<u>\$ 34</u>
Diluted earnings per share	\$ 0.65		\$ 0.80		\$ 0.71		\$ 1.13	

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

(2) Transaction and advisory fees.

(3) Foreign currency transaction losses (gains).

(4) Tax impact of net income reconciling items.

# GAAP/NON-GAAP RECONCILIATION (UNAUDITED)

## FREE CASH FLOW

(\$ 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)
<b>Free Cash Flow</b>	<b>(\$5,060)</b>	<b>\$4,239</b>	<b>\$20,188</b>	<b>\$25,847</b>	<b>\$45,214</b>

(\$ 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)
<b>Free Cash Flow</b>	<b>\$381</b>	<b>\$6,021</b>	<b>\$20,953</b>	<b>\$50,772</b>	<b>\$78,127</b>

(\$ in thousands)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	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)
<b>Free Cash Flow</b>	<b>(\$26,514)</b>	<b>\$13,635</b>	<b>\$25,931</b>	<b>\$58,437</b>	<b>\$71,489</b>

(\$ in thousands)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	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)
<b>Free Cash Flow</b>	<b>(\$12,969)</b>	<b>(\$872)</b>	<b>\$40,729</b>	<b>\$48,182</b>	<b>\$75,070</b>

(\$ in thousands)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	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)
<b>Free Cash Flow</b>	<b>(\$8,641)</b>	<b>\$27,802</b>	<b>\$12,268</b>	<b>\$23,151</b>	<b>\$54,580</b>

(\$ in thousands)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Fiscal 2022
Cash (used for) provided by operating activities	(\$21,651)	\$19,770	\$51,735	\$48,111	\$97,965
Capital expenditures	(\$7,370)	(\$6,415)	(\$5,703)	(\$13,633)	(\$33,121)
<b>Free Cash Flow</b>	<b>(\$29,021)</b>	<b>\$13,355</b>	<b>\$46,032</b>	<b>\$34,478</b>	<b>\$64,844</b>

## 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.

<i>(\$ in thousands)</i>	<b>10.31.19</b>	<b>10.31.20</b>	<b>10.31.21</b>	<b>10.31.22</b>	<b>1.31.23</b>	<b>4.30.23</b>
Revolving credit facility	\$142,500	\$103,000	\$38,000	\$13,000	\$100,000	\$80,000
Finance lease obligations	15,865	15,321	15,537	19,202	55,122	55,626
Total debt <sup>(1)</sup>	158,365	118,321	53,537	32,202	155,122	135,626
Less: Cash and cash equivalents	30,868	51,621	40,061	55,093	43,055	43,496
<b>Net Debt</b>	<b>\$127,497</b>	<b>\$66,700</b>	<b>\$13,476</b>	<b>(\$22,891)</b>	<b>\$112,067</b>	<b>\$92,130</b>

(1) Excludes outstanding letters of credit.



# GAAP/NON-GAAP RECONCILIATION (UNAUDITED)

## NET LEVERAGE

Capitalization (\$ in thousands)	FY19	10.31.19	FY20	10.31.20	FY21	10.31.21	FY22	10.31.22	Q1	1.31.23	Q2	4.30.23
Cash & Cash Equivalents		\$30,868		\$51,621		\$40,061		\$55,093		\$43,055		\$43,496
Senior Secured Revolving Credit Facility due 2023 <sup>(1)</sup>		142,500		103,000		38,000		13,000		100,000		80,000
Finance/Capital Leases and Other		15,865		15,321		15,537		19,202		55,122		55,262
<b>Total Debt</b>		<b>\$158,365</b>		<b>\$118,321</b>		<b>\$53,537</b>		<b>\$32,202</b>		<b>\$155,122</b>		<b>\$135,262</b>
<i>Net Debt</i>		<i>\$127,497</i>		<i>\$66,700</i>		<i>\$13,476</i>		<i>(\$22,891)</i>		<i>\$112,067</i>		<i>\$91,766</i>
Stockholders' Equity		330,187		355,759		419,782		464,835		475,688		492,727
<b>Total Capitalization</b>		<b>\$488,552</b>		<b>\$474,488</b>		<b>\$473,321</b>		<b>\$497,037</b>		<b>\$630,810</b>		<b>\$627,989</b>
Borrowing Base <sup>(1)</sup>		325,000		325,000		325,000		325,000		325,000		325,000
Less: Borrowings Against Revolving Credit Facility		142,500		103,000		38,000		13,000		100,000		80,000
Plus: Cash		30,868		51,621		40,061		55,093		43,055		43,496
<b>Total Liquidity</b>		<b>\$213,368</b>		<b>\$273,621</b>		<b>\$327,061</b>		<b>\$367,093</b>		<b>\$268,055</b>		<b>\$288,496</b>
<b>Net Debt/LTM Adj. EBITDA <sup>(2)</sup></b>		<b>1.2x</b>		<b>0.6x</b>		<b>0.1x</b>		<b>(0.2)x</b>		<b>0.8x</b>		<b>0.6x</b>

