



QUANEX ACQUIRES LMI CUSTOM MIXING, LLC ASSETS



NOVEMBER 1, 2022

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, 2021, 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 EPS is a non-GAAP financial measures that Quanex believes provide a consistent basis for comparison between periods and more accurately reflects operational performance, as it is 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) is a non-GAAP financial measures that the Company uses to measure operational performance and assist with financial decision-making. A reconciliation of LMI’s projected EBITDA margin (which is defined as LMI’s projected EBITDA divided by LMI’s projected revenue, stated as a percentage) to a corresponding GAAP measure is not included in the release because it is not available without unreasonable effort, since various items required for the reconciliation are outside of Quanex’s control or cannot be predicted (including by virtue of Quanex having not owned LMI until the date of the release). Quanex believes that these non-GAAP measures provide a consistent basis for comparison between periods and will assist investors in understanding the Company’s financial performance when comparing results to other investment opportunities. These 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.

LMI ACQUISITION CONSISTENT WITH QUANEX GROWTH STRATEGY

Transaction Description

- Quanex is acquiring substantially all the assets of LMI Custom Mixing, LLC (“LMI”)
- 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 Quanex’s existing revolving credit facility
- Quanex expects to realize synergies of ~\$500,000 in Year 1
- 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

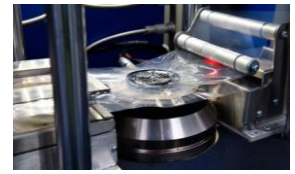
Strategic entry into attractive new category with compelling growth opportunities

- 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 ft²
- **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



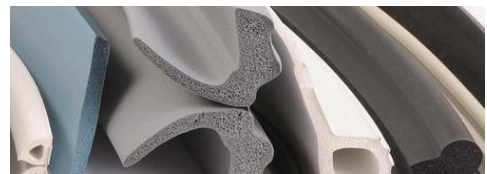
Compounds for Extrusion



Compounds for Molding



Sponge Compounds



Compound Design and Development



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