(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.

# GAAP/NON-GAAP RECONCILIATION (UNAUDITED)

## ROIC & ROE

Public Tax Rate Guidance:

25.0%

	FY18	FY 2019	FY 2020	FY 2021	FY 2022
Adj. Net Income		\$31.4	\$40.7	\$58.6	\$88.9
Adj. EBITDA	\$89.9	\$102.7	\$104.5	\$126.8	\$152.5
D&A	\$51.8	\$49.6	\$47.2	\$42.7	\$40.1
Adj. EBIT	\$38.1	\$53.1	\$57.3	\$84.0	\$112.4
Debt	\$210.6	\$157.2	\$117.4	\$52.9	\$30.3
Cash	\$29.0	\$30.9	\$51.6	\$40.1	\$55.1
Shareholders' Equity	\$395.2	\$330.2	\$355.8	\$419.8	\$464.8
<b>Invested Capital</b>	<b>\$576.8</b>	<b>\$456.5</b>	<b>\$421.6</b>	<b>\$432.7</b>	<b>\$440.1</b>
<b>Avg. Invested Capital</b>		<b>\$516.6</b>	<b>\$439.0</b>	<b>\$427.1</b>	<b>\$445.8</b>
<b>Avg. Shareholders' Equity</b>		<b>\$362.7</b>	<b>\$343.0</b>	<b>\$387.8</b>	<b>\$427.8</b>
<b>ROIC <sup>(1)</sup></b>		<b>7.7%</b>	<b>9.8%</b>	<b>14.8%</b>	<b>18.9%</b>
<b>ROE <sup>(2)</sup></b>		<b>8.7%</b>	<b>11.9%</b>	<b>15.1%</b>	<b>20.8%</b>

Source: Company filings and public guidance.

(1) Return on Invested Capital is calculated as Adj. EBIT\*(1 – Tax Rate) / (Average Shareholders' Equity + Average Net Debt). Adj. EBIT calculated as Adj. EBITDA – D&A. Average Shareholders' Equity and Average Net Debt calculated as average of beginning and ending balances of the period. Tax Rate assumed to be 25%, based on public guidance.

(2) Return on Equity is calculated as Adj. Net Income / Average Shareholders' Equity. Average Shareholders' Equity is calculated as average of beginning and ending balances of the period. Tax Rate assumed to be 25%, based on public guidance.

# EXECUTIVE COMPENSATION

## ALIGNED WITH SHAREHOLDERS

### Performance-based compensation philosophy at target

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

### 2023 Annual Incentive Award

- 40% weighting on Revenue growth
- 25% weighting on Adjusted EBITDA growth
- 25% weighting on Adjusted EBITDA margin growth
- 10% weighting on working capital as a percentage of revenue (quarterly average)

### 2023 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 >92%+ since implementing Say-on-Pay

# INVESTOR CONTACT

Scott Zuehlke  
SVP, Chief Financial Officer & Treasurer  
1800 West Loop South, Suite 1500  
Houston, TX 77027  
(713) 877-5327  
scott.zuehlke@quanex.com